

# HOUSTON-GALVESTON AREA COUNCIL

Houston, Texas

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**  
of the  
**HOUSTON-GALVESTON AREA COUNCIL**  
Houston, Texas

For the year ended  
December 31, 2012

Nancy Haussler, CPA  
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Member of the Government Finance Officers Association  
of the United States and Canada

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**HOUSTON-GALVESTON AREA COUNCIL  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended December 31, 2012**

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# INTRODUCTORY SECTION







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**Houston-Galveston Area Council**

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June 6, 2013

The Honorable Judge Ed Emmett and Members  
of the Board of Directors  
Houston-Galveston Area Council  
Houston, TX

Dear Judge Emmett and Members of the Board of Directors:

The Comprehensive Annual Financial Report (CAFR) of the Houston-Galveston Area Council, (the "Council" or "H-GAC") for the fiscal year ended December 31, 2012 is hereby submitted. This report was prepared by the Department of Finance, which accepts responsibility for the accuracy, completeness, and fairness of the data presented. We believe the data, as presented, is accurate in all material respects, that it properly reflects the financial position and the results of operation of the Council, and that all disclosures have been made to enable the reader to acquire the maximum understanding of financial affairs concerning the Council. These financial statements are presented annually in compliance with the Office of Management and Budget's Circular A-133, the Single Audit Act of 1984, as amended and Article X, Section 2, of the Council's Bylaws.

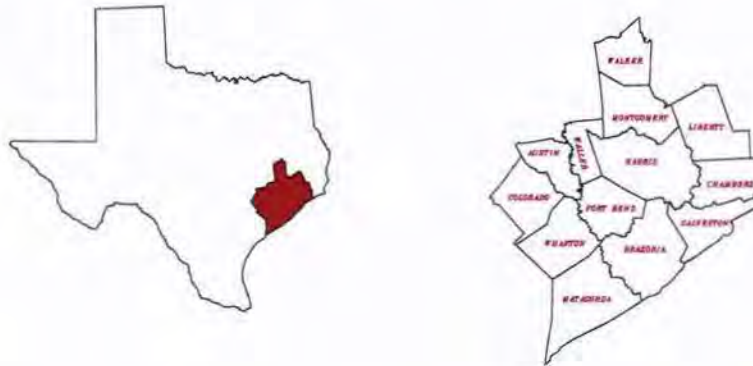
Patillo, Brown, & Hill, LLP, Certified Public Accountants, have issued an unqualified opinion, sometimes referred to as a "clean" opinion on the H-GAC financial statements included herein. This report is located on page 13 at the front of the financial section of the report.

The Council has prepared Management's discussion and analysis (MD&A) which immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This MD&A is intended to complement this letter of transmittal and should be read in conjunction with it.

***Profile of the Houston-Galveston Area Council***

On September 9, 1966, a regional planning commission known as the Houston-Galveston Area Council was created under authority of State Law now recodified as Local Government Code, Chapter 391. The Council is a voluntary membership organization of local governments in a thirteen county region of Southeast Texas. The organization is one of 24 regional councils in Texas. Local governments created H-GAC to develop a systematic method of evaluating and addressing common concerns that affect several governmental jurisdictions. Cooperative efforts to resolve regional issues such as employment, water and air pollution, crime, traffic and mobility, drainage and flooding, care of the elderly, and waste disposal have received collective action through H-GAC. The Council continues to be dedicated to improving the quality of life of the citizens of the region through cooperative efforts to enhance the physical, social, and economic environment.

H-GAC is governed by a General Assembly of 132 delegates from member local governments. A Board of Directors composed of 35 locally elected officials, members representing county governments, cities, school districts and soil and water conservation districts provides more specific guidance and policy-making through its regular monthly meetings. During 2012, H-GAC's membership was comprised of the 13 county governments, 105 cities, and 14 school districts, including all major general-purpose local governments in the region. According to 2010 estimates from the U.S. Bureau of Census, these member governments represented approximately 6.1 million citizens and covered an area of 12,500 square miles. Below is a graphic representation of the H-GAC region and its location in the state of Texas.



### ***Economic Condition and Outlook***

According to the most recent U.S. Census completed in 2010, the 13-county region increased in population by over 1.2 million people. This increase is primarily due to the relatively low housing costs and the work opportunities afforded to Texas citizens and particularly to citizens in the H-GAC region

Nationally, the country is slowly working itself out of one of the deepest recessions in history. Fortunately, Texas weathered these economic times better than most states. According to the State Comptroller, Susan Combs, Texas added jobs in all of the 11 major industries during 2012, including professional and business services, trade, transportation and utilities, leisure and hospitality, construction, education and health services, government, mining and logging, financial activities, other services, manufacturing, and information. In calendar 2012, Texas real gross domestic product grew by 3.2 percent, compared with 2.2 percent for the U.S.

While all of this job growth might lead one to believe that Texas has fully recovered from the economic recession, it should be noted that the U.S. Census Bureau reports that Texas added 421,000 people from July 2010 to July 2011. This is more than any other state and 19 percent of the total U.S. population increase in that period. As more people move into the state because of its great opportunities, demands for governmental services increase. The governmental sector reduced their employee base by 56,000 jobs from 2008 to 2011. The state will struggle for balance between growth and fiscal restraints for several years.

Texas is a wide and diverse state with over 268,000 square miles. During 2011, the state experienced one of the worst draughts in modern times. The Texas AgriLife Extension Service put Texas losses for the year at \$5.2 billion. According to the State Comptroller, planning for and

managing our water use is perhaps the most important issue facing Texas policy makers in the 21<sup>st</sup> century. While there was some relief to the watersheds during 2012, much of the western part of the state is experiencing unprecedented drought conditions that threaten much of the state economy. The state of Texas is the world leader in the production of cotton and the drought conditions are threatening the ability to continue this important role. Failure to protect this industry with needed resources and conservation could impact the textile industry world-wide. H-GAC works with the Texas Commission on Environmental Quality to monitor water sources in the region and report on both the quality and quantity of water in the area. These studies help the state formulate plans for conservation and preservation of this precious resource.

### ***Major Initiatives***

#### **Transportation**

The Houston-Galveston 13-county region is projected to double in population by 2035. This expansion presents mobility challenges to the region and its citizens. During 2012, H-GAC developed a Public Participation Plan (PPP) to ensure an open planning process that supports early and continued public involvement, timely public notice, and full public access to information regarding key transportation decisions. The PPP serves as a guide for H-GAC's transportation public involvement process. It is part of a regional effort to ensure a continuing, comprehensive and coordinated process among stakeholders to provide opportunities for broad-based participation in the development and review of regional transportation plans and programs.

The process of planning the extensive transportation infrastructure is complex and continuous. H-GAC, as the Metropolitan Planning Organization, is required to develop plans for meeting the mobility needs of the region in conjunction with our members and state and federal partners. During 2012, H-GAC programmed an additional \$37.5 million in additional projects to meet the ever-increasing demand.

#### **Workforce Development**

The Gulf Coast Workforce Board's mission is to help employers meet their workforce needs and individuals build careers so both can compete in the global economy. H-GAC is the administrative entity for the Gulf Coast Workforce Board. In that function, H-GAC provides leadership and direction to a network of employment service providers to help the unemployed and underemployed in the region. In 2012, H-GAC provided service for more than 408,000 people in the region to get a job, keep a job, or get a better job.

The four goals identified by the Workforce Board include: 1)More competitive employers. 2)A better educated workforce. 3)More and better jobs and 4)Higher incomes.

Additionally, the Workforce Board has identified key industries that could make positive contributions to meeting the region's goals. They include aerospace, energy, health services and education.

#### **Public Services**

The H-GAC region covers more than 13,000 square miles, houses more than 6 million people, hosts two major airports, contains critical industries for national security, and provides leading-edge technology in a multiplicity of industries. The region also contains the fourth largest city in the United States, Houston, and the seventh largest container port in the U.S., the Port of Houston.

In response to this, public officials are critically aware of the security risks that such a dynamic region represents. Local governments in the region utilize the services of H-GAC to obtain grant funds and provide a forum for an integrated security plan.

Additionally, H-GAC has been providing government-to-government procurement services for over thirty-five years to local governments and non-profits from coast to coast. This program allows members an opportunity to buy from a wide-ranging list of goods and services and remain compliant with rigorous government procurement requirements.

### **Community and Environmental Planning**

H-GAC is primarily a planning organization. This is evident in the increasing commitment to provide services in the region ranging from water quality to economic development. H-GAC began a multi-year study of the region in response to the projected growth of the communities and the challenges that growth represents. The study was funded by the federal Housing and Urban Development Administration. Goals of the study include identifying a people, places, and prosperity framework that includes housing, transportation, education, and economic development components. The result will be a stakeholder driven regional vision that improves the workforce and job growth of the region and promotes federal funds to support the identified initiatives in the study.

### ***Financial Planning and Policies***

The Board of Directors approves a government-wide financial plan for revenues and expenditures each year at its December meeting. This plan includes both restricted and unrestricted revenue sources. The restricted revenue sources (contracts and grants) often span more than one fiscal year. Estimates are made by management on the timing of these revenues and are reflected in the appropriate fiscal year financial plan. H-GAC recognizes that the financial plan must be flexible enough to adjust for revenues that do not materialize and capitalize on unforeseen opportunities as they occur. Therefore, throughout the year, the Board of Directors approves amendments to the financial plan when funding changes become known. The financial plan adopted is on a basis consistent with generally accepted accounting principles. Control of the financial plan is maintained at the project level with management authorized to make transfers of budgeted amounts between object class levels within a project as allowed by grantor agencies.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in "Financial Reporting to the Houston-Galveston Area Council for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2011. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

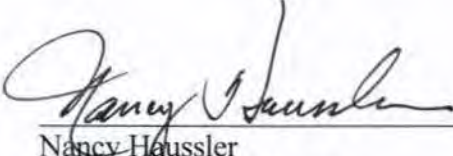
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been accomplished without the dedication and efficiency of the Council's Financial, Administrative, and Program management staff. Special acknowledgement

should also be given to the Council's auditors, Patillo, Brown, & Hill, L.L.P., whose expertise lent greatly this report's completion. Finally, we would like to thank the members of the Board of Directors for their interest and support in planning and conducting the financial operations of the Council in a responsible and progressive manner.

Respectfully submitted,

  
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Jack Steele  
Executive Director

  
\_\_\_\_\_  
Nancy Haussler  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Houston-Galveston Area Council  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Moynell*

President

*Jeffrey R. Egan*

Executive Director

**HOUSTON-GALVESTON AREA COUNCIL  
PRINCIPAL OFFICIALS**

OFFICERS OF THE BOARD OF DIRECTORS  
2012

Delores Martin  
Chair -Mayor  
City of Manvel

Ed Emmett  
Chair Elect –County Judge  
Harris County

Darrell Morrison  
Vice Chair-Councilman  
City of Pasadena

ADMINISTRATIVE STAFF

Executive Director  
Chief Financial Officer  
Manager of Internal Audit  
Manager of Intergovernmental Relations

Jack Steele  
Nancy Haussler  
Charles Hill  
Rick Guerro

## H-GAC MEMBER GOVERNMENTS

### Counties

Austin	Galveston	Walker
Brazoria	Harris	Waller
Chambers	Liberty	Wharton
Colorado	Matagorda	
Fort Bend	Montgomery	

### Cities over 25,000 Population

Baytown	Houston	Missouri City
Conroe	Huntsville	Pasadena
Deer Park	La Porte	Pearland
Friendswood	Lake Jackson	Sugar Land
Galveston	League City	Texas City

### Home Rule Cities

Alvin	Hitchcock	Seabrook
Angleton	Humble	Sealy
Bay City	Jacinto City	Stafford
Bellaire	Jersey Village	Sweeny
Cleveland	Katy	Tomball
Clute	La Marque	Webster
Dayton	Liberty	West University Place
Dickinson	Nassau Bay	Wharton
El Campo	Palacios	Willis
Freeport	Rosenberg	
Galena Park	Santa Fe	

### General Law Cities

Anahuac	Eagle Lake	Kendleton
Arcola	East Bernard	Magnolia
Bayou Vista	El Lago	Manvel
Beach City	Fulshear	Meadows Place
Bellville	Hedwig Village	Mont Belvieu
Brazoria	Hempstead	Morgan's Point
Brookshire	Hillcrest Village	Needville
Brookside Village	Holiday Lakes	New Waverly
Bunker Hill Village	Hunters Creek Village	Oak Ridge North
Clear Lake Shores	Iowa Colony	Old River Winfree



Columbus  
Daisetta  
Danbury  
Piney Point Village  
Prairie View  
Richmond  
Richwood  
Riverside  
San Felipe  
Shenandoah  
Shoreacres

Jamaica Beach  
Jones Creek  
Kemah  
South Houston  
Southside Place  
Splendora  
Spring Valley  
Stagecoach  
Surfside Beach  
Taylor Lake Village  
Thompsons

Oyster Creek  
Panorama Village  
Pattison  
Tiki Island  
Waller  
Wallis  
Weimar  
West Columbus  
Weston Lakes

### **Independent School Districts**

Alief ISD  
Columbia-Brazoria ISD  
Deer Park ISD  
Fort Bend ISD

Hempstead ISD  
Hitchcock ISD  
Huntsville ISD  
Magnolia ISD

Needville ISD  
Pearland ISD

# Houston-Galveston Area Council



- 
- **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Houston-Galveston Area Council  
Houston, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Houston-Galveston Area Council ("Council") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Houston-Galveston Area Council, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section, supplemental information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and the State of Texas Uniform Grant Management Standards, and also is not a required part of the basic financial statements.

The supplemental information and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and the Schedule of

Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
June 7, 2013

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## Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the Houston-Galveston Area Council ("H-GAC") for the fiscal year ended December 31, 2012. This analysis is prepared by the Finance department of the H-GAC and is intended to expand the reader's understanding of the attached financial statements and the effect of certain events on those financial statements.

### Financial Highlights

- The assets of H-GAC exceed its liabilities by \$21,190,271. \$14,489,855 of this is unrestricted and available to meet the Council's ongoing obligations to local governments and creditors.
- H-GAC's net position increased by \$4,381,650 during the fiscal year ended December 31, 2012.
- At the end of the fiscal year, the unrestricted fund balance for the general fund was \$7,964,003.

### Overview of the Financial Statements

The H-GAC financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional supplementary information that is not a required part of the financial statements themselves.

**Government-wide financial statements.** Included in this report are the Statement of Net Position and the Statement of Activities. These statements present the results of operation on a comprehensive basis utilizing the full accrual accounting methodology. This methodology requires that changes in net position be reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the H-GAC that are principally supported by grants (governmental activities) from other functions such as the Cooperative Purchasing (business-type activities), the Energy Purchasing Corporation, the Gulf Coast Economic Development Corporation and the Local Development Corporation activities that are supported by user fees. The governmental activities include the activities of the general government, general government overhead, and all grant related activities. The business-type activities include the Cooperative Purchasing program. The Energy Purchasing Corporation, the Gulf Coast Economic Development Corporation and the Local Development Corporation are presented as separate component units to the H-GAC to emphasize that they are separate legal entities.

The statement of net position presents information on all of H-GAC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the H-GAC is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year.

**Fund financial statements.** A fund is a grouping of related accounts that have been segregated to maintain control over resources and achieve specific objectives. H-GAC uses fund accounting to identify resources that have specific compliance requirements, such as grant programs, and demonstrate adherence to finance-related legal requirements. H-GAC maintains three fund types: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds. Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements, except that they are presented on the modified accrual basis of accounting, which requires that revenues be recorded when measurable and available. Expenditures are recorded when the services or goods are received and the liabilities incurred. Thus, the focus of these statements is on the near-term inflows and outflows of spendable resources and the balances of spendable resources available at the end of the year.

Comparison between the governmental activities in the government-wide financial statements and the information presented in the governmental funds statements allows the reader to 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.

H-GAC maintains three 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, the Grant Fund, and the Regional Excellence Corporation, which is a blended component unit of the H-GAC.

H-GAC adopts an annual budget for its General Fund and component units in December of each year. Grant Fund budgets are reviewed and approved by the Board of Directors within the context of the annual budget. Throughout the year the budget is amended as grant funds become available or lapse. Although the budgets are reviewed and approved by H-GAC's Board, they are not considered legally adopted annual budgets or appropriations.

Proprietary Funds. H-GAC had only one type of proprietary fund during fiscal year 2012. The Cooperative Purchasing Fund, an enterprise fund, is used to report the same functions presented as business-type activities in the government-wide financial statements. Unlike governmental funds, enterprise funds are maintained on the full accrual basis of accounting as are the government-wide financial statements; therefore, no reconciliation between the statements is necessary.

Fiduciary Funds. The pension trust fund for H-GAC is accounted for as a fiduciary fund. This fund, like the proprietary funds, is presented on the full accrual basis of accounting. Fiduciary funds are not presented in the government-wide financial statements as these funds are not available to support the programs of H-GAC. The pension plan is audited separately and a copy of this report is available by requesting the same from H-GAC, P.O. Box 22777, Houston, TX 77227-2777.

**Notes to the financial statements.** The notes to the financial statements are an integral part of understanding both the government-wide financial statements and the fund financial statements.

## Government-Wide Financial Analysis

### Statement of Net Position

H-GAC's assets exceeded its liabilities by \$21,190,271 at the close of the most recent fiscal year, 2012. Approximately 6.2% of the Council's net position is capital investments. These assets are within the office facilities of H-GAC to provide service and do not represent funds available for future spending. The majority of H-GAC's net position at the end of 2012 (68%) is unrestricted and may be used to meet H-GAC's ongoing obligations.

### HOUSTON-GALVESTON AREA COUNCIL CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 39,203,504	\$ 30,164,985	\$ 7,570,789	\$ 5,952,288	\$ 46,774,293	\$ 36,117,273
Capital assets	1,199,307	1,554,089	117,377	156,216	1,316,684	1,710,305
Total assets	<u>40,402,811</u>	<u>31,719,074</u>	<u>7,688,166</u>	<u>6,108,504</u>	<u>48,090,977</u>	<u>37,827,578</u>
<b>Liabilities:</b>						
Current and other liabilities	25,828,016	19,831,306	140,688	387,766	25,968,704	20,219,072
Long-term liabilities	932,002	799,884	-	-	932,002	799,884
Total liabilities	<u>26,760,018</u>	<u>20,631,190</u>	<u>140,688</u>	<u>387,766</u>	<u>26,900,706</u>	<u>21,018,956</u>
<b>Net Position:</b>						
Net investment in capital assets	1,171,554	1,536,514	117,377	156,216	1,288,931	1,692,730
Restricted	5,411,485	3,056,385	-	-	5,411,485	3,056,385
Unrestricted	7,059,754	6,494,985	7,430,101	5,564,522	14,489,855	12,059,507
Total net position	<u>\$ 13,642,793</u>	<u>\$ 11,087,884</u>	<u>\$ 7,547,478</u>	<u>\$ 5,720,738</u>	<u>\$ 21,190,271</u>	<u>\$ 16,808,622</u>

### Statement of Activities

H-GAC's net position increased by \$4,381,650 during the year. This reflects an increase in net position for governmental activities of \$2,554,910 and an increase in net position in business-type activities of \$1,826,740. The increase in net position in governmental activities represents a 23% increase of net position for governmental activities and the change in net position in the business-type activities represents a 31.9% increase in net position for this activity. Overall, H-GAC increased net position by 26.1%. Key elements of the increase along with percentage analysis are as follows:

## HOUSTON-GALVESTON AREA COUNCIL CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Total		Percent	
	2012	2011	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>								
Program revenues:								
Charges for services	\$ 3,322,592	\$ 3,072,498	\$ 4,304,114	\$ 3,256,776	\$ 7,626,706	\$ 6,329,274	3.22%	2.19%
Operating grants and contributions	228,699,778	282,230,321	-	-	228,699,778	282,230,321	96.48%	97.56%
General revenues:								
Interest income	14,668	105,422	-	-	14,668	105,422	0.01%	0.04%
Other income	696,854	631,209	-	-	696,854	631,209	0.29%	0.22%
Total revenues	232,733,892	286,039,450	4,304,114	3,256,776	237,038,006	289,296,226	100.00%	100.00%
<b>Expenses:</b>								
General government	3,542,368	3,074,719	-	-	3,542,368	3,074,719	1.52%	1.08%
Workforce programs	180,735,826	226,221,149	-	-	180,735,826	226,221,149	77.68%	79.24%
Transportation	23,840,134	24,111,492	-	-	23,840,134	24,111,492	10.25%	8.45%
Community and environmental	8,016,851	11,156,076	-	-	8,016,851	11,156,076	3.45%	3.91%
Criminal justice	848,023	1,604,765	-	-	848,023	1,604,765	0.36%	0.56%
Emergency communications	3,898,273	7,290,785	-	-	3,898,273	7,290,785	1.68%	2.55%
Aging services	9,144,786	9,299,666	-	-	9,144,786	9,299,666	3.93%	3.26%
Regional excellence corporation	152,720	80,259	-	-	152,720	80,259	0.07%	0.03%
Cooperative purchasing	-	-	2,477,374	2,647,242	2,477,374	2,647,242	1.06%	0.93%
Total expenses	230,178,981	282,838,911	2,477,374	2,647,242	232,656,355	285,486,153	100.00%	100.00%
Increase (decrease) in net position	2,554,911	3,200,539	1,826,740	609,534	4,381,651	3,810,073		
Net position - beginning	11,087,883	7,887,345	5,720,738	5,111,204	16,808,621	12,998,549		
Net position - ending	\$ 13,642,794	\$ 11,087,884	\$ 7,547,478	\$ 5,720,738	\$ 21,190,272	\$ 16,808,622		

The H-GAC operates primarily from grant and contract revenues; therefore, increases in expenses closely parallel increases in grant and contract funding for services.

### Business-type activities

The Cooperative Purchasing program was established in 1973 to assist local governments in their purchasing and procurement needs. Through aggregation of individual purchases into a single procurement, volume discounts can be achieved.

The program is influenced by market conditions. The Cooperative Purchasing program deals primarily in the acquisition of capital assets. In 2011 and 2012, revenue in this program was \$3,256,776 and \$4,304,114 respectively. During the year, operating expenses for the program decreased 6.4% and revenues increased 32.2%. The combined result was reflected in an increase to net position of \$1,826,740 or 31.9%. By comparison, the increase in 2011 was \$609,534 or 11.9%.

Business-Type Expenses	2012 Amount	2011 Amount	Increase (Decrease) from 2011	Percentage Increase (Decrease)
Personnel and benefits	\$ 1,969,012	\$ 2,001,700	\$ ( 32,688)	-1.63%
Consultant and contract s	72,180	261,328	( 189,148)	-72.38%
Equipment rental and lease	950	11,675	( 10,725)	-91.86%
Lease of office space	155,000	135,765	19,235	14.17%
Travel	20,278	19,679	599	3.04%
Depreciation	38,839	37,980	859	2.26%
Other	221,115	179,115	42,000	23.45%
Total expenses	<u>\$ 2,477,374</u>	<u>\$ 2,647,242</u>	<u>\$ ( 169,868)</u>	<u>( 6.42%)</u>

### Financial Analysis of the Government's Funds

As stated previously, H-GAC uses fund accounting to ensure and demonstrate compliance with legal requirements imposed by grantors. The following is a discussion of the funds used at H-GAC and key elements in each fund.

#### Governmental Funds

Governmental funds are presented on the modified accrual basis of accounting. This measurement focus emphasizes the inflows, outflows and available resources in the near term. This information is desirable in evaluating H-GAC's financing requirements. Specifically, the unassigned fund balance represents H-GAC's available resources at the end of the fiscal year.

H-GAC's fund balance in the General Fund at the end of fiscal year 2012 was \$7,964,003. \$83,951 is considered nonspendable as a result of prepaid items. The balance of \$7,880,052 is available for use at H-GAC's discretion.

The fund balance of the General Fund of H-GAC increased by \$686,710. The General Fund is the primary operating fund for H-GAC. The fund balance of the Grant Fund, used to account for all grant programs whose use is restricted for a specific purpose, increased by \$2,420,319 as a result of the EDA Revolving Loan Fund Program.

Also included in the governmental funds is the Regional Excellence Corporation, a blended component unit of the H-GAC established in 2004 to support programs and initiatives of the organization through private sector contributions. All board members of the Corporation serve in a dual capacity as both a board member of H-GAC and a board member of the corporation. In 2012, the corporation had cash and pledged contributions of \$87,500 and expenditures of \$152,719. The corporation's bylaws restrict the use of these funds.

#### Proprietary Funds

The proprietary fund of H-GAC is composed of the Cooperative Purchasing enterprise fund. As mentioned previously, the measurement focus for the fund statements is identical to the government-wide statements. It is the policy of H-GAC to associate net position to the activities generating those assets. The remaining net position is available to meet future needs as directed by the Board of Directors.

## Capital Asset Administration

H-GAC's investment in capital assets for both governmental and business-type activities amount to \$1,710,305 and \$1,316,684 (net of depreciation) for the fiscal years ended December 31, 2011 and 2012 respectively. This investment in capital assets includes equipment, furniture, and fixtures. Additional information on H-GAC's capital assets and capital leases can be found in footnote 6 and 8, respectively, of this report. H-GAC does not own any real property.

During 2012, H-GAC acquired a variety of assets. The Council has a capitalization threshold of \$5,000, in accordance with federal requirements. The following table identifies the additions and retirements of depreciable assets for both the governmental and business-type activities. Beginning balances are net of depreciation. The accumulated depreciation column below reflects the net effect of depreciation expense for the year and the recovery of depreciation upon retirement of assets.

### HOUSTON-GALVESTON AREA COUNCIL CAPITAL ASSET ANALYSIS

<u>Business-Type Expenses</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Accumulated Depreciation</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>					
Equipment, furniture and fixtures	\$ 1,554,089	\$ 216,118	\$ -	\$( 570,900)	\$ 1,199,307
<u>Business-type Activities</u>					
Equipment, furniture and fixtures	156,216	-	-	( 38,839)	117,377
Total	<u>\$ 1,710,305</u>	<u>\$ 216,118</u>	<u>\$ -</u>	<u>\$( 609,739)</u>	<u>\$ 1,316,684</u>

## Debt Administration

Debt considered a liability of governmental activities consists of capital lease obligations and compensated absences. Debt balances related to capital leases in 2012 were \$27,753. Compensated absences increased by \$121,940 in 2012, finishing the year with an ending balance of \$904,249. Further information on the Council's debt can be found in note 2 to the financial statements.

## Economic Factors and Next Year's Budget

- H-GAC membership dues are based on the federal 10-year census and are calculated on population. For FY2013 the per-capita membership revenue is estimated at \$337,000. This is consistent with the budget for 2012.
- H-GAC increased estimated revenues and corresponding expenses by \$8,160,104 for 2013. The budget reflects increases in Community & Environmental, Transportation and Public Services programs of \$9,581,788, \$1,593,833 and \$364,622 respectively. The increases in these programs are due to the completion of programs funded from a National Emergency

Grant for IKE Relief funds and the funding from the U.S. Department of Energy to implement Zero Emission Cargo Transport. The Workforce program and Aging Services program are projecting decreased funding in 2013. The Workforce program anticipates a decrease of \$1,150,967 due a reduction in WIA funds. The Aging Services program reflects a decrease of \$1,329,110 because of the completion of the National Emergency Grant for IKE Relief funds.

All of these factors were considered in preparing the budget for the 2013 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the H-GAC's finances for those with an interest in the Council's finances. Questions or comments regarding this report should be directed to Nancy Haussler, Chief Financial Officer, Houston-Galveston Area Council, P.O. Box 22777, Houston, TX 77227-2777.

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**HOUSTON-GALVESTON AREA COUNCIL**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Energy Purchasing Corporation	Gulf Coast Economic Develop Corporation	Local Development Corporation	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 17,213,832		\$ 17,213,832	\$ 91,070	676,994	\$ 3,028,828	\$ 3,796,892
Investments	4,061,746		4,061,746			304,630	304,630
Receivables, net	16,635,934	\$ 1,451,888	18,087,822	263	390,521	72,504	463,288
Notes Receivable	5,640,677		5,640,677		1,555,077		1,555,077
Due from Component Units	1,686,265		1,686,265				
Internal balances	(6,118,901)	6,118,901	-				
Prepaid expenses	83,951		83,951				
Capital assets, net	1,199,307	117,377	1,316,684			-	-
Total Assets	<u>40,402,811</u>	<u>7,688,166</u>	<u>48,090,977</u>	<u>91,333</u>	<u>2,622,592</u>	<u>3,405,962</u>	<u>6,119,887</u>
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	2,093,199	77,245	2,170,444				-
Unearned revenues	9,714,940	63,443	9,778,383				
Due to grantee agencies	14,019,877		14,019,877				
Due to primary government				177,966	777,763	730,536	1,686,265
Long Term Liabilities							
Due within one year	444,221		444,221				
Due more than one year	460,028		460,028				
Obligation of capital leases:							
Due within one year	10,767		10,767				
Due more than one year	16,986		16,986				
Total Liabilities	<u>26,760,018</u>	<u>140,688</u>	<u>26,900,706</u>	<u>177,966</u>	<u>777,763</u>	<u>730,536</u>	<u>1,686,265</u>
<b>NET POSITION</b>							
Net investment in capital assets	1,171,554	117,377	1,288,931				
Restricted for:							
EPA RLF Program	5,210,480		5,210,480				
Regional Excellence Coporation	201,005		201,005				
EDA RLF Program					1,844,829		1,844,829
Local Development Corporation						2,675,426	2,675,426
Unrestricted	7,059,754	7,430,101	14,489,855	(86,633)			(86,633)
Total Net Position	<u>\$ 13,642,793</u>	<u>\$ 7,547,478</u>	<u>\$ 21,190,271</u>	<u>\$ (86,633)</u>	<u>\$ 1,844,829</u>	<u>\$ 2,675,426</u>	<u>\$ 4,433,622</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Energy Purchasing Corporation	Economic Develop Corporation	Local Developme Corporation
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 5,448,764	\$ (1,906,396)	\$ 3,322,592		\$ (219,777)		\$ (219,777)			
Workforce programs	180,312,602	423,224		\$ 180,705,065	(30,761)		(30,761)			
Transportation	23,116,796	723,338		26,057,414	2,217,280		2,217,280			
Community and environmental	7,752,406	264,445		8,185,952	169,101		169,101			
Criminal justice	790,192	57,831		786,522	(61,501)		(61,501)			
Emergency communications	3,802,042	96,231		3,898,273	-		-			
Aging services	9,023,687	121,099		8,979,052	(165,734)		(165,734)			
Regional Excellence Corporation	152,720			87,500	(65,221)		(65,221)			
Total governmental activities	<u>230,399,209</u>	<u>(220,228)</u>	<u>3,322,592</u>	<u>228,699,778</u>	<u>1,843,387</u>		<u>1,843,387</u>			
Business-type activities:										
Cooperative purchasing	2,257,146	220,228	4,304,114			\$ 1,826,740	1,826,740			
Total business-type activities	<u>2,257,146</u>	<u>220,228</u>	<u>4,304,114</u>			<u>1,826,740</u>	<u>1,826,740</u>			
Total primary government	<u>\$ 232,656,355</u>	<u>\$ -</u>	<u>\$ 7,626,706</u>	<u>\$ 228,699,778</u>	<u>1,843,387</u>	<u>1,826,740</u>	<u>3,670,127</u>			
<b>Component units:</b>										
Energy purchasing corporation	180,961		196,368				\$ 15,407			
Gulf Coast Economic Development Corporation	183,470			835,325				\$ 651,855		
Local Development Corporation	1,189,789		1,164,333						\$ (25,457)	
Total component units	<u>\$ 1,554,220</u>		<u>\$ 1,360,701</u>	<u>\$ 835,325</u>			<u>\$ 15,407</u>	<u>\$ 651,855</u>	<u>-\$ 25,457</u>	
General revenues:										
Interest income					14,668		14,668			
Miscellaneous income					696,854		696,854			
Total general revenues					<u>711,522</u>		<u>711,522</u>			
Transfers										
Change in net position					2,554,909	1,826,740	4,381,649	15,407	651,855	(25,457)
Net position - beginning					<u>11,087,883</u>	<u>5,720,738</u>	<u>16,808,621</u>	<u>(102,040)</u>	<u>1,192,975</u>	<u>2,700,883</u>
Net position - ending					<u>\$ 13,642,793</u>	<u>\$ 7,547,478</u>	<u>\$ 21,190,271</u>	<u>\$ (86,633)</u>	<u>\$ 1,844,830</u>	<u>\$ 2,675,426</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<u>General</u>	<u>Grant Fund</u>	<u>Regional Excellence Corporation</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,245,805	\$ 6,600,510	\$ 367,517	\$ 17,213,832
Investments	4,061,746			4,061,746
Receivables	384,993	16,250,941	-	16,635,934
Due from other funds	887,337	2,314,088		3,201,425
Due from component unit	1,686,265			1,686,265
Notes Receivable		5,640,677		5,640,677
Prepaid items	83,951			83,951
Total assets	<u>\$ 17,350,097</u>	<u>\$ 30,806,216</u>	<u>\$ 367,517</u>	<u>\$ 48,523,830</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	679,717	1,246,970	166,512	2,093,199
Unearned revenue	273,388	9,441,552		9,714,940
Due to grantee agencies		14,019,877		14,019,877
Due to other funds	8,432,989	887,337	-	9,320,326
Total liabilities	<u>9,386,094</u>	<u>25,595,736</u>	<u>166,512</u>	<u>35,148,342</u>
Fund balance-				
Unassigned	7,880,052			7,880,052
Nonspendable	83,951			83,951
Restricted for:				
EPA RFL Program		5,210,480		5,210,480
Regional Excellence Corporation			201,005	201,005
Total fund balance	<u>7,964,003</u>	<u>5,210,480</u>	<u>201,005</u>	<u>13,375,488</u>
Total liabilities and fund balance	<u>\$ 17,350,097</u>	<u>\$ 30,806,216</u>	<u>\$ 367,517</u>	<u>\$ 48,523,830</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,199,307
Compensated absences of governmental activities are not due and payable in the current period and, therefore, are not reported in the funds	(904,249)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds-capital leases	<u>(27,753)</u>
Net position of governmental activities	<u>\$ 13,642,793</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Grant Fund</u>	<u>Regional Excellence Corporation</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Interest income	\$ 14,668			\$ 14,668
Membership dues	332,635			332,635
Interlocal contracts	1,710,860			1,710,860
Data services and imaging	1,279,097			1,279,097
Miscellaneous income	696,854			696,854
From grantor agencies		\$ 228,612,278	\$ 87,500	228,699,778
Total revenues	<u>4,034,114</u>	<u>228,612,278</u>	<u>87,500</u>	<u>232,733,892</u>
<b>Expenditures</b>				
Current:				
General government	3,397,292			3,397,292
Workforce programs		180,661,303		180,661,303
Transportation		23,672,771		23,672,771
Community and environmental		7,926,066		7,926,066
Criminal justice/Homeland security		773,435		773,435
Emergency communications		3,876,498		3,876,498
Aging services		9,106,269		9,106,269
Regional Excellence Corporation			152,719	152,719
Capital outlay:				
General government	134,508			134,508
Workforce programs		-		-
Community and environmental		-		-
Transportation		-		-
Criminal justice/Homeland security		-		-
Debt service:				
Principal	23,732			23,732
Interest	1,397			1,397
Total expenditures	<u>3,556,929</u>	<u>226,016,344</u>	<u>152,719</u>	<u>229,725,992</u>
Excess (deficiency) of revenues over expenditures	<u>477,185</u>	<u>2,595,934</u>	<u>(65,219)</u>	<u>3,007,900</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	175,615	(175,615)		-
Proceeds from Capital Lease	33,910			33,910
Total other financing sources & uses	<u>209,525</u>	<u>(175,615)</u>	<u>-</u>	<u>33,910</u>
Change in fund balance	686,710	2,420,319	(65,219)	3,041,810
Fund balance - beginning	<u>7,277,293</u>	<u>2,790,161</u>	<u>266,224</u>	<u>10,333,678</u>
Fund balance - ending	<u>\$ 7,964,003</u>	<u>\$ 5,210,480</u>	<u>\$ 201,005</u>	<u>\$ 13,375,488</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2012**

Net change in fund balances-total governmental funds \$ 3,041,810

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	216,118
Depreciation expense	<u>(570,900)</u>
Excess of capital outlay over depreciation expense	<u>(354,782)</u>

Some items 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. This activity consists of -

Increase in compensated absences	<u>(121,940)</u>
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Principal payment for capital lease in 2012	<u>23,732</u>
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The Capital lease is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	<u>(33,910)</u>
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<b>Change in net position of governmental activities</b>	<b><u><u>\$ 2,554,910</u></u></b>
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See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	<u>Cooperative Purchasing</u>
<b>ASSETS</b>	
Current assets	
Accounts receivable	\$ 1,451,888
Due from general fund	6,118,901
Total current assets	<u>7,570,789</u>
Noncurrent assets	
Property & equipment	194,196
Less accumulated depreciation	(76,819)
Total noncurrent assets	<u>117,377</u>
Total assets	<u>7,688,166</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued expenses	77,245
Unearned revenues	63,443
Total current liabilities	<u>140,688</u>
Total liabilities	<u>140,688</u>
<b>NET POSITION</b>	
Unrestricted	7,353,282
Net investment in capital assets	194,196
Total net position	<u>\$ 7,547,478</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2012**

	<u>Cooperative Purchasing</u>
<b>REVENUES</b>	
Charges for services	\$ 4,304,114
Total revenues	<u>4,304,114</u>
<b>OPERATING EXPENSES</b>	
Personnel and benefits	1,969,012
Consultant and contract services	72,180
Equipment rental and leases	950
Lease of office space	155,000
Travel	20,278
Depreciation	38,839
Other	221,115
Total expenses	<u>2,477,374</u>
Change in net position	1,826,740
Net position - beginning	<u>5,720,738</u>
Net position - ending	<u>\$ 7,547,478</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2012**

	<u>Cooperative Purchasing</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,624,141
Cash payments to employees for services	(1,969,012)
Cash payments to suppliers for goods and services	(257,786)
Cash payments for operating expenses	(397,343)
Cash provided (used) by operating activities	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	<u>-</u>
Cash provided (used) for capital and related financing activities	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>-</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	1,826,740
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	38,839
Change in assets and liabilities:	
Decrease (increase) in customer receivable	152,520
Decrease (increase) in interfund receivable	(1,771,021)
Increase (decrease) in accounts payable	(185,606)
Increase (decrease) in deferred revenue	(61,472)
Net cash provided (used) by operating activities	<u>-</u>

See accompanying notes to the financial statements



**RETIREMENT PLAN FOR THE EMPLOYEES OF  
HOUSTON-GALVESTON AREA COUNCIL  
STATEMENT OF PLAN NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012**

	<u>2012</u>
<b>ASSETS</b>	
Investments- at fair value:	
Mutual funds	\$ 19,336,345
Money market funds	4,393,033
Participant loans	536,070
Total investments	<u>24,265,448</u>
Receivables:	
Employer	34,841
Employee	39,799
Total receivables	<u>74,640</u>
Total assets	<u>24,340,088</u>
<b>LIABILITIES</b>	
Employee forfeitures due to employer	112,397
Total liabilities	<u>112,397</u>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 24,227,691</u>

See accompanying notes to financial statements

**RETIREMENT PLAN FOR THE EMPLOYEES OF  
HOUSTON-GALVESTON AREA COUNCIL  
STATEMENT OF CHANGES IN POSITION  
FIDUCIARY FUNDS  
YEARS ENDED DECEMBER 31, 2012**

	<u>2012</u>
<b>ADDITIONS</b>	
Contributions:	
Participants	\$ 1,225,009
Employer	891,824
Total contributions	<u>2,116,833</u>
Investment earnings:	
Net appreciation in the fair value of investments	1,842,051
Interest and dividends	600,180
Total net investment earnings	<u>2,442,231</u>
Total additions	<u>4,559,064</u>
<b>DEDUCTIONS</b>	
Benefit payments	2,254,641
Administrative expenses	7,659
Total deductions	<u>2,262,300</u>
Change in net position	2,296,764
Net position - beginning	<u>21,930,927</u>
<b>Net position - ending</b>	<u><u>\$ 24,227,691</u></u>

See accompanying notes to financial statements.

# HOUSTON-GALVESTON AREA COUNCIL

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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### 1. REPORTING ENTITY

The Houston-Galveston Area Council (“H-GAC”) is a voluntary association of local governments that administers planning and action programs from various federal, state, and local agencies for the benefit of citizens in a 13-county region in southeast Texas. H-GAC is governed by a 35-member Board of Directors (the “Board”) which has governance responsibilities over all activities of the organization. Members of the Board are selected to serve by elected officials from the various governmental entities belonging to H-GAC. The Board has the authority to make decisions and appoint administrators and managers. H-GAC is not included in any other governmental “reporting entity” as defined by the Government of Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity.” H-GAC is a political subdivision of the State of Texas, created pursuant to state enabling legislation.

H-GAC’s financial statements include the accounts of all H-GAC functions and activities, including four component units, the H-GAC Energy Purchasing Corporation, the Houston-Galveston Local Development Corporation, the Gulf Coast Economic Development Corporation and the Corporation for Regional Excellence. Complete financial statements for each of the individual component units may be obtained at H-GAC’s administrative offices.

The accompanying financial statements present H-GAC and its component units.

**Blended Component Unit:** The Corporation for Regional Excellence was established by H-GAC in 2004. The purpose of the organization is to receive contributions that support the programs and services of H-GAC from entities that will only contribute to 501 (C) (3) organizations. All board members of the Corporation serve in a dual capacity as both a board member of H-GAC and a board member of the corporation. The Corporation is reported as a Special Revenue Fund.

**Discretely Presented Component Units:** The H-GAC Energy Purchasing Corporation's purpose is to serve as a licensed aggregator of electricity for local governments in the state of Texas by negotiating and administering electricity service contracts. Local governments pay an administrative fee to participate in the contracts. The Board of Directors is comprised of elected officials selected by the H-GAC Board of Directors who annually approve its budgets and obligations.

The Houston-Galveston Area Local Development Corporation ("LDC") was established to further economic development and social welfare by promoting and assisting growth and development of business concerns in the region. The Corporation is a certified development company by the U.S. Government Small Business Administration and assists small businesses in securing loans for the purpose of construction, conversion, or expansion, including the acquisition of land, existing buildings and leasehold improvements. The corporation receives a residual fee for its services on all funded loans. The twenty-seven member Board of Directors is comprised of representatives from local government, lending institutions and private business organizations selected by the H-GAC Board of Directors. The Corporation's bylaws further state that all assets of the Corporation revert to the Houston-Galveston Area Council upon dissolution. Additionally, in acknowledgment of the Council's involvement with the Corporation, the Corporation remits a management fee to the Houston-Galveston Area Council.

The H-GAC Gulf Coast Economic Development Corporation ("EDC"), a 501(C)(3) Corporation, was established in 1988 to address the regional needs of distressed economic growth areas. The EDC originally received economic development grants from the Federal Economic Development Administration to promote coordination among local economic development efforts on a region wide basis. The 28 member board is comprised of county government and city government appointees as well as private sector appointees nominated by HGAC. Developing plans that include the key strategies of promoting economic growth, increasing employment opportunities, and developing a regional Comprehensive Economic Development Strategy is the primary mission of the organization. In 2010, the EDC received a revolving loan grant from the EDA to further the economic development of the distressed areas of the region. The Houston-Galveston Area Council has primary responsibility for the Corporation's assets including its cash assets and the use of those assets benefits the constituency that HGAC serves. Additionally, the EDC has signed a management agreement with the HGAC that conveys management of the EDC financial records to HGAC. Finally, the agreement also stipulates that any financial match requirements imposed by the federal grantor will be

provided by HGAC.

Since H-GAC receives funding from local, state and federal government sources, it must comply with the requirements of these funding sources.

## 2. SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation: Government-wide and Fund Financial Statements*** - The government-wide financial statements consist of the statement of net position and the statement of activities. These statements exclude inter-fund activity, and report information on all of the non-fiduciary activities of the primary government. The statements segregate governmental activities from business-type activities. Governmental activities are normally supported by intergovernmental revenues and grants while business-type activities are supported by service fees or sales that are intended to recover all or a significant portion of their costs.

The statement of activities compares the direct expenses of a given function with the corresponding program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods services, or privileges provided by a function or segment and 2) contracts, grants and contributions that are restricted to meeting the operational requirement of a particular function or segment. Items not classified as program revenues are reported as general revenues.

Additional financial statements are presented for governmental, proprietary and fiduciary funds, although fiduciary funds are not included in the government-wide financial statements. These statements are organized on the basis of funds that function as a separate entity with their own self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities.

The H-GAC reports the following major governmental funds:

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

The *Grant Fund* is a special revenue fund used to account for grant proceeds

provided by various grantor agencies and is restricted in use by the awarding entity.

The *Regional Excellence Corporation* is a blended component unit established to support programs and initiatives of the H-GAC. The Corporation's bylaws restrict the use of these funds.

The H-GAC reports the following major enterprise fund:

The *Cooperative Purchasing* fund is used to account for the administrative fees derived from the assistance provided to other governments in acquiring capital assets and supplies.

Additionally, the H-GAC reports the pension trust fund to account for the Retirement Plan for the Employees of H-GAC.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are 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.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, H-GAC considers revenues to be available if they are collected within 90 days of the end of the fiscal period. Revenues susceptible to accrual are interest income, membership dues, interlocal contracts, and revenues from grantor agencies. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. However, expenditures related to compensated

absences are recorded only when payment is due.

The cooperative purchasing enterprise fund and the retirement plan trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the funds are included on the balance sheet. The accrual basis of accounting is utilized by these funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

***Net Position Flow Assumptions*** - Sometimes the Council will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Council's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

***Fund Balance Flow Assumptions*** - When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Council considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Council considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

***Fund Balance Classification*** - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Council is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed

by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

H-GAC's *major sources of revenues* are discussed below:

Federal and State Contracts - Revenues are recognized when program expenditures are incurred in accordance with program guidelines. Local matching may exceed budgeted amounts. Such excess would be used to further fund the applicable program, but does not represent a budget deviation.

Member Government Dues - Member governments are required to pay dues to H-GAC. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period. Dues are reported in the general fund and transferred to the special revenue funds as needed to meet matching requirements of grantor contracts.

Locally Contributed In-kind Services - Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various programs. Contributed services are, therefore, reflected as both revenues and expenditures in accordance with legal requirements of the individual contracts. Such services are recorded in the accompanying financial statements at the amount expended by the



contributor in providing the matching services, which approximates the fair value of the services at the date of contribution.

Pass-Through and Administrative Fees - The cooperative purchasing program, the Energy Purchasing Corporation, and the Local Development Corporation record revenues in the form of pass-through and administrative fees. H-GAC assists other governments primarily in Texas by providing expertise in acquiring capital assets and supplies and by aggregating the needs of several governments into larger purchases, providing negotiating advantages as well as assisting small businesses with financing and improving economic development.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivery of goods in connection with the fund's principal operations. The principal operating revenues of the Cooperative Purchasing enterprise fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Deferred Outflows/Inflows of Resources*** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Council does not have any items that qualify for reporting in either of the above categories in the current fiscal year.

***Capital Assets*** - Capital assets, which include furniture, fixtures, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical

cost, net of accumulated depreciation.

Depreciation is charged to operations over the estimated useful life (generally five years) using the straight-line method. H-GAC has no public domain assets.

**Compensated Absences** – It is H-GAC’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Council does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay up to a maximum of 240 hours is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Due to the nature of the obligation for accrued vacation, annual requirements to amortize such obligations are not determinable and have not been presented.

Balance			Balance	Due Within
<u>12/31/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2012</u>	<u>One Year</u>
\$ 782,309	\$ 920,282	\$ 798,342	\$ 904,249	\$ 444,221

**Interfund Transfers** - Interfund transfers arise from transactions between funds or the distribution of local (general fund) cash resources to grant projects requiring cash match in accordance with the terms and conditions of the grant contract. Matching funds are derived primarily from H-GAC dues paid by member governments and local in-kind contributions.

**Allocation of Employee Benefits and Indirect Costs** - H-GAC employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with the Office of Management and Budget (“OMB”) Circular A-87. Employee benefits are allocated to grant projects as a percentage of H-GAC’s labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs and employee benefits charged to grant projects.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, cash equivalents include highly liquid investments with an original maturity of ninety days or less.

**Investments** - Investments are recorded at fair value based upon quoted market prices as

of year-end.

H-GAC follows GASB Statement No. 40 *Deposit and Investment Risk Disclosures--an amendment of GASB Statement No. 3*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such disclosures as required are reflected in Note 3 to the financial statements.

***Prepaid Items*** - Prepaid items are accounted for under the consumption method.

### **3. DEPOSITS (CASH) AND INVESTMENTS**

#### **Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Council.

In accordance with applicable statutes, the Council has a depository contract with a local bank (depository) providing interest rates to be earned on deposited funds and fixed fees for banking services received. The Council may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require full security for all funds in the depository institution through federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The depository must deliver the collateral securities to the Council or place them with an independent trustee institution. In accordance with Texas statutes, the safekeeping receipts are in the name of the depository with proper indication of pledge of the collateral securities by the depository to secure funds of the Council. The Council must approve all collateral securities pledged and also must approve in writing any changes to the pledged collateral securities.

The Council has adopted a written investment policy regarding the investment of its funds as defined by the PFIA. The PFIA also requires the Council to have independent auditors perform test procedures related to investment practices as provided by the Act. The Council complies with the requirements of the Act and with local policies.

The Council's investment policy permits investment of Council funds in only the following investment types, consistent with the strategies and maturities defined in the

policy:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct obligations of the State of Texas or its agencies.
3. Other obligations, the principal of which are unconditionally guaranteed or insured by the State of Texas or the United States.
4. General obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
5. Certificates of Deposit issued by State and National banks domiciled in the State of Texas the payment of which is insured in full by the Federal Deposit Insurance Corporation.
6. Fully collateralized direct Repurchase Agreements with a defined termination date purchased pursuant to a master contractual agreement which specified the rights and obligations of both parties and which requires that securities involved in the transaction be held in a safekeeping account subject to the control and custody of H-GAC.
7. No Load Money Market Mutual Funds and No Load Mutual Funds. To be an allowable investment, money market funds must adhere to a 90-day weighted average maturity. No-load mutual funds with a weighted average maturity of up to 2 years are allowable if they are registered with the Securities and Exchange Commission, invest exclusively in obligations authorized by the Public Funds Investment Act, adhere to the requirements set forth for investment pools and are continuously rated by at least one nationally recognized investment rating firm at not less than AAA or its equivalent. A government may invest no more than 15% of its operating funds (excluding bond proceeds, reserves and debt service funds) in this type of mutual fund.
8. Time deposits in the Council's depositories.
9. Investment pools created to function as money market funds must mark-to-market

daily and maintain a market value ratio between .995 and 1.005. These pools must be continuously rated no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency.

10. Banker's Acceptances 1)270 days or fewer, 2)Liquidated in full at maturity, 3)Eligible Federal Reserve Bank collateral ,4)U.S. Bank rated not less than A-1 or P-1.

11. Any combination of the foregoing.

Retirement plan funds are invested among a selection of mutual funds at the discretion of each Plan participant.

### Deposit and Investment Amounts

The following schedule presents the Council's cash and investments subject to deposit and investment risk disclosures.

	Cash and CDs	Money Market Mutual Funds	Hybrid Debt/Equity Mutual Funds	Total
Governmental Funds				
General	\$ 10,437,480	\$ 4,061,746	\$ -	\$ 14,499,226
Grant Fund	6,661,176	-	-	6,661,176
Regional Excellence Corp	367,517	-	-	367,517
Total Governmental Funds	17,466,173	4,061,746	-	21,527,919
Fiduciary Funds	-	4,393,033	19,336,345	23,729,378
Discretely Presented Component Units:				
Energy Purchasing Corp	91,070	-	-	91,070
Gulf Coast Economic Dev Corp	676,994	-	-	676,994
Local Development Corp	3,333,525	-	-	3,333,525
Total Component Units	4,101,589	-	-	4,101,589
Total Reporting Entity	\$ 21,567,762	\$ 8,454,779	\$ 19,336,345	\$ 49,358,886

### Credit and Interest Rate Risk

At year-end, the Council had the following investments subject to credit and interest rate risk disclosure, under U.S. generally accepted accounting principles, by fund:

<u>Money Market Mutual Funds</u>	<u>Amount</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
General Fund	\$4,061,746	44	Unrated
Fiduciary Fund	4,393,033	53	Unrated

### **Custodial Credit Risk**

In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of December 31, 2012, the Council's deposit balance was fully collateralized with securities held by the pledging financial institution in the Council's name or by FDIC insurance.

### **4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Many intra-fund transactions take place within the finance department of H-GAC, resulting in monies flowing back and forth between funds. For example, H-GAC matching shares for contracts or grants are paid from the General Fund to Special Revenue Funds, while Special Revenue Funds pay indirect charges to the General Fund.

The following is a summary of interfund receivables and payables at December 31, 2012

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 887,337	\$8,432,989
Grant Fund	2,314,088	887,337
Enterprise Fund	<u>6,118,901</u>	
Total	<u>\$ 9,320,326</u>	<u>\$ 9,320,326</u>

Interfund Transfers:

	<u>Transfers In:</u>	
	<u>General</u>	<u>Total</u>
Transfer out:		
Grant Fund	<u>\$ 175,615</u>	<u>\$ 175,615</u>
Total Transfers	<u>\$ 175,615</u>	<u>\$ 175,615</u>

## 5. RECEIVABLES

Receivables as of the year end for the government's individual major funds and component units, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Grant Fund	Cooperative Purchasing Fund	Energy Purchasing Corporation	Gulf Coast Economic Development Corporation	Local Development Corporation
Due from member governments	\$ 11,948	\$ -	\$ -	\$ -	\$ -	\$ -
Advances to subrecipients	-	400,000	-	-	-	-
Data imagery	141,643	-	-	-	-	-
Federal grants receivable	-	1,528,254	-	-	381,821	-
State grants receivable	-	13,903,364	-	-	-	-
Local grants receivable	-	411,979	-	-	-	-
Due from customers	102,175	-	1,487,999	263	8,700	72,504
Miscellaneous services	129,227	7,344	-	-	-	-
Gross Accounts Receivable	384,993	16,250,941	1,487,999	263	390,521	72,504
Less: allowance for uncollectable accounts	-	-	(36,111)	-	-	-
Accounts Receivable, Net	<u>\$ 384,993</u>	<u>\$ 16,250,941</u>	<u>\$ 1,451,888</u>	<u>\$ 263</u>	<u>\$ 390,521</u>	<u>\$ 72,504</u>

All receivables are expected to be collected within one year.

## 6. CAPITAL ASSETS

A summary of changes in capital assets, which consist solely of office furniture and equipment, follows:

	December 31,			December 31,
	<u>2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>2012</u>
<u>Governmental activities:</u>				
Furniture, fixtures and equipment	\$ 2,843,297	\$ 182,208	\$ (149,920)	\$ 2,875,585
Capital leases	470,398	33,910	-	504,308
Less accumulated depreciation	<u>(1,759,606)</u>	<u>(570,900)</u>	<u>149,920</u>	<u>(2,180,586)</u>
	<u>\$ 1,554,089</u>	<u>\$ (354,782)</u>	<u>\$ -</u>	<u>\$ 1,199,307</u>
 <u>Business-type activities:</u>				
Furniture, fixtures and equipment	\$ 194,196	\$ -	\$ -	\$ 194,196
Less accumulated depreciation	<u>(37,980)</u>	<u>(38,839)</u>	<u>-</u>	<u>(76,819)</u>
	<u>\$ 156,216</u>	<u>\$ (38,839)</u>	<u>\$ -</u>	<u>\$ 117,377</u>

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

### Governmental Activities-

General government	\$ 21,739
Workforce programs	156,133
Transportation	167,363
Community and Environmental	90,785
Criminal Justice & Homeland Security	74,588
Emergency Communications	21,775
Aging Services	<u>38,517</u>
Total Governmental Activities	570,900

### Business-type activities-

Cooperative purchasing	<u>38,839</u>
	<u>\$ 609,739</u>



## 7. UNEARNED REVENUE

At December 31, 2012 unearned revenue was comprised of the following:

Grant Fund:	
9-1-1	\$ 286,861
Solid Waste	249,246
Environmental Protection Agency	2,022,823
HUD Cash Match	154,417
Low Income Repair Assistance	6,277,153
C&E/Local Contracts	18,974
Transportation/Local Contracts	181,845
Criminal Justice Program	71,533
Workforce Local Program	<u>178,700</u>
Total Grant Fund	<u>\$ 9,441,552</u>
Enterprise Fund:	
Cooperative Purchasing	<u>\$ 63,443</u>

During 2012 the cooperative purchasing enterprise fund received remittance from participants in advance of performing services. These remittances, totaling \$63,443, were classified as unearned revenue in the cooperative purchasing enterprise fund.

The Commission on State Emergency Communications (“CSEC”) provided start-up funding during the first quarter of the program year. These funds are dedicated for use in the 9-1-1 program and will be completely utilized by the end of the program year. At year end, the balance of these funds totaled \$286,861.

H-GAC receives an advance of grant funds from the Texas Commission on Environmental Quality to develop and coordinate a solid waste plan for the region. Funds received in excess of expenditures are accounted for as unearned revenue and totaled \$249,246 for this program.

The Federal Environmental Protection Agency provided funds for H-GAC to establish a revolving loan fund to assist entities and individuals in replacing large-ton commercial vehicles that were exhausting excessive amounts of pollutants into the atmosphere. The program allowed for the replacement of the engine and/or the vehicles if it met certain

qualifications. The balance of the funds available for this purpose that were received and remained unearned at the end of the fiscal year totaled \$2,022,823. The Council expects to meet all eligibility criteria for revenue recognition for the majority of this amount in 2013.

H-GAC has contracted with the Federal Department of Housing and Urban Development (“HUD”) to develop a long-range plan for enhancing the quality of life for regional residents and evaluating economic opportunities for the 13 county region. While the federal partner has supplied the primary funds for this endeavor, many cash contributions from a wide variety of community partners have been provided to match the federal dollars. The available cash match at the end of the year was \$154,417.

H-GAC contracted with five counties to administer the Low-Income Repair Assistance Program (LIRAP) to help citizens in the county with auto maintenance requirements resulting from increased emission standards. The counties advanced funds to the Council for the implementation of this program in 2012. At year end, the advances in excess of expenditures totaled \$6,277,153.

H-GAC set aside \$71,533 in criminal justice planning money to provide assistance in developing the required Criminal Justice Community plan for Harris County and the other surrounding jurisdictions.

Other unearned revenues represent local grant funds received in 2012 and intended for use in 2013.

## 8. CAPITAL LEASES

The following details the change in total obligation of capital leases:

	<u>12/31/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/2012</u>
Capital lease	<u>\$ 17,575</u>	<u>\$ 33,910</u>	<u>\$ 23,732</u>	<u>\$ 27,753</u>

The following schedule presents future minimum lease payments as of December 31, 2012:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$11,147
2014	\$11,147
2015	<u>\$ 5,459</u>
Minimum lease payments	27,753
Less amount representing interest	<u>(918)</u>
Present value of net minimum lease payments	26,835
Less current portion of capital Lease obligation	<u>(10,767)</u>
Long-term portion of capital lease	<u>\$ 16,068</u>

The Houston-Galveston Area Council has entered into a capital lease agreement for a color copier with a lease term of thirty-six months. It originated on June 1, 2012 and ends on June 30, 2015 with principal of \$32,179 at inception.

Additionally, H-GAC completed a long-term lease agreement for a high volume copier during 2012. That lease began on November 7, 2007 and ended October 31, 2012. H-GAC retained ownership of the equipment upon completion of the lease term.

## 9. RETIREMENT PLAN

Retirement Plan for the Employees of Houston-Galveston Area Council, ("the Plan"), is a single employer, defined-contribution retirement plan for all employees 21 years of age or older having at least six months of service. The Plan is administered by Fidelity Management Trust Company. Retirement benefits depend solely on amounts contributed to the plan and any investment earnings thereon. The Plan requires participants to contribute an amount at least equal to 3% of gross salary. H-GAC matches the participant contribution with a 7% contribution. H-GAC has no further liability to the plan after making such contributions. Participants begin vesting in the employer's contributions and earnings thereon after 3 years of service and become fully vested after 6 years. H-GAC's contributions and earnings thereon which are forfeited by employees are used to reduce H-GAC's contribution requirement. The H-GAC Board of Directors is responsible and has authority to amend the Plan provisions and contributions requirements.

H-GAC's total payroll in 2012 was \$12,472,635. Retirement plan contributions were calculated using the gross salary amount for covered employees. H-GAC and its

employees made contributions in 2012 of \$891,824 and \$1,225,009 respectively. Investments in the retirement plan are stated at fair value, based upon quoted market prices of the various mutual funds in which the funds are invested.

A stand-alone retirement plan report may be obtained by request, by writing the Chief Financial Officer of H-GAC at P. O. Box 22777, Houston, Texas 77227-2777.

**10. OTHER REVENUE**

Other revenue consists of revenues generated from programs operated under the general fund, workshops and publication sales.

**11. COMMITMENTS AND CONTINGENCIES**

*Leases* – During 2012, H-GAC renegotiated its lease space of approximately 65,199 square feet under an operating lease with an expiration date of November 2019 at an annual base fee of \$1,548,476 which commences in December 2014. Included in this lease is a 2% escalation annually over the term of the lease and two months of prorated rent which is amortized over the lease term. The schedule below reflects the revised lease terms. H-GAC has additional office space leased in satellite locations. These leases will terminate in November 2013 and March 2014. The base amount for these leases is \$1,500 and \$1,611 per month.

In addition to the office leases, H-GAC leases various equipment under noncancellable operating leases with terms ranging from one to five years. Minimum future lease commitments under all leases for office space and equipment are as follows for the years ending December 31:

2013	\$ 1,297,050
2014	1,286,424
2015	1,508,319
2016	1,539,585
2017	1,570,964
2018 - 2019	<u>3,180,786</u>
Total minimum rental payments due	<u>\$10,383,128</u>

It is expected that in the normal course of business, leases that expire will be renewed or

replaced by leases on other property or equipment. Total lease expense for 2012 was \$1,329,736.

***Required Matching Funds*** – H-GAC’s management is of the opinion that local (general fund) cash on hand and funds to be received in 2013 from membership dues and other locally generated revenues will be adequate to meet commitments for matching funds required by federal and state grants.

***Federal and State Grants*** – Use of federal, state and locally administered federal and other grant funds is subject to review and audit by fund provider agencies. Such audits could lead to requests from the grantor agency for reimbursement of expenditures disallowed under terms of the contract or grant. To the extent that such disallowances involve expenditures under subcontracted arrangements, H-GAC generally has the right of recovery from such third parties. A significant portion of the federal and state grant funds received by H-GAC are passed through to delegate agencies which administer certain parts of the grants on behalf of H-GAC. Management believes that H-GAC will not incur significant losses on possible grant disallowances.

***Insurance*** – H-GAC purchases commercial insurance to minimize potential losses in the areas of general liability and directors and officer’s liability, workers’ compensation and automobile liability.

H-GAC did not experience any significant reductions in insurance coverage during fiscal year 2012 and did not have any instances in which settlements exceeded insurance coverage in any of the past three fiscal years.

***Legal Contingencies*** – H-GAC is involved in lawsuits and other claims in the ordinary course of operations. The outcome of these lawsuits and other claims are not presently determinable, and the resolution of these matters is not expected to have a material effect on the financial condition of H-GAC.

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**HOUSTON-GALVESTON AREA COUNCIL  
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>
<b>PERSONNEL</b>			
Indirect salaries	\$ 875,209	\$ 864,629	43.67 %
Employee benefits	385,091	380,177	19.22
	<u>1,260,300</u>	<u>1,244,806</u>	<u>62.89</u>
<b>CONSULTANT AND CONTRACT SERVICES</b>			
Consultant	44,148	40,000	2.20
Accounting and auditing	11,770	13,900	0.59
Other contract services	111,791	31,200	5.59
Legal Services	4,649	3,900	0.24
	<u>172,358</u>	<u>89,000</u>	<u>8.60</u>
<b>EQUIPMENT</b>			
Purchase, lease, rental or maintenance office furniture, fixtures and equipment	16,869	10,200	0.84
Depreciation	454,349	415,000	22.66
	<u>471,218</u>	<u>425,200</u>	<u>23.51</u>
<b>LEASE OF OFFICE SPACE</b>			
	<u>75,465</u>	<u>79,956</u>	<u>3.77</u>
<b>TRAVEL</b>			
	<u>26,276</u>	<u>11,625</u>	<u>1.31</u>
<b>OTHER</b>			
Consumable supplies	9,467	11,175	0.47
Software and Database	64,835	60,550	3.24
Communications	11	5,225	0.00
Postage	9,200	12,475	0.46
Subscriptions & memberships	86,581	53,200	4.32
Insurance	11,730	40,000	0.59
Miscellaneous	46,635	25,401	2.33
	<u>228,459</u>	<u>208,026</u>	<u>11.40</u>
Indirect Carryforward	(230,041)	120,000	-11.48
<b>TOTAL INDIRECT COSTS (A)</b>	<u>\$ 2,004,035</u>	<u>\$ 2,178,613</u>	<u>100.0 %</u>
<b>BASIS FOR ALLOCATION OF INDIRECT COSTS</b>			
Chargeable salaries	\$ 12,472,825	\$ 13,474,968	
Employee benefits	5,487,959	5,924,946	
	<u>17,960,784</u>	<u>19,399,914</u>	
Less indirect salaries and Employee benefits	<u>(1,260,300)</u>	<u>(1,244,806)</u>	
<b>TOTAL DIRECT SALARIES AND RELATED EMPLOYEE BENEFITS (B)</b>	<u>\$ 16,700,484</u>	<u>\$ 18,155,108</u>	
<b>ACTUAL INDIRECT COST RATE (A/B)</b>	<u>12.0%</u>	<u>12.0%</u>	

**HOUSTON-GALVESTON AREA COUNCIL  
 SUPPLEMENTARY SCHEDULE OF H-GAC EMPLOYEE BENEFITS  
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amount</u>	<u>Percentage</u>
RELEASED TIME TAKEN AND ACCRUED:		
Vacation	\$ 797,956	14.54 %
Holidays	635,539	11.58
Sick leave	474,695	8.65
Other	44,954	0.82
	<u>1,953,144</u>	<u>35.58</u>
BENEFIT PROGRAMS:		
Payroll taxes	1,084,802	19.77
Retirement plan	891,824	16.25
Insurance	1,578,610	28.76
Other benefits	143,346	2.61
	<u>3,698,582</u>	<u>67.40</u>
Benefit carryforward	<u>(163,767)</u>	<u>-2.98</u>
TOTAL EMPLOYEE BENEFITS (A)	<u>\$ 5,487,959</u>	<u>100.00 %</u>
BASIS FOR ALLOCATION OF EMPLOYEE BENEFITS:		
Gross Salaries	\$ 14,425,969	
Less released time	<u>(1,953,144)</u>	
CHARGEABLE SALARIES (B)	<u>\$ 12,472,825</u>	
EMPLOYEE BENEFIT RATE (A/B)	<u>44 %</u>	





## • STATISTICAL SECTION

This part of the Houston-Galveston's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosure says about the government's overall financial health.

### Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

### Revenue Capacity

These schedules contain information that help the reader assess H-GAC's most significant revenue sources.

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help readers understand the environment within which H-GAC's financial activities take place.



**Houston-Galveston Area Council**  
**Net Position by Component,**  
**Last Ten Fiscal Years \***  
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 430,793	\$ 388,381	\$ 540,890	\$ 859,120	\$ 691,645	\$ 1,441,651	\$ 1,733,977	\$ 1,536,514	\$ 1,171,554
Restricted		-	-	-	-	-	-	2,905,476	201,005
Unrestricted	4,547,880	4,749,115	5,154,466	5,523,016	6,028,190	5,989,894	6,153,368	6,655,894	12,270,234
Total governmental activities net position	\$ 4,978,673	\$ 5,137,496	\$ 5,695,356	\$ 6,302,136	\$ 6,719,835	\$ 7,431,545	\$ 7,887,345	\$ 11,097,883	\$ 13,642,793
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 3,627	\$ 279	\$ -	\$ -	\$ -	\$ -	\$ 189,902	\$ 156,216	\$ 117,377
Unrestricted	1,494,032	1,837,831	2,214,980	2,812,946	2,859,776	4,221,915	4,921,302	5,564,522	7,430,101
Total business-type activities net assets	\$ 1,497,659	\$ 1,838,110	\$ 2,214,980	\$ 2,812,946	\$ 2,859,776	\$ 4,221,915	\$ 5,111,204	\$ 5,720,738	\$ 7,547,478
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 434,420	\$ 388,660	\$ 540,890	\$ 859,120	\$ 691,645	\$ 1,441,651	\$ 1,923,879	\$ 1,692,730	\$ 1,288,931
Restricted		-	-	-	-	-	-	2,905,476	201,005
Unrestricted	6,041,912	6,586,946	7,369,446	8,335,962	8,887,966	10,211,809	11,074,670	12,220,416	19,700,335
Total primary government net assets	\$ 6,476,332	\$ 6,975,606	\$ 7,910,336	\$ 9,115,082	\$ 9,579,611	\$ 11,653,460	\$ 12,998,549	\$ 16,818,621	\$ 21,190,271

\* Information reported since implementation of GASB 34

Houston-Galveston Area Council  
**Changes in Net Position, Last Ten Fiscal Years\***  
*(accrual basis of accounting)*

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
Governmental activities:									
General government	\$ 1,482,665	\$ 2,063,416	\$ 3,777,906	\$ 4,072,839	\$ 7,627,031	\$ 5,000,582	\$ 3,189,351	\$ 3,192,212	\$ 3,695,088
Workforce programs	175,463,453	180,094,913	193,038,188	226,465,879	208,166,797	220,604,671	303,355,993	226,221,149	180,735,826
Transportation	45,465,898	32,279,051	40,014,600	25,009,904	22,924,182	21,520,444	30,219,209	24,111,492	23,840,134
Community and environmental	3,383,161	3,738,990	3,654,682	4,997,975	8,009,836	7,902,348	4,563,591	11,156,076	8,016,851
Criminal justice	765,195	1,171,641	1,073,613	1,045,117	1,432,448	1,480,780	1,368,165	1,604,765	848,023
Emergency communications	2,833,434	2,572,783	2,190,676	5,936,604	2,499,410	5,918,726	2,929,196	7,290,785	3,898,273
Aging services	6,412,516	6,243,085	7,011,521	7,112,240	6,652,799	9,975,099	8,603,598	9,299,666	9,144,786
Total governmental activities expenses	235,806,322	228,163,859	250,761,186	274,640,558	257,312,503	272,402,650	354,229,103	282,876,145	230,178,981
Business-type activities:									
Cooperative purchasing	28,175,082	8,968,889	1,874,891	2,100,589	2,382,046	2,344,257	2,353,892	2,647,242	2,477,374
Total business-type activities expenses	28,175,082	8,968,889	1,874,891	2,100,589	2,382,046	2,344,257	2,353,892	2,647,242	2,477,374
Total primary government expenses	\$ 263,981,404	\$ 237,132,748	\$ 252,636,077	\$ 276,741,147	\$ 259,694,549	\$ 274,746,907	\$ 356,582,995	\$ 285,523,387	\$ 232,656,355
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
Membership dues	\$ 328,041	\$ 324,029	\$ 320,667	\$ 343,004	304,493	327,683	335,139	323,690	332,635
Interlocal contracts	756,312	1,627,229	3,062,722	3,610,855	4,347,083	4,275,528	1,797,840	2,393,802	1,710,860
Data services and imaging	-	-	-	-	2,908,167	878,651	842,738	355,006	1,279,097
Operating grants and contributions	234,142,154	226,026,149	246,943,370	270,510,949	249,670,801	267,824,047	351,325,543	282,374,159	228,699,778
Total governmental activities program revenues	235,226,507	227,977,407	250,326,759	274,464,808	257,230,544	273,305,909	354,301,260	285,446,657	232,022,370
Business-type activities:									
Charges for services:									
Cooperative purchasing	28,671,316	9,338,637	2,259,985	2,633,384	2,315,885	3,882,653	3,243,181	3,256,776	4,304,114
Total business-type activities program revenues	28,671,316	9,338,637	2,259,985	2,633,384	2,315,885	3,882,653	3,243,181	3,256,776	4,304,114
Total primary government program revenues	\$ 263,897,823	\$ 237,316,044	\$ 252,586,744	\$ 277,098,192	\$ 259,546,429	\$ 277,188,562	\$ 357,544,441	\$ 288,703,433	\$ 236,326,484
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (579,815)	\$ (186,452)	\$ (434,427)	\$ (175,750)	\$ (81,959)	\$ 903,259	\$ 72,157	\$ 2,570,512	\$ 1,843,389
Business-type activities	496,234	369,748	385,094	532,795	(66,161)	1,538,396	889,289	609,534	1,826,740
Total primary government net expense	\$ (83,581)	\$ 183,296	\$ (49,333)	\$ 357,045	\$ (148,120)	\$ 2,441,655	\$ 961,446	\$ 3,180,046	\$ 3,670,129
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
State financial assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	93,977	268,557	448,612	318,535	169,199	17,511	42,374	70,482	14,668
Miscellaneous	680,350	292,958	965,052	746,105	784,359	288,404	341,270	522,311	696,854
Total governmental activities	\$ 774,327	\$ 561,515	\$ 1,414,664	\$ 1,064,640	\$ 953,558	\$ 305,915	\$ 383,644	\$ 592,793	\$ 711,522
<b>Change in Net Assets</b>									
Governmental activities	\$ 194,512	\$ 375,063	\$ 980,237	\$ 888,890	\$ 871,599	\$ 1,209,174	\$ 455,801	\$ 3,163,305	\$ 2,554,909
Business-type activities	496,234	369,748	385,094	532,795	(66,161)	1,538,396	889,289	609,534	1,826,740
Total primary government	\$ 690,746	\$ 744,811	\$ 1,365,331	\$ 1,421,685	\$ 805,438	\$ 2,747,570	\$ 1,345,089	\$ 3,772,838	\$ 4,381,649

\* Information reported since implementation of GASB 34

**Houston-Galveston Area Council  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years \***  
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund									
Reserved	\$ -	\$ 240,391	\$ 242,510	\$ 173,723	\$ 205,943	\$ 81,395	\$ 116,622	\$ 115,315	\$ 83,951
Unreserved	4,860,128	5,006,864	5,410,724	5,869,058	6,303,264	6,432,577	6,654,711	7,161,978	7,880,052
Total general fund	<u>\$ 4,860,128</u>	<u>\$ 5,247,255</u>	<u>\$ 5,653,234</u>	<u>\$ 6,042,781</u>	<u>\$ 6,509,207</u>	<u>\$ 6,513,972</u>	<u>\$ 6,771,333</u>	<u>\$ 7,277,293</u>	<u>\$ 7,964,003</u>
All Other Governmental Funds									
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 2,790,161	\$ 5,210,480
Unreserved, reported in:									
Component Unit-Regional Excellence	\$ 192,222	\$ 78,324	\$ 74,691	\$ 124,983	\$ 246,617	\$ 192,845	\$ 228,990	\$ 266,224	\$ 201,005
Total all other governmental funds	<u>\$ 192,222</u>	<u>\$ 78,324</u>	<u>\$ 74,691</u>	<u>\$ 124,983</u>	<u>\$ 246,617</u>	<u>\$ 192,845</u>	<u>\$ 228,990</u>	<u>\$ 3,056,385</u>	<u>\$ 5,411,485</u>

\* Information reported since implementation of GASB 34

**Houston-Galveston Area Council**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>										
State financial assistance	\$ 471,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest income	86,966	93,977	268,557	448,612	318,535	169,199	17,511	42,374	70,482	14,668
Membership dues	328,107	328,041	324,029	320,667	343,004	304,493	327,684	335,139	323,690	332,635
Interlocal contracts	476,629	756,312	546,593	1,397,582	1,772,747	2,231,238	1,852,880	1,797,840	2,393,802	1,710,860
Data services and imaging	-	556,434	111,032	709,558	415,083	2,908,167	878,651	842,738	355,006	1,279,097
Miscellaneous income	186,210	123,916	181,926	256,494	331,022	784,359	288,410	341,270	522,311	696,854
Operating grants and contributions	214,213,375	234,142,153	226,026,149	246,943,369	270,510,948	249,670,801	267,824,046	351,325,543	282,374,159	228,699,778
<b>Total revenues</b>	<b>215,763,065</b>	<b>236,000,833</b>	<b>227,458,286</b>	<b>250,076,282</b>	<b>273,691,339</b>	<b>256,068,257</b>	<b>271,189,182</b>	<b>354,684,904</b>	<b>286,039,450</b>	<b>232,733,892</b>
<b>Expenditures</b>										
General government	1,046,227	1,457,140	884,418	2,318,171	2,326,981	5,779,279	2,754,758	2,866,929	3,111,232	3,397,292
Workforce programs	171,295,929	175,318,970	179,947,974	192,988,668	226,420,911	208,107,447	220,546,495	303,505,280	226,130,967	180,661,303
Transportation	20,432,512	45,370,545	32,185,142	39,928,531	24,944,943	22,846,634	21,400,894	30,067,030	23,951,444	23,672,771
Community and environmental	4,528,074	3,359,122	3,723,915	3,636,341	4,980,113	7,981,947	8,176,308	4,529,900	11,075,539	7,926,066
Criminal justice	8,413,516	758,118	1,165,767	1,067,250	1,039,398	1,606,226	1,454,588	1,652,330	1,544,171	773,435
Emergency communications	4,249,626	2,829,696	2,567,408	2,185,852	5,932,603	2,490,825	5,910,612	2,912,647	7,290,076	3,876,498
Aging services	6,423,191	6,400,142	6,232,693	7,002,906	7,105,642	6,642,238	9,962,271	8,584,279	9,330,307	9,106,269
Regional excellence corporation	-	9,750	300,827	213,968	114,505	93,394	411,101	164,759	80,259	152,719
Debt service:										
Principal	77,924	45,714	48,322	24,015	-	-	43,329	28,106	26,762	23,732
Interest	8,759	5,200	2,925	496	-	-	9,428	6,542	4,085	1,397
Capital outlay	116,749	175,310	127,020	307,738	466,404	32,020	668,401	73,594	161,253	134,508
<b>Total expenditures</b>	<b>216,592,507</b>	<b>235,729,707</b>	<b>227,186,411</b>	<b>249,673,936</b>	<b>273,331,500</b>	<b>255,515,970</b>	<b>271,336,187</b>	<b>354,391,398</b>	<b>282,706,095</b>	<b>229,725,992</b>
Excess of revenues over (under) expenditures	(829,442)	271,126	271,875	402,346	359,839	552,287	(149,005)	293,506	3,333,355	3,007,900
<b>Other Financing Sources (Uses)</b>										
Capital leases	-	1,375	1,354	-	80,000	98,038	-	-	-	33,910
Transfers in	-	-	-	-	-	-	100,000	-	-	-
Total other financing sources (uses)	-	1,375	1,354	-	80,000	98,038	100,000	-	-	33,910
<b>Net change in fund balances</b>	<b>\$ (829,442)</b>	<b>\$ 272,501</b>	<b>\$ 273,229</b>	<b>\$ 402,346</b>	<b>\$ 439,839</b>	<b>\$ 650,325</b>	<b>\$ (49,005)</b>	<b>\$ 293,506</b>	<b>\$ 3,333,355</b>	<b>\$ 3,041,810</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>0.04%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.01%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.02%</b>	<b>0.01%</b>	<b>0.01%</b>	<b>0.01%</b>

**Houston-Galveston Area Council**  
**Full-time Equivalent Employees by Function/Program**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

Function/Program	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Executive											
Executive Director's Office	3	3	3	3	4	4	4	4	4	4	4.5
Internal audit	3	3	3	3	3	3	3	3	3	2	3.5
Finance and administration											
Finance	13	12	10	10	10	11	13	14	15.5	14	15
Office services	8	8	8	7	6	6	4	4	4	5	5
Program services											
Chief Operating Officer	2	2	2	3	3	2	2	2	2	2	1
Community and environmental planning	25	25	24	26	26.5	31.5	31	36.5	37.5	37	42.5
Data services	17	17	14	13	12	11	13	13	12	12.5	15.5
Human services	45	52	50.5	51	50	53.5	66.5	62	64	60	59
Public services	33	30	23	25.5	29	32	33	35	40	38	30
Transportation	49	49	54	54	54	58	53	57.5	58	58	61
Total	198	201	191.5	195.5	197.5	212	222.5	231	240	232.5	237

**Houston-Galveston Area Council  
Ten Largest Non-Governmental Regional Employers**

<b>Rank</b>	<b>Company</b>	<b>Headquarters</b>	<b>Employees</b>
1	Wal-Mart Stores	Bentonville, AK	29,762
2	Memorial Hermann Healthcare System	Houston, TX	19,500
3	Delta Airlines	Houston, TX	16,000
4	University of Texas M.D. Anderson Cancer Center	Austin, TX	15,000
5	Exxon Mobil	Irving, TX	13,000
6	Shell Oil Company	Houston, TX	13,000
7	Kroger Company	Cincinnati, OH	12,000
8	National Oilwell Varco	Houston, TX	10,000
9	The Methodist Hospital	Houston, TX	9,991
10	The UTMB at Galveston	Austin, TX	9,318

Source: Greater Houston Partnership



# COUNTY PROFILES

## Austin County

Land Area (sq. miles)	653
Persons per Square Mile	44
County Seat	Bellville
Population (2011)	28,665
<b>Race</b>	
<i>White</i>	18,516
<i>Black</i>	2,627
<i>Asian</i>	128
<i>Hispanic</i>	7,045
<i>Two or More Races and Other</i>	349
<b>Households and Families (2010)</b>	
Total households	10,837
Average family size	3.06
Average Household Size	2.60
<b>Vital Statistics 2010</b>	
Marriages	188
Divorces	110
Births	366
Male	209
Female	157
Deaths	256
Unemployment Rate 2012	6.00%

## Brazoria County

Land Area (sq. miles)	1,386
Persons per Square Mile	231
County Seat	Angleton
Population (2011)	319,973
<b>Race</b>	
<i>White</i>	167,809
<i>Black</i>	38,456
<i>Asian</i>	17,535
<i>Hispanic</i>	90,669
<i>Two or More Races and Other</i>	5,504
<b>Households and Families (2010)</b>	
Total households	106,589
Average family size	3.28
Average Household Size	2.84
<b>Vital Statistics 2010</b>	
Marriages	1,827
Divorces	1,062
Births	4,898
Male	2,543
Female	2,355
Deaths	1,888
Unemployment Rate 2012	7.00%

## Chambers County

Land Area (sq. miles)	599
Persons per Square Mile	59
County Seat	Anahuac
Population (2011)	35,552
<b>Race</b>	
<i>White</i>	24,572
<i>Black</i>	2,945
<i>Asian</i>	368
<i>Hispanic</i>	7,120
<i>Two or More Races and Other</i>	547
<b>Households and Families (2010)</b>	
Total households	11,952
Average family size	3.27
Average Household Size	2.92
<b>Vital Statistics 2010</b>	
Marriages	210
Divorces	161
Births	481
Male	228
Female	253
Deaths	219
Unemployment Rate 2012	7.70%

## Colorado County

Land Area (sq. miles)	963
Persons per Square Mile	22
County Seat	Columbus
Population (2011)	20,816
<b>Race</b>	
<i>White</i>	12,291
<i>Black</i>	2,616
<i>Asian</i>	92
<i>Hispanic</i>	5,615
<i>Two or More Races and Other</i>	202
<b>Households and Families (2010)</b>	
Total households	8,162
Average family size	3.05
Average Household Size	2.51
<b>Vital Statistics 2010</b>	
Marriages	115
Divorces	65
Births	267
Male	130
Female	137
Deaths	246
Unemployment Rate 2012	5.70%

### Fort Bend County

Land Area (sq. miles)	875
Persons per Square Mile	694
County Seat	Richmond
Population (2011)	606,953
<b>Race</b>	
<i>White</i>	218,968
<i>Black</i>	125,476
<i>Asian</i>	104,826
<i>Hispanic</i>	146,777
<i>Two or More Races and Other</i>	10,906
<b>Households and Families (2010)</b>	
Total households	187,384
Average family size	3.44
Average Household Size	3.09
<b>Vital Statistics 2010</b>	
Marriages	2,650
Divorces	1,629
Births	7,840
Male	4,048
Female	3,792
Deaths	2,311
Unemployment Rate 2012	6.10%

### Galveston County

Land Area (sq. miles)	398
Persons per Square Mile	743
County Seat	Galveston
Population (2011)	295,747
<b>Race</b>	
<i>White</i>	173,946
<i>Black</i>	39,693
<i>Asian</i>	8,931
<i>Hispanic</i>	67,848
<i>Two or More Races and Other</i>	5,329
<b>Households and Families (2010)</b>	
Total households	108,969
Average family size	3.16
Average Household Size	2.63
<b>Vital Statistics 2010</b>	
Marriages	1,888
Divorces	1,032
Births	3,945
Male	1,953
Female	1,992
Deaths	2,219
Unemployment Rate 2012	7.70%

### Harris County

Land Area (sq. miles)	1,729
Persons per Square Mile	2,418
County Seat	Houston
Population (2011)	4,180,894
<b>Race</b>	
<i>White</i>	1,365,653
<i>Black</i>	766,759
<i>Asian</i>	259,517
<i>Hispanic</i>	1,731,046
<i>Two or More Races and Other</i>	57,919
<b>Households and Families (2010)</b>	
Total households	1,435,155
Average family size	3.43
Average Household Size	2.82
<b>Vital Statistics 2010</b>	
Marriages	28,549
Divorces	13,516
Births	68,166
Male	34,603
Female	33,563
Deaths	21,897
Unemployment Rate 2012	6.80%

### Liberty County

Land Area (sq. miles)	1,160
Persons per Square Mile	66
County Seat	Liberty
Population (2011)	76,206
<b>Race</b>	
<i>White</i>	51,839
<i>Black</i>	8,282
<i>Asian</i>	380
<i>Hispanic</i>	14,531
<i>Two or More Races and Other</i>	1,174
<b>Households and Families (2010)</b>	
Total households	25,073
Average family size	3.28
Average Household Size	2.81
<b>Vital Statistics 2010</b>	
Marriages	578
Divorces	325
Births	1,064
Male	558
Female	506
Deaths	694
Unemployment Rate 2012	8.80%

### Matagorda County

Land Area (sq. miles)	1,114
Persons per Square Mile	33
County Seat	Bay City
Population (2011)	36,809
Race	
White	17,199
Black	4,032
Asian	705
Hispanic	14,438
Two or More Races and Other	435
Households and Families (2010)	
Total households	13,894
Average family size	3.17
Average Household Size	2.61
Vital Statistics 2010	
Marriages	283
Divorces	140
Births	538
Male	267
Female	271
Deaths	354
Unemployment Rate 2012	9.90%

### Montgomery County

Land Area (sq. miles)	1,044
Persons per Square Mile	452
County Seat	Conroe
Population (2011)	471,734
Race	
White	331,453
Black	20,586
Asian	10,354
Hispanic	101,108
Two or More Races and Other	8,233
Households and Families (2010)	
Total households	162,530
Average family size	3.22
Average Household Size	2.78
Vital Statistics 2010	
Marriages	2,784
Divorces	1,931
Births	6,399
Male	3,235
Female	3,164
Deaths	2,840
Unemployment Rate 2012	6.00%

### Walker County

Land Area (sq. miles)	787
Persons per Square Mile	87
County Seat	Huntsville
Population (2011)	68,087
Race	
White	39,465
Black	15,100
Asian	633
Hispanic	11,886
Two or More Races and Other	1,003
Households and Families (2010)	
Total households	20,969
Average family size	3.02
Average Household Size	2.44
Vital Statistics 2010	
Marriages	484
Divorces	133
Births	614
Male	342
Female	272
Deaths	472
Unemployment Rate 2012	6.70%

### Waller County

Land Area (sq. miles)	514
Persons per Square Mile	86
County Seat	Hempstead
Population (2011)	44,013
Race	
White	19,465
Black	10,278
Asian	240
Hispanic	13,400
Two or More Races and Other	630
Households and Families (2010)	
Total households	14,040
Average family size	3.29
Average Household Size	2.81
Vital Statistics 2010	
Marriages	270
Divorces	172
Births	594
Male	304
Female	291
Deaths	284
Unemployment Rate 2012	6.90%

## **Wharton County**

Land Area (sq. miles)	1,090
Persons per Square Mile	38
County Seat	Wharton
Population (2011)	41,314
<b>Race</b>	
<i>White</i>	19,392
<i>Black</i>	5,616
<i>Asian</i>	171
<i>Hispanic</i>	15,810
<i>Two or More Races and Other</i>	325
<b>Households and Families (2010)</b>	
Total households	15,132
Average family size	3.22
Average Household Size	2.70
<b>Vital Statistics 2010</b>	
Marriages	210
Divorces	127
Births	567
Male	288
Female	279
Deaths	399
<b>Unemployment Rate 2012</b>	6.80%

Sources: US Census Bureau  
Texas Department of Health  
Texas Workforce Commission  
H-GAC

## Total Population and Change in Population Census 1970 - 2012

County	Census					Census Esitmates	
	1970	1980	1990	2000	2010	2011	2012
Austin	13,831	17,726	19,832	23,590	28,421	28,634	28,618
Brazoria	108,312	169,587	191,707	241,767	314,498	319,227	324,769
Chambers	12,187	18,538	20,088	26,031	35,290	35,477	36,196
Colorado	17,638	18,823	18,383	20,390	20,878	20,742	20,696
Fort Bend	52,314	130,846	225,421	354,452	590,997	607,952	627,293
Galveston	169,812	195,940	217,396	250,158	292,263	295,193	300,484
Harris	1,741,912	2,409,547	2,818,101	3,400,578	4,107,917	4,173,695	4,253,700
Liberty	33,014	47,088	52,726	70,154	75,840	75,945	76,571
Matagorda	27,913	37,828	36,928	37,957	36,722	36,708	36,547
Montgomery	49,479	128,487	182,201	293,768	459,291	471,704	485,047
Walker	27,680	41,789	50,917	61,758	68,150	68,203	68,408
Waller	14,285	19,798	23,389	32,663	43,423	44,023	44,357
Wharton	36,729	40,242	39,955	41,188	41,327	41,264	41,285
H-GAC Region	2,305,106	3,276,239	3,897,044	4,854,454	6,115,017	6,218,767	6,343,971
Texas	11,196,730	14,229,191	16,986,335	20,851,820	25,145,561	25,631,778	26,059,203

Source: U.S. Census Bureau (1970-2006)

Census Population Estimates

**Texas 2012 State Expenditures By County  
Summary for the H-GAC Region, Ranked by Expenditures**

RANK	County	TOTAL	INTERGOVERNMENTAL LABOR		PUBLIC ASSISTANCE	HIGHWAY			MISCELLANEOUS
			PAYMENTS	COSTS		CONSTRUCTION & MAINTENANCE	OPERATING EXPENSES	CAPITAL OUTLAYS	
1	Harris	15,863,264,716	4,547,451,263	2,040,105,321	8,118,133,907	475,957,600	184,003,542	78,042,823	419,570,260
2	Dallas	12,890,306,321	2,886,781,768	4,442,332,669	3,884,773,055	274,541,054	374,688,743	68,283,398	963,905,633
3	Travis	8,048,589,306	835,051,037	3,898,336,744	1,895,464,879	65,880,766	222,382,896	63,046,448	1,068,426,535
4	Bexar	7,517,864,851	2,118,798,080	946,355,440	3,963,388,789	160,848,886	71,571,270	19,964,997	236,937,388
5	Tarrant	6,678,436,744	1,844,315,358	545,059,738	3,553,130,910	543,145,623	39,359,792	17,371,841	136,053,484
6	Hidalgo	3,547,478,110	1,929,899,358	327,423,231	1,197,760,655	49,756,200	16,783,429	4,279,154	21,573,083
7	El Paso	3,206,552,540	1,332,593,516	374,837,645	1,187,519,964	200,316,196	14,523,518	1,632,135	95,129,566
8	Denton	1,908,027,396	677,523,310	360,373,785	710,802,594	105,994,436	11,936,342	1,726,097	39,670,833
9	Cameron	1,786,468,683	863,773,275	169,310,960	682,718,069	44,158,493	12,934,268	2,569,476	11,004,141
10	Nueces	1,676,906,880	367,403,228	219,705,333	991,351,442	48,480,449	12,662,893	5,921,920	31,381,614
12	Fort Bend	1,631,770,523	620,673,877	223,130,218	723,315,389	23,968,894	14,819,443	712,037	25,153,664
15	Galveston	1,225,845,585	435,771,607	364,421,585	361,948,854	29,729,085	11,731,298	2,007,229	20,235,927
19	Montgomery	1,146,475,136	417,515,345	141,464,231	467,748,532	86,737,078	10,914,748	185,650	21,909,551
22	Brazoria	961,822,456	303,170,819	143,457,993	439,422,654	48,773,828	12,572,012	2,018,095	12,407,055
34	Walker	410,365,131	57,289,746	243,709,125	48,277,057	17,749,465	24,732,044	1,381,683	17,226,012
53	Liberty	236,194,230	93,706,171	39,699,548	73,471,662	14,455,771	3,740,158	0	11,120,920
57	Wharton	221,423,095	56,398,028	59,497,073	86,816,999	3,009,372	14,555,327	16,588	1,129,707
84	Matagorda	123,021,428	40,892,976	14,243,982	55,545,327	6,535,939	4,012,251	112,850	1,677,102
86	Waller	118,921,908	21,546,278	54,453,399	30,660,653	4,812,086	5,426,188	3,270	2,020,034
93	Chambers	110,910,423	53,024,934	10,131,874	27,884,051	15,523,994	2,533,697	12,078	1,799,795
98	Austin	103,744,358	22,986,053	16,625,796	30,723,842	28,607,203	1,384,129	0	3,417,335
127	Colorado	65,331,171	18,957,666	8,985,412	25,558,776	6,500,981	4,764,898	0	563,439
<b>Total State Expenditures</b>		<b>\$ 110,319,422,120</b>	<b>\$ 29,558,606,947</b>	<b>\$ 23,104,945,376</b>	<b>\$ 44,698,772,383</b>	<b>\$ 4,186,344,597</b>	<b>\$ 2,811,577,022</b>	<b>\$ 499,363,461</b>	<b>\$ 5,459,803,333</b>
<b>Total Regional Expenditures</b>		<b>22,219,090,160</b>	<b>6,689,384,763</b>	<b>3,359,925,557</b>	<b>10,489,507,703</b>	<b>762,361,296</b>	<b>295,189,735</b>	<b>84,492,303</b>	<b>538,230,801</b>
<b>% of Expenditures in Region</b>		<b>20.1%</b>	<b>22.6%</b>	<b>14.5%</b>	<b>23.5%</b>	<b>18.2%</b>	<b>10.5%</b>	<b>16.9%</b>	<b>9.9%</b>

## Texas 2012 State Expenditures Council of Government Summary, Ranked by Expenditures

Rank	COGs	TOTAL	HIGHWAY						
			INTERGOVERNMENTAL PAYMENTS	LABOR COSTS	PUBLIC ASSISTANCE	CONSTRUCTION & MAINTENANCE	OPERATING EXPENSES	CAPITAL OUTLAYS	MISCELLANEOUS
1	North Central Texas	25,792,852,819	6,776,840,008	5,843,076,280	10,087,229,376	1,259,898,797	480,711,927	96,528,349	1,248,568,084
2	Houston-Galveston Area	22,219,090,160	6,689,384,764	3,359,925,557	10,489,507,702	762,359,297	295,189,735	84,492,302	538,230,802
3	Capital Area	11,301,130,553	1,582,579,426	5,107,681,581	2,888,413,730	201,006,720	280,925,554	77,611,284	1,162,912,258
4	Alamo Area	9,079,562,142	2,568,672,840	1,226,506,512	4,632,403,329	229,292,390	106,846,711	23,240,225	292,600,136
5	Lower Rio Grande Valley	5,448,743,312	2,842,632,566	506,733,706	1,910,468,100	108,549,128	31,275,663	6,842,630	42,241,520
6	Rio Grande	3,333,036,561	1,381,489,237	412,482,811	1,211,080,524	211,676,793	18,332,739	1,688,349	96,286,108
7	East Texas	3,006,408,070	828,378,972	567,664,300	1,341,025,195	127,456,040	52,850,828	1,318,442	87,714,293
8	Coastal Bend	2,616,534,295	680,089,508	418,101,342	1,267,433,353	159,000,205	35,014,241	6,313,963	50,581,684
9	South Plains	2,033,742,223	462,765,776	622,894,651	791,863,889	59,279,563	32,824,700	12,518,337	51,595,307
10	Brazos Valley	1,835,627,997	276,094,844	803,741,509	471,411,080	86,597,240	60,784,699	13,700,126	123,298,498
11	Central Texas	1,694,385,115	549,610,094	338,495,242	561,300,463	162,673,255	19,844,503	1,193,556	61,268,002
12	West Central Texas	1,635,491,537	400,198,524	373,656,694	736,733,921	55,921,627	30,667,924	73,570	38,239,277
13	Deep East Texas	1,624,683,129	461,761,098	370,479,525	657,414,722	62,395,694	45,515,684	436,715	26,679,690
14	South East Texas	1,598,072,256	415,245,357	267,014,037	809,099,223	43,006,530	26,475,590	14,200,771	23,030,748
15	Heart of Texas	1,567,916,545	457,804,464	285,734,650	543,267,128	202,886,530	34,782,923	6,536,283	36,904,567
16	Panhandle	1,489,017,859	507,366,540	314,058,622	537,433,413	74,173,914	32,945,043	4,865,035	18,175,291
17	South Texas	1,383,677,706	740,653,595	133,817,814	428,857,636	62,893,878	11,169,010	68,259	6,217,514
18	Permian Basin	1,258,243,876	378,688,622	202,750,695	598,451,057	42,042,790	18,065,882	256,871	17,987,958
19	Ark-Tex	1,219,954,316	356,509,323	178,351,115	493,083,972	81,074,415	96,209,189	375,232	14,351,070
20	Nortex	906,243,555	225,314,131	242,003,454	358,856,637	36,545,109	23,872,554	400,008	19,251,662
21	Concho Valley	773,127,249	178,976,727	146,809,547	392,668,962	25,682,964	18,794,842	83,409	10,110,798
22	Middle Rio Grande	735,470,633	321,769,147	70,772,677	261,951,062	49,687,387	27,279,136	24,112	3,987,113
23	Golden Crescent	652,315,807	214,859,152	96,309,933	277,091,091	31,290,354	21,880,602	2,735,792	8,148,882
24	Texoma	612,112,618	204,717,267	91,149,641	243,980,215	50,953,977	10,445,610	5,291,743	5,574,166
	<b>Total</b>	<b>103,817,440,333</b>	<b>29,502,401,982</b>	<b>21,980,211,895</b>	<b>41,991,025,780</b>	<b>4,186,344,597</b>	<b>1,812,705,289</b>	<b>360,795,363</b>	<b>3,983,955,428</b>
	<b>UNALLOCABLE TO C.O.G.</b>	<b>6,501,981,787</b>	<b>56,204,965</b>	<b>1,124,742,481</b>	<b>2,707,746,603</b>	<b>0</b>	<b>998,871,733</b>	<b>138,568,098</b>	<b>1,475,847,905</b>
	<b>TOTAL EXPENDITURES</b>	<b>110,319,422,120</b>	<b>29,558,606,947</b>	<b>23,104,954,376</b>	<b>44,698,772,383</b>	<b>4,186,344,597</b>	<b>2,811,577,022</b>	<b>499,363,461</b>	<b>5,459,803,333</b>

Source: Texas Comptroller of Public Accounts

## Voter Registration 1996 - 2012 Elections

	Number of Precincts	Total Registered Voters								
		1996	1998	2000	2002	2004	2006	2008	2010	2012
<b>Austin</b>	18	13,223	14,115	14,905	15,019	16,123	17,034	18,035	17,858	18,005
<b>Brazoria</b>	65	120,294	135,443	147,811	147,972	150,164	157,705	172,083	170,784	178,505
<b>Chambers</b>	13	14,451	16,070	17,479	17,808	18,458	20,450	22,660	23,182	24,445
<b>Colorado</b>	12	12,130	11,558	12,040	11,746	12,339	13,008	13,709	13,379	13,349
<b>Fort Bend</b>	142	148,169	175,820	202,706	213,061	227,775	256,461	299,110	309,026	339,694
<b>Galveston</b>	132	153,653	168,481	176,888	172,483	173,848	182,743	189,357	182,802	185,379
<b>Harris</b>	1004	1,592,569	1,755,809	1,886,581	1,866,381	1,808,048	1,871,929	1,959,284	1,937,850	2,000,011
<b>Liberty</b>	30	36,648	39,323	42,270	42,790	44,721	44,359	45,526	43,597	43,198
<b>Matagorda</b>	18	21,956	22,866	23,095	21,512	20,607	20,890	21,703	21,131	21,387
<b>Montgomery</b>	86	138,348	159,571	183,958	188,100	197,107	215,878	243,539	249,954	264,980
<b>Walker</b>	18	26,595	29,041	29,556	27,344	26,887	28,190	30,998	30,189	30,781
<b>Waller</b>	20	17,225	18,539	20,123	21,561	24,404	24,709	29,623	31,000	29,838
<b>Wharton</b>	12	21,003	22,009	22,612	22,587	23,618	24,583	25,002	24,741	24,684
<b>H-GAC region</b>	<b>1,570</b>	<b>2,316,264</b>	<b>2,568,645</b>	<b>2,780,024</b>	<b>2,768,364</b>	<b>2,744,099</b>	<b>2,877,939</b>	<b>3,070,629</b>	<b>3,055,493</b>	<b>3,174,256</b>

Source: Office of the Texas Secretary of State



## 2012 General Election Results by County

	Registered Voters	Total Votes	Turn Out	Republican	Democratic	Libertarian	Other
Austin	18,005	11,649	64.70%	9,265	2,252	96	36
Brazoria	178,505	106,739	59.80%	70,862	34,421	1127	329
Chambers	24,445	14,735	60.28%	11,787	2,790	120	38
Colorado	13,349	8,117	60.81%	6,026	2,029	45	17
Fort Bend	339,694	219,489	64.61%	116,126	101,144	1719	500
Galveston	185,379	110,078	59.38%	69,059	39,511	1191	317
Harris	2,000,011	1,188,585	59.43%	586,073	587,044	11,098	4,370
Liberty	43,198	22,746	52.66%	17,323	5,202	170	51
Matagorda	21,387	12,133	56.73%	8,040	3,980	96	17
Montgomery	264,980	173,113	65.33%	137,969	32,920	1718	506
Walker	30,781	18,685	60.70%	12,140	6,252	204	89
Waller	29,838	15,902	53.29%	9,244	6,514	100	44
Wharton	24,684	14,087	57.07%	9,750	4,235	68	34
<b>H-GAC region</b>	<b>3,174,256</b>	<b>1,916,058</b>	<b>60.36%</b>	<b>1,063,664</b>	<b>828,294</b>	<b>17,752</b>	<b>6,348</b>

Source: Office of the Secretary of State

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- **SINGLE AUDIT SECTION**



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

To the Board of Directors  
Houston-Galveston Area Council  
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Houston-Galveston Area Council (the "Council") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 7, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
June 7, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

Board of Directors  
Houston-Galveston Area Council  
Houston, Texas

**Report on Compliance for Each Major Federal and State Program**

We have audited Houston-Galveston Area Council's (the "Council") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of the Council's major federal and state programs for the year ended December 31, 2012. The Council's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Council's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Council's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Council complied, in all material respects, with the types of 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 December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*, 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 the Council's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
June 7, 2013



HOUSTON-GALVESTON AREA COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
<b>FEDERAL PROGRAMS</b>				
<b>PRIMARY GOVERNMENT:</b>				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through the Texas Workforce Commission				
2812SNE000	SNAP E&T - 2012	10.561	1,962,835	1,946,761
2812SNA000	SNAP E&T ABAWD - 2012	10.561	854,225	750,483
2813SNA000	SNAP E&T ABAWD - 2013	10.561	212,829	192,029
	Subtotal - 10.561		3,029,889	2,889,273
	Total - Texas Workforce Commission		3,029,889	2,889,273
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>				
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Direct Program				
TXRIP0035-10	Sustainable Communities Regional Planning	14.703	1,834,486	-
	Total - Direct Program		1,834,486	-
Passed Through the Texas Department of Agriculture				
C711218	Community Development Block Grant - 2012	14.228	18,168	-
	Total - Texas Department of Agriculture		18,168	-
Passed Through the General Land Office				
09-6838-000-5233	CDBG - IKE Recovery	14.228	75,828	-
72090016	CDBG - IKE/Dolly Funding	14.228	3,074,879	2,749,538
13-245-000-7444	CDBG - Disaster Recovery Program Non-Rental Housing Projects	14.228	71,989	-
	Subtotal - 14.228		3,222,696	2,749,538
	Total - General Land Office		3,222,696	2,749,538
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<b>U.S. DEPARTMENT OF LABOR</b>				
Passed Through the Texas Workforce Commission				
2812RAG000	Employment Services - Resource Admin Grant - 2012	17.207	12,295	-
2812WPA000	Employment Services - 2012	17.207	541,169	224,532
	Subtotal - Employment Service Cluster		553,464	224,532
2812EUC000	Emergency Unemployment Compensation	17.225	275,981	274,003
2812RAG000	Unemployment Insurance - Resource Admin Grant - 2012	17.225	4,665	-
	Subtotal - 17.225		280,646	274,003
2812TRA000	Trade Act Services for Dislocated Workers - 2012	17.245	598,434	598,281
2813TRA000	Trade Act Services for Dislocated Workers - 2013	17.245	10,567	7,359
	Subtotal - 17.245		609,021	605,640
2810WIA000	WIA Adult - PY10/FY11	17.258	( 103,725)	( 34,315)
2811WIA000	WIA Adult Program - 2011	17.258	8,850,478	8,223,042
2812WIA000	WIA Adult Program - 2012	17.258	1,863,887	1,849,157
2812DNI000	WIA Dislocated Worker - Disability Navigator Initiative	17.258	28,500	28,500
2810WIY000	WIA Youth - PY2010	17.259	154,305	( 71,053)
2811WIY000	WIA Youth - PY2011	17.259	7,849,763	7,460,579
2812WIY000	WIA Youth - PY2012	17.259	2,477,357	2,452,804
2812DNI000	Disability Navigator Initiative	17.259	1,500	1,500
2812BSA000	Board Service Award - Adm	17.259	1,250	364
2810NEG000	WIA National Emergency Grants - Gulf Coast Multi-Company	17.277	3,033,292	2,939,366
2810WID000	WIA Dislocated Worker - PY10/FY11	17.278	191,726	-
2811WID000	WIA Dislocated Worker - PY11/FY12	17.278	9,082,636	8,697,126
2812WID000	WIA Dislocated Worker - PY11/FY13	17.278	2,432,322	2,425,719
2812WAA000	WIA Additional Assistance	17.278	175,000	175,000
2812WAA001	WIA Additional Assistance	17.278	163,610	141,293
2812BSA000	Board Service Award - Direct Service	17.278	11,250	6,911
2810XEG000	WIA Dislocated Workers - NEG OJT - ARRA	17.260	782,946	772,732
	Subtotal - WIA Cluster		36,996,097	35,068,725
2812RAG000	Temporary Labor Certification for Foreign Workers 2012	17.273	620	-
	Total - Texas Workforce Commission		38,439,848	36,172,900

HOUSTON-GALVESTON AREA COUNCIL  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
	Passed Through Texas Veterans Commission			
VES 10-28	Disabled Veterans' Outreach Program	17 801	189,136	160,549
VES 13-28	Disabled Veterans' Outreach Program	17 801	67,026	58,376
	Subtotal - Employment Service Cluster		256,162	218,925
	Total - Texas Veterans Commission		256,162	218,925
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>38,696,010</b>	<b>36,391,825</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Direct Programs				
3-48-D301-001-2008	Reg Aviation Sys Plan	20 106	65,577	-
	Total - Direct Programs		65,577	-
Passed Through the Texas Department of Transportation				
0912-71-884	Clean Cities/Vehicles - 2008	20 205	266,682	266,682
0912-00-301	Clean Cities/Vehicles - 2006	20 205	6,063,222	6,063,222
0912-00-362	Clean Cities/Vehicles - 2011	20 205	798,913	130,448
0912-72-030	Clean Air Action - 2007	20 205	91,106	-
0912-00-357	Clean Air Action - Market	20 205	966,077	-
0912-00-459	Clean Air Action Marketing and Outreach	20 205	96,099	-
0912-00-356 TASK 1	Mobility Planning	20 205	280,555	280,555
0912-72-030	Reg Commute Alter - 2007	20 205	443,834	443,834
0912-00-395	Plan & FEAS Study - 2010	20 205	784,231	-
0912-00-320	Safety Hot Spots	20 205	38,979	-
0912-00-398	Regional Good Movement - ARRA	20 205	342,953	-
0912-00-395 TASK 1	Access Management Studies	20 205	( 1,402)	-
0912-00-395 TASK 2	Subregional Planning Studies	20 205	494,006	-
0912-00-391	Tour Based Demand Model	20 205	299,247	-
0912-00-365	Commute Solutions - Staff 2010	20 205	540,129	-
0912-00-367	Commute Solutions - Staff 2011	20 205	309,770	-
50-12XF0015	Administration - 2012	20 205	1,206,330	-
50-12XF0015	Data Development & Maintenance - 2012	20 205	1,211,456	-
50-12XF0015	Short Range Planning - 2012	20 205	568,391	-
50-12XF0015	Long Range Plan - 2012	20 205	1,771,338	-
50-12XF0015	Special Studies - 2012	20 205	315,338	-
	Subtotal - 20 205		16,888,254	7,184,742
50-12XF0015	Administration - 2012	20 505	119,215	-
50-13XF0015	Administration - 2013	20 505	528,677	-
50-12XF0015	Data Development & Maintenance - 2012	20 505	37,459	-
50-13XF0015	Data Development & Maintenance - 2013	20 505	392,436	-
50-13XF0015	Short Range Planning - 2013	20 505	229,505	-
50-13XF0015	Long Range Plan - 2013	20 505	525,508	-
50-13XF0015	Special Studies - 2013	20 505	109,507	5,135
	Subtotal - 20 505		1,942,307	5,135
517XXF7199	Reg Coordinated Planning	20 515	19,416	-
583-EGF-7121	DWI Selective Traffic Enforcement	20 600	21,225	21,225
	Total - Texas Department of Transportation		18,871,201	7,211,102
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<b>18,936,779</b>	<b>7,211,102</b>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
Direct Programs				
2A-83440901-0	DERA Revolving Loan Program - ARRA	66 039	8,140,957	-
DE-00F42401-0	Clean Vessels for Texas Waters	66 039	630,319	-
	Subtotal - 66 039		8,771,276	-
	Total - Direct Programs		8,771,276	-
Passed Through the Texas Commission on Environmental Quality				
582-12-20496	Clean Water Act - 105	66 419	231,699	35,048
582-12-10088	Water Quality Management Planning - 2012	66 454	149,304	28,720
582-13-30047	Water Quality Management Planning - 2013	66 454	12,350	348
582-12-22310	GBEP - Cedar Bayou	66 454	3,001	-
	Subtotal - 66 454		164,655	29,068

HOUSTON-GALVESTON AREA COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
582-13-31193	Trash Bash Storage	66.456	18,600	-
582-9-77098	Nonpoint Source Implementation	66.460	371,867	-
	Total - Texas Commission on Environmental Quality		786,821	64,116
	Passed Through the Texas State Soil and Water Conservation Board			
10-08	Watershed Protection Plan - Cedar Bayou	66.460	120,735	1,405
11-10	Surface Water Quality Monitoring - San Bernard River	66.460	20,611	-
	Subtotal - 66.460		141,346	1,405
	Total - Texas State Soil and Water Conservation Board		141,346	1,405
	<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>		<b>9,699,443</b>	<b>65,521</b>
	<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
	Passed Through Texas Health and Human Service Commission			
529-09-0100-00001	Social Services Block Grant - Hurricane Ike Funding	93.667	( 48,428)	( 48,428)
	Total - Texas Health and Human Services Commission		( 48,428)	( 48,428)
	Passed Through the Texas Department of Aging and Disability Services			
539-08-0170-00001	Aging Title VII EAP - 2012	93.041	15,806	-
539-08-0170-00001	Aging Title VII EAP - 2013	93.041	11,981	-
	Subtotal - 93.041		27,787	-
539-08-0170-00001	Aging Title VII OAG - 2012	93.042	45,037	-
539-08-0170-00001	Aging Title VII OAG - 2013	93.042	4,883	-
	Subtotal - 93.042		49,920	-
539-08-0170-00001	Aging Title III, Part D - 2012	93.043	46,715	46,715
539-08-0170-00001	Aging Title III, Part D - 2013	93.043	3,795	3,795
	Subtotal - 93.043		50,510	50,510
539-08-0170-00001	Aging Title III, Part B - 2012	93.044	1,409,259	589,372
539-08-0170-00001	Aging Title III, Part B - 2013	93.044	564,408	304,291
539-08-0170-00001	Aging Title III, Part C - 2012	93.045	2,013,720	2,013,720
539-08-0170-00001	Aging Title III, Part C - 2013	93.045	608,521	608,521
539-08-0170-00001	Aging NSIP - 2012	93.053	559,243	559,243
539-08-0170-00001	Aging NSIP - 2013	93.053	2,199	2,199
	Subtotal - Aging Cluster		5,157,350	4,077,346
539-08-0170-00001	Aging Title III, Part E - 2012	93.052	616,180	519,468
539-08-0170-00001	Aging Title III, Part E - 2013	93.052	78,083	48,671
	Subtotal 93.052		694,263	568,139
539-08-0170-00001	Aging CMS Basic (04/01/11-03/31/12)	93.779	27,651	73
539-08-0170-00001	Aging CMS Basic (04/01/12-03/31/13)	93.779	85,985	-
539-08-0170-00001	CMS-MIPPA Priority 1	93.779	7,711	-
	Subtotal - 93.779		121,347	73
539-08-0170-00001	ACA-MIPPA Priority 2	93.518	42,646	-
539-08-0170-00001	OMB-MFPD - 2012	93.791	2,102	-
539-08-0170-00001	OMB-MFPD - 2013	93.791	7,266	-
	Subtotal - 93.791		9,368	-
	Total - Texas Department of Aging and Disability Services		6,153,191	4,696,068
	Passed Through the Texas Workforce Commission			
2812TAN000	TANF Choices - 2012	93.558	9,323,210	9,305,448
2813TAN000	TANF Choices - 2013	93.558	1,584,066	1,584,066
2812NCP000	TANF E&T - Noncustodial Parent Empl - 2012	93.558	642,928	602,029
2813NCP000	TANF E&T - Noncustodial Parent Empl - 2013	93.558	248,249	226,064
2812BSA000	Board Service Award	93.558	12,500	-
2812DNI000	TANF - Disability Navigator Initiative - 2012	93.558	12,930	12,930
2810BTW000	Texas Back-to-Work Initiative - ARRA	93.714	176,147	176,147
	Subtotal - TANF Cluster		12,000,030	11,906,685

HOUSTON-GALVESTON AREA COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
2813CCF000	Child Care CCDF - 2013	93.575	4,795,147	4,196,147
2812CCF000	Child Care CCDF - 2012	93.575	23,869,844	23,479,844
2812CAA000	CC Attendance Auto Services - 2012	93.575	614,531	614,531
2813CAA000	CC Attendance Auto Services - 2013	93.575	184,689	184,689
2812CCP000	DFPS Child Care - 2012	93.575	286,935	286,935
2812CAM000	Child Care Additional Match - 2012	93.596	984,170	984,170
2813CCF000	Child Care (BAPA) - 2013	93.596	5,893,844	5,893,844
2812CCF000	Child Care (BAPA) - 2012	93.596	33,306,302	33,306,302
2812CCM000	Child Care Local Initiatives - 2012	93.596	13,070,367	13,070,367
2813CCM000	Child Care Local Initiatives - 2013	93.596	10,179	10,179
	Subtotal - CCDF Cluster		83,017,008	82,027,008
2812CCF000	Child Care CCDF - 2012	93.667	461,244	461,244
2813CCF000	Child Care CCDF - 2013	93.667	116,604	116,604
	Subtotal - 93.667		577,848	577,848
	Total - Texas Workforce Commission		95,594,886	94,511,541
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>101,699,649</b>	<b>99,159,182</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through the Texas Department of Public Safety				
2010-IP-TO-0005	Interoperable Emergency Communications Grant Program - 2010	97.055	( 2,343)	-
DR-1791-211	Hazard Mitigation Grant Program	97.039	33,562	-
2009-SS-TP-0064	Homeland Security Grant Program - SHSP - 2009	97.073	48,589	-
2010-SS-TO-0008	Homeland Security Grant Program - SHSP SOW - 2010	97.073	226,963	-
	Subtotal - 97.073		275,552	-
	Total - Texas Department of Public Safety		306,771	-
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>306,771</b>	<b>-</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT</b>			<b>177,443,891</b>	<b>148,466,439</b>
<b>DISCRETELY PRESENTED COMPONENT UNIT:</b>				
<b>U.S. DEPARTMENT OF COMMERCE</b>				
Direct Programs:				
08-83-04519	Economic Development - Support for Planning Organizations	11.302	( 1,760)	-
08-83-04760	Economic Development - Support for Planning Organizations	11.302	89,333	-
	Subtotal - 11.302		87,573	-
08-69-04356	Economic Adjustment Assistance - Revolving Loan Fund	11.307	1,911,972	-
	Total - Direct Programs		1,999,545	-
<b>TOTAL U.S. DEPARTMENT OF COMMERCE</b>			<b>1,999,545</b>	<b>-</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - DISCRETELY PRESENTED COMPONENT UNIT</b>			<b>1,999,545</b>	<b>-</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY</b>			<b>179,443,436</b>	<b>148,466,439</b>

HOUSTON-GALVESTON AREA COUNCIL  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
<b>STATE PROGRAMS</b>				
<b>PRIMARY GOVERNMENT:</b>				
<b>OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION</b>				
300-2-0354	Criminal Justice Planning - 2012		213,052	-
PS12-529	Criminal Justice Planning - 2013		62,913	-
	Subtotal - Criminal Justice Planning		275,965	-
1471912	Law Enforcement Training - 2012		227,668	173,860
2606701	CJD Juvenile Mental Health Project		9,680	-
	<b>TOTAL OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION</b>		<b>513,313</b>	<b>173,860</b>
<b>TEXAS COMMISSION ON STATE EMERGENCY COMMUNICATIONS</b>				
N/A	911 Emergency - 2011		236,130	277,580
N/A	911 Emergency - 2012		2,377,829	1,609,361
N/A	911 Emergency - 2013		1,284,314	940,266
	<b>TOTAL TEXAS COMMISSION ON STATE EMERGENCY COMMUNICATIONS</b>		<b>3,898,274</b>	<b>2,827,207</b>
<b>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>				
Direct Programs:				
582-10-97887	Solid Waste - 2009 - 11		240,818	-
582-12-10153	Solid Waste - 2011 - 13		738,337	381,884
	Subtotal - Solid Waste		979,155	381,884
582-11-13254-WO#2	TMDL Lake Houston - 2012		192,901	-
582-11-13254-WO#1	TMDL Oyster Creek - 2012		50,513	-
582-12-13254 WO#4	TMDL Public Participation Project		72,801	-
582-11-13254 WO#3	TMDL Armand Bayou		8,997	-
	Subtotal - TMDL		325,212	-
582-12-10098	Texas Clean Rivers - 2011/2013		525,342	66,995
582-12-13173	Drayage Truck Emissions		100,000	85,000
	Total - Direct Programs		1,929,708	533,879
Passed Through Harris County				
582-9-90416-06	Air Check Texas - 2012		1,251,227	898,433
582-9-90416-06	Air Check Texas - 2013		404,689	308,409
	Total - Air Check Texas - Harris County		1,655,916	1,206,842
Passed Through Fort Bend County				
582-9-90416-14	Air Check Texas - 2012	(	84,387)	( 73,032)
582-9-90416-14	Air Check Texas - 2013	(	52,392)	( 35,564)
	Total - Air Check Texas - Fort Bend County	(	31,995)	( 37,468)
Passed Through Brazoria County				
582-9-90416-13	Air Check Texas - 2012		145,536	107,769
582-9-90416-13	Air Check Texas - 2013		19,642	13,283
	Total - Air Check Texas - Brazoria County		165,177	121,052
Passed Through Galveston County				
582-9-90416-15	Air Check Texas - 2012		178,565	129,556
582-9-90416-15	Air Check Texas - 2013		49,556	33,322
	Total - Air Check Texas - Galveston County		228,121	162,878
Passed Through Montgomery County				
582-9-90416-16	Air Check Texas - 2012		243,076	175,152
582-9-90416-16	Air Check Texas - 2013		75,822	51,075
	Total - Air Check Texas - Montgomery County		318,897	226,227
	<b>TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>		<b>4,265,826</b>	<b>2,213,411</b>
<b>TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES</b>				
539-08-0170-00001	State General Revenue - 2012		32,878	32,878
	<b>TOTAL TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES</b>		<b>32,878</b>	<b>32,878</b>

HOUSTON-GALVESTON AREA COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
<b>TEXAS WORKFORCE COMMISSION</b>				
2810BTW000	Texas Back-to-Work Initiative		1,467,201	1,446,340
2812BTW000	Texas Back-to-Work Initiative		<u>1,867,740</u>	<u>1,840,434</u>
	Subtotal - Texas Back-to-Work Initiative		3,334,941	3,286,774
2812SNE000	SNAP E&T - 2012		247,863	110,000
2813SNE001	SNAP E&T - 2013		<u>362,806</u>	<u>321,982</u>
	Subtotal - SNAP E&T		610,669	431,982
2812RAG000	Resource Administration Grant - 2012		1,835	-
2813RAG000	Resource Administration Grant - 2013		<u>7,820</u>	<u>-</u>
	Subtotal - Resource Administration Grant		9,655	-
2812TAN000	TANF Choices - 2012		659,546	130,000
2813TAN000	TANF Choices - 2013		<u>313,429</u>	<u>239,131</u>
	Subtotal -TANF Choices		972,975	369,131
2811CCP000	Child Care DFPS - 2011		39,672	39,672
2812CCP000	Child Care DFPS - 2012		5,414,771	5,385,414
2813CCP000	Child Care DFPS - 2013		<u>3,324,888</u>	<u>3,313,828</u>
	Subtotal - Child Care DFPS		8,779,331	8,738,914
2812CCF000	CCDF Child Care - 2012		15,263,687	15,204,397
2812CCM000	Child Care Local Initiatives - 2012		100,000	100,000
2813CCF000	CCDF Child Care - 2013		<u>11,666,115</u>	<u>11,666,115</u>
	Subtotal - Child Care		27,029,802	26,970,512
	<b>TOTAL TEXAS WORKFORCE COMMISSION</b>		<u>40,737,373</u>	<u>39,797,313</u>
	<b>TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT</b>		<u>49,447,663</u>	<u>45,044,669</u>
	<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY</b>		<u>\$ 228,891,100</u>	<u>\$ 193,511,109</u>

HOUSTON-GALVESTON AREA COUNCIL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

1 BASIS OF ACCOUNTING

The schedule of expenditures of federal and state awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources. Encumbrances are used during the year for budgetary control purposes and lapse at fiscal year end.

2 REPORTING ENTITY

H-GAC for purposes of the schedule of expenditures of federal and state awards includes all funds of the primary government. Also included is the Gulf Coast Economic Development Corporation, a discretely presented component unit of H-GAC

3 RECONCILIATION

Adjustments necessary to reconcile expenditures reported on the supplementary schedule of expenditures of federal and state awards to the basic financial statements at year end were as follows:

Total Grant Fund Expenditures	\$ 226,016,344
Add: Depreciation charged to grant programs	381,546
Add: Gulf Coast Economic Development Corporation federal expenditures	1,999,545
Add: EPA RLF reconciling items from notes 5 below (\$4,552,179;\$1,466,128;\$1,788,231)	7,806,538
Less: In-Kind Expenditures	(5,798,483)
Less: Program Income	(196,542)
Less: Cash Match	(202,064)
Less: Expenditures funded by local grant revenues	(1,115,784)
Total Federal and State Schedule	<u>\$ 228,891,100</u>

4 CALCULATION OF FEDERAL AWARDS EXPENDE FOR EDA REVOLVING LOAN FUND

Expenditure of the EDA Revolving Loan Fund were calculated as follows:

Balance of RLF loans outstanding at 12/31/2012	\$ 1,555,077
Cash and investment balance at 12/31/2012	261,810
Administrative costs during the fiscal year	95,085
Unpaid principal of loans written off during the fiscal year	-
Total EDA Revolving Loan Fund Expenditures	<u>1,911,972</u>
Federal Participation Rate	100%
Total Federal Share of EDA Revolving Loan Fund Expenditures	<u>\$ 1,911,972</u>

5 CALCULATION OF FEDERAL AWARDS EXPENDE FOR EPA REVOLVING LOAN FUND

Expenditure of the EPA Revolving Loan Fund were calculated as follows:

Value of new loans made during 2012	\$ 4,552,179
Ending balance of loans made in previous years	1,466,128
Administrative costs during the fiscal year	334,419
Cash and investment balance at 12/31/2012	1,788,231
Total EPA Revolving Loan Fund Expenditures	<u>8,140,957</u>
Federal Participation Rate	100%
Total Federal Share of EPA Revolving Loan Fund Expenditures	<u>\$ 8,140,957</u>

6 FEDERAL PROGRAM TOTALS

Some programs include awards received from multiple federal funding grantors

Texas Department of Agriculture	\$ 18,168
General Land Office	3,222,696
Total CFDA #14.228	<u>\$ 3,240,864</u>
Texas Workforce Commission	\$ 553,464
Texas Veterans Commission	256,162
Total Employment Service Cluster	<u>\$ 809,626</u>
Texas Commission on Environmental Quality	\$ 371,867
Texas State Soil and Water Conservation Board	141,346
Total CFDA #66.460	<u>\$ 513,213</u>

**HOUSTON-GALVESTON AREA COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal and State Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or the State of Texas Uniform Grant Management Standards?

None

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal and State Programs or Clusters:</u>
10.561	SNAP E&T
17.258, 17.259, 17.260, 17.277, 17.278	WIA Cluster
66.039	National Clean Diesel Emissions Reduction Program
93.558, 93.714	TANF Cluster
93.575, 93.596	CCDF Cluster
State	Solid Waste
State	SNAP E&T
State	TANF Choices
State	Child Care and Child Care DFPS

Dollar threshold considered between Type A and Type B federal programs

\$3,000,000

Dollar threshold considered between Type A and Type B state programs

\$361,647

Auditee qualified as low-risk auditee for federal single audit?

Yes

Auditee qualified as low-risk auditee for state single audit?

Yes

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

None

**Findings and Questioned Costs for Federal and State Awards**

None