

April 23, 2021

To the Executive Committee Members of
Capital Area Council of Governments
Austin, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capital Area Council of Governments (“CAPCOG”) as of and for the year ended September 30, 2020 and have issued our report thereon dated April 23, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 9, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of CAPCOG solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our firm, including its employees, have complied with all relevant ethical requirements regarding independence. As part of our audit, we assisted with the preparation of the financial statements and related notes. We have implemented safeguards to reduce the threats to independence to an acceptable level.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CAPCOG is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements was:

- Management's estimate of depreciation expense for depreciable capital assets is based on estimated useful lives.

We evaluated the key factors and assumptions used to develop the estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. We did not identify any such misstatements.

In addition, professional standards require us to communicate to you all material journal entries that were brought to the attention of management as a result of our audit procedures. The attached list of journal entries that we proposed as a result of our audit procedures were brought to the attention of, and approved by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to CAPCOG's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated April 23, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with CAPCOG, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as CAPCOG's auditors.

Other Matters

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

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



Austin, Texas
April 23, 2021

Client: 651183.0 - Capital Area Council of Governments				
Engagement: 651183.0 - Capital Area Council of Governments - NEW				
Period Ending: 9/30/2020				
Trial Balance: TB				
Workpaper: 3700.00 - Adjusting Journal Entries Report				
Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1002				
WP - A/E Internal Cost Allocation True Up		1100.25		
100-5592	Internal Expense Offset Acct		1,202.00	
100-5416	Other Expense			1,202.00
Total			1,202.00	1,202.00
Adjusting Journal Entries JE # 1003				
WP - To record AT&T credit as of 10/1/2019		3700.17		
900-1541	Other Prepaid		3,236,784.00	
900-3321	Restricted			3,236,784.00
Total			3,236,784.00	3,236,784.00
Adjusting Journal Entries JE # 1004				
WP - To record AT&T invoice dated 9/16/2020		3700.17		
900-2112	Trade Accounts Payable 911		75,061.00	
900-1541	Other Prepaid			75,061.00
Total			75,061.00	75,061.00
Total			34,738.00	34,738.00



ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020

CAPITAL AREA COUNCIL OF GOVERNMENTS
TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	1
Management’s Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Notes to Financial Statements	23
Other Supplementary Information	
Combining Balance Sheet - Nonmajor Special Revenue Funds by Funding Source	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds by Funding Source	40
Schedule of Indirect Costs	42
Schedule of Fringe Benefits	43
Federal and State Awards	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas <i>Uniform Grant Management Standards</i>	49
Schedule of Findings and Questioned Costs	51
Schedule of Expenditures of Federal Awards	53
Schedule of Expenditures of State Awards	55
Notes to Schedules of Expenditures of Federal and State Awards	56
Summary Schedule of Prior Audit Findings	57
Corrective Action Plan	58



REPORT OF INDEPENDENT AUDITORS

To the Executive Committee Members of
Capital Area Council of Governments
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capital Area Council of Governments (“CAPCOG”), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise CAPCOG’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 CAPCOG’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 CAPCOG’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.

To the Executive Committee Members of
Capital Area Council of Governments

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CAPCOG, as of September 30, 2020, and the respective changes in financial position 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 on pages 5 to 10 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 CAPCOG's basic financial statements. The combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas *Uniform Grant Management Standards* and are also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relates 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 combining nonmajor fund financial statements and schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Executive Committee Members of
Capital Area Council of Governments

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2021 on our consideration of CAPCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 CAPCOG's internal control over financial reporting and compliance.

Whitley Penn LLP

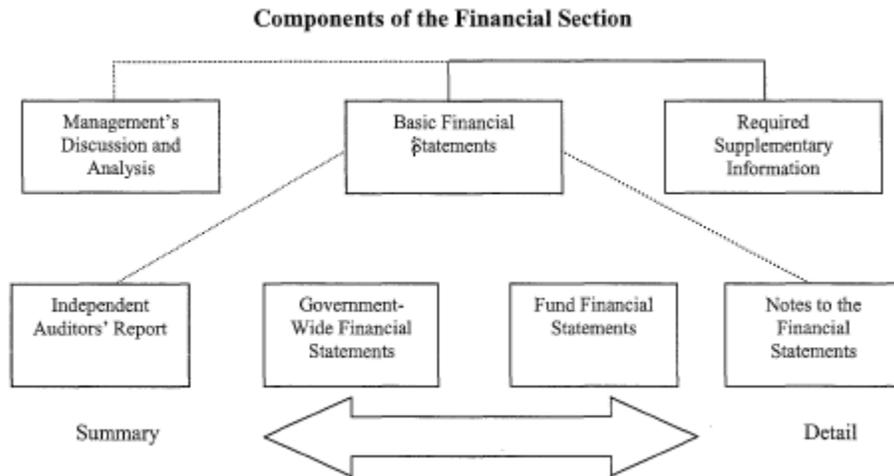
Austin, Texas
April 23, 2021



CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

The purpose of management's discussion and analysis (“MD&A”) is to give the readers an objective and easily readable analysis of the financial activities of Capital Area Council of Governments (“CAPCOG”) for the year ending September 30, 2020. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of CAPCOG's activities. Please read the MD&A in conjunction with CAPCOG's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



CAPCOG's basic financial report include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

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

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

1. Governmental Activities - CAPCOG's basic services are reported here including services from the Capital Area Emergency Communication District (“CAECD”), general government, aging, agriculture, economic development, transportation, criminal justice, homeland security, and environmental quality. Emergency District state mandated 911 fees, grants, membership dues, and contract service revenue finance most of these activities.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

CAPCOG maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, aging fund, and the CAECD, which are considered to be major funds for reporting purposes.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of CAPCOG's financial position. Assets exceed liabilities by \$35,413,360 as of September 30, 2020 for the primary government. A portion of the CAPCOG's net position in the amount of \$3,442,568 (9.7%) reflects its investments in capital assets (e.g., property, equipment, and leasehold improvements). CAPCOG uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Total Dollar
	2020	2019	Change
			2020-2019
Current and other assets	\$ 34,571,538	\$ 29,441,254	\$ 5,130,284
Capital assets, net	3,442,568	2,484,146	958,422
Total Assets	38,014,106	31,925,400	6,088,706
Other liabilities	2,600,746	2,421,703	179,043
Total Liabilities	2,600,746	2,421,703	179,043
Net Position:			
Investment in capital assets	3,442,568	2,484,146	958,422
Restricted	29,725,607	25,211,566	4,514,041
Unrestricted	2,245,185	1,807,985	437,200
Total Net Position	\$ 35,413,360	\$ 29,503,697	\$ 5,909,663

A portion of CAPCOG's net position in the amount of \$29,725,607 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$2,245,185 may be used to meet CAPCOG's ongoing obligations to members.

CAPCOG's total net position increased by \$2,672,879. This increase was largely due to the increase in aging operating grants and contributions related to Coronavirus Aid, Relief, and Economic Security (CARES) Act programs. The increase was offset by the decrease in general revenues and interest income. General revenues decreased by \$559,214 due to the decrease in contract service revenue as the related grants and programs in aging and homeland security division ended in the current fiscal year. In addition, interest income decreased significantly due to downturn in the economy as a result of pandemic.

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

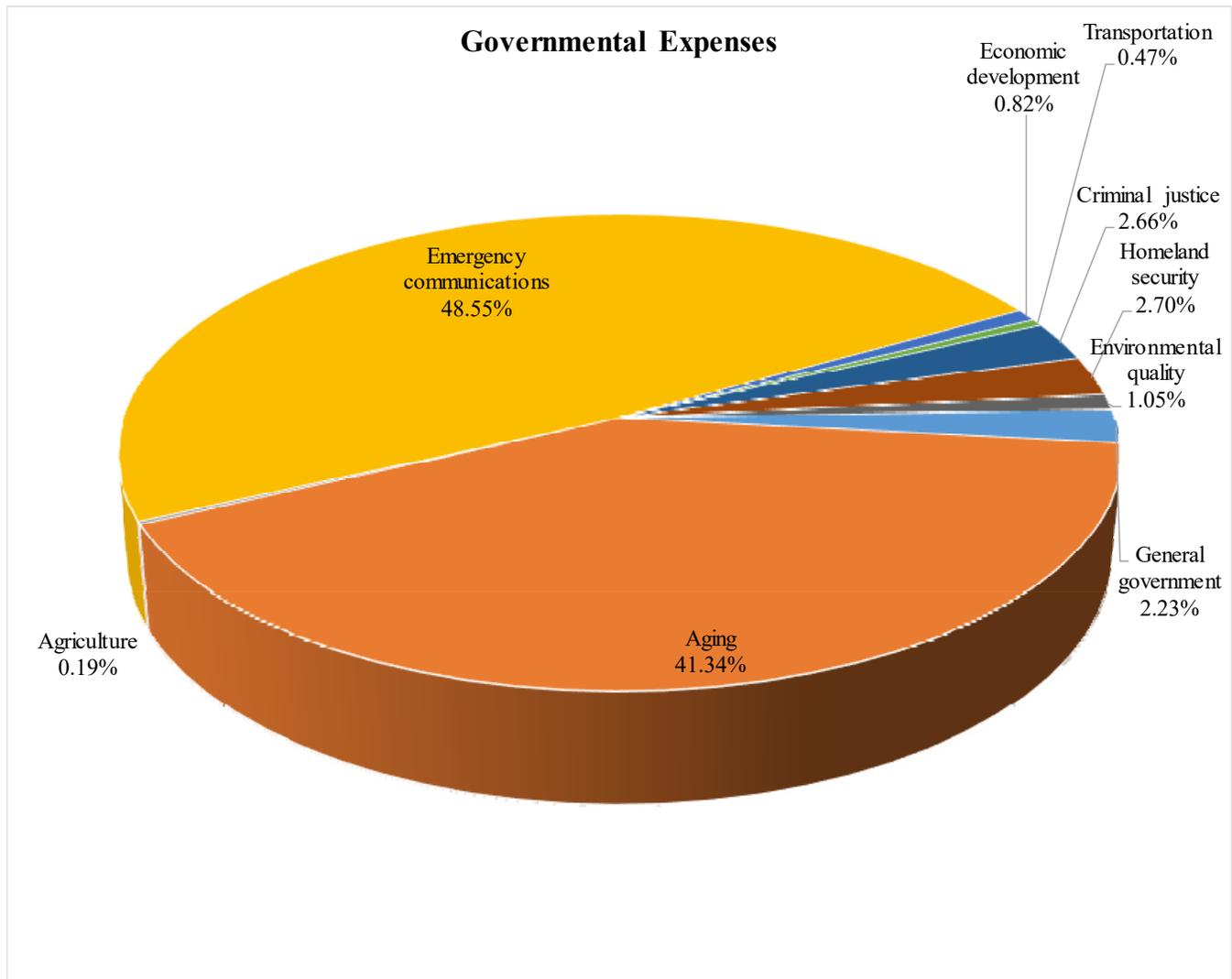
Statement of Activities

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

	Governmental Activities		Total Dollar
	2020	2019	Change
			2020-2019
Revenues			
Program revenues:			
Charges for services	\$ 14,471,223	\$ 14,989,171	\$ (517,948)
Operating grants and contributions	11,965,521	10,481,782	1,483,739
General revenues:			
Membership dues	287,220	279,446	7,774
Contract service revenue	563,619	768,604	(204,985)
Miscellaneous	492,759	517,115	(24,356)
Interest income	232,629	570,276	(337,647)
Total Revenues	<u>28,012,971</u>	<u>27,606,394</u>	<u>406,577</u>
Expenses			
General government	564,779	968,180	(403,401)
Aging	10,475,259	9,070,313	1,404,946
Agriculture	49,306	8,391	40,915
Emergency communications	12,301,667	10,636,608	1,665,059
Economic development	206,678	238,571	(31,893)
Transportation	118,962	183,538	(64,576)
Criminal justice	674,524	653,172	21,352
Homeland security	684,098	518,669	165,429
Environmental quality	264,819	389,802	(124,983)
Total Expenses	<u>25,340,092</u>	<u>22,667,244</u>	<u>2,672,848</u>
Change in Net Position	2,672,879	4,939,150	(2,266,271)
Beginning net position	29,503,697	24,564,547	4,939,150
Prior period adjustment	3,236,784	-	3,236,784
Ending net position	<u>\$ 35,413,360</u>	<u>\$ 29,503,697</u>	<u>\$ 5,909,663</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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



For the year ended September 30, 2020, revenues from governmental activities totaled \$28,012,971, an increase of \$406,577 over the prior year. This increase was primarily due to the increase in operating grants and contributions related to aging offset by the decrease in charges for services, contract service revenue, and interest income.

As of the end of the fiscal year, expenses for governmental activities totaled \$25,340,092, which represents an increase of \$2,672,848 over the prior year. This increase was primarily due to the increase in aging which was in line with the increase in operating grants and contributions and increase in emergency communication expenses due to the maintenance and support for the training software and replacement of equipment paid during the fiscal year.

In the current fiscal year, CAPCOG recorded a prior period adjustment in the amount of \$3,236,784 for credits that CAECD has with AT&T due to payments made in prior years for project costs that were originally capitalized and depreciated or expensed. The projects costs were not actually incurred due to newer technology being developed before the projects were started.

CAPITAL AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF CAPCOG'S FUNDS

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

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

CAPCOG's governmental funds reflect a combined fund balance of \$32,239,809. Of this, \$2,324,046 is unassigned, \$190,156 is nonspendable related to general fund prepaid items, and \$29,725,607 is restricted for various purposes.

The general fund reported a fund balance of \$2,514,202, an increase of \$468,724 over the prior year. In the aging fund, expenditures exceeded revenues by \$29,618 resulting in a restricted fund balance of \$121,325 at fiscal year-end. The CAECD fund reported a fund balance of \$29,270,120, which is an increase of \$4,509,018 due primarily to a prior period adjustment in the amount of \$3,236,784 related to credits with AT&T. In addition, the total revenues for CAECD exceeded expenditures by \$1,272,234.

CAPITAL ASSETS

At the end of the year, CAPCOG's governmental activities had invested \$3,442,568, in a variety of capital assets, including equipment for emergency communications net of accumulated depreciation.

More detailed information about CAPCOG's capital assets, is presented in Note 3 - C to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

For fiscal year 2021, CAPCOG has expected revenues of \$33,323,728.

CONTACTING CAPCOG'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS



CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 27,184,077
Receivables	1,118,435
Due from grantor agencies	2,652,067
Prepaid items	3,616,959
	<u>34,571,538</u>
Capital assets:	
Net depreciable capital assets	3,442,568
Total Assets	<u>38,014,106</u>
Liabilities	
Accounts payable	1,816,646
Employee retirement payable	217,290
Accrued compensated absences	269,017
Unearned revenue	297,793
Total Liabilities	<u>2,600,746</u>
Net Position	
Investment in capital assets	3,442,568
Restricted	29,725,607
Unrestricted	2,245,185
Total Net Position	<u>\$ 35,413,360</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
September 30, 2020

Functions/Programs	Expenses	Indirect and Internal Cost Allocation	Expenses After Indirect and Internal Cost Allocation
Primary Government:			
Governmental Activities			
General government	\$ 2,458,591	\$ (1,893,812)	\$ 564,779
Aging	9,809,370	665,889	10,475,259
Agriculture	41,624	7,682	49,306
Emergency communication	11,381,699	919,968	12,301,667
Economic development	158,752	47,926	206,678
Transportation	113,093	5,869	118,962
Criminal justice	550,576	123,948	674,524
Homeland security	607,153	76,945	684,098
Environmental quality	219,234	45,585	264,819
Total Governmental Activities	25,340,092	-	25,340,092
Total Primary Government	\$ 25,340,092	\$ -	\$ 25,340,092

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
 September 30, 2020

Functions/Programs	Program Revenues		Net (Expense)
	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Primary Government:			
Governmental Activities			
General government	\$ 95	\$ -	\$ (564,684)
Aging	-	10,308,558	(166,701)
Agriculture	-	49,306	-
Emergency communication	14,263,604	-	1,961,937
Economic development	-	206,678	-
Transportation	-	118,962	-
Criminal justice	207,524	370,235	(96,765)
Homeland security	-	655,470	(28,628)
Environmental quality	-	256,312	(8,507)
Total Governmental Activities	<u>14,471,223</u>	<u>11,965,521</u>	<u>1,096,652</u>
Total Primary Government	<u>\$ 14,471,223</u>	<u>\$ 11,965,521</u>	<u>1,096,652</u>
General Revenues:			
Membership dues			287,220
Contract service revenue			563,619
Miscellaneous			492,759
Interest income			232,629
Total General Revenues			<u>1,576,227</u>
Change in Net Position			2,672,879
Beginning Net Position			29,503,697
Prior period adjustment			3,236,784
Ending Net Position			<u>\$ 35,413,360</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2020

	<u>General</u>	<u>Aging</u>	<u>Capital Area Emergency Communication District</u>
Assets			
Cash and cash equivalents	\$ 1,228,815	\$ -	\$ 25,817,589
Receivables	66,953	50,569	981,267
Due from grantor agencies	-	2,251,328	-
Due from other funds	2,559,768	-	-
Prepaid items	190,156	-	3,426,803
Total Assets	<u>4,045,692</u>	<u>2,301,897</u>	<u>30,225,659</u>
Liabilities			
Accounts payable	1,032,462	28	784,156
Employee retirement payable	217,290	-	-
Due to other funds	218,879	2,180,544	171,383
Unearned revenue	62,859	-	-
Total Liabilities	<u>1,531,490</u>	<u>2,180,572</u>	<u>955,539</u>
Fund Balances			
Nonspendable	190,156	-	-
Restricted	-	121,325	29,270,120
Unassigned	2,324,046	-	-
Total Fund Balances	<u>2,514,202</u>	<u>121,325</u>	<u>29,270,120</u>
Total Liabilities and Fund Balances	<u>\$ 4,045,692</u>	<u>\$ 2,301,897</u>	<u>\$ 30,225,659</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2020

	Nonmajor Special Revenue	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 137,673	\$ 27,184,077
Receivables	2,200	1,100,989
Due from grantor agencies	418,185	2,669,513
Due from other funds	218,879	2,778,647
Prepaid items	-	3,616,959
Total Assets	<u>776,937</u>	<u>37,350,185</u>
Liabilities		
Accounts payable	-	1,816,646
Employee retirement payable	-	217,290
Due to other funds	207,841	2,778,647
Unearned revenue	234,934	297,793
Total Liabilities	<u>442,775</u>	<u>5,110,376</u>
Fund Balances		
Nonspendable	-	190,156
Restricted	334,162	29,725,607
Unassigned	-	2,324,046
Total Fund Balances	<u>334,162</u>	<u>32,239,809</u>
Total Liabilities and Fund Balances	<u>\$ 776,937</u>	<u>\$ 37,350,185</u>



CAPITAL AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2020

Total fund balances - governmental funds \$ 32,239,809

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 governmental funds. 6,354,516

Accumulated depreciation has not been included in the fund financial statements. (2,911,948)

Accrued liabilities for compensated absences are not due and payable in the current period and have not been reflected in the fund financial statements. (269,017)

Total Net Position of Governmental Activities **\$ 35,413,360**

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General</u>	<u>Aging</u>	<u>Capital Area Emergency Communication District</u>
Revenues			
Federal grants	\$ -	\$ 6,952,828	\$ -
State grants	-	682,541	-
Membership dues	287,220	-	-
Local match	(128,866)	-	-
Other local revenue	-	-	14,263,604
Miscellaneous	462,711	-	20,059
Interest	14,602	-	213,584
Tuition fees	95	-	-
Contract service revenue	247,271	214,613	-
Contractual local match	-	2,586,434	-
Total Revenues	<u>883,033</u>	<u>10,436,416</u>	<u>14,497,247</u>
Expenditures			
General government	414,309	-	-
Aging	-	10,466,034	-
Agriculture	-	-	-
Emergency communications	-	-	13,225,013
Economic development	-	-	-
Transportation	-	-	-
Criminal justice	-	-	-
Homeland security	-	-	-
Environmental quality	-	-	-
Total Expenditures	<u>414,309</u>	<u>10,466,034</u>	<u>13,225,013</u>
Net Change in Fund Balances	468,724	(29,618)	1,272,234
Beginning Fund Balances	2,045,478	150,943	24,761,102
Prior period adjustment	-	-	3,236,784
Ending Fund Balances	<u>\$ 2,514,202</u>	<u>\$ 121,325</u>	<u>\$ 29,270,120</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	Nonmajor Special Revenue	Total Governmental Funds
Revenues		
Federal grants	\$ 994,187	\$ 7,947,015
State grants	611,330	1,293,871
Membership dues	-	287,220
Local match	-	(128,866)
Other local revenue	-	14,263,604
Miscellaneous	-	482,770
Interest	4,443	232,629
Tuition fees	207,524	207,619
Contract service revenue	191,070	652,954
Contractual local match	48,866	2,635,300
Total Revenues	<u>2,057,420</u>	<u>27,874,116</u>
Expenditures		
General government	-	414,309
Aging	-	10,466,034
Agriculture	49,306	49,306
Emergency communications	-	13,225,013
Economic development	206,678	206,678
Transportation	118,962	118,962
Criminal justice	702,177	702,177
Homeland security	684,901	684,901
Environmental quality	260,755	260,755
Total Expenditures	<u>2,022,779</u>	<u>26,128,135</u>
Net Change in Fund Balances	34,641	1,745,981
Beginning Fund Balances	299,521	27,257,044
Prior period adjustment	-	3,236,784
Ending Fund Balances	<u>\$ 334,162</u>	<u>\$ 32,239,809</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net changes in fund balances - total governmental funds \$ 1,745,981

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

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital purchases	1,874,493
Depreciation expense	(916,071)

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and , therefore, are not reported as expenditures in
governmental funds.

Compensated absences	<u>(31,524)</u>
----------------------	-----------------

Change in Net Position of Governmental Activities	<u><u>\$ 2,672,879</u></u>
----------------------------------------------------------	-----------------------------------

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

Capital Area Council of Governments (“CAPCOG”) is a voluntary association of local government units created under Chapter 391 of the Texas Local Government Code.

CAPCOG has been designated as State Planning Region 12 located in central Texas with the stated purpose of improving health, safety, and the general welfare of their citizens and to plan for the future development of the region. It does not have stockholders or equity holders and is not subject to income taxes. The region served includes Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano, Travis, and Williamson counties of Texas.

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

The employees' pension plan is a defined contribution plan, which does not meet the Governmental Accounting Standards Board (“GASB”) criteria for inclusion. Accordingly, the employees' pension plan is not included in CAPCOG's financial statements.

Capital Area Emergency Communication District

Capital Area Emergency Communication District (“CAECD”) has been included in the reporting entity as a blended component unit. CAECD was established in 2013 by local governments in State Planning Region 12 under Chapter 772, Health and Safety Code, Subchapter G. CAECD oversees 9-1-1 services to local governments in State Planning Region 12. The 25-member Executive Committee, CAPCOG’s governing body, serves as CAECD's Board of Managers charged with determining funding sources, setting governing policy, appointing a technical advisory committee, adopting a budget, and staffing CAECD. CAECD is responsible for managing revenue collected from state set fees for land line and wireless phones. CAECD is included in CAPCOG's reporting entity because of the significance of its operational and financial relationship with CAPCOG. CAPCOG’s Executive Committee is either able to impose its will on CAECD or has a financial benefit/burden due to its existence.

Capital Area Economic Development District

Capital Area Economic Development District (“CAEDD”), a nonprofit corporation, has been included in the reporting entity as a blended component unit. CAEDD was established in 1989 by local governments in State Planning Region 12 under section 403 of the Public Works and Economic Development Act of 1965. CAEDD serves the State Planning Region 12 by providing services to promote economic growth in the region. The Board of Directors of CAEDD must be appointed by CAPCOG’s Executive Committee. CAEDD is responsible for managing revenue collected from grants and local government match dollars to promote economic growth. CAEDD is included in the CAPCOG's reporting entity because of the significance of their operational and financial relationship with CAPCOG.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Capital Area Initiative Foundation

Capital Area Initiatives Foundation, a nonprofit organization exempt under Internal Revenue Code Section 501(c)(3), is not financially accountable to CAPCOG and, therefore, is not considered a component unit.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government. Governmental activities are normally supported by intergovernmental revenues.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about CAPCOG's funds including its blended component units. Separate statements for each governmental fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

CAPCOG reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal source of revenues is intergovernmental revenues. Expenditures include general government costs. The general fund is always considered a major fund for reporting purposes.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. The special revenue funds include the aging fund, CAECD, criminal justice division fund, economic development administrative fund, Texas department of agriculture fund, homeland security division fund, Texas department of transportation fund, and Texas commission on environmental quality fund. The Aging and CAECD special revenue funds are considered major funds for reporting purposes. The remaining special revenue funds are considered nonmajor.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements (continued)

During the course of operations, CAPCOG has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, CAPCOG considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by CAPCOG.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

CAPCOG's cash and cash equivalents are considered to be cash on hand, demand deposits, and investment pools with original maturities of three months or less from the date of acquisition. CAPCOG maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

2. Investments

CAPCOG reports all investments at fair value based on quoted market prices at year-end date, except for local government investment pools. CAPCOG's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

CAPCOG categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CAPCOG has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. CAPCOG is authorized to invest in the following types of securities, within the restrictions of the Public Funds Investment Act. CAPCOG is not required to liquidate investments that were authorized investments at the time of purchase:

- U.S. Government Obligations
- State of Texas Direct Obligations
- Certificates of Deposit
- Collateralized Mortgage Obligations (CMOs)
- Commercial Paper
- Repurchase Agreements
- Investment Pools

3. Receivables

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

4. Inventories and Prepaid Items

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

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

5. Capital Assets

Capital assets, which include property, equipment, and leasehold improvements, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by CAPCOG as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. CAPCOG does not capitalize net interest cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

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

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

6. 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. CAPCOG has no items that qualify for reporting in this category.

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. CAPCOG has no items that qualify for reporting in this category.

7. Compensated Absences

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

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

8. Net Position Flow Assumption

Sometimes CAPCOG will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is CAPCOG's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes CAPCOG will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is CAPCOG's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance classifications are nonspendable, restricted, committed, assigned, and unassigned. Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Nonspendable includes amount that cannot be spent because they are either not in spendable form, or for legal or contractual reasons, must be kept intact. This classification includes prepaid items. Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes state and federal grants. Unassigned fund balance is a residual classification within the General Fund.

CAPCOG itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of CAPCOG's highest level of decision-making authority. The Executive Committee is the highest level of decision-making authority for CAPCOG that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by CAPCOG for specific purposes but do not meet the criteria to be classified as committed. The Executive Committee may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

11. Estimates

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

12. CAPCOG Cash Match Allocation

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

13. Local In-Kind Contributions

Personnel, goods, and services contributed by subcontractors and local governments are recorded as revenue when they serve as the matching funds required under the provisions of the grant. Offsetting charges of equal amounts are recorded as expenditures of the appropriate grant project.

The value assigned to personnel services of volunteers is based upon the rates paid for similar work in other state and local governments or on the federal minimum wage. The value assigned for use of space is based on the estimated fair market value of the space.

14. Indirect Cost Rate

Administrative costs are recorded in the general fund as indirect costs in CAPCOG's accounting system and allocated to elements of the special revenue funds based upon a calculated indirect cost rate. Indirect costs are defined as "costs (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved." CAPCOG's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is submitted to a cognizant federal agency in accordance with the provisions of OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (codified in 2 CFR Part 200). The fiscal year 2020 indirect cost rate is 27.15 percent which was calculated using a direct cost rate base type of salaries and wages.

15. Unearned Revenue

Unearned revenues arise from the receipt of grant funds and other revenues prior to the expenditure for its restricted purpose. The unearned revenue is recognized as revenue when the related expenditure is made.

G. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

H. Implementation of New Accounting Standards

The following GASB pronouncements have been implemented by CAPCOG in the current fiscal year:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement was issued in March 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

The effective dates of the following pronouncements are postponed by 12 months:

- Statement No. 83, *Certain Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The following GASB pronouncements have been issued but not yet implemented by CAPCOG:

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. It was issued in June 2020, but the requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2023.

CAPCOG AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Stewardship, Compliance, and Accountability

CAPCOG prepares annual operating budgets based on expected revenues from various state and federal grantor agencies. The grants relate to specific programs that contemplate revenues and expenditures over the lives of each program and generally have funding periods different from the budget year. The annual budget, which is approved by CAPCOG's Executive Committee (the "Committee"), is based on estimates of the portions of the various programs that will be completed during the fiscal year. Additionally, grants applied for may not be funded, other grants not anticipated at the time that the budget is prepared may be obtained and funded during the budget year, or supplemental funding may be received for existing grants. As a result, the actual revenues and expenditures may vary substantially from original budget estimates.

The budgets are reviewed and approved by the Committee, but are not legally adopted budgets or appropriations as defined in *Governmental Accounting and Financial Reporting Principles, Statement 1*. Accordingly, comparative budget and actual results are not presented in the basic financial statements.

Note 3 - Detailed Notes on all Funds

A. Deposits and Investments

As of September 30, 2020, CAPCOG had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pools	\$ 24,091,223	38
Total Amortized Cost	<u>\$ 24,091,223</u>	
Portfolio weighted average maturity		38

Custodial credit risk- deposits. In the case of deposits, this is the risk that in the event of a bank failure, CAPCOG's deposits may not be returned to it. As of September 30, 2020, the primary government had bank deposits of \$3,298,442. CAECD's bank deposits represented \$2,684,154 of this balance. As of September 30, 2020, the carrying amount of the deposits of the primary government were \$3,092,854. CAECD's carrying amount of deposits represented \$2,625,824 of this balance.

CAPCOG's investment policy requires funds on deposit at the depository bank to be collateralized by securities. At year-end, market values of CAPCOG's pledged securities and Federal Deposit Insurance Corporation ("FDIC") insurance exceeded bank balances.

Credit risk. CAPCOG's investment policy limits investments to those rated as to investment quality not less than "AAA" by a nationally recognized investment rating firm. As of September 30, 2020, CAPCOG's investments in TexPool were rated "AAAm" by Standard & Poor's.

TexPool

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act ("PFIA") of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company ("Trust Company") to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

TexPool (continued)

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, CAPCOG's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, TexPool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

B. Receivables

Amounts are aggregated into a single accounts receivable line for certain funds and aggregated columns. Below is the detail of receivables for the general, aging, capital area emergency communication district, and nonmajor special revenue funds.

Receivables	General	Aging	Capital Area Emergency Communication District	Nonmajor Special Revenue	Total
Federal Grants	\$ -	\$ 2,070,182	\$ -	\$ 295,290	\$ 2,365,472
State Grants	-	181,146	-	122,895	304,041
Contract Revenue	41,675	50,569	-	2,200	94,444
Private Switch	-	-	6,624	-	6,624
Wireless fees	-	-	810,172	-	810,172
Wireline fees	-	-	164,471	-	164,471
Miscellaneous	25,278	-	-	-	25,278
	<u>\$ 66,953</u>	<u>\$ 2,301,897</u>	<u>\$ 981,267</u>	<u>\$ 420,385</u>	<u>\$ 3,770,502</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 4,993,041	\$ 1,874,493	\$ (2,261,358)	\$ 4,606,176
Leasehold improvements	1,748,340	-	-	1,748,340
Total capital assets being depreciated	<u>6,741,381</u>	<u>1,874,493</u>	<u>(2,261,358)</u>	<u>6,354,516</u>
Less accumulated depreciation for:				
Furniture and equipment	(3,762,437)	(741,237)	2,261,358	(2,242,316)
Leasehold improvements	(494,798)	(174,834)	-	(669,632)
Total accumulated depreciation	<u>(4,257,235)</u>	<u>(916,071)</u>	<u>2,261,358</u>	<u>(2,911,948)</u>
Total capital assets, net	<u>2,484,146</u>	<u>958,422</u>	<u>-</u>	<u>3,442,568</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 2,484,146</u>	<u>\$ 958,422</u>	<u>\$ -</u>	<u>\$ 3,442,568</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 12,524
Emergency communications	878,794
Criminal justice	8,967
Homeland security	6,022
Environmental quality	9,764
Total	<u>\$ 916,071</u>

D. Commitments

CAPCOG leases office space and certain equipment under several long-term operating leases. CAPCOG entered into a ten-year office space lease with payments beginning April 1, 2017. At September 30, 2020, CAPCOG was committed for rental payments as follows:

<u>Fiscal Year Ended</u>	<u>Amounts</u>
2021	\$ 844,878
2022	832,716
2023	857,862
2024	880,056
2025	905,940
2026-2027	1,404,207
Total	<u>\$ 5,725,659</u>

Lease expenses for office space and office equipment was \$1,218,368 for the year ended September 30, 2020.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

E. Interfund Transactions

The composition of interfund balances as of year-end was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due From / To Other Funds</u>
General	Aging	\$ 2,180,544
General	Capital Area Emergency Communication District	171,383
General	Nonmajor funds	207,841
Nonmajor funds	General	218,879
		<u>\$ 2,778,647</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

F. Accrued Compensated Absences

Employees in permanent, full-time positions earn eight hours of vacation with pay and one day of sick leave for each month of service for the first three years of employment and ten hours per month of vacation thereafter. Employees may accumulate up to 30 days of vacation and six days of sick leave (after three years of service) that are vested in the event of termination. Accrued vacation and sick leave included in accrued compensated absences was \$269,017 at September 30, 2020.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities				
Compensated Absences	\$ 237,493	\$ 32,440	\$ (916)	\$ 269,017
Total	<u>\$ 237,493</u>	<u>\$ 32,440</u>	<u>\$ (916)</u>	<u>\$ 269,017</u>

G. Unearned Revenues

Amounts are aggregated into a single unearned revenues line for general and nonmajor special revenue funds. Below is the detail of unearned revenues.

<u>Unearned Revenues</u>	<u>General</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Membership Dues	\$ 62,859	\$ -	\$ 62,859
CJD Basic Peace Officer Course	-	44,302	44,302
TCEQ	-	190,128	190,128
Homeland Security	-	504	504
	<u>\$ 62,859</u>	<u>\$ 234,934</u>	<u>\$ 297,793</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

H. Prior Period Adjustment

In the current fiscal year, CAPCOG recorded a prior period adjustment in the amount of \$3,236,784 for credits that CAECD has with AT&T due to payments made in prior years for project costs that were originally capitalized and depreciated or expensed. The projects costs were not actually incurred due to newer technology being developed before the projects were started.

	Statement of Activities	Statement of Revenues, Expenses and Changes in Net Position
	Governmental Activities	Capital Area Emergency Communication District
Net position/Fund Balance at September 30, 2019, as previously reported	\$ 29,503,697	\$ 24,761,102
Prior Period Adjustment:		
Prepayments/credits with AT&T	<u>3,236,784</u>	<u>3,236,784</u>
Net position/Fund Balance at October 1, 2019, as restated	<u>\$ 32,740,481</u>	<u>\$ 27,997,886</u>

I. Subsequent Event

In preparing these financial statements, CAPCOG has evaluated events and transactions for potential recognition or disclosure through April 23, 2021, the date on which the financial statements were available to be issued.

COVID-19

On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. On March 13, 2020, the Governor of Texas declared a state of disaster for all counties in Texas in response to the COVID-19.

The full extent of the ongoing impact of COVID-19 on CAPCOG’s fiscal year 2021 and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

CAPITAL AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Other Information

A. Risk Management

CAPCOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which CAPCOG participates along with 2800 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at a group rate for participants in the Pool. CAPCOG has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. CAPCOG has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Delegate Agency Costs and Contingent Liabilities

For grants classified as secondary recipient grants, CAPCOG contracts with local governments and other local delegate agencies to perform the specific services set forth in the grant agreements. CAPCOG disburses grant funds to the delegate agencies based on monthly expenditure reports received from each delegate agency.

Each delegate agency is required to comply with federal and state audit requirements. CAPCOG requires each of its delegate agencies to submit audit reports. If such audits disclose expenditures not in accordance with the terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from CAPCOG or the delegate agency. CAPCOG generally has the right of recovery from the delegate agency.

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

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

C. Pension Plans

CAPCOG provides pension benefits for all of its full-time employees through a defined contribution plan, which qualifies as a pension plan with 401(k) profit sharing provisions (the "Plan"). In a defined contribution plan, benefits depend solely on annual contributions by CAPCOG, voluntary contributions by employees, length of time an employee participates in the Plan, and investment earnings. The Plan covers all employees of CAPCOG immediately upon beginning their first full month of service.

CAPCOG's pension plan benefits are calculated on a calendar year basis. CAPCOG's total payroll for the calendar year 2020 was \$3,347,406. During calendar year 2020, CAPCOG accrued \$258,969 (8.0 percent of total base salaries) to the Plan which was paid out in March 2021. Employees made contributions of \$226,448 (7.0 percent of eligible payroll) during calendar year 2020. If an employee terminates during the calendar year, the employee forfeits the employer contribution of 8.0 percent.

OTHER SUPPLEMENTARY INFORMATION

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
September 30, 2020

	<u>Economic Development Administration</u>	<u>Texas Department of Agriculture</u>	<u>Criminal Justice Division</u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables	-	-	2,200
Due from grantor agencies	37,089	8,841	114,054
Due from other funds	-	-	166,424
Total Assets	<u>\$ 37,089</u>	<u>\$ 8,841</u>	<u>\$ 282,678</u>
Liabilities			
Due to other funds	37,089	8,841	-
Unearned revenue	-	-	44,302
Total Liabilities	<u>37,089</u>	<u>8,841</u>	<u>44,302</u>
Fund Balances			
Restricted	-	-	238,376
Total Fund Balances	<u>-</u>	<u>-</u>	<u>238,376</u>
Total Liabilities and Fund Balances	<u>\$ 37,089</u>	<u>\$ 8,841</u>	<u>\$ 282,678</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
September 30, 2020

	Homeland Security Division	Texas Commission on Environmental Quality	Texas Department of Transportation	Total Nonmajor Special Revenue Funds
Assets				
Cash and cash equivalents	\$ -	\$ 137,673	\$ -	\$ 137,673
Receivables	-	-	-	2,200
Due from grantor agencies	258,201	-	-	418,185
Due from other funds	-	52,455	-	218,879
Total Assets	\$ 258,201	\$ 190,128	\$ -	\$ 776,937
Liabilities				
Due to other funds	161,911	-	-	207,841
Unearned revenue	504	190,128	-	234,934
Total Liabilities	162,415	190,128	-	442,775
Fund Balances				
Restricted	95,786	-	-	334,162
Total Fund Balances	95,786	-	-	334,162
Total Liabilities and Fund Balances	\$ 258,201	\$ 190,128	\$ -	\$ 776,937

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
For the Year Ended September 30, 2020

	Economic Development Administration	Texas Department of Agriculture	Criminal Justice Division
Revenues			
Federal grants	\$ 187,314	\$ -	\$ 58,813
State grants	-	49,306	305,712
Contract service revenue	-	-	143,573
Interest	-	-	-
Tuition fees	-	-	207,524
Contractual local match	19,364	-	5,710
Total Revenues	<u>206,678</u>	<u>49,306</u>	<u>721,332</u>
Expenditures			
Current:			
Personnel services	135,751	21,087	350,282
Contractual services	-	-	50,775
Travel	1,264	476	1,202
Supplies and materials	-	-	75,954
Office space	7,332	-	99,299
Delegate agency costs	-	-	-
Miscellaneous	13,597	20,061	717
Internal expense allocation	24,141	-	62,083
Indirect cost allocation	24,593	7,682	61,865
Total Expenditures	<u>206,678</u>	<u>49,306</u>	<u>702,177</u>
Net Change in Fund Balances	-	-	19,155
Beginning Fund Balances	<u>-</u>	<u>-</u>	<u>219,221</u>
Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,376</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
For the Year Ended September 30, 2020

	Homeland Security Division	Texas Commission on Environmental Quality	Texas Department of Transportation	Total Nonmajor Special Revenue Funds
Revenues				
Federal grants	\$ 652,890	\$ -	\$ 95,170	\$ 994,187
State grants	-	256,312	-	611,330
Contract service revenue	47,497	-	-	191,070
Interest	-	4,443	-	4,443
Tuition fees	-	-	-	207,524
Contractual local match	-	-	23,792	48,866
Total Revenues	<u>700,387</u>	<u>260,755</u>	<u>118,962</u>	<u>2,057,420</u>
Expenditures				
Current:				
Personnel services	218,843	126,757	19,229	871,949
Contractual services	144,827	58,854	20,000	274,456
Travel	82	680	38	3,742
Supplies and materials	186,656	8,509	8,747	279,866
Office space	33,048	20,370	-	160,049
Delegate agency costs	-	-	-	-
Miscellaneous	-	-	65,079	99,454
Internal expense allocation	62,717	-	-	148,941
Indirect cost allocation	38,728	45,585	5,869	184,322
Total Expenditures	<u>684,901</u>	<u>260,755</u>	<u>118,962</u>	<u>2,022,779</u>
Net Change in Fund Balances	15,486	-	-	34,641
Beginning Fund Balances	<u>80,300</u>	<u>-</u>	<u>-</u>	<u>299,521</u>
Ending Fund Balances	<u>\$ 95,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,162</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS
For the Year Ended September 30, 2020

	<u>Actual</u>	<u>Budget</u>
Salaries	\$ 313,703	\$ 315,246
Benefits	147,526	168,247
	<u>461,229</u>	<u>483,493</u>
Accounting/Auditing	25,232	28,059
Communications	5,021	4,882
Insurance	9,673	10,000
Legal	-	2,500
Postage	6,923	7,000
Printing	1,263	2,000
Photocopy expense	11,750	14,000
Other expense	1,808	-
Advertising	418	500
Professional development	2,763	1,900
Subscriptions dues	35,833	39,680
Travel	3,868	13,825
Office space	99,120	99,665
Professional Services	72	-
Equipment maintenance	-	8,000
Consumable supplies	9,441	10,254
Personnel payroll services	10,485	13,078
Computer support services	41,906	44,312
Total Indirect Expenditures	<u>726,805</u>	<u>783,148</u>
Indirect carry forward	22,486	1,750
Cost recovery CAECD	(234,285)	(234,285)
Total Indirect Costs Allocated	<u>\$ 515,006</u>	<u>\$ 550,613</u>
Indirect Cost Allocation Base	<u>\$ 1,833,365</u>	<u>\$ 2,027,826</u>
Indirect Rate	<u>28.09%</u>	<u>27.15%</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS
For the Year Ended September 30, 2020

	<u>Actual</u>	<u>Budget</u>
Payroll taxes	\$ 281,708	\$ 309,781
Group insurance	594,373	728,082
Workers' compensation insurance	11,226	13,731
Unemployment insurance	10,798	16,198
Retirement contribution	270,877	275,361
Professional Services	28,009	-
Other	27,288	67,808
Release time	456,289	475,028
Fringe Benefit Expenditures	\$ 1,680,568	\$ 1,885,989
Fringe carry forward	80,760	40,000
Total Fringe Benefits Allocated	\$ 1,761,328	\$ 1,925,989
Total wages	\$ 3,852,097	\$ 4,049,420
Release time	(456,289)	(475,028)
Basis for Allocation	\$ 3,395,808	\$ 3,574,392
Employee Benefit Rate	51.87%	53.88%



FEDERAL AND STATE AWARDS



**REPORT OF INDEPENDENT AUDITORS 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 Executive Committee Members of
Capital Area Council of Governments
Austin, 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, each major fund, and the aggregate remaining fund information of Capital Area Council of Governments (the “CAPCOG”), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise CAPCOG’s basic financial statements, and have issued our report thereon dated April 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CAPCOG's internal control over financial reporting (internal control) as a basis for designing 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 CAPCOG’s internal control. Accordingly, we do not express an opinion on the effectiveness of CAPCOG’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 CAPCOG’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 CAPCOG'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 financial statements. 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*.

To the Executive Committee Members of
Capital Area Council of Governments

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 CAPCOG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAPCOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Austin, Texas
April 23, 2021

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS
*UNIFORM GRANT MANAGEMENT STANDARDS***

To the Executive Committee Members of
Capital Area Council of Governments

Report on Compliance for Each Major Federal and State Program

We have audited Capital Area Council of Governments' (the "CAPCOG") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of CAPCOG's major federal and state programs for the year ended September 30, 2020. CAPCOG's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CAPCOG'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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards*. Those standards, the Uniform Guidance and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about CAPCOG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, CAPCOG 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 September 30, 2020.

To the Executive Committee Members of
Capital Area Council of Governments

Report on Internal Control Over Compliance

Management of CAPCOG 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 CAPCOG'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 the Uniform Guidance 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 CAPCOG'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 the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.



Austin, Texas
April 23, 2021

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

A. SUMMARY OF AUDIT RESULTS

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None

Identification of major programs:

Name of Federal Programs or Cluster **CFDA Numbers**

Aging Cluster

Title III, Part B Grants for Supportive Services and Senior Centers and Title III, Part B Grants for Supportive Services and Senior Centers – CARES Act	93.044
---------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Title III, Part C Nutrition Services, Title III, Part C Nutrition Services-Cares Act, Title III, Part C Disaster Flex, Title III, Part C Nutrition Services-COVID 19	93.045
----------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Nutrition Services Incentive Program (NSIP)	93.053
---------------------------------------------	--------

Title III, Part E, National Family Caregiver Support and Title III, Part E, Grandparent and Older Elderly Caregivers Serving Children (GOECSC)	93.052
-------------------------------------------------------------------------------------------------------------------------------------------------------	--------

- | | |
|---------------------------------------------------------------------------|-----------|
| 1. Dollar Threshold Considered Between Type A and Type B Federal Programs | \$750,000 |
| 2. Federal Single Audit - Auditee qualified as low-risk auditee? | Yes |

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2020

I. Summary of Auditors' Results (continued)

State Awards:

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with State of Texas <i>Uniform Grant Management Standards</i> Section 510(a)?	None

Identification of major programs:

Name of State Programs	Grant/Contract Numbers
Texas Health and Human Services Commission	
State General Revenue – Other, OMB ALF Services, HDM Rate Increase, and Housing Bond	539-16-0024-00001
State General Revenue – ADRC Respite, Promoting Independence, and Operations	HHS000270200014
Office of the Governor Criminal Justice Division	
Regional Training Academy 2020-2021	1544416
1. Dollar Threshold Considered Between Type A and Type B Programs	\$300,000
2. State Single Audit - Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

There were no current year findings.

III. Federal and State Award Findings and Questioned Costs.

There were no current year findings or questioned costs.

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass Through Grant/Contract Number	Expenditures	Pass Through To Sub Recipients
U.S. Department of Health and Human Services				
Pass-through Texas Health and Human Services Commission				
<u>HHSC Contract No. 539-16-0024-00001:</u>				
<i>Title III, Part B Grants for Supportive Services and Senior Centers</i>	93.044	Title III-B	\$ 1,219,629	\$ 135,587
<i>Title III, Part B Grants for Supportive Services and Senior Centers - CARES Act</i>	93.044	CARES Title III-B	2,728	-
<i>Title III, Part C Nutrition Services</i>	93.045	Title III-C1	759,916	411,234
<i>Title III, Part C Nutrition Services</i>	93.045	Title III-C2	935,715	868,813
<i>Title III, Part C Nutrition Services-Cares Act</i>	93.045	CARES Title III-C2	1,638,279	1,638,279
<i>Title III, Part C Disaster Flex</i>	93.045	Disaster Flex Title III-C1	380,390	-
<i>Title III, Part C Nutrition Services-COVID 19</i>	93.045	COVID-19 Title III-C2	908,059	908,059
<i>Nutrition Services Incentive Program (NSIP)</i>	93.053	NSIP	77,910	77,910
Total Aging Cluster CFDA # 93.044, 93.045, 93.053			<u>5,922,626</u>	<u>4,039,882</u>
<i>Title III, Part D Disease Prevention and Health Promotion Services</i>	93.043	Title III-D Evidence Based-Intervention	100,460	-
<i>Title III, Part E, National Family Caregiver Support</i>	93.052	Title III-E	686,678	-
<i>Title III, Part E, Grandparent and Older Elderly Caregivers Serving Children (GOECSC)</i>	93.052	Title III-E ORC	7,131	-
<i>Total CFDA # 93.052</i>			<u>693,809</u>	<u>-</u>
<i>Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation (EAP)</i>	93.041	Title VII-EAP	16,533	-
<i>Title VII, Chapter 2 Long-Term Care Ombudsman Services for Older Individuals (OAM)</i>	93.042	Title VII-OAM	63,816	-
<i>HICAP Health Insurance Counseling Advocacy Program</i>	93.324	HICAP	65,319	-
<i>Medicare Improvements for Patients and Providers ACT (MIPPA)</i>	93.071	539-16-0024-00001 - MIPPA Priority Area 2	11,116	-
<i>Medicare Enrollment Assistance Program</i>	93.071	HHS000270200014 - ADRC-MIPPA	9,875	-
<i>Total CFDA # 93.071</i>			<u>20,991</u>	<u>-</u>
<i>Older Adult Opioid Grant Program</i>	93.788	HHS000733800001 Opioid Reduction	25,045	-
<i>Money Follows the Person Local Contact Agency Demonstration</i>	93.791	HHS000270200014 ADRC-Local Contact Agency	17,960	-
<i>Money Follows the Person Housing Navigator Demonstration</i>	93.791	ADRC - Navigator	25,188	-
<i>Total CFDA # 93.791</i>			<u>43,148</u>	<u>-</u>
<i>No Wrong Door: Critical Relief Funds for COVID-19 Pandemic Response</i>	93.048	ADRC-NWD COVID-19	1,080	-
Total U.S. Department of Health and Human Services			<u>6,952,827</u>	<u>4,039,882</u>
U.S. Department of Commerce				
Direct Award				
<i>District Partnership Planning for the Capital Region of Texas</i>	11.302	ED18AUS3020022	90,853	-
<i>Capital Area Disaster Recovery and Resiliency Program</i>	11.307	08-79-05235	59,372	-
<i>C19 Economic Disaster Recovery Support for Texas Capital Area</i>	11.307	ED20AUS3070077	37,089	-
Total Economic Development Cluster CFDA # 11.307			<u>96,461</u>	<u>-</u>
Total U.S. Department of Commerce			<u>187,314</u>	<u>-</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass Through Grant/Contract Number	Expenditures	Pass Through To Sub Recipients
U.S. Department of Homeland Security				
Pass-through Office of the Governor - Homeland Security Grant Division				
2017 State Homeland Security Program WarnCentralTexas Website	97.067	3295801	\$ 45,676	\$ -
2018 State Homeland Security Program Training and Exercise	97.067	2956803	84,732	-
2018 State Homeland Security Program Austin-CAPCOG-WebEOC	97.067	3709201	24,500	-
2019 State Homeland Security Program Recovery & Resiliency Project	97.067	3759101	23,922	-
2019 State Homeland Security Program Warn Central Texas PSAs	97.067	3562302	15,000	-
2019 State Homeland Security Program Training and Exercise	97.067	2956804	83,726	-
2019 State Homeland Security Program Regional Planning	97.067	2956905	316,761	-
2019 State Homeland Security Program PEAC Analysis and Modeling	97.067	3757801	34,015	-
2020 State Homeland Security Program Regional Planning	97.067	2956906	24,557	-
Total CFDA # 97.067			<u>652,889</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>652,889</u>	<u>-</u>
U.S Department of Justice				
Pass-through Office of the Governor - Criminal Justice Division				
Violence Against Women Act (VAWA) Justice and Training Program - Law Enforcement	16.588	3547902	13,980	-
DJ-Edward Byrne Memorial Justice Assistance Grant Program - Mobile De-escalation Training Simulator	16.738	3822701	44,833	-
Total U.S. Department Justice			<u>58,813</u>	<u>-</u>
U.S Department of Transportation				
Pass-through Texas Department of Transportation				
Commuter Solutions	20.205	CSJ 0914-00-423	95,170	-
Total U.S. Department of Transportation			<u>95,170</u>	<u>-</u>
Total Federal Awards			<u>\$ 7,947,013</u>	<u>\$ 4,039,882</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2020

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>	<u>Pass Through To Sub Recipients</u>
Texas Health and Human Services Commission			
<i>State General Revenue Title III E Match</i>	539-16-0024-00001	\$ 181,007	\$ -
<i>State General Revenue - Other</i>	539-16-0024-00001	55,219	-
<i>State General Revenue - OMB ALF Services</i>	539-16-0024-00001	160,796	-
<i>State General Revenue - HDM Rate Increase</i>	539-16-0024-00001	25,022	25,022
<i>State General Revenue - Housing Bond</i>	539-16-0024-00001	13,152	-
<i>State General Revenue - ADRC Respite</i>	HHS000270200014	28,264	-
<i>State General Revenue - ADRC Promoting Independence</i>	HHS000270200014	11,887	-
<i>State General Revenue - ADRC Operations</i>	HHS000270200014	207,193	-
Total Texas Health and Human Services Commission		<u>682,540</u>	<u>25,022</u>
Office of the Governor Criminal Justice Division			
<i>Regional Training Academy 2020-21</i>	1544416	305,712	-
Total Office of the Governor Criminal Justice Division		<u>305,712</u>	<u>-</u>
Texas Commission on Environmental Quality			
<i>Regional Solid Waste Management 2020-21</i>	582-20-10206	178,229	-
<i>Rider 7 Local Air Quality Planning Grant</i>	582-20-11982	78,083	-
Total Texas Commission on Environmental Quality		<u>256,312</u>	<u>-</u>
Texas Department of Agriculture			
<i>Consumer Protection Project</i>	TDA-19-ARED-04	49,306	-
Total Texas Department of Agriculture		<u>49,306</u>	<u>-</u>
Total State Awards		<u>\$ 1,293,870</u>	<u>\$ 25,022</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the “Schedules”) includes the federal and state grant activity of CAPCOG under programs of the federal and state government for the year ended September 30, 2020. The information in these Schedules is presented in accordance with the requirements of Office of Management and Budget (OMB) Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Because these Schedules present only a selected portion of the operations of CAPCOG, they are not intended to and do not present the financial position and changes in net position of CAPCOG.

2. Summary of Significant Accounting Policies

CAPCOG accounts for all federal and state awards under programs of the federal and state governments in special revenue funds. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal and state grant funds for governmental funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When such funds are advanced to CAPCOG, they are recorded as unearned revenues until earned. Otherwise, federal and state grant funds are received on a reimbursement basis from the respective federal or state program agencies. Generally, unused balances are returned to the grantor at the close of specified project periods. CAPCOG has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CAPITAL AREA COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2020

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

CAPITAL AREA COUNCIL OF GOVERNMENTS

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2020

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

I. Corrective Action Plan

Not Applicable