

April 22, 2022

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capital Area Council of Governments ("CAPCOG") as of and for the year ended September 30, 2021 and have issued our report thereon dated April 22, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 9, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CAPCOG is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimate affecting the financial statements was:

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

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

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

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

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

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated April 22, 2022.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

Other Matters

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

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

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

Austin, Texas
April 22, 2022

Account	Description	Debit	Credit
GASB 34 Entries			
GASB 34 Entries JE # 1			
GASB To record Beginning Comp Abs			
999-3111	Unrestricted Net Position	269,017.00	
999-2522	Compensated Absences		269,017.00
Total		269,017.00	269,017.00
GASB 34 Entries JE # 2			
GASB To Record Beg. Cap Assets			
999-1631	Equipment and Furniture	4,606,176.00	
999-1641	Leasehold improvements	1,748,340.00	
999-1681	Accumulated Depreciation - Leasehold Improvements		669,632.00
999-1691	Accumulated Depreciation - Equip and Furniture		2,242,316.00
999-3211	Net Investment in Capital Assets		3,442,568.00
Total		6,354,516.00	6,354,516.00
GASB 34 Entries JE # 3			
GASB To Record Change in Comp Abs			
999-100-5291	Admin Compensated	6,012.00	
999-2522	Compensated Absences	12,258.00	
999-860-5291	Homeland Compensated	579.00	
999-910-5291	Emergency Comm. Compensated	6,039.00	
999-210-5291	Aging Compensated		11,511.00
999-410-5291	Criminal Compensated		11,409.00
999-780-5291	Regional Services Compensated		1,968.00
Total		24,888.00	24,888.00
GASB 34 Entries JE # 4			
GASB To Record Cap Asset Additions			
999-1631	Equipment and Furniture	2,083,866.00	
999-5841	Air Quality Equipment		12,198.00
999-5844	Network Equipment		2,071,668.00
999-1641	Leasehold improvements		
999-5422	Computer Hardware		
999-5842	Homeland Security Equipment		
999-5843	RTA Equipment		
999-58571	Office Buildout- 911		
Total		2,083,866.00	2,083,866.00

GASB 34 Entries JE # 5

GASB To Record Depreciation Exp

999-100-5899	Depreciation Expense General Government	10,204.00	
999-410-5899	Depreciation Expense Criminal Justice	8,967.00	
999-711-5899	Depreciation Expense Environmental Quality	10,824.00	
999-860-5899	Depreciation Expense Homeland Security	6,022.00	
999-910-5899	Depreciation Expense Emergency Communications	1,246,215.00	
999-1681	Accumulated Depreciation - Leasehold Improvements		174,834.00
999-1691	Accumulated Depreciation - Equip and Furniture		1,107,398.00
Total		<u>1,282,232.00</u>	<u>1,282,232.00</u>

GASB 34 Entries JE # 6

GASB To record Deletions

999-1691	Accumulated Depreciation - Equip and Furniture	127,859.00	
999-1631	Equipment and Furniture		127,859.00
999-1641	Leasehold improvements		
999-1681	Accumulated Depreciation - Leasehold Improvements		
Total		<u>127,859.00</u>	<u>127,859.00</u>
Total GASB 34 Entries		<u>10,142,378.00</u>	<u>10,142,378.00</u>
Total All Journal Entries		<u>10,142,378.00</u>	<u>10,142,378.00</u>



ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2021

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capital Area Council of Governments ("CAPCOG"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise CAPCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CAPCOG, as of September 30, 2021, 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.

To the Executive Committee Members of
Capital Area Council of Governments

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAPCOG’s basic financial statements. The combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas *Uniform Grant Management Standards* and are also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2022 on our consideration of CAPCOG’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAPCOG’s internal control over financial reporting and compliance.

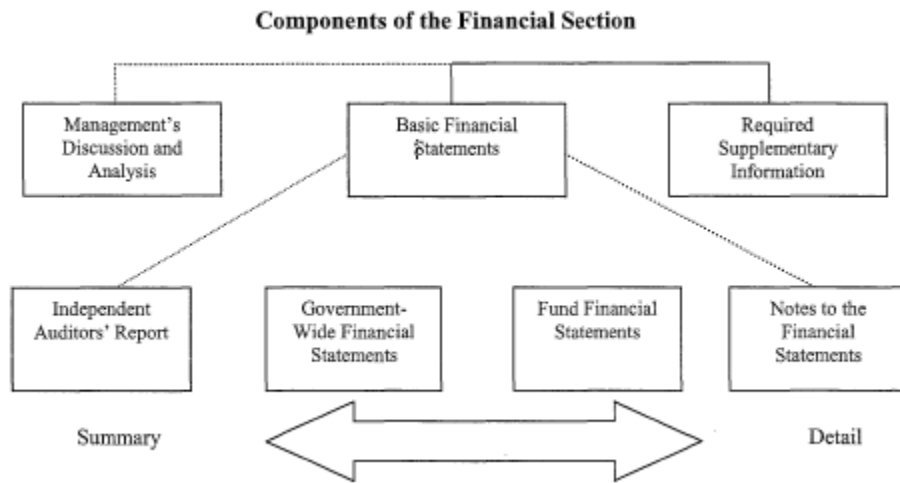


Austin, Texas
April 22, 2022

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 ending September 30, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of CAPCOG's activities. Please read the MD&A in conjunction with CAPCOG's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



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

Government-Wide Statements

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of CAPCOG's financial position. Assets exceed liabilities by \$36,103,392 as of September 30, 2021 for the primary government. A portion of the CAPCOG's net position in the amount of \$4,244,202 (11.8%) reflects its investments in capital assets (e.g., property, equipment, and leasehold improvements). CAPCOG uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Total Dollar Change
	2021	2020	2021-2020
Current and other assets	\$ 35,384,131	\$ 34,571,538	\$ 812,593
Capital assets, net	4,244,202	3,442,568	801,634
Total Assets	39,628,333	38,014,106	1,614,227
Other liabilities	3,524,941	2,600,746	924,195
Total Liabilities	3,524,941	2,600,746	924,195
Net Position:			
Investment in capital assets	4,244,202	3,442,568	801,634
Restricted	28,174,395	29,725,607	(1,551,212)
Unrestricted	3,684,795	2,245,185	1,439,610
Total Net Position	\$ 36,103,392	\$ 35,413,360	\$ 690,032

A portion of CAPCOG's net position in the amount of \$28,174,395 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$3,684,795 may be used to meet CAPCOG's ongoing obligations to members.

CAPCOG's total net position increased by \$690,032. This increase was largely due to the increase in aging operating grants and contributions related to Coronavirus Aid, Relief, and Economic Security (CARES) Act programs. The increase was offset by the decrease in general revenues and interest income. General revenues decreased by \$555,073 due to the decrease in contract service revenue as the related grants and programs in aging and homeland security division ended in the current fiscal year. In addition, interest income decreased significantly due to downturn in the economy as a result of pandemic.

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

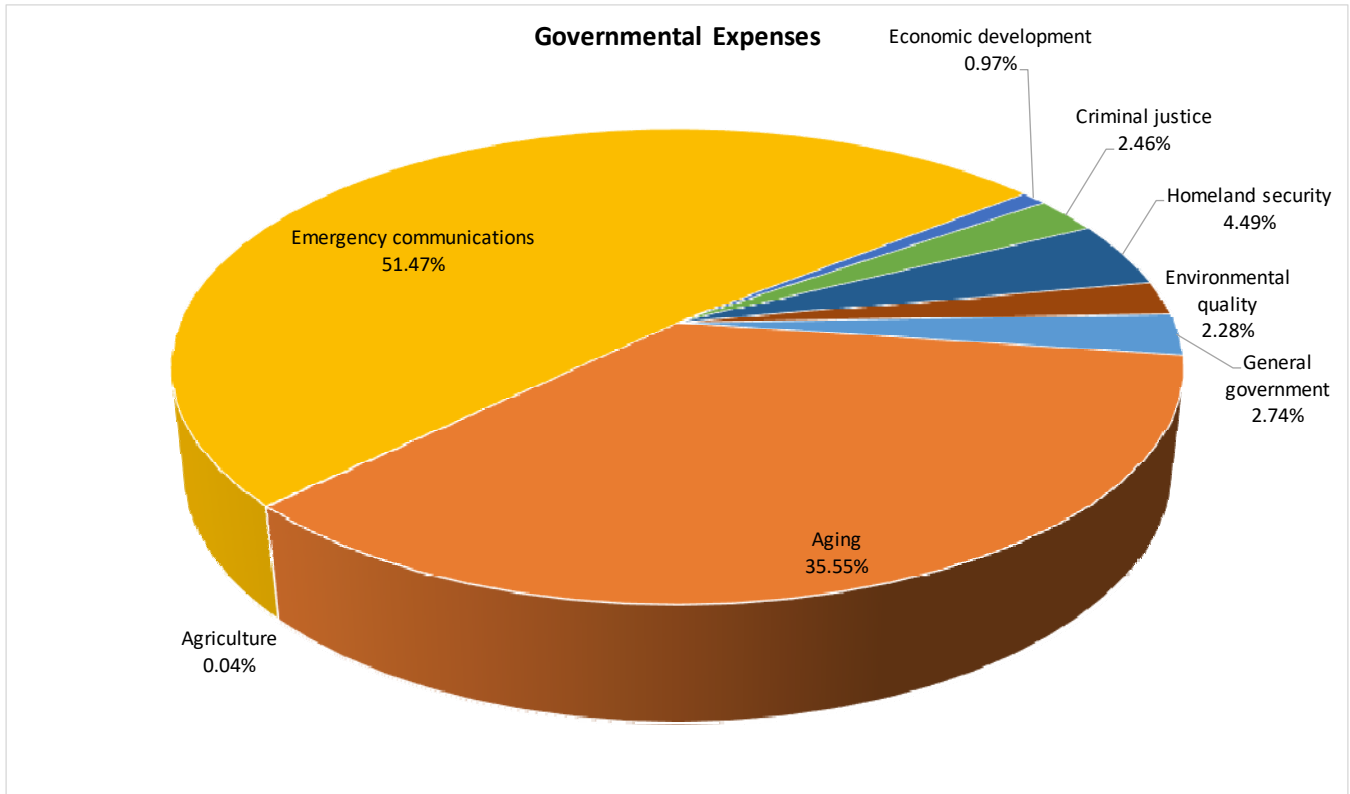
Statement of Activities

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

	Governmental Activities		Total Dollar
	2021	2020	Change 2021-2020
Revenues			
Program revenues:			
Charges for services	\$ 15,191,285	\$ 14,471,223	\$ 720,062
Operating grants and contributions	12,492,850	11,965,521	527,329
General revenues:			
Membership dues	294,751	287,220	7,531
Contract service revenue	376,132	563,619	(187,487)
Miscellaneous	336,733	492,759	(156,026)
Interest income	13,538	232,629	(219,091)
Total Revenues	28,705,289	28,012,971	692,318
Expenses			
General government	768,953	564,779	204,174
Aging	9,958,934	10,475,259	(516,325)
Agriculture	12,061	49,306	(37,245)
Emergency communications	14,419,456	12,301,667	2,117,789
Economic development	272,185	206,678	65,507
Transportation	-	118,962	(118,962)
Criminal justice	689,688	674,524	15,164
Homeland security	1,256,043	684,098	571,945
Environmental quality	637,937	264,819	373,118
Total Expenses	28,015,257	25,340,092	2,675,165
Change in Net Position	690,032	2,672,879	(1,982,847)
Beginning net position	35,413,360	29,503,697	5,909,663
Prior period adjustment	-	3,236,784	(3,236,784)
Ending net position	\$ 36,103,392	\$ 35,413,360	\$ 690,032

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, 2021, revenues from governmental activities totaled \$28,705,289, an increase of \$692,318 over the prior year. This increase was primarily due to the increase in operating grants and contributions related to aging offset by the decrease in charges for services, contract service revenue, and interest income.

As of the end of the fiscal year, expenses for governmental activities totaled \$28,015,257, which represents an increase of \$2,675,165 over the prior year. This increase was primarily due to the increase in emergency communication expenses due to the maintenance and support for the training software and replacement of equipment paid during the fiscal year.

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

FINANCIAL ANALYSIS OF CAPCOG'S FUNDS

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

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

CAPCOG's governmental funds reflect a combined fund balance of \$32,115,949. Of this, \$2,429,021 is unassigned, \$1,512,533 is nonspendable related to general fund prepaid items, and \$28,174,395 is restricted for various purposes.

The general fund reported a fund balance of \$2,619,176 , an increase of \$104,974 over the prior year. In the aging fund, expenditures exceeded revenues by \$1,657 resulting in a restricted fund balance of \$119,668 at fiscal year-end. The CAECD fund reported a fund balance of \$29,008,314, which is an increase of \$261,806 from the prior year.

CAPITAL ASSETS

At the end of the year, CAPCOG's governmental activities had invested \$4,244,202, in a variety of capital assets, including equipment for emergency communications net of accumulated depreciation.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

For fiscal year 2022, CAPCOG has expected revenues of \$32,381,092.

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, 2021

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 30,868,596
Receivables	1,185,047
Due from grantor agencies	1,817,955
Prepaid items	<u>1,512,533</u>
	<u>35,384,131</u>
Capital assets:	
Net depreciable capital assets	<u>4,244,202</u>
Total Assets	<u><u>39,628,333</u></u>
Liabilities	
Accounts payable	2,869,668
Employee retirement payable	189,631
Accrued compensated absences	256,759
Unearned revenue	<u>208,883</u>
Total Liabilities	<u><u>3,524,941</u></u>
Net Position	
Investment in capital assets	4,244,202
Restricted	28,174,395
Unrestricted	<u>3,684,795</u>
Total Net Position	<u><u>\$ 36,103,392</u></u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

September 30, 2021

Functions/Programs	Expenses	Indirect and Internal Cost Allocation	Expenses After Indirect and Internal Cost Allocation
Primary Government:			
Governmental Activities			
General government	\$ 2,642,242	\$ (1,873,289)	\$ 768,953
Aging	9,339,682	619,252	9,958,934
Agriculture	9,897	2,164	12,061
Emergency communication	13,457,994	961,462	14,419,456
Economic development	213,112	59,073	272,185
Criminal justice	570,847	118,841	689,688
Homeland security	1,188,054	67,989	1,256,043
Environmental quality	593,429	44,508	637,937
Total Governmental Activities	28,015,257	-	28,015,257
Total Primary Government	\$ 28,015,257	\$ -	\$ 28,015,257

CAPITAL AREA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

September 30, 2021

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	
Primary Government:			
Governmental Activities			
General government	\$ -	\$ -	\$ (768,953)
Aging	-	9,968,624	9,690
Agriculture	-	12,061	-
Emergency communication	14,944,086	-	524,630
Economic development	-	272,185	-
Criminal justice	247,199	339,732	(102,757)
Homeland security	-	1,258,969	2,926
Environmental quality	-	641,279	3,342
Total Governmental Activities	<u>15,191,285</u>	<u>12,492,850</u>	<u>(331,122)</u>
Total Primary Government	<u>\$ 15,191,285</u>	<u>\$ 12,492,850</u>	<u>(331,122)</u>
General Revenues:			
Membership dues			294,751
Contract service revenue			376,132
Miscellaneous			336,733
Interest income			13,538
Total General Revenues			<u>1,021,154</u>
Change in Net Position			690,032
Beginning Net Position			<u>35,413,360</u>
Ending Net Position			<u>\$ 36,103,392</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2021

	<u>General</u>	<u>Aging</u>	<u>Capital Area Emergency Communication District</u>
Assets			
Cash and cash equivalents	\$ 2,338,178	\$ -	\$ 28,530,315
Receivables	38,009	83,148	1,030,751
Due from grantor agencies	-	1,538,308	-
Due from other funds	1,887,042	-	-
Prepaid items	190,155	-	1,322,378
Total Assets	<u>4,453,384</u>	<u>1,621,456</u>	<u>30,883,444</u>
Liabilities			
Accounts payable	1,214,758	28	1,654,882
Employee retirement payable	189,631	-	-
Due to other funds	319,812	1,501,760	220,248
Unearned revenue	110,007	-	-
Total Liabilities	<u>1,834,208</u>	<u>1,501,788</u>	<u>1,875,130</u>
Fund Balances			
Nonspendable	190,155	-	1,322,378
Restricted	-	119,668	27,685,936
Unassigned	2,429,021	-	-
Total Fund Balances	<u>2,619,176</u>	<u>119,668</u>	<u>29,008,314</u>
Total Liabilities and Fund Balances	<u>\$ 4,453,384</u>	<u>\$ 1,621,456</u>	<u>\$ 30,883,444</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2021

	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets		
Cash and cash equivalents	\$ 103	\$ 30,868,596
Receivables	33,139	1,185,047
Due from grantor agencies	279,647	1,817,955
Due from other funds	319,812	2,206,854
Prepaid items	-	1,512,533
Total Assets	632,701	37,590,985
Liabilities		
Accounts payable	-	2,869,668
Employee retirement payable	-	189,631
Due to other funds	165,034	2,206,854
Unearned revenue	98,876	208,883
Total Liabilities	263,910	5,475,036
Fund Balances		
Nonspendable	-	1,512,533
Restricted	368,791	28,174,395
Unassigned	-	2,429,021
Total Fund Balances	368,791	32,115,949
Total Liabilities and Fund Balances	\$ 632,701	\$ 37,590,985



CAPITAL AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2021

Total fund balances - governmental funds	\$ 32,115,949
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.	8,310,523
Accumulated depreciation has not been included in the fund financial statements.	(4,066,321)
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>(256,759)</u>
Total Net Position of Governmental Activities	<u><u>\$ 36,103,392</u></u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	<u>General</u>	<u>Aging</u>	<u>Capital Area Emergency Communication District</u>
Revenues			
Federal grants	\$ -	\$ 6,823,000	\$ -
State grants	-	615,262	-
Membership dues	294,751	-	-
Local match	(206,203)	-	-
Other local revenue	-	-	14,944,086
Miscellaneous	309,549	-	20,050
Interest	610	-	12,928
Tuition fees	-	-	-
Contract service revenue	245,667	180,117	-
Contractual local match	-	2,350,409	-
Total Revenues	<u>644,374</u>	<u>9,968,788</u>	<u>14,977,064</u>
Expenditures			
General government	539,400	-	-
Aging	-	9,970,445	-
Agriculture	-	-	-
Emergency communications	-	-	15,238,870
Economic development	-	-	-
Criminal justice	-	-	-
Homeland security	-	-	-
Environmental quality	-	-	-
Total Expenditures	<u>539,400</u>	<u>9,970,445</u>	<u>15,238,870</u>
 Net Change in Fund Balances	 104,974	 (1,657)	 (261,806)
Beginning Fund Balances	<u>2,514,202</u>	<u>121,325</u>	<u>29,270,120</u>
Ending Fund Balances	<u>\$ 2,619,176</u>	<u>\$ 119,668</u>	<u>\$ 29,008,314</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	Nonmajor Special Revenue Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Federal grants	\$ 544,097	\$ 7,367,097
State grants	1,816,145	2,431,407
Membership dues	-	294,751
Local match	-	(206,203)
Other local revenue	-	14,944,086
Miscellaneous	-	329,599
Interest	-	13,538
Tuition fees	247,199	247,199
Contract service revenue	168,082	593,866
Contractual local match	126,203	2,476,612
Total Revenues	<u>2,901,726</u>	<u>28,491,952</u>
Expenditures		
General government	-	539,400
Aging	-	9,970,445
Agriculture	12,061	12,061
Emergency communications	-	15,238,870
Economic development	272,185	272,185
Criminal justice	692,130	692,130
Homeland security	1,249,442	1,249,442
Environmental quality	641,279	641,279
Total Expenditures	<u>2,867,097</u>	<u>28,615,812</u>
Net Change in Fund Balances	34,629	(123,860)
Beginning Fund Balances	<u>334,162</u>	<u>32,239,809</u>
Ending Fund Balances	<u>\$ 368,791</u>	<u>\$ 32,115,949</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Net changes in fund balances - total governmental funds \$ (123,860)

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

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

Capital purchases	2,083,866
Depreciation expense	(1,282,232)

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>12,258</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 690,032</u></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 either able to impose its will on CAECD or has a financial benefit/burden due to its existence.

Capital Area Economic Development District

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

Capital Area Initiative Foundation

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

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, Texas department of agriculture fund, homeland security division fund, Texas department of transportation fund, and Texas commission on environmental quality fund. The Aging and CAECD special revenue funds are considered major funds for reporting purposes. The remaining special revenue funds are considered nonmajor.

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

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

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

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 position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. CAPCOG has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. CAPCOG has no items that qualify for reporting in this category.

7. Compensated Absences

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

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). The indirect cost rates used for fiscal year 2021 were 23 percent from the months of October 2020 through August 2021 and 13.35 percent for the month of September 2021 which were calculated using a direct cost rate base type of salaries and wages.

15. Unearned Revenue

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

G. Revenues and Expenditures/Expenses

Program Revenues

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

H. Implementation of New Accounting Standards

GASB No. 84 *Fiduciary Activities* was issued in January 2017 and effective for periods beginning December 15, 2019. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard must be applied retroactively and as such beginning net position and/or fund balance have been restated. CAPCOG has evaluated the effects of this standard and has determined that implementation is not required or not material.

GASB No. 90 *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* was issued in August 2018 and effective for periods beginning December 15, 2019. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. CAPCOG has determined that this Statement does not have an effect on the financial statements as of September 30, 2021.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

H. Implementation of New Accounting Standards (continued)

GASB No. 98 *The Annual Comprehensive Financial Report*. This statement was issued in October 2021 and establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 31, 2021, but earlier application is encouraged. CAPCOG has determined that this Statement does not have an effect on the financial statements as of September 30, 2021.

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, 2021, CAPCOG had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pools	\$ 28,286,972	34
Total Amortized Cost	<u>\$ 28,286,972</u>	
Portfolio weighted average maturity		34

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, 2021, the primary government had bank deposits of \$2,598,499. CAECD's bank deposits represented \$1,543,126 of this balance. As of September 30, 2021, the carrying amount of the deposits of the primary government were \$2,581,623. CAECD's carrying amount of deposits represented \$1,540,236 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, 2021, CAPCOG's investments in TexPool were rated "AAAm" by Standard & Poor's.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

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.

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	\$ -	\$ 1,412,153	\$ -	\$ 208,033	\$ 1,620,186
State Grants	-	126,155	-	71,614	197,769
Contract Revenue	30,069	83,148	-	28,159	141,376
Private Switch	-	-	4,823	-	4,823
Wireless fees	-	-	892,095	-	892,095
Wireline fees	-	-	133,833	-	133,833
Tuition fees	120	-	-	4,980	5,100
Miscellaneous	7,820	-	-	-	7,820
	<u>\$ 38,009</u>	<u>\$ 1,621,456</u>	<u>\$ 1,030,751</u>	<u>\$ 312,786</u>	<u>\$ 3,003,002</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 4,606,176	\$ 2,083,866	\$ (127,859)	\$ 6,562,183
Leasehold improvements	1,748,340	-	-	1,748,340
Total capital assets being depreciated	<u>6,354,516</u>	<u>2,083,866</u>	<u>(127,859)</u>	<u>8,310,523</u>
Less accumulated depreciation for:				
Furniture and equipment	(2,242,316)	(1,107,398)	127,859	(3,221,855)
Leasehold improvements	(669,632)	(174,834)	-	(844,466)
Total accumulated depreciation	<u>(2,911,948)</u>	<u>(1,282,232)</u>	<u>127,859</u>	<u>(4,066,321)</u>
Total capital assets, net	<u>3,442,568</u>	<u>801,634</u>	<u>-</u>	<u>4,244,202</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 3,442,568</u>	<u>\$ 801,634</u>	<u>\$ -</u>	<u>\$ 4,244,202</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 10,204
Emergency communications	1,246,215
Criminal justice	8,967
Homeland security	6,022
Environmental quality	10,824
Total	<u>\$ 1,282,232</u>

D. Commitments

CAPCOG leases office space and certain equipment under several long-term operating leases. CAPCOG entered into a ten-year office space lease with payments beginning April 1, 2017. At September 30, 2021, CAPCOG was committed for rental payments as follows:

<u>Fiscal Year Ended</u>	<u>Amounts</u>
2022	\$ 832,716
2023	857,862
2024	880,056
2025	905,940
2026	931,824
2027	472,383
Total	<u>\$ 4,880,781</u>

Lease expenses for office space and office equipment was \$1,005,054 for the year ended September 30, 2021.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Detailed Notes on all Funds (continued)

E. Interfund Transactions

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due From / To Other Funds</u>
General	Aging	\$ 1,501,760
General	Capital Area Emergency Communication District	220,248
General	Nonmajor funds	165,034
Nonmajor funds	General	319,812
		<u>\$ 2,206,854</u>

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

F. Accrued Compensated Absences

Employees in permanent, full-time positions earn eight hours of vacation with pay and one day of sick leave for each month of service for the first three years of employment and ten hours per month of vacation thereafter. Employees may accumulate up to 30 days of vacation and six days of sick leave (after three years of service) that are vested in the event of termination. Accrued vacation and sick leave included in accrued compensated absences was \$256,759 at September 30, 2021.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Governmental Activities				
Compensated Absences	\$ 269,017	\$ 12,630	\$ (24,888)	\$ 256,759
Total	<u>\$ 269,017</u>	<u>\$ 12,630</u>	<u>\$ (24,888)</u>	<u>\$ 256,759</u>

G. Unearned Revenues

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

<u>Unearned Revenues</u>	<u>General</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Membership Dues	\$ 110,007	\$ -	\$ 110,007
CJD Basic Peace Officer Course	-	83,030	83,030
EDA Disaster Recovery	-	15,846	15,846
	<u>\$ 110,007</u>	<u>\$ 98,876</u>	<u>\$ 208,883</u>

H. Subsequent Event

In preparing these financial statements, CAPCOG has evaluated events and transactions for potential recognition or disclosure through April 22, 2022, the date on which the financial statements were available to be issued.

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Other Information

A. Risk Management

CAPCOG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which CAPCOG participates along with 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 full-time employees through a defined contribution plan, which qualifies as a pension plan with 401(k) profit sharing provisions (the "Plan"). In a defined contribution plan, benefits depend solely on annual contributions by CAPCOG, voluntary contributions by employees, length of time an employee participates in the Plan, and investment earnings. The Plan covers all employees of CAPCOG immediately upon beginning their first full month of service.

CAPCOG's pension plan benefits are calculated on a calendar year basis. CAPCOG's total payroll for the calendar year 2021 was \$2,785,551. During calendar year 2021, CAPCOG accrued \$222,135 (8.0 percent of total base salaries) to the Plan which was paid out in March 2022. Employees made contributions of \$211,007 (8.0 percent of eligible payroll) during calendar year 2021. 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, 2021

	Economic Development Administration	Texas Department of Agriculture	Criminal Justice Division
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables	-	-	26,696
Due from grantor agencies	41,625	-	-
Due from other funds	-	-	319,812
Total Assets	<u>41,625</u>	<u>-</u>	<u>346,508</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	25,779	-	-
Unearned revenue	15,846	-	83,030
Total Liabilities	<u>41,625</u>	<u>-</u>	<u>83,030</u>
Fund Balances			
Restricted	-	-	263,478
Total Fund Balances	<u>-</u>	<u>-</u>	<u>263,478</u>
Total Liabilities and Fund Balances	<u>\$ 41,625</u>	<u>\$ -</u>	<u>\$ 346,508</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
September 30, 2021

	Homeland Security Division	Texas Commission on Environmental Quality	Total Nonmajor Special Revenue Funds
Assets			
Cash and cash equivalents	\$ -	\$ 103	\$ 103
Receivables	6,443	-	33,139
Due from grantor agencies	166,408	71,614	279,647
Due from other funds	-	-	319,812
Total Assets	<u>172,851</u>	<u>71,717</u>	<u>632,701</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	67,538	71,717	165,034
Unearned revenue	-	-	98,876
Total Liabilities	<u>67,538</u>	<u>71,717</u>	<u>263,910</u>
Fund Balances			
Restricted	105,313	-	368,791
Total Fund Balances	<u>105,313</u>	<u>-</u>	<u>368,791</u>
Total Liabilities and Fund Balances	<u>\$ 172,851</u>	<u>\$ 71,717</u>	<u>\$ 632,701</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
For the Year Ended September 30, 2021

	Economic Development Administration	Texas Department of Agriculture	Criminal Justice Division
Revenues			
Federal grants	\$ 192,459	\$ -	\$ -
State grants	-	12,061	293,255
Contract service revenue	-	-	130,301
Tuition fees	-	-	247,199
Contractual local match	79,726	-	46,477
Total Revenues	<u>272,185</u>	<u>12,061</u>	<u>717,232</u>
Expenditures			
Current:			
Personnel services	166,895	7,516	338,838
Contractual services	-	-	93,153
Travel	1,943	-	466
Supplies and materials	-	-	46,107
Office space	9,269	-	91,980
Delegate agency costs	-	-	-
Miscellaneous	35,005	2,381	2,745
Internal expense allocation	34,297	-	69,307
Indirect cost allocation	24,776	2,164	49,534
Total Expenditures	<u>272,185</u>	<u>12,061</u>	<u>692,130</u>
Net Change in Fund Balances	-	-	25,102
Beginning Fund Balances	<u>-</u>	<u>-</u>	<u>238,376</u>
Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,478</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE
For the Year Ended September 30, 2021

	Homeland Security Division	Texas Commission on Environmental Quality	Total Nonmajor Special Revenue Funds
Revenues			
Federal grants	\$ 351,638	\$ -	\$ 544,097
State grants	869,550	641,279	1,816,145
Contract service revenue	37,781	-	168,082
Tuition fees	-	-	247,199
Contractual local match	-	-	126,203
Total Revenues	<u>1,258,969</u>	<u>641,279</u>	<u>2,901,726</u>
Expenditures			
Current:			
Personnel services	191,832	125,979	831,060
Contractual services	66,050	193,099	352,302
Travel	-	1,064	3,473
Supplies and materials	892,561	44,605	983,273
Office space	31,010	19,113	151,372
Delegate agency costs	-	212,911	212,911
Miscellaneous	-	-	40,131
Internal expense allocation	39,907	-	143,511
Indirect cost allocation	28,082	44,508	149,064
Total Expenditures	<u>1,249,442</u>	<u>641,279</u>	<u>2,867,097</u>
Net Change in Fund Balances	9,527	-	34,629
Beginning Fund Balances	<u>95,786</u>	<u>-</u>	<u>334,162</u>
Ending Fund Balances	<u>\$ 105,313</u>	<u>\$ -</u>	<u>\$ 368,791</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF INDIRECT COSTS

For the Year Ended September 30, 2021

	<u>Actual</u>	<u>Budget</u>
Salaries	\$ 301,394	\$ 325,967
Benefits	154,564	168,852
	<u>455,959</u>	<u>494,819</u>
Accounting/Auditing	31,217	31,842
Communications	5,249	4,864
Insurance	12,453	10,000
Legal	665	2,500
Postage	4,576	7,000
Printing	1,532	2,000
Photocopy expense	12,146	10,000
Other expense	1,369	-
Advertising	-	500
Professional development	2,041	1,900
Subscriptions dues	38,438	39,680
Travel	1,792	11,000
Office space	96,548	99,958
Professional Services	-	2,000
Equipment	-	4,000
Consumable supplies	11,134	10,254
Personnel payroll services	14,257	13,742
Computer support services	38,378	50,987
Total Indirect Expenditures	<u>727,754</u>	<u>797,046</u>
Indirect carry forward	45,997	-
Cost recovery CAECD	(238,970)	(238,970)
Total Indirect Costs Allocated	<u>\$ 534,781</u>	<u>\$ 558,076</u>
Indirect Cost Allocation Base	<u>\$ 1,714,500</u>	<u>\$ 2,750,413</u>
Indirect Rate	<u>31.19%</u>	<u>20.29%</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FRINGE BENEFITS

For the Year Ended September 30, 2021

	<u>Actual</u>	<u>Budget</u>
Payroll taxes	\$ 284,601	\$ 313,348
Group insurance	586,297	722,330
Workers' compensation insurance	10,907	13,731
Unemployment insurance	18,991	16,384
Retirement contribution	232,061	278,530
Professional Services	22,999	-
Other	28,431	68,235
Release time	<u>504,141</u>	<u>478,655</u>
Fringe Benefit Expenditures	\$ 1,688,427	\$ 1,891,213
Fringe carry forward	<u>11,614</u>	<u>-</u>
Total Fringe Benefits Allocated	<u>\$ 1,700,041</u>	<u>\$ 1,891,213</u>
Total wages	\$ 3,868,402	\$ 4,096,034
Release time	<u>(504,141)</u>	<u>(478,655)</u>
Basis for Allocation	<u>\$ 3,364,262</u>	<u>\$ 3,617,379</u>
Employee Benefit Rate	<u>50.53%</u>	<u>52.28%</u>



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, 2021, 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, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CAPCOG's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

To the Executive Committee Members of
Capital Area Council of Governments

Purpose of this Report

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

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

Austin, Texas
April 22, 2022

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

To the Executive Committee Members of
Capital Area Council of Governments

Report on Compliance for Each Major Federal and State Program

We have audited Capital Area Council of Governments’ (“CAPCOG”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of CAPCOG’s major federal and state programs for the year ended September 30, 2021. CAPCOG’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of CAPCOG’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards*. Those standards, the Uniform Guidance and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about CAPCOG’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, CAPCOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2021.

To the Executive Committee Members of
Capital Area Council of Governments

Report on Internal Control Over Compliance

Management of CAPCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CAPCOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CAPCOG's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The logo for Whitley Penn LLP is written in a cursive, handwritten style. The word "Whitley" is in a larger, more prominent script, while "Penn LLP" is in a smaller, simpler script to its right.

Austin, Texas
April 22, 2022

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

Name of Federal Programs or Cluster:

Federal Assistance Listing Number:

**U.S. Department of Health and Human Services
Aging Cluster**

Title III, Part B Grants for Supportive Services and Senior Centers and Title III, Part B Grants for Supportive Services and Senior Centers – CARES Act	93.044
Title III, Part C Nutrition Services, Title III, Part C Nutrition Services-Cares Act, Title III, Part C Disaster Flex, Title III, Part C Nutrition Services-COVID 19	93.045
Nutrition Services Incentive Program (NSIP)	95.053

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

Federal Single Audit - Auditee qualified as low-risk auditee? Yes

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended September 30, 2021

I. Summary of Auditors' Results (continued)

State Awards:

Internal control over major programs:

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

Identification of major programs:

<u>Name of State Programs:</u>	<u>Grant/Contract Numbers:</u>
---------------------------------------	---------------------------------------

Texas Commission on Environmental Quality	
Regional Solid Waste Management 2020-21	582-20-10206
Regional Solid Waste Management 2022-23	582-22-30110
Office of the Governor State Wide Emergency Radio Infrastructure	
CAPCOG Regional Interoperability Project	4057401
Dollar Threshold Considered Between Type A and Type B Programs	\$300,000
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, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number *	Pass Through Grant/Contract Number	Expenditures	Pass Through To Sub Recipients
U.S. Department of Health and Human Services				
Pass-through Texas Health and Human Services Commission:				
		<u>HHSC Contract No. 539-16-0024-00001:</u>		
<i>Title III, Part B Grants for Supportive Services and Senior Centers</i>	93.044	Title III-B	\$ 1,487,140	\$ 178,124
<i>Title III, Part B Grants for Supportive Services and Senior Centers - CARES Act</i>	93.044	CARES Title III-B	9,656	-
<i>Title III, Part C Nutrition Services</i>	93.045	Title III-C1	137,703	3,796
<i>Title III, Part C Nutrition Services</i>	93.045	Title III-C2	1,645,979	1,645,979
<i>Title III, Part C Nutrition Services-Cares Act</i>	93.045	CARES Title III-C2	290,545	290,545
<i>Title III, Part C Disaster Flex</i>	93.045	Disaster Flex Title III-C1	998,008	998,008
<i>Title III, Part C Nutrition Services-COVID 19</i>	93.045	COVID-19 Title III-C2	693,036	693,036
<i>Nutrition Services Incentive Program (NSIP)</i>	93.053	NSIP	532,315	532,315
<i>Total Aging Cluster ALN 93.044, 93.045, 93.053</i>			<u>5,794,382</u>	<u>4,341,803</u>
<i>Title III, Part D Disease Prevention and Health Promotion Services</i>	93.043	Title III-D Evidence Based-Intervention	81,750	-
<i>Title III, Part E, National Family Caregiver Support</i>	93.052	Title III-E	471,260	-
<i>Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation (EAP)</i>	93.041	Title VII-EAP	16,656	-
<i>Title VII, Chapter 2 Long-Term Care Ombudsman Services for Older Individuals (OAM)</i>	93.042	Title VII-OAM	67,257	-
<i>HICAP Health Insurance Counseling Advocacy Program</i>	93.324	HICAP	128,578	-
<i>Medicare Improvements for Patients and Providers ACT (MIPPA)</i>	93.071	MIPPA Priority Area 2-2021	16,264	-
<i>Medicare Improvements for Patients and Providers ACT (MIPPA)</i>	93.071	MIPPA Priority Area 2-2022	510	-
<i>Medicare Enrollment Assistance Program</i>	93.071	ADRC-MIPPA	15,116	-
<i>Total ALN 93.071</i>			<u>31,890</u>	<u>-</u>
<i>Older Adult Opioid Grant Program</i>	93.788	HHS000733800001 Opioid Reduction	14,366	-
<i>Money Follows the Person Local Contact Agency Demonstration</i>	93.791	HHS000270200014 ADRC-Local Contact Agency	11,274	-
<i>Money Follows the Person Housing Navigator Demonstration</i>	93.791	ADRC - Navigator	23,117	-
<i>Total ALN 93.791</i>			<u>34,391</u>	<u>-</u>
<i>Texas Lifespan Respite Care Program-Respite Innovative Technology Enhancements</i>	93.072	ARDC-Respite RITE	3,038	-
<i>No Wrong Door: Critical Relief Funds for COVID-19 Pandemic Response</i>	93.048	ADRC-NWD COVID-19	179,431	-
			<u>6,822,999</u>	<u>4,341,803</u>
Total U.S. Department of Health and Human Services				
U.S. Department of Commerce				
Direct Award:				
<i>District Partnership Planning for the Capital Region of Texas</i>	11.302	ED18AUS3020022	17,500	-
<i>Economic Development District Planning Grant</i>	11.302	ED21AUS3020011	36,654	-
<i>Total ALN 11.302</i>			<u>54,154</u>	<u>-</u>
<i>C19 Economic Disaster Recovery Support for Texas Capital Area</i>	11.307	ED20AUS3070077	138,306	-
<i>Total Economic Development Cluster ALN 11.307</i>			<u>138,306</u>	<u>-</u>
			<u>192,460</u>	<u>-</u>
Total U.S. Department of Commerce				
U.S. Department of Homeland Security				
Pass-through Office of the Governor - Homeland Security Grant Division:				
<i>2020 State Homeland Security Program Regional Planning</i>	97.067	2956906	267,868	-
<i>2021 State Homeland Security Program Regional Planning</i>	97.067	2956907	17,719	-
<i>2020 State Homeland Security Program Training and Exercise</i>	97.067	2956805	31,350	-
<i>2020 State Homeland Security Program Tier II Reporting</i>	97.067	3757802	20,000	-
<i>2020 State Homeland Security Program Recovery and Resiliency Project-Cyber</i>	97.067	3759102	14,700	-
<i>Total ALN 97.067</i>			<u>351,637</u>	<u>-</u>
			<u>351,637</u>	<u>-</u>
Total U.S. Department of Homeland Security				
			<u>\$ 7,367,096</u>	<u>\$ 4,341,803</u>
Total Federal Awards			<u>\$ 7,367,096</u>	<u>\$ 4,341,803</u>

* Formerly known as CFDA Number

CAPITAL AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2021

Grantor/Pass-through Grantor/Program Title	Grant/Contract Number	Expenditures	Pass Through To Sub Recipients
Texas Health and Human Services Commission			
State General Revenue Title III E Match	539-16-0024-00001	\$ 181,007	\$ -
State General Revenue - Other	539-16-0024-00001	48,248	-
State General Revenue - OMB ALF Services - 2021	539-16-0024-00001	158,756	-
State General Revenue - OMB ALF Services - 2022	539-16-0024-00001	888	-
State General Revenue - ADRC Respite	HHS000270200014	28,341	-
State General Revenue - ADRC Promoting Independence	HHS000270200014	10,859	-
State General Revenue - ADRC Operations	HHS000270200014	187,163	-
Total Texas Health and Human Services Commission		<u>615,262</u>	<u>-</u>
Office of the Governor Criminal Justice Division			
Regional Training Academy 2020-21	1544416	293,255	-
Total Office of the Governor Criminal Justice Division		<u>293,255</u>	<u>-</u>
Texas Commission on Environmental Quality			
Regional Solid Waste Management 2020-21	582-20-10206	451,423	212,911
Regional Solid Waste Management 2021-22	582-22-30110	19,031	-
Rider 7 Local Air Quality Planning Grant	582-20-11982	170,826	-
Total Texas Commission on Environmental Quality		<u>641,280</u>	<u>212,911</u>
Office of the Governor State Wide Emergency Radio Infrastructure (SERI)			
CAPCOG Regional Interoperability Project	4057401	869,550	869,550
Total Office of the Governor State Wide Emergency Radio Infrastructure (SERI)		<u>869,550</u>	<u>869,550</u>
Texas Department of Agriculture			
Consumer Protection Project	TDA-19-ARED-04	12,061	-
Total Texas Department of Agriculture		<u>12,061</u>	<u>-</u>
Total State Awards		<u>\$ 2,431,408</u>	<u>\$ 1,082,461</u>

CAPITAL AREA COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of CAPCOG under programs of the federal and state government for the year ended September 30, 2021. The information in these Schedules is presented in accordance with the requirements of Office of Management and Budget (OMB) Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Because these Schedules present only a selected portion of the operations of CAPCOG, they are not intended to and do not present the financial position and changes in net position of CAPCOG.

2. Summary of Significant Accounting Policies

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

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

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

CAPITAL AREA COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2021

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, 2021

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

