



ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

CAPITAL AREA COUNCIL OF GOVERNMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise CAPCOG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CAPCOG, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CAPCOG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CAPCOG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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, schedule of indirect costs, and schedule of fringe benefits, 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 Texas Grant Management Standards and are also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of indirect costs, schedule of fringe benefits and 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, schedule of indirect costs, schedule of fringe benefits, and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CAPCOG's 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.



Austin, Texas
April 22, 2024



CAPITAL AREA COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ended September 30, 2023. 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:

Governmental Activities - CAPCOG's basic services are reported here including services from the Capital Area Emergency Communication District ("CAECD"), general government, aging, 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 a number of 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.

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

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 \$35,993,113 as of September 30, 2023 for the primary government. A portion of CAPCOG's net position in the amount of \$2,167,534 (6.0%) reflects its net 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.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Total Dollar Change
	2023	2022	2023-2022
Current and other assets	\$ 38,777,105	\$ 37,871,697	\$ 905,408
Capital assets, net	8,012,834	6,477,718	1,535,116
Total Assets	46,789,939	44,349,415	2,440,524
Current liabilities	4,951,526	5,072,925	(121,399)
Noncurrent liabilities	5,845,300	3,592,416	2,252,884
Total Liabilities	10,796,826	8,665,341	2,131,485
Net Position:			
Net investment in capital assets	2,167,534	2,885,302	(717,768)
Restricted	31,178,423	30,040,711	1,137,712
Unrestricted	2,647,156	2,758,061	(110,905)
Total Net Position	\$ 35,993,113	\$ 35,684,074	\$ 309,039

A portion of CAPCOG's net position in the amount of \$31,178,423 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$2,647,156 may be used to meet CAPCOG's ongoing obligations to members.

CAPCOG's total net position increased by \$309,039. This increase was largely due to increases in revenue from charges for services, operating grants, and investment interest income. The increase was offset by increased grant expenditures in aging and environmental quality, and operating and capital projects costs for the emergency communications district.

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

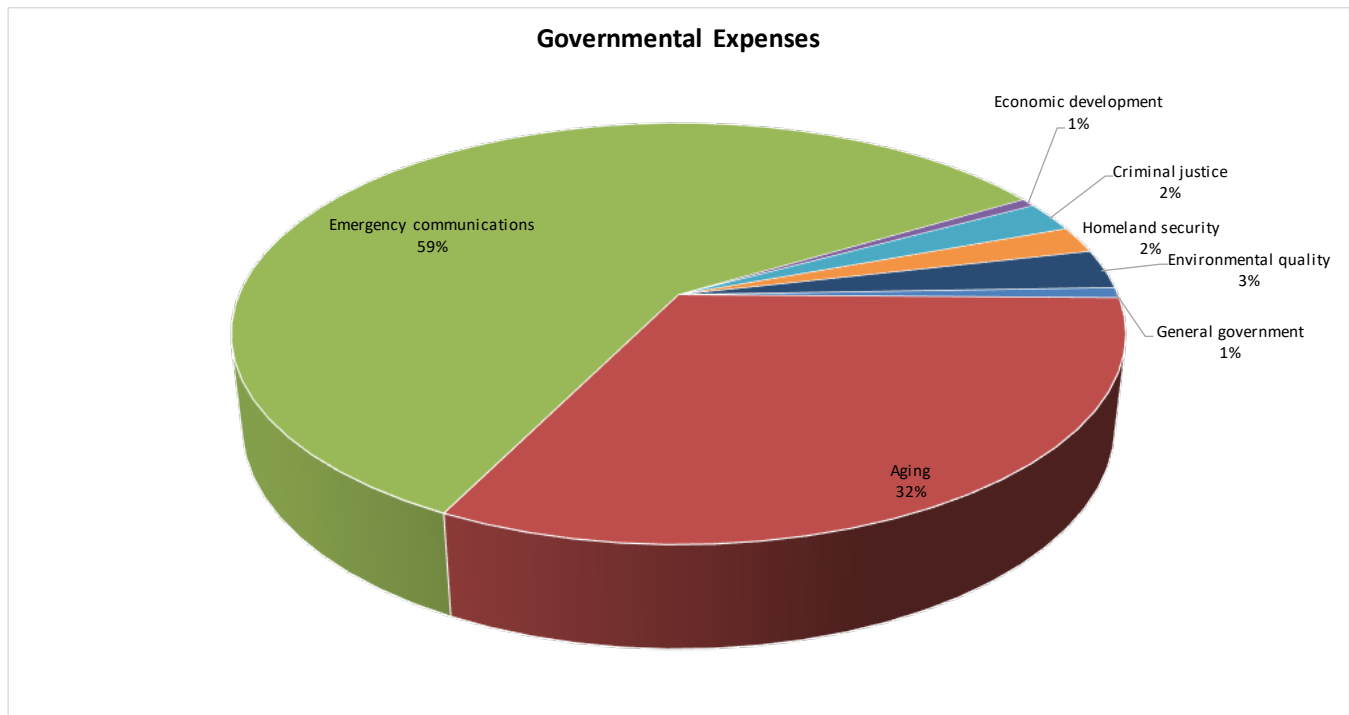
Statement of Activities

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

	Governmental Activities		Total Dollar Change
	2023	2022	2023-2022
Revenues			
Program revenues:			
Charges for services	\$ 16,503,856	\$ 15,489,024	\$ 1,014,832
Operating grants and contributions	12,133,482	10,702,076	1,431,406
General revenues:			
Membership dues	304,280	301,137	3,143
Contract service revenue	392,445	429,332	(36,887)
Miscellaneous	525,411	375,570	149,841
Interest income	1,453,355	220,193	1,233,162
Total Revenues	31,312,829	27,517,332	3,795,497
Expenses			
General government	246,575	867,516	(620,941)
Aging	9,951,344	9,198,543	752,801
Emergency communications	18,326,372	16,022,374	2,303,998
Economic development	197,445	225,579	(28,134)
Criminal justice	715,360	672,060	43,300
Homeland security	633,400	736,312	(102,912)
Environmental quality	933,294	214,266	719,028
Total Expenses	31,003,790	27,936,650	3,067,140
Change in Net Position	309,039	(419,318)	728,357
Beginning Net Position	35,684,074	36,103,392	(419,318)
Ending Net Position	\$ 35,993,113	\$ 35,684,074	\$ 309,039

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, 2023, revenues from governmental activities totaled \$31,312,829, an increase of \$3,795,497 over the prior year. This increase was primarily due to the increase from operating grants related to environmental quality and investment interest.

As of the end of the fiscal year, expenses for governmental activities totaled \$31,003,790, which represents an increase of \$3,067,140 over the prior year. The increase was primarily due to increased operating grant expenditures in environmental quality, and increased expenditures for operating costs and capital projects for the emergency communications district.

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 \$34,091,244. Of this, \$2,677,019 is unassigned, \$235,521 is nonspendable related prepaid items, and \$31,178,704 is restricted for various purposes.

The General Fund reported a fund balance of \$2,912,540, an increase of \$190,791 over the prior year. In the Aging Fund, expenditures exceeded revenues by \$3,626 resulting in a restricted fund balance of \$114,860 at fiscal year-end. The CAECD fund reported a fund balance of \$30,630,437, which is an increase of \$860,604 from the prior year.

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

Capital Assets

At the end of the current fiscal year, CAPCOG's governmental activities had invested \$8,012,834 , in a variety of capital assets, including equipment for emergency communications and right of use leased assets net of accumulated depreciation and amortization.

Additional information on CAPCOG's capital assets, is presented in Note 3 - C of this report.

Long-term Debt

At the end of the current fiscal year, CAPCOG reported a lease liability of \$2,910,626 related to the lease of office space. CAPCOG also reported a SBITA liability of \$2,934,674 at year-end related to subscription asset liabilities.

Additional information on CAPCOG's long-term debt can be found in Note 3 - D of this report.

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 2024, CAPCOG has expected revenues of \$56,330,903. \$12,400,329 of this total is estimated to be received from the NG9-1-1 Service Funds available under Proposition 8 that established the Texas Broadband Infrastructure Fund.

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, 2023**

	Primary Government
	Governmental
	Activities
Assets	
Cash and cash equivalents	\$ 33,605,954
Receivables	2,667,779
Due from grantor agencies	2,267,851
Prepaid items	235,521
	<u>38,777,105</u>
Capital assets, net of accumulated depreciation and amortization	<u>8,012,834</u>
Total Assets	<u><u>46,789,939</u></u>
Liabilities	
Accounts payable	4,326,627
Employee retirement payable	210,111
Accrued compensated absences	265,665
Unearned revenue	149,123
Long-term liabilities:	
Due within one year	1,682,132
Due in more than one year	<u>4,163,168</u>
Total Liabilities	<u><u>10,796,826</u></u>
Net Position	
Net investment in capital assets	2,167,534
Restricted	31,178,423
Unrestricted	<u>2,647,156</u>
Total Net Position	<u><u>\$ 35,993,113</u></u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Page 1 of 2

Functions/Programs	Expenses	Indirect and Internal Cost Allocation	Expenses After Indirect and Internal Cost Allocation
Primary Government:			
Governmental Activities			
General government	\$ 2,294,675	\$ (2,048,100)	\$ 246,575
Aging	9,219,432	731,912	9,951,344
Emergency communication	17,302,868	1,023,504	18,326,372
Economic development	157,869	39,576	197,445
Criminal justice	582,229	133,131	715,360
Homeland security	554,866	78,534	633,400
Environmental quality	891,851	41,443	933,294
Total Governmental Activities	<u>31,003,790</u>	<u>-</u>	<u>31,003,790</u>
Total Primary Government	<u>\$ 31,003,790</u>	<u>\$ -</u>	<u>\$ 31,003,790</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

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STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Program Revenues		Net (Expense)
	Charges for	Operating	Revenue and
	Services	Grants and	Changes in
		Contributions	Net Position
			Governmental
			Activities
Primary Government:			
Governmental Activities			
General government	\$ -	\$ -	\$ (246,575)
Aging	-	9,948,373	(2,971)
Emergency communication	16,217,689	-	(2,108,683)
Economic development	-	197,129	(316)
Criminal justice	286,167	313,310	(115,883)
Homeland security	-	660,744	27,344
Environmental quality	-	1,013,926	80,632
Total Governmental Activities	16,503,856	12,133,482	(2,366,452)
Total Primary Government	\$ 16,503,856	\$ 12,133,482	(2,366,452)
General Revenues:			
Membership dues			304,280
Contract service revenue			392,445
Miscellaneous			525,411
Interest income			1,453,355
Total General Revenues			2,675,491
Change in Net Position			309,039
Beginning Net Position			35,684,074
Ending Net Position			\$ 35,993,113

CAPITAL AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2023

	General	Aging	Capital Area Emergency Communication District	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,415,318	\$ -	\$ 31,189,724	\$ 912	\$ 33,605,954
Receivables	85,819	30,676	2,522,121	29,163	2,667,779
Due from grantor agencies	-	1,630,765	-	637,086	2,267,851
Due from other funds	1,942,152	-	-	255,764	2,197,916
Prepaid items	235,521	-	-	-	235,521
Total Assets	<u>\$ 4,678,810</u>	<u>\$ 1,661,441</u>	<u>\$ 33,711,845</u>	<u>\$ 922,925</u>	<u>\$ 40,975,021</u>
Liabilities					
Accounts payable	\$ 1,482,964	\$ -	\$ 2,843,663	\$ -	\$ 4,326,627
Employee retirement payable	210,111	-	-	-	210,111
Due to other funds	-	1,545,998	237,745	414,173	2,197,916
Unearned revenue	73,195	583	-	75,345	149,123
Total Liabilities	<u>1,766,270</u>	<u>1,546,581</u>	<u>3,081,408</u>	<u>489,518</u>	<u>6,883,777</u>
Fund Balances					
Nonspendable	235,521	-	-	-	235,521
Restricted	-	114,860	30,630,437	433,407	31,178,704
Unassigned	2,677,019	-	-	-	2,677,019
Total Fund Balances	<u>2,912,540</u>	<u>114,860</u>	<u>30,630,437</u>	<u>433,407</u>	<u>34,091,244</u>
Total Liabilities and Fund Balances	<u>\$ 4,678,810</u>	<u>\$ 1,661,441</u>	<u>\$ 33,711,845</u>	<u>\$ 922,925</u>	<u>\$ 40,975,021</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

September 30, 2023

Total Fund Balances - Governmental Funds	\$ 34,091,244
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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.	17,259,060
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Accumulated depreciation and amortization have not been included in the fund financial	(9,246,226)
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Long-term liabilities, including lease payable and SBITA payables, are not due and payable in current period and therefore are not reported in the governmental funds.	(5,845,300)
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Accrued liabilities for compensated absences are not due and payable in the current period and have not been reflected in the fund financial statements.	<u>(265,665)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 35,993,113</u></u>
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CAPITAL AREA COUNCIL OF GOVERNMENTS

STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2023

	General	Aging	Capital Area Emergency Communication District	Nonmajor Special Revenue Funds	Total Governmental Funds
Revenues					
Federal grants	\$ -	\$ 7,478,739	\$ -	\$ 847,420	\$ 8,326,159
State grants	-	659,627	-	1,308,410	1,968,037
Membership dues	304,280	-	-	-	304,280
Local match	(119,178)	-	-	-	(119,178)
Other local revenue	-	-	16,197,639	-	16,197,639
Miscellaneous	347,516	-	197,934	-	545,450
Interest	75,644	-	1,366,816	10,895	1,453,355
Tuition fees	-	-	-	286,177	286,177
Contract service revenue	224,644	340,672	-	167,801	733,117
Contractual local match	-	1,469,335	-	29,279	1,498,614
Total Revenues	832,906	9,948,373	17,762,389	2,649,982	31,193,650
Expenditures					
Current:					
General government	87,201	-	-	-	87,201
Aging	-	9,898,514	-	-	9,898,514
Emergency communications	-	-	15,614,440	-	15,614,440
Economic development	-	-	-	193,933	193,933
Criminal justice	-	-	-	691,866	691,866
Homeland security	-	-	-	685,892	685,892
Environmental quality	-	-	-	1,017,982	1,017,982
Debt Service:					
Principal	443,206	42,718	1,039,348	37,366	1,562,638
Interest	111,708	10,767	247,997	9,418	379,890
Total Expenditures	642,115	9,951,999	16,901,785	2,636,457	30,132,356
 Net Change in Fund Balances	 190,791	 (3,626)	 860,604	 13,525	 1,061,294
Beginning Fund Balances	2,721,749	118,486	29,769,833	419,882	33,029,950
Ending Fund Balances	\$ 2,912,540	\$ 114,860	\$ 30,630,437	\$ 433,407	\$ 34,091,244

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, 2023

Net Changes in Fund Balances - Total Governmental Funds	\$	1,061,294
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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 and amortization expense.

Capital purchases	876,224
Depreciation and amortization expense	(3,156,630)

Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	1,562,638
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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>(34,487)</u>
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Change in Net Position of Governmental Activities	\$	<u>309,039</u>
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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 able to impose its will on CAECD and 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 is the CAPCOG Executive Committee. CAEDD is responsible for managing revenue collected from grants and local government match dollars to promote economic growth. CAEDD is included in CAPCOG's reporting entity because of the significance of their operational and financial relationship with CAPCOG.

Capital Area Initiatives Foundation

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

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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, homeland security division 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.

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.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

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)

2. Investments (continued)

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.

5. Capital Assets

Capital assets, which include property, equipment, RTU lease assets and subscriptions, 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 (except for RTU assets) 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, RTU assets, and leasehold improvements of the primary government are depreciated/amortized 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)
RTU - lease assets	Depends on lease of term
RTU - Subscription assets	Depends on arrangement term

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)

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 assets 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 assets 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.

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.

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)

10. Fund Balance Policies (continued)

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.

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.

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)

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). CAPCOG used a negotiated indirect cost rate of 13.35 percent issued in September 2021 for the fiscal year beginning October 1, 2022 and ending September 30, 2023. Negotiations with the United States Department of Interior for the fiscal year 2023 indirect cost rate were finalized on January 2023. For the first quarter of the fiscal year, CAPCOG used an indirect cost rate of 13.35. The indirect cost rate used for the remainder of the fiscal year 2023 was 24.46 percent and was applied to direct 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.

H. Implementation of New Accounting Standards

The following GASB pronouncements were effective during fiscal year 2023.

GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA), was issued in May 2020 and was effective for periods beginning after June 15, 2022. 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. CAPCOG has evaluated the effects of this standard and has determined that it does impact the financial statements. As such CAPCOG has incorporated such SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

I. Subscription-Based Information Technology Arrangements

CAPCOG is under contracts for SBITA for various software subscriptions. The agreements/contracts are noncancellable and CAPCOG recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. CAPCOG recognizes SBITA liabilities with an initial, individual value of \$20,000 or more.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

I. Subscription-Based Information Technology Arrangements (continued)

At the commencement of the SBITA, CAPCOG initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how CAPCOG determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- CAPCOG uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, CAPCOG generally uses its estimated incremental borrowing rate at the commencement of a SBITA as the discount rate for that SBITA.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that CAPCOG is reasonably certain to exercise.

CAPCOG monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. Once an interest rate is associated with the initial acquisition of the asset, that rate continues to be used for valuation purposes for the life of the asset.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

J. Leases

Lessee: CAPCOG recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for noncancellable leases of buildings, equipment, vehicles, and other machinery. CAPCOG recognizes lease liabilities with an initial, individual value of \$20,000 or more and term greater than one year.

At the commencement of a lease, CAPCOG initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how CAPCOG determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- CAPCOG uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, CAPCOG generally uses its estimated incremental borrowing rate at the commencement of a lease as the discount rate for that lease.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that CAPCOG is reasonably certain to exercise.

CAPCOG monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Once an interest rate is associated with the initial acquisition of the asset, that rate continues to be used for valuation purposes for the life of the asset.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

CAPITAL 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, 2023, CAPCOG had the following investments:

Investment Type	Amortized Cost	Weighted Average Maturity (Days)
Local government investment pools	\$ 32,265,711	87
Total Amortized Cost	\$ 32,265,711	
Portfolio weighted average maturity		87

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, 2023, the primary government had bank deposits of \$1,403,560. CAECD's bank deposits represented \$668,892 of this balance. As of September 30, 2023, the carrying amount of the deposits of the primary government were \$1,340,243. CAECD's carrying amount of deposits represented \$577,118 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, 2023, 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	\$ -	\$ 1,573,598	\$ -	\$ 223,300	\$ 1,796,898
State Grants	-	57,167	-	413,786	470,953
Contract Revenue	82,631	30,676	-	28,382	141,689
Private Switch	-	-	6,386	-	6,386
Wireless fees	-	-	2,153,011	-	2,153,011
Wireline fees	-	-	184,840	-	184,840
Tuition fees	-	-	-	500	500
Miscellaneous	3,188	-	177,884	281	181,353
	<u>\$ 85,819</u>	<u>\$ 1,661,441</u>	<u>\$ 2,522,121</u>	<u>\$ 666,249</u>	<u>\$ 4,935,630</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:

	Beginning Balances, as restated	Increases	(Decreases)	Ending Balances
Governmental Activities				
Capital Assets being Depreciated and Amortized:				
Furniture and equipment	\$ 6,604,546	\$ 824,025	\$ -	\$ 7,428,571
Leasehold improvements	1,748,340	-	-	1,748,340
Right-to-use lease building	4,214,429	-	-	4,214,429
Right-to-use subscription asset	3,815,522	52,198	-	3,867,720
Total Capital Assets being Depreciated and Amortized	16,382,837	876,223	-	17,259,060
Less Accumulated Depreciation and Amortization for:				
Furniture and equipment	(4,304,036)	(1,231,455)	-	(5,535,491)
Leasehold improvements	(1,019,300)	(174,834)	-	(1,194,134)
Right-to-use lease building	(766,260)	(766,260)	-	(1,532,520)
Right-to-use subscription asset	-	(984,081)	-	(984,081)
Total Accumulated Depreciation and Amortization	(6,089,596)	(3,156,630)	-	(9,246,226)
Total Capital Assets, Net	10,293,241	(2,280,407)	-	8,012,834
Governmental Activities				
Capital Assets, Net	\$ 10,293,241	\$ (2,280,407)	\$ -	\$ 8,012,834

Depreciation and amortization were charged to governmental functions as follows:

General government	\$ 506,063
Aging	48,011
Emergency communications	2,508,008
Economic Development Administration	2,869
Criminal justice	40,175
Homeland security	29,444
Environmental quality	22,060
Total	\$ 3,156,630

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

D. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Beginning Balances, as restated	Increases	(Decreases)	Ending Balances	Due within a year
Governmental Activities					
SBITA liability	\$ 3,815,522	\$ -	\$ (880,848)	\$ 2,934,674	\$ 936,014
Lease liability	3,592,416	-	(681,790)	2,910,626	746,118
Total	<u>\$ 7,407,938</u>	<u>\$ -</u>	<u>\$ (1,562,638)</u>	<u>\$ 5,845,300</u>	<u>\$ 1,682,132</u>

SBITA Liability

CAPCOG is under three SBITA agreements for the acquisition of software. An initial SBITA liability was recorded in the amount of \$3,815,522 during the current fiscal year. As of September 30, 2023, the value of the SBITA liability was \$2,934,674. There are no variable payments. CAPCOG is required to make monthly principal and interest payments in the range of \$1,827 to \$84,230. The SBITA has an interest rate of 6.09%. Two agreements mature in fiscal year 2026 and the third agreement matures in 2027. The value of the right-to-use asset as of the end of the current fiscal year was \$3,867,720. and had accumulated amortization of \$984,081. There are no commitments under SBITAs before the commencement of the subscription term. The future principal and interest SBITA payments as of September 30, 2023, were as follows:

SBITA Liability			
Year Ending September 30	Principal	Interest	Totals
2024	\$ 936,014	\$ 152,882	\$ 1,088,896
2025	941,607	95,195	1,036,802
2026	973,248	37,507	1,010,755
2027	83,805	425	84,230
	<u>\$ 2,934,674</u>	<u>\$ 286,009</u>	<u>\$ 3,220,683</u>

Lease Liability

CAPCOG leases office space under a long-term lease agreement. CAPCOG entered into a ten-year office space lease agreement with payments beginning April 1, 2017. CAPCOG's estimated incremental borrowing rate used to calculate the present value of the lease liability is 5.33%. The lease liability, as of September 30, 2023, was \$2,910,626. CAPCOG was required to make monthly payments ranging from \$67,000 to \$70,000 during fiscal year 2023. The value of the right-to-use asset as of the end of the current fiscal year was \$4,214,429. and had accumulated amortization of \$1,532,520. The future principal and interest lease payments as of September 30, 2023, were as follows:

Lease Liability			
Year Ending September 30	Principal	Interest	Totals
2024	\$ 746,118	\$ 133,939	\$ 880,057
2025	813,397	92,543	905,940
2026	884,352	47,472	931,824
2027	466,759	5,624	472,383
	<u>\$ 2,910,626</u>	<u>\$ 279,578</u>	<u>\$ 3,190,204</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

E. 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. Vacation and sick leave are prorated for part time permanent employees. Employees may accumulate up to 240 hours of vacation and up to 48 hours of sick leave that are vested in the event of termination. Employees vest their vacation balance after 1 year of service and vest their sick leave balance after 3 years of service. Accrued vacation and sick leave included in accrued compensated absences was \$265,665 at September 30, 2023. The net change in compensated absences is shown below:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental Activities				
Compensated Absences	\$ 231,178	\$ 34,487	\$ -	\$ 265,665
Total	<u>\$ 231,178</u>	<u>\$ 34,487</u>	<u>\$ -</u>	<u>\$ 265,665</u>

F. Interfund Transactions

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

Receivable Fund	Payable Fund	Due From / To Other Funds
General	Aging	\$ 1,545,998
General	Capital Area Emergency Communication District	237,745
General	Nonmajor funds	105,658
Nonmajor funds	Nonmajor funds	308,515
		<u>\$ 2,197,916</u>

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

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.

Unearned Revenues	General	Aging	Nonmajor Special Revenue	Total
Membership Dues	\$ 18,902	\$ -	\$ -	\$ 18,902
Aging	-	583	-	583
Texas Commission on Environmental Quality	-	-	75,345	75,345
Other	54,293	-	-	54,293
	<u>\$ 73,195</u>	<u>\$ 583</u>	<u>\$ 75,345</u>	<u>\$ 149,123</u>

CAPCOG 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 2,800 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 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 2023 was \$3,472,937. During calendar year 2023, CAPCOG accrued \$277,835 (8.0 percent of total base salaries) to the Plan which was paid out in April 2024. If an employee terminates during the calendar year, the employee forfeits the employer contribution of 8.0 percent, unless they are of retirement age.

OTHER SUPPLEMENTARY INFORMATION

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
September 30, 2023

Page 1 of 2

	Economic Development Administration	Criminal Justice Division	Homeland Security Division
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables	-	22,688	6,475
Due from grantor agencies	-	40,915	217,426
Due from other funds	-	255,764	-
Prepaid items	-	-	-
Total Assets	\$ -	\$ 319,367	\$ 223,901
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ 109,861
Unearned revenue	-	-	-
Total Liabilities	-	-	109,861
Fund Balances			
Nonspendable	-	-	-
Restricted	-	319,367	114,040
Total Fund Balances	-	319,367	114,040
Total Liabilities and Fund Balances	\$ -	\$ 319,367	\$ 223,901

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
September 30, 2023

Page 2 of 2

	Texas Commission on Environmental Quality	Environmental Protection Agency	Total Nonmajor Special Revenue Funds
Assets			
Cash and cash equivalents	\$ 912	\$ -	\$ 912
Receivables	-	-	29,163
Due from grantor agencies	372,871	5,874	637,086
Due from other funds	-	-	255,764
Prepaid items	-	-	-
Total Assets	\$ 373,783	\$ 5,874	\$ 922,925
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ 298,438	\$ 5,874	\$ 414,173
Unearned revenue	75,345	-	75,345
Total Liabilities	373,783	5,874	489,518
Fund Balances			
Nonspendable	-	-	-
Restricted	-	-	433,407
Total Fund Balances	-	-	433,407
Total Liabilities and Fund Balances	\$ 373,783	\$ 5,874	\$ 922,925

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, 2023

Page 1 of 2

	Economic Development Administration	Criminal Justice Division	Homeland Security Division
Revenues			
Federal grants	\$ 180,802	\$ -	\$ 660,744
State grants	-	300,358	-
Contract service revenue	-	130,492	37,309
Interest	-	-	-
Tuition fees	-	286,177	-
Contractual local match	16,327	12,952	-
Total Revenues	197,129	729,979	698,053
Expenditures			
Current:			
Personnel services	114,370	390,070	220,388
Contractual services	-	66,671	214,252
Travel	3,265	3,350	6,099
Supplies and materials	-	45,305	166,664
Office space	7,131	63,653	18,345
Delegate agency costs	-	-	-
Miscellaneous	29,591	4,068	-
Internal expense allocation	23,049	63,805	29,467
Indirect cost allocation	16,527	54,944	30,677
Debt Service:			
Principal	2,553	22,785	6,566
Interest	643	5,743	1,655
Total Expenditures	197,129	720,394	694,113
 Net Change in Fund Balances	 -	 9,585	 3,940
Beginning Fund Balances	-	309,782	110,100
Ending Fund Balances	\$ -	\$ 319,367	\$ 114,040

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, 2023

Page 2 of 2

	Texas Commission on Environmental Quality	Environmental Protection Agency	Total Nonmajor Special Revenue Funds
Revenues			
Federal grants	\$ -	\$ 5,874	\$ 847,420
State grants	1,008,052	-	1,308,410
Contract service revenue	-	-	167,801
Interest	10,895	-	10,895
Tuition fees	-	-	286,177
Contractual local match	-	-	29,279
Total Revenues	1,018,947	5,874	2,649,982
Expenditures			
Current:			
Personnel services	155,681	4,300	884,809
Contractual services	263,064	-	543,987
Travel	5,427	-	18,141
Supplies and materials	45,569	15	257,553
Office space	15,257	-	104,386
Delegate agency costs	423,978	-	423,978
Miscellaneous	43,990	-	77,649
Internal expense allocation	-	876	117,197
Indirect cost allocation	59,142	683	161,973
Debt Service:			
Principal	5,462	-	37,366
Interest	1,377	-	9,418
Total Expenditures	1,018,947	5,874	2,636,457
 Net Change in Fund Balances	 -	 -	 13,525
Beginning Fund Balances	-	-	419,882
Ending Fund Balances	\$ -	\$ -	\$ 433,407

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

For the Year Ended September 30, 2023

	Actual	Budget
Salaries	\$ 325,596	\$ 296,825
Benefits	156,812	160,243
	<u>482,408</u>	<u>457,068</u>
Accounting/Auditing	32,399	25,864
Communications	5,827	4,458
Insurance	14,138	11,710
Legal	613	2,631
Postage	5,757	4,434
Printing	6,312	8,316
Photocopy expense	1,568	1,055
Other expense	2,929	1,522
Advertising	-	256
Professional development	1,695	3,325
Subscriptions dues	34,318	36,871
Travel	5,924	12,336
Office space	220,775	111,241
Contractual services	-	2,859
Consumable supplies	10,801	14,476
Personnel payroll services	14,112	17,559
Computer support services	71,342	66,781
Total Indirect Expenditures	<u>910,918</u>	<u>782,762</u>
Cost recovery CAECD	(347,266)	(362,259)
Total Indirect Costs Allocated	<u>\$ 563,652</u>	<u>\$ 420,503</u>
Indirect Cost Allocation Base	<u>\$ 2,214,661</u>	<u>\$ 1,718,120</u>
Ratio of Indirect Costs to Cost Allocation Base	<u>25.45%</u>	<u>24.47%</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS**SCHEDULE OF FRINGE BENEFITS****For the Year Ended September 30, 2023**

	Actual	Budget
Payroll taxes	\$ 310,690	\$ 351,522
Group insurance	683,308	884,300
Workers' compensation insurance	13,257	15,865
Unemployment insurance	821	18,380
Retirement contribution	274,272	289,964
Professional Services	23,014	22,500
Other	37,312	71,285
Release time	540,335	536,970
Fringe Benefit Expenditures	1,883,009	2,190,786
Fringe carry forward	44,854	-
Total Fringe Benefits Allocated	\$ 1,927,863	\$ 2,190,786
Total Wages	4,146,131	4,595,058
Release time	(540,335)	(536,970)
Basis for Allocation	\$ 3,605,796	\$ 4,058,088
Employee Benefit Rate	53.47%	53.99%



FEDERAL AND STATE AWARDS



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

To the 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 (“CAPCOG”), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise CAPCOG’s basic financial statements, and have issued our report thereon dated April 22, 2024.

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 or significant deficiencies 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.

Whitley Penn LLP

Austin, Texas
April 22, 2024

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

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Program

We have audited Capital Area Council of Governments' ("CAPCOG") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of CAPCOG's major federal and state programs for the year ended September 30, 2023. 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.

In our opinion, CAPCOG's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and 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 Texas Grant Management Standards. Our responsibilities under those standards, and the Uniform Guidance and the Texas Grant Management Standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CAPCOG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of CAPCOG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to CAPCOG's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CAPCOG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Texas Grant Management Standards will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the Texas Grant Management Standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CAPCOG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CAPCOG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Texas Grant Management Standards, but not for the purpose of expressing an opinion on the effectiveness of CAPCOG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 and 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 and 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Executive Committee Members of
Capital Area Council of Governments

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Texas Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Austin Texas
April 22, 2024

CAPITAL AREA COUNCIL OF GOVERNMENTS**SCHEDULE OF FINDINGS AND QUESTIONED COSTS****For the Year Ended September 30, 2023****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 with major 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:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
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US Department of Health and Human Services**Aging Cluster:**

<i>Title III, Part B Grants for Supportive Services and Senior Centers ARP</i>	93.044
<i>Title III, Part B Grants for Supportive Services and Senior Centers FY 2022</i>	93.044
<i>Title III, Part C, Subpart C1 Congregate Meals ARP</i>	93.045
<i>Title III, Part C, Subpart C1 Congregate Meals FY 2021</i>	93.045
<i>Title III, Part C, Subpart C1 Congregate Meals FY 2022</i>	93.045
<i>Title III, Part C, Subpart C1 Congregate Meals FY 2023</i>	93.045
<i>Title III, Part C, Subpart C2 Home-Delivered Meals ARP</i>	93.045
<i>Title III, Part C, Subpart C2 Home-Delivered Meals FY 2022</i>	93.045
<i>Title III, Part C, Subpart C2 Home-Delivered Meals FY 2023</i>	93.045
<i>Nutrition Services Incentive Program FY 2022</i>	93.053

Title III, Part E:

<i>Title III, Part E National Family Caregiver Support ARP</i>	93.052
<i>Title III, Part E National Family Caregiver Support FY 2022</i>	93.052
<i>Title III, Part E National Family Caregiver Support FY 2023</i>	93.052

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	Yes
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CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2023

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 with major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Texas Grant Management Standards? None

Identification of major programs:

Name of State Programs

Grant/Contract Numbers:

Texas Health and Human Services Commission

State General Revenue

HHS000874100005

State General Revenue - OMB ALF Services

HHS000874100005

State General Revenue - American Rescue Plan

HHS000874100005

Dollar Threshold Considered Between Type A and Type B Programs \$750,000

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, 2023

Page 1 of 2

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Grant/Contract Number	Expenditures	Pass Through to Subrecipients
U.S. Department of Health and Human Services				
Pass-through Texas Health and Human Services Commission:				
Title III, Part B Grants for Supportive Services and Senior Centers ARP (Covid-19)	93.044	2101TXSSC6	\$ 435,382	\$ 183,780
Title III, Part B Grants for Supportive Services and Senior Centers FY 2022	93.044	2201TXOASS	1,638,648	35,302
Title III, Part C, Subpart C1 Congregate Meals ARP (Covid-19)	93.045	2101TXCMC6	347,424	330,268
Title III, Part C, Subpart C1 Congregate Meals FY 2021	93.045	2101TXOACM	3,389	3,389
Title III, Part C, Subpart C1 Congregate Meals FY 2022	93.045	2201TXOACM	1,117,124	1,101,840
Title III, Part C, Subpart C1 Congregate Meals FY 2023	93.045	2301TXOACM	167,409	-
Title III, Part C, Subpart C2 Home-Delivered Meals ARP (Covid-19)	93.045	2101TXHDC6	195,452	174,795
Title III, Part C, Subpart C2 Home-Delivered Meals FY 2022	93.045	2201TXOAHB	1,650,837	1,650,837
Title III, Part C, Subpart C2 Home-Delivered Meals FY 2023	93.045	2301TXOAHB	24,397	-
Nutrition Services Incentive Program FY 2022	93.053	2201TXOANS	488,951	488,951
Total Aging Cluster (ALN 93.044, 93.045, 93.053)			<u>6,069,013</u>	<u>3,969,162</u>
Title III, Part D Disease Prevention and Health Promotion Services ARP (Covid-19)	93.043	2101TXPHC6	26,079	-
Title III, Part D Disease Prevention and Health Promotion Services FY 2023	93.043	2201TXOAPH	107,059	-
Total ALN 93.043			<u>133,138</u>	<u>-</u>
Title III, Part E National Family Caregiver Support ARP (Covid-19)	93.052	2101TXFCC6	180,207	-
Title III, Part E National Family Caregiver Support FY 2022	93.052	2201TXOAFB	749,639	91,916
Title III, Part E National Family Caregiver Support FY 2023	93.052	2301TXOAFB	3,470	-
Total ALN 93.052			<u>933,316</u>	<u>91,916</u>
Title VII, Elder Abuse Prevention FY 2023	93.041	2301TXOAEA	18,132	-
Title VII, Long-Term Care Ombudsman ARP(Covid-19)	93.042	2101TXOMC6	10,203	-
Title VII, Long-Term Care Ombudsman FY 2023	93.042	2301TXOAOB	74,505	-
Total ALN 93.042			<u>84,708</u>	<u>-</u>
Health Insurance Counseling Advocacy Program 4/1/2022 - 3/31/2023	93.324	90SAPG0095-03	56,982	-
Health Insurance Counseling Advocacy Program 4/1/2023 - 3/31/2024	93.324	90SAPG0095-04	100,061	-
Total ALN 93.324			<u>157,043</u>	<u>-</u>
Medicare Improvements for Patients and Providers Act Priority Area 2 FY 2021	93.071	2101TXMIAA	2,023	-
Medicare Improvements for Patients and Providers Act Priority Area 2 FY 2022	93.071	2201TXMIAA	31,366	-
Medicare Improvements for Patients and Providers Act Priority Area 3 FY 2021	93.071	2101TXMIDR	4,789	-
Medicare Improvements for Patients and Providers Act Priority Area 3 FY 2022	93.071	2201TXMIDR	4,741	-
Total ALN 93.071			<u>42,919</u>	<u>-</u>
ARP Elder Abuse Prevention (Covid-19)	93.747	2201TXLOC6	10,207	-
Money Follows the Person-Housing Navigator	93.791	11ICMS300151-01-22	13,511	-
Money Follows the Person-Local Contact Agency	93.791	11ICMS300151-01-22	7,765	-
Total ALN 93.791			<u>21,276</u>	<u>-</u>
ADRC Respite RITE	93.072	90LRU0036-03	6,287	-
No Wrong Door/COVID-19 Vaccine Access	93.048	90NWC50021-01-02	2,700	-
Total U.S. Department of Health and Human Services			<u>7,478,739</u>	<u>4,061,078</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

Page 2 of 2

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Grant/Contract Number	Expenditures	Pass Through to Subrecipients
U.S. Department of Commerce				
Direct Award:				
<i>Economic Development District Planning Grant</i>	11.302	ED21AUS3020011	\$ 153,985	\$ -
<i>C19 Economic Disaster Recovery Support for Texas Capital Area</i>	11.307	ED20AUS3070077	26,817	-
<i>Total Economic Development Cluster (ALN 11.307)</i>			26,817	-
Total U.S. Department of Commerce			180,802	-
U.S. Department of Homeland Security				
Pass-through Office of the Governor - Homeland Security Grant Division:				
<i>2022 State Homeland Security Program Regional Planning</i>	97.067	2956908	294,355	-
<i>2023 State Homeland Security Program Regional Planning</i>	97.067	2956909	19,015	-
<i>2022 State Homeland Security Program Training & Exercise</i>	97.067	2956806	59,343	-
<i>2023 State Homeland Security Program Training & Exercise</i>	97.067	2956807	80,603	-
<i>2023 State Homeland Security Program Tier II Reporting</i>	97.067	3757804	23,500	-
<i>HS Regional Cyber Resiliency</i>	97.067	4397101	55,964	-
<i>Total ALN 97.067</i>			532,780	-
Total U.S. Department of Homeland Security			532,780	-
U.S. Department of Justice				
Pass-through Office of the Governor:				
<i>Coronavirus Emergency Supplemental FY21 Critical Regional Data Coordination COVID-19</i>	16.034	4353001	113,396	-
Total U.S. Department of Justice			113,396	-
U.S. Department of Housing and Urban Development				
Pass-through Texas General Land Office:				
<i>Community Development Block Grant Mitigation Program</i>	14.219	Federal Award B-18-DP-48-002 GLO Contract No. 22-061-003-D159	14,568	-
Total U.S. Department of Housing and Urban Development			14,568	-
U.S. Environmental Protection Agency				
Direct Award:				
<i>Continuous PM 2.5 Monitoring</i>	66.034	Grant Number (FAIN)02F29801	2,924	-
<i>Speciated PM 2.5 Monitoring</i>	66.034	Grant Number (FAIN)02F29401	2,950	-
<i>Total ALN 66.034</i>			5,874	-
Total U.S. Environmental Protection Agency			5,874	-
Total Expenditures of Federal Awards			\$ 8,326,159	\$ 4,061,078

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended September 30, 2023

Grantor/Pass-through Grantor/Program Title	Grant/Contract Number	Expenditures	Pass Through to Subrecipients
Texas Health and Human Services Commission			
State General Revenue	HHS000874100005	\$ 244,895	\$ -
State General Revenue - OMB ALF Services	HHS000874100005	124,460	-
State General Revenue - American Rescue Plan	HHS000874100005	55,252	-
State General Revenue - ADRC Respite	HHS000270200014	21,778	-
State General Revenue - ADRC Promoting Independence	HHS000270200014	10,267	-
State General Revenue - ADRC Operations	HHS000270200014	201,260	-
State General Revenue - ADRC RITE	HHS000270200014	1,715	-
Total Texas Health and Human Services Commission		659,627	-
Office of the Governor Criminal Justice Division			
Regional Law Enforcement Academy 9/1/21-8/31/23	1544417	259,443	-
Regional Law Enforcement Academy 9/1/23-8/31/25	1544418	40,915	-
Total Office of the Governor Criminal Justice Division		300,358	-
Texas Commission on Environmental Quality			
Regional Solid Waste Management Program 9/1/21-8/31/23	582-22-30110	546,754	-
Regional Solid Waste Management Program 9/1/23-8/31/25	582-24-50081	12,889	-
Rider 7 Local Air Quality Planning Amendment 1- 22-23	582-20-11982	448,409	-
Total Texas Commission on Environmental Quality		1,008,052	-
Total Expenditures of State Awards		\$ 1,968,037	\$ -

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2023

1. Basis of Presentation

The accompanying schedules 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, 2023. The information in these Schedules is presented in accordance with the requirements of Office of Management and Budget (OMB) Uniform Guidance and the Texas 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, 2023

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, 2023

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

