



# CITY OF SAN ANTONIO

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SAN ANTONIO, TEXAS 78283-3966

August 31, 2005

Phil Hardberger  
Mayor

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Councilman, District 1

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Councilwoman, District 2

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Councilman, District 3

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Art A. Hall  
Councilman, District 8

Kevin Wolff  
Councilman, District 9

Chip Haass  
Councilman, District 10

J. Rolando Bono  
City Manager

Ladies and Gentlemen:

RE: Final Audit Report – 2005 and 2006 Projected Budgets for Metropolitan Partnership for Energy

In July 2005, Internal Audit began a review of the 2005 and 2006 Projected Budgets for Metropolitan Partnership for Energy (MPE). MPE was created through a collaboration of the City of San Antonio, City Public Service (CPS) Energy, Bexar County, San Antonio Water System, Alamo Area Council of Governments, VIA Metropolitan Transit, Greater Bexar County Council of Cities, and Solar San Antonio. MPE helps its partners develop and implement energy and emissions reduction policies and public awareness programs.

The 2004 contract between the City and MPE designates COSA's Environmental Services Department (ESD) to evaluate MPE's performance in assisting the City with statutory and/or regulatory energy conservation requirements. The City of San Antonio has provided \$300,000 in funding to MPE over the past three years, through June 2004.

During the review, the scope of the audit was expanded to include the performance of a trend analysis of prior years' financial statements and verification of MPE's compliance with 2004 contract deliverables. Fieldwork for this engagement was considered complete in early August 2005. This was followed by a meeting with members from the MPE and City ESD in August 2005 to discuss issues identified in the audit. Subsequently, MPE provided additional information that clarified various issues and observations.

Overall, the audit indicates that MPE's management and internal controls should be improved.

- Contracts with the City should be completed more timely.
- Proposed forecasts or budgets should be verified for accurate and reliable information.
- Cash reserves appear high without a specific plan for its use.

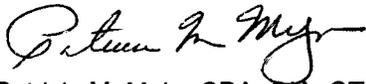
MPE has an interim director who has begun to implement changes to address various issues identified during the audit.

In addition, the City's contracting process needs to be tightened. Contracts for professional services should indicate specific deliverables and the timing for them in relation to any payment for services. The contract documents for professional consulting services should be prepared and signed prior to the work being performed and any related payments. MPE uses a calendar year for its budget and financial planning while the City uses a fiscal year ending in September. Commitments between the City and MPE for calendar year 2005 have not been contractually formalized as of August. The operating budget under consideration for 2006 should be evaluated using MPE's services so that required documents can be prepared prior to January.

The Mayor and City Council should know that MPE Management and City Staff cooperated fully on this project. The report includes their responses which were viewed as positive commitments to implement process changes and improvements.

The Internal Audit Department is available to discuss the details of this report with you at your individual convenience. We appreciated being able to perform this audit and to offer recommendations that can make a difference in the future.

Sincerely,



Patricia M. Major CPA, CIA, CTP, CGFM  
City Internal Auditor  
(210) 207-2853 office; (210) 215-9455 cell

cc: Martha Sepeda, Acting City Attorney  
Leticia Vacek, City Clerk  
Melissa Byrne Vossmer, Assistant City Manager  
Erik Walsh, Assistant to the City Manager  
Dan Cardenas, Environmental Services Department Director  
Central Library Branch



**CITY OF SAN ANTONIO**  
**INTERNAL AUDIT DEPARTMENT**

**Audit of Metropolitan Partnership for Energy**  
**2005 and 2006 Projected Budgets**

**Project No. AU05-029**

**Issue Date: August 30, 2005**

**Patricia M. Major, CPA, CIA, CTP, CGFM**  
**Denis Cano, CPA, CIA**  
**David Perez**

### **Background**

The Metropolitan Partnership for Energy (MPE) is a non-profit organization founded in 2002. The mission is to improve San Antonio's energy efficiency by providing energy leadership, expertise and education. The MPE was created following the passage of Texas Senate Bill 5 – the Texas Emissions Reduction Act. This bill requires that political subdivisions in 38 affected counties, including Bexar County, to reduce energy consumption by 5 percent per year or 25 percent for five years. The bill also requires compliance with the latest energy efficient building codes for residential and commercial construction.

MPE was created through a collaboration of the City of San Antonio, City Public Service (CPS) Energy, Bexar County, San Antonio Water System, Alamo Area Council of Governments, VIA Metropolitan Transit, Greater Bexar County Council of Cities, and Solar San Antonio. MPE helps its partners develop and implement energy and emissions reduction policies and public awareness programs. Specific areas of interest include: energy planning, renewable energy use, adoption of resource efficient building standards, reduction of urban heat islands, environmental-friendly purchasing, and alternatives to single-occupancy vehicle use. MPE also monitors the state legislature, following energy-related bills and making recommendations as appropriate.

### **Objective and Scope**

Initially the objective of the audit was to determine the appropriateness and reasonableness of the 2005 and 2006 Projected Budgets for MPE. During the review, the scope of the audit was expanded to include the performance of a trend analysis of prior years' financial statements and verification of MPE's compliance with 2004 contract deliverables.

### **Criteria**

This review was based upon terms of the 2004 contract with the City and applicable laws. The review was performed in compliance with generally accepted government auditing standards (GAGAS) issued by the U.S. Government Accountability Office (GAO) and other criteria to conform with the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing."

Government Auditing Standards requires a peer review of auditing practices at least once every three years by reviewers independent of the audit organization. The City Internal Audit Department (CIAD) had its last external peer review in July 2001. CIAD is scheduled for the next peer review in the summer 2005.

### **Methodology**

The audit methodology consisted of the following:

- Analyze the 2005 and 2006 Proposed Budgets,
- Perform a trend analysis of proposed budgets to prior year financial statements, and
- Verify MPE's compliance with 2004 contract deliverables.

Work for this project began in July 2005 and ended in August 2005.

### **Conclusions**

Based upon the work performed for this review, the audit team developed the following conclusions:

- The City Council should reevaluate the \$100,000 funding request for calendar year 2005 since it appears that MPE's available cash is adequate to cover estimated operating expenses.
- The City Council should consider funding for 2006 with requirements to improve MPE's management and internal controls.
- COSA's Environmental Services Department should have managed the contract for 2004 in a timely manner. An appropriate review of MPE's 2005 and 2006 Projected Budgets would have identified a mathematical error.
- The audit team identified issues relating to MPE's financial statement reporting; timely submission of the 2005 budget; mathematical errors in the presented budget; and plan for the available cash reserves.

## Detailed Observations, Recommendations, and Responses

### City of San Antonio

#### 1. Contract Management Improvements Needed by the Environmental Services Department

##### Observation

The 2004 contract between the City and MPE designates COSA's Environmental Services Department (ESD) to facilitate the evaluation of MPE's performance in assisting the City's progress toward energy conservation in comportment with statutory or regulatory energy conservation obligations. During the review of the department's contract management, the following was noted:

##### 2004 Contract Requirements/Deliverables

- ESD did not perform a contemporaneous review of MPE's performance of the 2004 contract deliverables. A Performance Review was completed in March 2005. Although the report noted lack of several contract deliverables, it did not include expected completion dates for these deliverables. As of July 2005, there is no indication that a follow-up has been performed by ESD.

##### 2005 and 2006 Projected Budgets

- In June 2005, the Director of Environmental Services was prepared to make a recommendation to the Mayor and City Council for funding MPE in the amount of \$100,000 for 2005. It was delayed based on the audit team's review of MPE's financial statements. Funding requests should be submitted before the year of need to allow for proper budgetary consideration.
- It appears that MPE's Proposed Budgets for 2005 and 2006 were not properly reviewed by ESD due to the mathematical error noted in the revenue section of the report. As a result, the amounts in the "Total Funds Available this Year" and the "Funds Remaining at End of the Year" are overstated by \$100,500 and \$34,000, respectively for 2005 and 2006.

<u>Total Funds Available This Year</u>			<u>Funds Remaining at End of the Year</u>		
	2005	2006		2005	2006
Corrected	\$ 727,416	\$ 846,605	Corrected	\$ 420,610	\$ 428,792
Uncorrected	827,916	880,605	Uncorrected	521,110	462,792
Difference	<u><u>\$(100,500)</u></u>	<u><u>\$(34,000)</u></u>	Difference	<u><u>\$(100,500)</u></u>	<u><u>\$(34,000)</u></u>

##### Risk

The City of San Antonio has provided \$300,000 in funding to MPE over the past three years; however, the contract management by ESD has been limited. Without a timely review and report on MPE's performance by the department, the City's progress toward expected energy conservation goals may not be realized.

### **Recommendations**

ESD should submit a report to City Council regarding MPE's performance of the 2004 contract deliverables with expected completion dates.

The City Council should assess whether the \$100,000 funding request for calendar year 2005 is required. MPE appears to have adequate operating cash to cover proposed expenses for calendar year 2005.

Council should also consider funding for 2006 after the presentation by the ESD on the 2004 contract results. This would include a briefing about the expected results for 2005, and the program services to be funded in the 2006 contract proposal.

### **Management's Response, dated August 29, 2005**

- The ESD communicated with the MPE on a continuous basis through phone, email, and meetings regarding the status of deliverables. It was not required by the contract or appropriate to conduct a performance review of MPE until later in the contract term, in order to allow MPE time to submit the deliverables. A performance review was not conducted until after the end of the contract period.

The 2004 Contract was executed June 14, 2004, and was valid for the period of January 1, 2004 through December 31, 2004. Per section 2.2 of the contract documents, the MPE should have conducted a performance review at the conclusion of 12 months. The ESD requested a performance review to be conducted by MPE on January 2005. After multiple requests for this internal performance review, the ESD decided to perform their own evaluation.

To date, all required deliverables have been received, with the exception of some minor items. These minor deliverables that have not been received include:

- Greenhouse gas inventory software
- Greenhouse gas staff training
- Research to support emissions credits
- Environmental directory funding
- Assist COSA with grants

The ESD considers the above-referenced deliverables to be minor and not necessary to the primary goal of energy efficiency. After further consideration of the benefit expected from the above-referenced and non-received deliverables, the ESD has decided to cancel these deliverables.

- The MPE funding cycle was originally established as January 1 to December 31, with full funding provided at the execution of the contract. The ESD's preferred method of contract administration provides payment for deliverables upon their receipt. Additionally, we agree that the contract term should coincide with the City's fiscal year for the reasons described. However, since this project was originally set up in this manner, the ESD has simply continued to execute it in its original form.

The ESD did not bring the funding request to City Council earlier in the calendar year because the MPE had not submitted requested deliverables and other required contract services to the ESD in a timely manner. Should the City Council decide to continue funding of the MPE, the ESD will mandate MPE's funding request to coincide with the City's funding cycle.

- The ESD, along with the MPE Board of Directors (CPS Energy, Bexar County, SAWS, AACOG and other local governmental agencies), reviewed the proposed budgets to identify expenditures, deliverables, and activities at the quarterly MPE meetings. This mathematical error was not identified by any member of MPE staff, the City, or MPE Board of Directors. The ESD assumed that the data provided by the MPE was correct and accurate. While, the ESD focused its primary efforts on the contract's scope of services, we agree that the ESD could have reviewed MPE's records in more detail to identify this mathematical error.

- The MPE responds to a Board of Directors made of local elected officials. This Board's direction is not necessarily the same as the City's energy conservation goals. There is a request from the MPE to be reassigned under the Alamo Area Council of Governments (AACOG). The ESD considers this proposal to be advantageous to the current organization because the AACOG is a viable, well managed organization with similar goals and objectives as the City. However, until this realignment is complete and/or a more descriptive scope of services can be evaluated, the ESD cannot make a judgment regarding the MPE's ability to assist the City reach its energy efficiency goals.
- If requested, the ESD will submit a report to City Council regarding MPE's performance of the 2004 contract deliverables.
- The ESD agrees that the City Council should reassess MPE's funding request for 2005.

## **Metropolitan Partnership for Energy**

### **2. MPE's Financial Reporting Issues**

#### **Observation**

The Metropolitan Partnership for Energy (MPE) was contracted by the City in 2004 to provide assistance with Texas Senate Bill 5 – the Texas Emissions Reduction Act. The audit team reviewed the 2005 and 2006 Projected Budgets, 2002 through 2004 financial statements, and the corresponding 990 tax returns. The following issues were noted:

#### **Timeliness and Accuracy of MPE's 2005 and 2006 Projected Budgets:**

- MPE's request for 2005 funding should have been submitted in summer 2004. This would have allowed City Council the time to properly consider the 2005 Projected Budget prior to January 1, 2005. MPE's funding request for 2006 should currently be evaluated.
- The 2005 and 2006 Projected Budgets should be based on accurate and reliable information to assist in the decision making process. The audit team determined that the report contained a mathematical error in the revenue amount. As a result, the "Total Funds Available this Year" and the "Funds Remaining at End of the Year" amounts were overstated by \$100,500 and \$34,000, respectively for 2005 and 2006. (See table on page 3)
- In addition, the beginning cash balance for 2005 was misstated by \$76,519 based on a comparison with the ending cash balance reported in the 2004 tax return (Form 990). The ending cash balance in the 990 tax return was \$374,180, as compared to \$297,661 reported in the 2005 Projected Budget.
- The 2005 and 2006 Projected Budgets contains unusual trends in expenses as compared to prior year financial statements. (See notes on Attachment 2)

#### **Available Cash on Hand:**

Although MPE is requesting \$100,000 from COSA to help fund their 2005 budget, it currently has the available cash to fund the \$306,807 in estimated expenses for 2005. The 2004 tax return (Form 990) reflects that \$374,180 is available in cash for 2005. (See Attachment 1, note 7)

#### **Accounting and Financial Reporting Concerns:**

The following issues were noted regarding MPE's financial statements:

- The 2003 and 2004 financial statements reflect expenses for the Energy Symposium and Build SA Green programs. These expenses are reported as total program expenses rather than by standard classification of expense (i.e., salaries, payroll taxes, office supplies, travel, etc.). (See Attachment 2, note 3)
- In 2003, MPE received \$300,000 from local agencies (i.e., \$150,000 from CPS Energy, \$100,000 from City of San Antonio and \$50,000 from Bexar County). However, of the \$300,000 funding received in 2003, CPS Energy's \$150,000 funding was not deposited and recorded until January 2004. Inadvertently, the 2003 financial statements reflect that \$150,000 was received from CPS Energy instead of \$100,000 from the City of San Antonio and \$50,000 from Bexar County.
- The audit team determined that MPE inadvertently did not report In-kind Revenue in 2004 for a donated \$18,000 heating, ventilation and air conditioning (HVAC) system as required by Statement of Financial Accounting Standards (SFAS) No.116. (See Attachment 2, note 1)

**Risk**

MPE's financial reports may be presented that include inaccurate financial information; and accordingly, inappropriate decisions could be made by City Council based on these reports.

**Recommendation**

As previously recommended, City Council should reevaluate the \$100,000 funding request for calendar year 2005 and consider funding for 2006 once adequate improvements are made by MPE.

**Management's Responses Received in August 2005**

The following are MPE's responses:

- In early August 2005, the Board of Directors assigned an Acting Executive Director to replace the individual who resigned in July 2005.
- The Acting Executive Director has begun changes in the organization's direction. This includes a formal independent external audit that will be performed shortly on MPE's financial statements.
- The Acting Executive Director will be making other necessary administrative changes pending the external audit.
- MPE has provided financial information to assist in clarifying issues that were identified by the audit team.

**ATTACHMENT 1**  
**Metropolitan Partnership for Energy**  
**Comparison of Financial Statements to Corresponding IRS 990 Tax Return**  
**For the Periods Ending December 31, 2002, 2003, & 2004**

	2001		2002		2003		2004		2005		2006	
	Financial Statement	990 Tax Return										
<b>Total Assets</b>	\$ -	\$ 203,118	\$ 203,118	\$ 200,912	\$ 153,265	\$ 152,501	\$ 385,956	\$ 385,956	Not Available	Not Available	Not Available	Not Available
<b>Total Liabilities</b>	982	\$ 5,594	\$ 5,594	\$ 3,594	\$ 3,277	\$ 3,278	\$ 3,626	\$ 3,626	Not Available	Not Available	Not Available	Not Available
<b>Net Assets</b>	(982)	197,524	197,318	206	149,988	149,223	382,330	382,330	Not Available	Not Available	Not Available	Not Available
<b>Total Liabilities and Net Assets</b>	\$ -	\$ 203,118	\$ 200,912	\$ 2,206	\$ 153,265	\$ 152,501	\$ 385,956	\$ 385,956	Not Available	Not Available	Not Available	Not Available
<b>Beginning Cash</b>	\$ -	\$ -	\$ -	\$ -	\$ 198,506	\$ 197,318	\$ 1,188	\$ 149,223	\$ 386,291	\$ 386,291	\$ 509,239	\$ 509,239
<b>Income:</b>												
Sales - Symposium	\$ -	\$ -	\$ -	\$ -	\$ 39,240	\$ 39,240	\$ -	\$ 48,874	\$ -	\$ -	\$ -	\$ -
Building San Antonio Green Fees	-	-	-	-	150,000	-	150,000	4,000	4,000	4,000	5,000	5,000
City Public Service Energy	-	-	150,000	(150,000)	2,500	-	2,500	307,500	307,500	125,000	100,000	100,000
Fannie Mae	-	-	-	-	2,500	2,500	-	19,000	19,000	-	-	-
City of San Antonio	-	-	100,000	(100,000)	-	100,000	(100,000)	100,000	100,000	100,000	100,000	100,000
Bexar County	-	-	50,000	(50,000)	-	50,000	(50,000)	50,000	50,000	50,000	50,000	50,000
San Antonio Water System	-	-	50,000	(50,000)	-	50,000	(50,000)	50,000	50,000	50,000	50,000	50,000
Miscellaneous Income	-	-	-	-	-	-	-	2,354	-	-	-	-
Funds (Other Grants)	-	350,000	-	350,000	-	-	-	-	-	96,500	261,000	261,000
Interest Income	-	337	-	337	1,826	1,826	-	2,257	2,257	4,255	5,660	5,660
<b>Total Income</b>	-	<b>350,337</b>	<b>350,337</b>	<b>350,337</b>	<b>193,566</b>	<b>193,566</b>	<b>581,631</b>	<b>581,631</b>	<b>429,755</b>	<b>429,755</b>	<b>571,660</b>	<b>571,660</b>
<b>Total Funds Available</b>	-	<b>350,337</b>	<b>350,337</b>	<b>350,337</b>	<b>392,072</b>	<b>390,884</b>	<b>732,607</b>	<b>732,607</b>	<b>816,046</b>	<b>816,046</b>	<b>1,080,899</b>	<b>1,080,899</b>
<b>Total Expenses</b>	-	<b>151,831</b>	<b>153,019</b>	<b>(1,188)</b>	<b>241,096</b>	<b>241,661</b>	<b>346,316</b>	<b>348,524</b>	<b>306,807</b>	<b>306,807</b>	<b>417,813</b>	<b>417,813</b>
<b>Funds Remaining at End of Year</b>	\$ -	\$ 198,506	\$ 197,318	\$ 1,188	\$ 150,976	\$ 149,223	\$ 382,330	\$ 382,330	\$ 509,239	\$ 509,239	\$ 663,086	\$ 663,086

Timing difference in Depreciation method  
Negative balance in Net Assets from 2001  
was charged as Office Expense  
Net Asset difference from prior year  
Reconciliation of difference

	\$ 206	\$ 565
	982	-
	<u>1,188</u>	<u>1,188</u>
	<u>\$ 1,188</u>	<u>\$ 1,753</u>

- Note:**
- (1) - Cash on hand and accounts payable was reported \$2,000 less in the 990 tax return. (Unexplained reporting)
  - (2) - Grants received in 2002 were classified under a single line item on the financial statements. The 990 tax return properly reflects a detailed listing of revenue as required. Subsequent years' financial statements did properly reflect grant awards in detail. (Issue)
  - (3) - Timing difference due to different depreciation methods used for financial and tax reporting purposes (i.e., \$206 for 2002, \$565 for 2003, and \$2,208 for 2004). (Not a deficiency)
  - (4) - Difference is due to rounding. (Not a deficiency)
  - (5) - Two issues regarding City Public Service (CPS) Energy's funding were noted:
    - (a) In 2003, MPE received \$300,000 from local agencies (i.e., \$150,000 from CPS Energy, \$100,000 from City of San Antonio and \$50,000 from Bexar County). However, of the \$300,000 funding received in 2003, CPS Energy's \$150,000 funding was not deposited and recorded until January 2004. Inadvertently, the 2003 financial statements reflect that \$150,000 was received from CPS Energy instead of \$100,000 from the City of San Antonio and \$50,000 from Bexar County. (Issue)
    - (b) As a result of CPS Energy's 2003 funding being deposited in 2004, the 2004 financial statements reflect two contributions from CPS Energy (i.e., \$150,000 for 2003 and \$150,000 for 2004) plus \$7,500 for printing services. (Not a deficiency)
  - (6) - The audit team did not receive a 2004 Balance Sheet to compare to the IRS 990 tax return. (Not a deficiency)
  - (7) - The \$385,956 in total assets consist of \$374,180 in cash, \$8,471 in fixed assets, and \$3,305 in other assets.
  - (8) - Miscellaneous Income was grouped with other income categories in the tax return. (Not a deficiency)
  - (9) - MPE's cash balance at the beginning of 2005 appears sufficient to cover 2005 estimated expenses. (Unexplained excess cash)

**ATTACHMENT 2**  
**Metropolitan Partnership for Energy**  
**Income Statement**

**Actual for the Years Ending December 31, 2002, 2003, & 2004 and Projected Budgets 2005 & 2006**

	2002		2003		2004		2005		2006	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Income:</b>										
Grants	\$ 350,000	100	-	-	-	-	-	-	-	-
Sales - Symposium	-	-	39,240	20	48,545	9	-	-	-	-
Building Green	-	-	-	-	1,975	-	-	-	-	-
Build San Antonio Green Fees	-	-	-	-	-	-	4,000	1	5,000	1
City Public Service Energy	-	-	150,000	78	307,500	53	125,000	29	100,000	17
Fannie Mae	-	-	2,500	1	19,000	3	-	-	-	-
City of San Antonio	-	-	-	-	100,000	17	100,000	23	100,000	17
Bexar County	-	-	-	-	50,000	9	50,000	12	50,000	9
San Antonio Water System	-	-	-	-	50,000	9	50,000	12	50,000	9
Texas A&M (for conference)	-	-	-	-	-	-	25,000	6	-	-
Miscellaneous Income	-	-	-	-	2,354	-	-	-	-	-
Funds (other Grants)	-	-	-	-	-	-	71,500	16	261,000	46
Interest Income	337	-	1,826	1	2,257	-	4,255	1	5,660	1
In-kind Income	-	-	-	-	-	(1)	-	-	-	-
<b>Gross Profit</b>	<b>350,337</b>	<b>100</b>	<b>193,566</b>	<b>100</b>	<b>581,631</b>	<b>100</b>	<b>429,755</b>	<b>100</b>	<b>571,660</b>	<b>100</b>

**ATTACHMENT 2**  
**Metropolitan Partnership for Energy**  
**Income Statement**

Actual for the Years Ending December 31, 2002, 2003, & 2004 and Projected Budgets 2005 & 2006

	2002		Actual 2003		2004		2005		Budget 2006	
	\$	%	\$	%	\$	%	\$	%	\$	%
<b>Expenses:</b>										
Accounting	475	-	2,580	1	2,275	1	-	-	-	(2)
Payroll Processing Fees	2,389	2	(2)	(2)	-	(2)	-	-	-	(2)
Advertising	296	-	-	-	-	-	-	-	-	-
Auto	514	-	202	-	52	-	-	-	-	-
Bank Charges	43	-	179	-	379	-	-	-	-	-
Build San Antonio Green	-	-	-	-	11,816	4	-	-	-	-
Green Building Workshops	-	-	-	-	-	-	5,000	2	10,000	3
Computer Expense	-	-	-	-	560	-	2,000	1	3,000	1
Conferences	825	1	1,385	1	1,728	1	1,500	-	1,500	(4)
Conferences/Registrations	-	-	-	-	-	-	-	-	-	-
Contract labor	586	-	7,011	3	2,853	1	-	-	-	-
Depreciation Expense	69	-	269	-	224	-	-	-	-	-
Donations	-	-	-	-	833	-	-	-	-	-
Dues & Memberships	530	-	562	(4)	362	(4)	-	-	-	-
Memberships/Subscriptions	-	-	-	-	-	-	1,000	-	1,000	(4)
EDA Expense	-	-	250	-	-	-	-	-	-	-
Employees Benefits Program Expense	11,412	8	9,325	4	12,325	4	-	-	-	-
Health Insurance (FT employees)	-	-	-	-	-	-	9,000	3	22,000	5
Retirement (FT employees)	-	-	-	-	-	-	7,625	2	9,125	2
Energy Leadership Awards Program	-	-	-	-	-	-	-	-	15,000	4
Energy Symposium	-	-	40,554	17	45,192	13	-	-	-	-
Equipment Expense	-	-	-	-	1,950	1	-	-	-	-
Home Energy Underwrite (Fannie)	-	-	-	-	1,685	-	-	-	-	-
Insurance	2,374	2	3,568	1	3,094	1	4,000	1	4,000	1
Internet	1,031	1	3,701	1	4,055	1	-	-	-	(9)
Legal Fees	971	1	114	-	334	-	-	-	-	-
Meetings	-	-	-	-	-	-	-	-	-	-
Miscellaneous Costs	97	-	1,233	1	241	(4)	5,000	2	5,000	(4)
Other Expenses	-	-	-	-	-	-	-	-	-	-
Moving Expense	-	-	-	-	-	-	21,500	7	250	(5)
Open house for new office	-	-	-	-	-	-	2,500	1	-	(5)
Office	1,214	1	1,266	1	2,238	1	-	-	-	-
Parking Expense	631	-	1,607	1	1,659	-	1,000	-	1,500	-
Payroll Tax Expense	8,638	6	10,093	4	9,644	3	13,942	5	17,638	4
Postage & Shipping	234	-	162	-	222	-	-	-	-	-
Printing expense	8,122	5	3,459	1	4,324	1	5,000	2	5,000	1
Professional Fundraising Fees	-	-	45	-	-	-	-	-	-	-
Professional Service	3,307	2	19,144	8	97,415	28	48,000	16	96,500	23
Publications	5,673	4	1,204	1	254	(7)	-	-	-	(7)
Rent Expense	9,263	6	7,890	3	6,600	2	8,220	3	10,800	3
Salaries Expenses	30,684	20	-	-	14	-	-	-	-	-
Staff Enrichment (training, classes, etc.)	-	-	-	-	-	-	1,000	-	1,000	-
Supplies	3,388	2	1,290	1	1,102	-	2,500	1	3,000	1
Telephone Expense	2,458	2	2,131	1	2,060	1	-	-	-	-
Telephone/DSL	-	-	-	-	-	-	2,500	1	2,500	(4)
Travel Expense	-	-	597	-	1,032	-	1,500	-	1,500	-
Wages Expense	56,610	37	119,290	49	129,795	37	164,020	53	207,500	50
<b>Total Expenses</b>	<b>151,831</b>	<b>100</b>	<b>241,096</b>	<b>100</b>	<b>346,316</b>	<b>100</b>	<b>306,807</b>	<b>100</b>	<b>417,813</b>	<b>100</b>
<b>Net Income</b>	<b>198,506</b>		<b>(47,530)</b>		<b>235,315</b>		<b>122,948</b>		<b>153,847</b>	
<b>Net Assets at Year End</b>	<b>\$ 198,506</b>		<b>\$ 150,976</b>		<b>\$ 386,291</b>		<b>\$ 509,239</b>		<b>\$ 663,086</b>	

**ATTACHMENT 2**  
**Metropolitan Partnership for Energy**  
**Income Statement**  
**Actual for the Years Ending December 31, 2002, 2003, & 2004 and Projected Budgets 2005 & 2006**

Notes:

- (1) - \$18,000 in In-kind Revenue was not reported in 2004 for an HVAC System that was donated to MPE.
- (2) - Accounting and payroll processing expense were not budgeted for 2005 and 2006. This appears unusual since the average for the past three years has been \$2,500.
- (3) - Standardized classification of expenses is required to allow for proper analysis from year to year. Expenses should not be grouped by program.
- (4) - Expenses are worded differently from year to year. This prevents consistency and analysis from year to year.
- (5) - Relocation to a new site resulted in a \$24,000 increase to expenses (i.e., \$21,500 in moving expenses and \$2,500 for an open house). In addition, these costs are not reported in standardized classification of expenses.
- (6) - Professional services fluctuate from 2003 through 2006. The items should have additional explanation due to the large amount and monetary percentage to total expenses.
- (7) - Publications expense appears unusual due to the decrease from \$5,673 in 2002 to \$-0- estimated for 2005 and 2006.
- (8) - Relocation to the new site in 2005 caused rent to increase approximately \$1,600 in 2005 and an additional \$2,500 in 2006.
- (9) - Internet fees seem high for such a small office. The average cost per month was \$86 for 2002, \$308 for 2003, and \$338 for 2004. This expense appears to be grouped with the Telephone/DSL expense in 2005 and 2006. It does not allow for proper comparison.