

April 25, 2023

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, 2022, and have issued our report thereon dated April 25, 2023. 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 October 3, 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. During fiscal year 2022 CAPCOG implemented Government Accounting Standards Board ("GASB") Statement No. 87, *Leases*. 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 estimates affecting the financial statements are:

- 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*

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 as a result of our audit procedures.

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.

### **Significant Risks**

Management override of internal controls - we designed our audit procedures to detect management override of internal controls by performing brainstorming discussions among our staff, introducing the element of unpredictability in our audit approach, performing fraud inquiries and testing journal entries to the general ledger.

Improper revenue recognition - we gained an understanding of all revenue streams of CAPCOG and we tested all significant and material transactions during the year.

### **Nonaudit Services**

As part of our audit, we assisted with preparation of the financial statements and related notes, government-wide journal entries, and the data collection form and its submission to the Federal Audit Clearinghouse. CAPCOG acknowledged their responsibility as it related to these nonaudit services, including that CAPCOG assumed all management responsibilities; oversaw the services by designating an individual within senior management, who possesses suitable skill, knowledge, and experience; evaluated the adequacy and results of the services performed; and accepted responsibility for the results of the services. CAPCOG has reviewed, approved, and accepted responsibility for the financial statements and related notes, government-wide journal entries, and the data collection form and its submission to the Federal Audit Clearinghouse..

### **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 dated April 25, 2023.

### **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 CAPCOG, 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 Information Included in Annual Reports**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in CAPCOG's annual financial report, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **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.

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

Austin, Texas  
April 25, 2023

Account	Description	Debit	Credit
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1014</b>			
WP - To record capital lease principal payment and interest			
100-5677	CAPITAL LEASE-INT	24,701.00	
100-5690	CAPITAL LEASE-PRINC	74,682.00	
2700-5677	CAPITAL LEASE-INT	28,060.00	
2700-5690	CAPITAL LEASE-PRINC	84,834.00	
441-5677	CAPITAL LEASE-INT	16,975.00	
441-5690	CAPITAL LEASE-PRINC	51,320.00	
526-5677	CAPITAL LEASE-INT	2,122.00	
526-5690	CAPITAL LEASE-PRINC	6,415.00	
711-5677	CAPITAL LEASE-INT	2,666.00	
711-5690	CAPITAL LEASE-PRINC	8,059.00	
860-5677	CAPITAL LEASE-INT	5,508.00	
860-5690	CAPITAL LEASE-PRINC	16,653.00	
900-5677	CAPITAL LEASE-INT	125,704.00	
900-5690	CAPITAL LEASE-PRINC	380,049.00	
100-5531	Office Space		99,383.00
2700-5531	Office Space		112,894.00
441-5531	Office Space		68,295.00
526-5531	Office Space		8,537.00
711-5531	Office Space		10,725.00
8033-5531	Office Space		22,161.00
900-5531	Office Space		505,753.00
<b>Total</b>		<b>827,748.00</b>	<b>827,748.00</b>

<b>GASB 34 Entries</b>			
<b>GASB 34 Entries JE # 1</b>			
GASB To record Beginning Comp Abs			
999-3111	Unrestricted Net Position	256,759.00	
999-2522	Compensated Absences		256,759.00
<b>Total</b>		<b>256,759.00</b>	<b>256,759.00</b>

<b>GASB 34 Entries JE # 2</b>			
GASB To Record Beg. Cap Assets			
999-1631	Equipment and Furniture	6,562,183.00	
999-1641	Leasehold improvements	1,748,340.00	
999-1681	Accumulated Depreciation - Leasehold Improvements		844,466.00
999-1691	Accumulated Depreciation - Equip and Furniture		3,221,855.00
999-3211	Net Investment in Capital Assets		4,244,202.00
<b>Total</b>		<b>8,310,523.00</b>	<b>8,310,523.00</b>

<b>GASB 34 Entries JE # 3</b>		
GASB To Record Change in Comp Abs		
999-100-5291	Admin Compensated	13,406.00
999-210-5291	Aging Compensated	3,508.00
999-2522	Compensated Absences	25,581.00
999-410-5291	Criminal Compensated	5,521.00
999-860-5291	Homeland Compensated	1,212.00
999-780-5291	Regional Services Compensated	35,563.00
999-910-5291	Emergency Comm. Compensated	13,665.00
<b>Total</b>		<b><u>49,228.00</u></b>

<b>GASB 34 Entries JE # 4</b>		
GASB To Record Cap Asset Additions		
999-1631	Equipment and Furniture	42,363.00
999-58571	Office Buildout- 911	42,363.00
<b>Total</b>		<b><u>42,363.00</u></b>

<b>GASB 34 Entries JE # 5</b>		
GASB To Record Depreciation Exp		
999-100-5899	Depreciation Expense General Government	7,947.00
999-410-5899	Depreciation Expense Criminal Justice	8,967.00
999-711-5899	Depreciation Expense Environmental Quality	8,974.00
999-860-5899	Depreciation Expense Homeland Security	6,022.00
999-910-5899	Depreciation Expense Emergency Communications	1,225,105.00
999-1681	Accumulated Depreciation - Leasehold Improvements	174,834.00
999-1691	Accumulated Depreciation - Equip and Furniture	1,082,181.00
<b>Total</b>		<b><u>1,257,015.00</u></b>

<b>GASB 34 Entries JE # 7</b>		
GASB To record lease at government-wide level - beginning RTU and lease liability		
999-1651	RTU Lease Asset	4,214,429.00
999-2530	Lease Liability - Long term	682,499.00
999-2530	Lease Liability - Long term	4,214,429.00
999-2531	Least liability - Short term	682,499.00
<b>Total</b>		<b><u>4,896,928.00</u></b>

**GASB 34 Entries JE # 8**

GASB - To record amortization and principal payments on lease liability

999-100-5678	Amortization	92,001.00	
999-210-5678	Amortization	104,508.00	
999-2530	Lease Liability - Long term	622,012.00	
999-410-5678	Amortization	63,222.00	
999-510-5678	Amortization	7,902.00	
999-711-5678	Amortization	9,928.00	
999-860-5678	Amortization	20,515.00	
999-910-5678	Amortization	468,184.00	
999-100-5690	Principal Payments on Lease Liability		74,682.00
999-1671	Accumulated Amortization - RTU Asset		766,260.00
999-210-5690	Principal Payments on Lease Liability		84,834.00
999-410-5690	Principal Payments on Lease Liability		51,320.00
999-510-5690	Principal Payments on Lease Liability		6,415.00
999-711-5690	Principal Payments on Lease Liability		8,059.00
999-860-5690	Principal Payments on Lease Liability		16,653.00
999-910-5690	Principal Payments on Lease Liability		380,049.00
<b>Total</b>		<b><u>1,388,272.00</u></b>	<b><u>1,388,272.00</u></b>



**ANNUAL FINANCIAL REPORT**

**For the Year Ended September 30, 2022**





# CAPITAL AREA COUNCIL OF GOVERNMENTS

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capital Area Council of Governments ("CAPCOG"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise CAPCOG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of CAPCOG's, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

To the Executive Committee Members of  
Capital Area Council of Governments

***Auditor’s Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CAPCOG’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CAPCOG’s ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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

To the Executive Committee Members of  
Capital Area Council of Governments

### **Supplementary Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023 on our consideration of CAPCOG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CAPCOG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAPCOG's internal control over financial reporting and compliance.



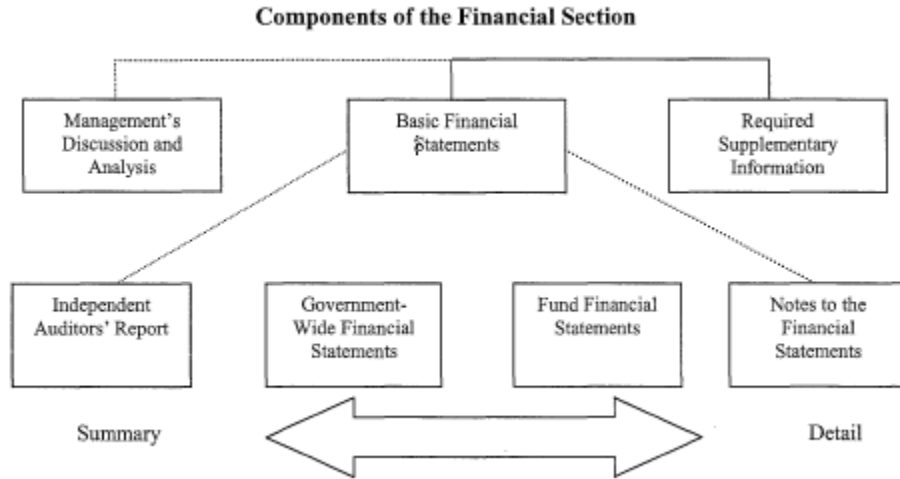
Austin, Texas  
April 25, 2023



**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The purpose of management's discussion and analysis ("MD&A") is to give the readers an objective and easily readable analysis of the financial activities of Capital Area Council of Governments ("CAPCOG") for the year ended September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of CAPCOG's activities. Please read the MD&A in conjunction with CAPCOG's financial statements, which follow this section.

**The Structure of Our Annual Report**



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

**Government-Wide Statements**

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

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

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



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

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

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

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

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Notes to Financial Statements**

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

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

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of CAPCOG's financial position. Assets exceed liabilities by \$35,684,074 as of September 30, 2022 for the primary government. A portion of CAPCOG's net position in the amount of \$2,885,302 (8.1%) reflects its net investments in capital assets (e.g., property, equipment, and leasehold improvements). CAPCOG uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	<b>Governmental Activities</b>		<b>Total Dollar</b>
	<b>2022</b>	<b>2021</b>	<b>Change</b>
			<b>2022-2021</b>
Current and other assets	\$ 37,871,697	\$ 35,384,131	\$ 2,487,566
Capital assets, net	6,477,718	4,244,202	2,233,516
<b>Total Assets</b>	<b>44,349,415</b>	<b>39,628,333</b>	<b>4,721,082</b>
Current liabilities	5,072,925	3,524,941	1,547,984
Noncurrent liabilities	3,592,416	-	3,592,416
<b>Total Liabilities</b>	<b>8,665,341</b>	<b>3,524,941</b>	<b>5,140,400</b>
<b>Net Position:</b>			
Net investment in capital assets	2,885,302	4,244,202	(1,358,900)
Restricted	30,040,711	28,174,395	1,866,316
Unrestricted	2,758,061	3,684,795	(926,734)
<b>Total Net Position</b>	<b>\$ 35,684,074</b>	<b>\$ 36,103,392</b>	<b>\$ (419,318)</b>

A portion of CAPCOG's net position in the amount of \$30,040,711 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$2,758,061 may be used to meet CAPCOG's ongoing obligations to members.

CAPCOG's total net position decreased by \$419,318. This decrease was largely due to the decrease in aging and homeland security operating grants and contributions related to Coronavirus Aid, Relief, and Economic Security (CARES) Act programs. The decrease was offset by the increase in charges for services, general revenues, and interest income. General revenues increased by \$305,078 due to the increase in contract service revenue in the general fund. In addition, interest income increased due to improvement in the economy.

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

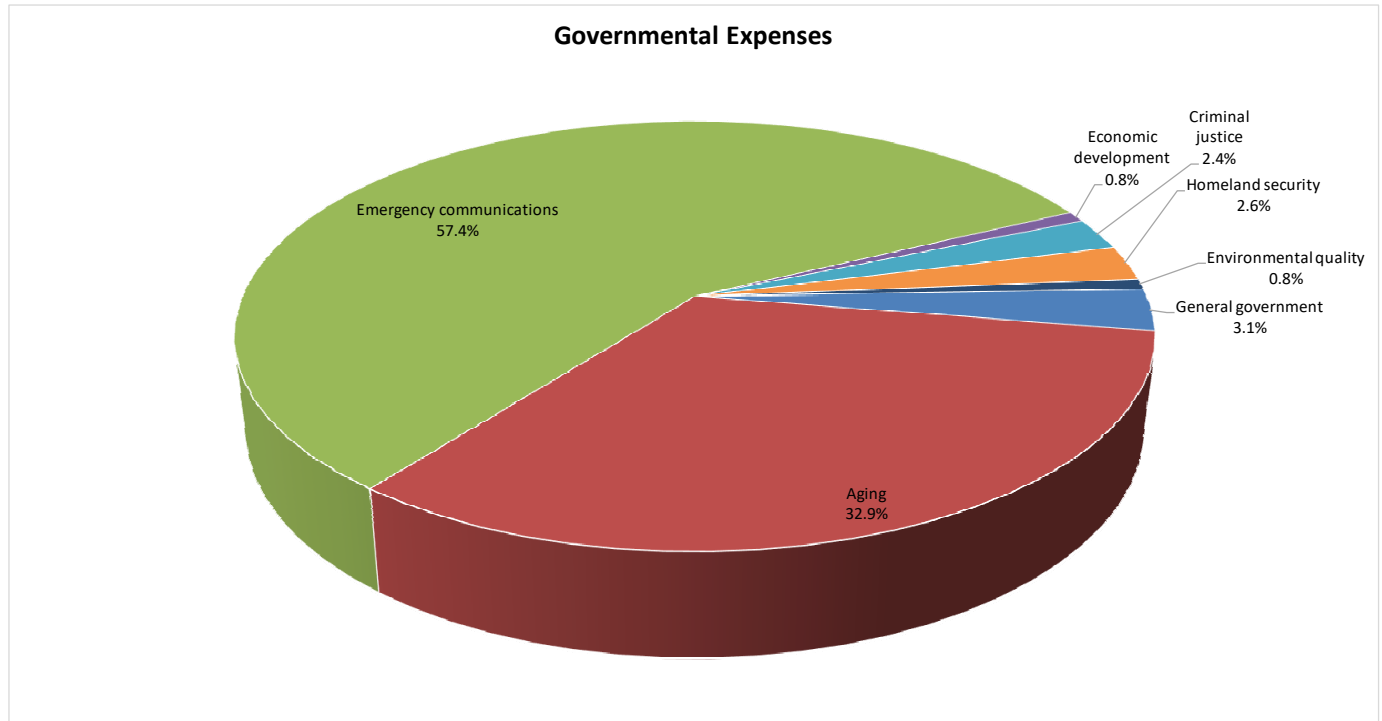
**Statement of Activities**

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

	<b>Governmental Activities</b>		<b>Total Dollar</b>
	<b>2022</b>	<b>2021</b>	<b>Change</b>
			<b>2022-2021</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 15,489,024	\$ 15,191,285	\$ 297,739
Operating grants and contributions	10,702,076	12,492,850	(1,790,774)
General revenues:			
Membership dues	301,137	294,751	6,386
Contract service revenue	429,332	376,132	53,200
Miscellaneous	375,570	336,733	38,837
Interest income	220,193	13,538	206,655
<b>Total Revenues</b>	<b>27,517,332</b>	<b>28,705,289</b>	<b>(1,187,957)</b>
<b>Expenses</b>			
General government	867,516	768,953	98,563
Aging	9,198,543	9,958,934	(760,391)
Texas Dept. of Agriculture	-	12,061	(12,061)
Emergency communications	16,022,374	14,419,456	1,602,918
Economic development	225,579	272,185	(46,606)
Criminal justice	672,060	689,688	(17,628)
Homeland security	736,312	1,256,043	(519,731)
Environmental quality	214,266	637,937	(423,671)
<b>Total Expenses</b>	<b>27,936,650</b>	<b>28,015,257</b>	<b>(78,607)</b>
<b>Change in Net Position</b>	<b>(419,318)</b>	<b>690,032</b>	<b>(1,109,350)</b>
<b>Beginning Net Position</b>	<b>36,103,392</b>	<b>35,413,360</b>	<b>690,032</b>
<b>Ending Net Position</b>	<b>\$ 35,684,074</b>	<b>\$ 36,103,392</b>	<b>\$ (419,318)</b>

**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, 2022, revenues from governmental activities totaled \$27,517,332, a decrease of \$1,187,957 over the prior year. This decrease was primarily due to the decrease in operating grants and contributions related to aging and homeland security offset by the increase in charges for services, contract service revenue, and interest income.

As of the end of the fiscal year, expenses for governmental activities totaled \$27,936,650, which represents a decrease of \$78,607 over the prior year. This decrease was primarily due to the decrease in aging, homeland security, and environmental quality expenditures offset by an increase in emergency communications expenditures during the fiscal year.

**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 \$33,029,950. Of this, \$2,526,952 is unassigned, \$462,287 is nonspendable related to general fund prepaid items, and \$30,040,711 is restricted for various purposes.

The General Fund reported a fund balance of \$2,721,749 , an increase of \$102,573 over the prior year. In the Aging Fund, expenditures exceeded revenues by \$1,182 resulting in a restricted fund balance of \$118,486 at fiscal year-end. The CAECD fund reported a fund balance of \$29,769,833, which is an increase of \$761,519 from the prior year.

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

**Capital Assets**

At the end of the current fiscal year, CAPCOG's governmental activities had invested \$6,477,718 , in a variety of capital assets, including equipment for emergency communications and right of use leased assets net of accumulated depreciation and amortization.

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

**Long-term Debt**

At the end of the current fiscal year, CAPCOG reported a lease liability of \$3,592,416 related to the lease of office space.

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

**Economic Factors And Next Year's Budget**

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

For fiscal year 2023, CAPCOG has expected revenues of \$36,102,417.

**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 Bureson Road, Building 310, Suite 165, Austin, Texas 78744.

## **BASIC FINANCIAL STATEMENTS**



**CAPITAL AREA COUNCIL OF GOVERNMENTS****STATEMENT OF NET POSITION****September 30, 2022**

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 34,114,920
Receivables	1,396,398
Due from grantor agencies	1,898,092
Prepaid items	462,287
	<u>37,871,697</u>
Capital assets, net of accumulated depreciation and amortization	<u>6,477,718</u>
<b>Total Assets</b>	<u>44,349,415</u>
<b>Liabilities</b>	
Accounts payable	3,811,949
Employee retirement payable	157,724
Accrued compensated absences	231,178
Unearned revenue	872,074
Long-term liabilities	
Due within one year	681,791
Due in more than one year	2,910,625
<b>Total Liabilities</b>	<u>8,665,341</u>
<b>Net Position</b>	
Net investment in capital assets	2,885,302
Restricted	30,040,711
Unrestricted	2,758,061
<b>Total Net Position</b>	<u>\$ 35,684,074</u>



**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2022*

Functions/Programs	Expenses	Indirect and Internal Cost Allocation	Expenses After Indirect and Internal Cost Allocation
<b>Primary Government:</b>			
<b>Governmental Activities</b>			
General government	\$ 2,520,861	\$ (1,653,345)	\$ 867,516
Aging	8,689,671	508,872	9,198,543
Emergency communication	15,096,090	926,284	16,022,374
Economic development	188,092	37,487	225,579
Criminal justice	577,300	94,760	672,060
Homeland security	677,558	58,754	736,312
Environmental quality	187,078	27,188	214,266
<b>Total Governmental Activities</b>	27,936,650	-	27,936,650
<b>Total Primary Government</b>	\$ 27,936,650	\$ -	\$ 27,936,650

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**STATEMENT OF ACTIVITIES**

*For the Year Ended September 30, 2022*

Functions/Programs	Program Revenues		Net (Expense)
	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>Primary Government:</b>			
<b>Governmental Activities</b>			
General government	\$ -	\$ -	\$ (867,516)
Aging	-	9,103,352	(95,191)
Emergency communication	15,296,626	-	(725,748)
Economic development	-	219,524	(6,055)
Criminal justice	192,398	387,633	(92,029)
Homeland security	-	726,920	(9,392)
Environmental quality	-	264,647	50,381
<b>Total Governmental Activities</b>	<u>15,489,024</u>	<u>10,702,076</u>	<u>(1,745,550)</u>
<b>Total Primary Government</b>	<u>\$ 15,489,024</u>	<u>\$ 10,702,076</u>	<u>(1,745,550)</u>
<b>General Revenues:</b>			
Membership dues			301,137
Contract service revenue			429,332
Miscellaneous			375,570
Interest income			220,193
<b>Total General Revenues</b>			<u>1,326,232</u>
Change in Net Position			(419,318)
<b>Beginning Net Position</b>			<u>36,103,392</u>
<b>Ending Net Position</b>			<u>\$ 35,684,074</u>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2022

	<u>General</u>	<u>Aging</u>	<u>Capital Area Emergency Communication District</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,318,294	\$ -	\$ 31,564,937
Receivables	144,135	37,491	1,119,223
Due from grantor agencies	-	1,204,852	-
Due from other funds	1,521,476	-	-
Prepaid items	194,797	-	267,490
<b>Total Assets</b>	<u>\$ 4,178,702</u>	<u>\$ 1,242,343</u>	<u>\$ 32,951,650</u>
<b>Liabilities</b>			
Accounts payable	\$ 841,169	\$ 28	\$ 2,970,752
Employee retirement payable	157,724	-	-
Due to other funds	340,724	1,123,829	211,065
Unearned revenue	117,336	-	-
<b>Total Liabilities</b>	<u>1,456,953</u>	<u>1,123,857</u>	<u>3,181,817</u>
<b>Fund Balances</b>			
Nonspendable	194,797	-	267,490
Restricted	-	118,486	29,502,343
Unassigned	2,526,952	-	-
<b>Total Fund Balances</b>	<u>2,721,749</u>	<u>118,486</u>	<u>29,769,833</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,178,702</u>	<u>\$ 1,242,343</u>	<u>\$ 32,951,650</u>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2022

	<b>Nonmajor Special Revenue Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 231,689	\$ 34,114,920
Receivables	95,549	1,396,398
Due from grantor agencies	693,240	1,898,092
Due from other funds	340,724	1,862,200
Prepaid items	-	462,287
<b>Total Assets</b>	<b>\$ 1,361,202</b>	<b>\$ 39,733,897</b>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 3,811,949
Employee retirement payable	-	157,724
Due to other funds	186,582	1,862,200
Unearned revenue	754,738	872,074
<b>Total Liabilities</b>	<b>941,320</b>	<b>6,703,947</b>
<b>Fund Balances</b>		
Nonspendable	-	462,287
Restricted	419,882	30,040,711
Unassigned	-	2,526,952
<b>Total Fund Balances</b>	<b>419,882</b>	<b>33,029,950</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,361,202</b>	<b>\$ 39,733,897</b>



**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

<b>Total Fund Balances - Governmental Funds</b>	\$ 33,029,950
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.	12,567,315
Accumulated depreciation and amortization have not been included in the fund financial statements.	(6,089,597)
Long-term liabilities, including lease payable, are not due and payable in current period and therefore are not reported in the governmental funds.	(3,592,416)
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>(231,178)</u>
<b>Total Net Position of Governmental Activities</b>	<u>\$ 35,684,074</u>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	<u>General</u>	<u>Aging</u>	<u>Capital Area Emergency Communication District</u>
<b>Revenues</b>			
Federal grants	\$ -	\$ 5,637,866	\$ -
State grants	-	680,726	-
Membership dues	301,137	-	-
Local match	(110,609)	-	-
Other local revenue	-	-	15,296,626
Miscellaneous	355,520	-	20,050
Interest	8,601	-	210,005
Tuition fees	-	-	-
Contract service revenue	238,911	299,443	-
Contractual local match	-	377,756	-
<b>Total Revenues</b>	<u>793,560</u>	<u>6,995,791</u>	<u>15,526,681</u>
<b>Expenditures</b>			
<b>Current:</b>			
General government	591,604	-	-
Aging	-	6,884,079	-
Emergency communications	-	-	14,259,409
Economic development	-	-	-
Criminal justice	-	-	-
Homeland security	-	-	-
Environmental quality	-	-	-
<b>Debt Service:</b>			
Principal on leases	74,682	84,834	380,049
Interest on leases	24,701	28,060	125,704
<b>Total Expenditures</b>	<u>690,987</u>	<u>6,996,973</u>	<u>14,765,162</u>
Net Change in Fund Balances	102,573	(1,182)	761,519
<b>Beginning Fund Balances</b>	<u>2,619,176</u>	<u>119,668</u>	<u>29,008,314</u>
<b>Ending Fund Balances</b>	<u>\$ 2,721,749</u>	<u>\$ 118,486</u>	<u>\$ 29,769,833</u>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	<b>Nonmajor Special Revenue Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Federal grants	\$ 735,608	\$ 6,373,474
State grants	790,509	1,471,235
Membership dues	-	301,137
Local match	-	(110,609)
Other local revenue	-	15,296,626
Miscellaneous	-	375,570
Interest	1,587	220,193
Tuition fees	192,398	192,398
Contract service revenue	171,592	709,946
Contractual local match	20,609	398,365
<b>Total Revenues</b>	<u>1,912,303</u>	<u>25,228,335</u>
<b>Expenditures</b>		
General government	-	591,604
Aging	-	6,884,079
Emergency communications	-	14,259,409
Economic development	215,555	215,555
Criminal justice	577,375	577,375
Homeland security	703,055	703,055
Environmental quality	255,509	255,509
<b>Debt Service:</b>		
Principal on leases	82,447	622,012
Interest on leases	27,271	205,736
<b>Total Expenditures</b>	<u>1,861,212</u>	<u>24,314,334</u>
Net Change in Fund Balances	51,091	914,001
<b>Beginning Fund Balances</b>	<u>368,791</u>	<u>32,115,949</u>
<b>Ending Fund Balances</b>	<u>\$ 419,882</u>	<u>\$ 33,029,950</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, 2022**

**Net Changes in Fund Balances - Total Governmental Funds** \$ 914,001

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

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

Capital purchases	42,363
Depreciation and amortization expense	(2,023,275)

Repayment of lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.	622,012
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds.

Compensated absences	<u>25,581</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (419,318)</u></b>
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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 is the CAPCOG Executive Committee. CAEDD is responsible for managing revenue collected from grants and local government match dollars to promote economic growth. CAEDD is included in CAPCOG's reporting entity because of the significance of their operational and financial relationship with CAPCOG.

**Capital Area Initiative Foundation**

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

## CAPITAL AREA COUNCIL OF GOVERNMENTS

### NOTES TO FINANCIAL STATEMENTS (continued)

#### Note 1 - Summary of Significant Accounting Policies (continued)

##### B. Government-Wide Financial Statements

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

##### C. Basis of Presentation - Government-Wide Financial Statements

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

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

##### D. Basis of Presentation - Fund Financial Statements

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

CAPCOG reports the following governmental funds:

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

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

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

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

## CAPITAL AREA COUNCIL OF GOVERNMENTS

### NOTES TO FINANCIAL STATEMENTS (continued)

#### Note 1 - Summary of Significant Accounting Policies (continued)

##### E. Measurement Focus and Basis of Accounting

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

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

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

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

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

###### 1. Cash and Cash Equivalents

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

###### 2. Investments

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

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

# CAPITAL AREA COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS (continued)

### Note 1 - Summary of Significant Accounting Policies (continued)

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

##### 2. Investments (continued)

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

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

##### 3. Receivables

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

##### 4. Inventories and Prepaid Items

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

##### 5. Capital Assets

Capital assets, which include property, equipment, 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). CAPCOG used a negotiated indirect cost rate of 13.35 percent issued in September 2021 for the fiscal year beginning October 1, 2021 and ending September 30, 2022. Negotiations with the United States Department of Interior for the fiscal year 2022 indirect cost rate were finalized on January 27, 2023. The indirect cost rate used for fiscal year 2022 was 13.35 percent was applied to direct salaries and wages.

##### 15. Unearned Revenue

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

#### G. Revenues and Expenditures/Expenses

##### Program Revenues

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

#### H. Implementation of New Accounting Standards

The following GASB pronouncements were effective during fiscal year 2022.

**GASB Statement No. 87 *Leases*** was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. CAPCOG has evaluated the effects of this Statement and has determined that it does impact to the financial statements. CAPCOG has incorporated such leases into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

**GASB Statement No. 101 *Compensated Absences*** – This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. CAPCOG has implemented the Statement as of September 30, 2022.



## 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)

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

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

##### I. Leases

Lessee: CAPCOG recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for noncancellable leases of buildings, equipment, vehicles, and other machinery. CAPCOG recognizes lease liabilities with an initial, individual value of \$5,000 or more and term greater than one year.

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

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

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

CAPCOG monitors changes in circumstances that would require are measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 2 - Stewardship, Compliance, and Accountability**

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

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

**Note 3 - Detailed Notes on all Funds**

**A. Deposits and Investments**

As of September 30, 2022, CAPCOG had the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Local government investment pools	\$ 32,271,950	24
<b>Total Amortized Cost</b>	<b>\$ 32,271,950</b>	
Portfolio weighted average maturity		24

*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, 2022, the primary government had bank deposits of \$1,877,018. CAECD's bank deposits represented \$1,238,621 of this balance. As of September 30, 2022, the carrying amount of the deposits of the primary government were \$1,842,971. CAECD's carrying amount of deposits represented \$1,228,670 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, 2022, CAPCOG's investments in TexPool were rated "AAA<sub>m</sub>" by Standard & Poor's.

**TexPool**

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

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 - Detailed Notes on all Funds**

**A. Deposits and Investments**

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.

<b>Receivables</b>	<b>General</b>	<b>Aging</b>	<b>Capital Area Emergency Communication District</b>	<b>Nonmajor Special Revenue</b>	<b>Total</b>
Federal Grants	\$ -	\$ 1,035,911	\$ -	\$ 362,508	\$ 1,398,419
State Grants	-	168,941	-	330,732	499,673
Contract Revenue	77,398	37,414	-	24,799	139,611
Private Switch	-	-	8,220	-	8,220
Wireless fees	-	-	973,182	-	973,182
Wireline fees	-	-	132,483	-	132,483
Tuition fees	-	-	-	70,750	70,750
Miscellaneous	66,737	77	5,338	-	72,152
	<u>\$ 144,135</u>	<u>\$ 1,242,343</u>	<u>\$ 1,119,223</u>	<u>\$ 788,789</u>	<u>\$ 3,294,490</u>

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

**Note 3 - Detailed Notes on all Funds**

**C. Capital Assets**

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

	<b>Beginning</b>			<b>Ending</b>
	<b>Balances, as restated</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balances</b>
<b>Governmental Activities</b>				
<b>Capital Assets being Depreciated and Amortized:</b>				
Furniture and equipment	\$ 6,562,183	\$ 42,363	\$ -	\$ 6,604,546
Leasehold improvements	1,748,340	-	-	1,748,340
Righ-to-use leased building	4,214,429	-	-	4,214,429
<b>Total Capital Assets being Depreciated and Amortized</b>	<b>12,524,952</b>	<b>42,363</b>	<b>-</b>	<b>12,567,315</b>
<b>Less Accumulated Depreciation and Amortization for:</b>				
Furniture and equipment	(3,221,855)	(1,082,181)	-	(4,304,036)
Leasehold improvements	(844,466)	(174,834)	-	(1,019,300)
Righ-to-use leased building	-	(766,260)	-	(766,260)
<b>Total Accumulated Depreciation and Amortization</b>	<b>(4,066,321)</b>	<b>(2,023,275)</b>	<b>-</b>	<b>(6,089,596)</b>
<b>Total Capital Assets, Net</b>	<b>8,458,631</b>	<b>(1,980,912)</b>	<b>-</b>	<b>6,477,719</b>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 8,458,631</b>	<b>\$ (1,980,912)</b>	<b>\$ -</b>	<b>\$ 6,477,719</b>

Depreciation and amortization were charged to governmental functions as follows:

General government	\$ 99,948
Aging	104,508
Emergency communications	1,693,289
Economic Development Administratio	7,902
Criminal justice	72,189
Homeland security	26,537
Environmental quality	18,902
<b>Total</b>	<b>\$ 2,023,275</b>

**D. Leases**

CAPCOG leases office space under a long-term lease agreement. CAPCOG entered into a ten-year office space lease agreement with payments beginning April 1, 2017. CAPCOG’s estimated incremental borrowing rate used to calculate the present value of the lease liability is 5.33%. The lease liability, as of September 30, 2022, was \$3,592,416. CAPCOG was required to make monthly payments ranging from \$67,000 to \$70,000 during fiscal year 2022. The right-to-use building has an estimated useful life of 10 years. The lease agreement includes an option to extend for an additional 60 months. At the time this lease was recorded, it was not reasonably certain (>90% likelihood) if this option would be exercised in 2027.

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 - Detailed Notes on all Funds**

**D. Leases**

The future principal and interest lease payments as of September 30, 2022, were as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 681,791	\$ 171,841	\$ 853,632
2024	746,117	133,939	880,056
2025	813,397	92,543	905,940
2026	884,352	47,472	931,824
2027	466,759	5,624	472,383
	<u>\$ 3,592,416</u>	<u>\$ 451,419</u>	<u>\$ 4,043,835</u>

**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	\$ 1,123,829
General	Capital Area Emergency Communication District	211,065
General	Nonmajor funds	186,582
Nonmajor funds	General	340,724
		<u>\$ 1,862,200</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. Vacation and sick leave are prorated for part time permanent employees. Employees may accumulate up to 240 hours of vacation and up to 48 hours of sick leave that are vested in the event of termination. Employees vest their vacation balance after 1 year of service and vest their sick leave balance after 3 years of service. Accrued vacation and sick leave included in accrued compensated absences was \$231,178 at September 30, 2022. The net change in compensated absences is shown below.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
<b>Governmental Activities</b>				
Compensated Absences	\$ 256,759	\$ -	\$ (25,581)	\$ 231,178
<b>Total</b>	<u>\$ 256,759</u>	<u>\$ -</u>	<u>\$ (25,581)</u>	<u>\$ 231,178</u>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 3 - Detailed Notes on all Funds**

**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.

<b>Unearned Revenues</b>	<b>General</b>	<b>Nonmajor Special Revenue</b>	<b>Total</b>
Membership Dues	\$ 117,336	\$ -	\$ 117,336
CJD Basic Peace Officer Course	-	124,000	124,000
EDA Disaster Recovery	-	83,984	83,984
Texas Commission on Environmental Quality	-	546,754	546,754
	<u>\$ 117,336</u>	<u>\$ 754,738</u>	<u>\$ 872,074</u>

**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.

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**Note 4 - Other Information**

**C. Pension Plans**

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

CAPCOG's pension plan benefits are calculated on a calendar year basis. CAPCOG's total payroll for the calendar year 2022 was \$2,771,718. During calendar year 2022, CAPCOG accrued \$221,736 (8.0 percent of total base salaries) to the Plan which was paid out in April 2023. Employees made contributions of \$207,085 during calendar year 2022. 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, 2022**

	<b>Economic Development Administration</b>	<b>Criminal Justice Division</b>	<b>Homeland Security Division</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables	-	92,466	3,083
Due from grantor agencies	68,909	282,407	293,599
Due from other funds	15,075	58,909	-
<b>Total Assets</b>	<b>\$ 83,984</b>	<b>\$ 433,782</b>	<b>\$ 296,682</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ 186,582
Unearned revenue	83,984	124,000	-
<b>Total Liabilities</b>	<b>83,984</b>	<b>124,000</b>	<b>186,582</b>
<b>Fund Balances</b>			
Restricted	-	309,782	110,100
<b>Total Fund Balances</b>	<b>-</b>	<b>309,782</b>	<b>110,100</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 83,984</b>	<b>\$ 433,782</b>	<b>\$ 296,682</b>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS BY FUNDING SOURCE**  
**September 30, 2022**

	<b>Texas Commission on Environmental Quality</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 231,689	\$ 231,689
Receivables	-	95,549
Due from grantor agencies	48,325	693,240
Due from other funds	266,740	340,724
<b>Total Assets</b>	<b>\$ 546,754</b>	<b>\$ 1,361,202</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Due to other funds	\$ -	\$ 186,582
Unearned revenue	546,754	754,738
<b>Total Liabilities</b>	<b>546,754</b>	<b>941,320</b>
<b>Fund Balances</b>		
Restricted	-	419,882
<b>Total Fund Balances</b>	<b>-</b>	<b>419,882</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 546,754</b>	<b>\$ 1,361,202</b>

**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, 2022**

	<b>Economic Development Administration</b>	<b>Criminal Justice Division</b>	<b>Homeland Security Division</b>
<b>Revenues</b>			
Federal grants	\$ 198,915	\$ -	\$ 536,693
State grants	-	369,275	156,587
Contract service revenue	4,568	130,301	36,723
Interest	-	-	-
Tuition fees	-	192,398	-
Contractual local match	20,609	-	-
<b>Total Revenues</b>	<u>224,092</u>	<u>691,974</u>	<u>730,003</u>
<b>Expenditures</b>			
Current:			
Personnel services	123,499	338,815	214,688
Contractual services	438	77,505	209,585
Travel	4,911	-	2,502
Supplies and materials	-	32,931	186,220
Office space	3,936	31,488	10,218
Miscellaneous	46,026	2,344	-
Internal expense allocation	25,861	64,420	61,022
Indirect cost allocation	10,884	29,872	18,820
Debt Service	8,537	68,295	22,161
<b>Total Expenditures</b>	<u>224,092</u>	<u>645,670</u>	<u>725,216</u>
Net Change in Fund Balances	-	46,304	4,787
<b>Beginning Fund Balances</b>	<u>-</u>	<u>263,478</u>	<u>105,313</u>
<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ 309,782</u>	<u>\$ 110,100</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, 2022**

	<b>Texas</b>	
	<b>Commission on</b>	<b>Total Nonmajor</b>
	<b>Environmental</b>	<b>Special Revenue</b>
	<b>Quality</b>	<b>Funds</b>
	<hr/>	<hr/>
<b>Revenues</b>		
Federal grants	\$ -	\$ 735,608
State grants	264,647	790,509
Contract service revenue	-	171,592
Interest	1,587	1,587
Tuition fees	-	192,398
Contractual local match	-	20,609
<b>Total Revenues</b>	<hr/> 266,234	<hr/> 1,912,303
<b>Expenditures</b>		
Current:		
Personnel services	109,979	786,981
Contractual services	95,078	382,606
Travel	449	7,862
Supplies and materials	13,502	232,653
Office space	4,945	50,587
Miscellaneous	-	48,370
Internal expense allocation	-	151,303
Indirect cost allocation	31,556	91,132
Debt Service	10,725	109,718
<b>Total Expenditures</b>	<hr/> 266,234	<hr/> 1,861,212
Net Change in Fund Balances	-	51,091
<b>Beginning Fund Balances</b>	<hr/> -	<hr/> 368,791
<b>Ending Fund Balances</b>	<hr/> \$ -	<hr/> \$ 419,882

**CAPITAL AREA COUNCIL OF GOVERNMENTS**

**SCHEDULE OF INDIRECT COSTS**

*For the Year Ended September 30, 2022*

	<u>Actual</u>	<u>Budget</u>
Salaries	\$ 335,466	\$ 338,943
Benefits	145,853	172,741
	<u>481,319</u>	<u>511,684</u>
Accounting/Auditing	24,864	33,189
Communications	5,054	4,864
Insurance	12,921	12,000
Legal	2,835	2,500
Postage	6,179	7,000
Printing	1,667	2,000
Photocopy expense	12,673	10,000
Other expense	2,055	-
Advertising	-	500
Professional development	3,012	2,000
Subscriptions dues	38,041	37,685
Travel	3,433	11,000
Office space	106,159	107,197
Professional Services	424	2,000
Equipment	-	35,000
Consumable supplies	21,653	4,000
Personnel payroll services	13,946	14,076
Computer support services	41,819	60,152
<b>Total Indirect Expenditures</b>	<u>778,054</u>	<u>856,847</u>
Cost recovery CAECD	<u>(238,970)</u>	<u>(238,970)</u>
<b>Total Indirect Costs Allocated</b>	<u>\$ 539,084</u>	<u>\$ 617,877</u>
<b>Indirect Cost Allocation Base</b>	<u>\$ 2,432,837</u>	<u>\$ 2,750,413</u>
<b>Ratio of Indirect Costs to Cost Allocation Base</b>	<u>22.16%</u>	<u>22.46%</u>

**CAPITAL AREA COUNCIL OF GOVERNMENTS****SCHEDULE OF FRINGE BENEFITS***For the Year Ended September 30, 2022*

	<u>Actual</u>	<u>Budget</u>
Payroll taxes	\$ 279,000	\$ 334,171
Group insurance	543,829	745,268
Workers' compensation insurance	9,413	14,821
Unemployment insurance	1,326	17,473
Retirement contribution	200,677	297,041
Professional Services	22,952	-
Other	36,875	64,425
Release time	526,339	510,465
<b>Fringe Benefit Expenditures</b>	1,620,411	1,983,664
Fringe carry forward	12,280	-
<b>Total Fringe Benefits Allocated</b>	<u>\$ 1,632,691</u>	<u>\$ 1,983,664</u>
<b>Total Wages</b>	3,914,258	4,368,245
Release time	(526,339)	(510,465)
<b>Basis for Allocation</b>	<u>\$ 3,387,919</u>	<u>\$ 3,857,780</u>
<b>Employee Benefit Rate</b>	<u>48.19%</u>	<u>51.42%</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, 2022, and the related notes to the financial statements, which collectively comprise CAPCOG's basic financial statements, and have issued our report thereon dated April 25, 2023.

**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, professional style.

Austin, Texas  
April 25, 2023

**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  
THE TEXAS GRANT MANAGEMENT STANDARDS**

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

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

***Opinion on Each Major Program***

We have audited Capital Area Council of Governments' ("CAPCOG") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of CAPCOG's major federal and state programs for the year ended September 30, 2022. CAPCOG's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CAPCOG's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Texas Grant Management Standards. Our responsibilities under those standards, and the Uniform Guidance and the Texas Grant Management Standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

To the Executive Committee Members of  
Capital Area Council of Governments

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Executive Committee Members of  
Capital Area Council of Governments

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

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

**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the Texas Grant Management Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of CAPCOG as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise CAPCOG's basic financial statements. We issued our report thereon dated April 25, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and *the* Texas Grant Management Standards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Austin Texas  
April 25, 2023

**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended September 30, 2022*

**I. Summary of Auditors' Results**

**Financial Statements**

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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**

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

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
---	--

**US Department of Health and Human Services**

<i>Aging Cluster</i>	
<i>Title III, Part B Grants for Supportive Services and Senior Centers</i>	93.044
<i>ARP Title III C1 Congregate Meals-Older Americans Act - COVID 19</i>	93.044
<i>Title III, Part C Nutrition Services</i>	93.045
<i>Title III, Part C Nutrition Services-Cares Act - COVID 19</i>	93.045
<i>ARP Title III C2 - COVID 19</i>	93.045
<i>Title III-C2 Families First - COVID 19</i>	93.045
<i>Title III, Part C Disaster Flex</i>	93.045
<i>Nutrition Services Incentive Program (NSIP) C2</i>	93.053

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	Yes
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**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended September 30, 2022**

**I. Summary of Auditors' Results (continued)**

**State Awards**

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Internal control over major programs:

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

**Identification of major programs:**

Name of State Programs

Grant/Contract Numbers:

**Texas Health and Human Services Commission**

<i>State General Revenue Title III E Match</i>	HHS000874100005
<i>State General Revenue - Other</i>	HHS000874100005
<i>State General Revenue - OMB ALF Services - 2022</i>	HHS000874100005
<i>State General Revenue - American Rescue Plan</i>	HHS000874100005

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

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

**II. Financial Statement Findings**

There were no current year findings.

**III. Federal and State Award Findings and Questioned Costs.**

There were no current year findings or questioned costs.



**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2022**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Grant/Contract Number	Expenditures	Pass Through to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
<b>Pass-through Texas Health and Human Services Commission:</b>				
		<u>HHSC Contract No. HHS000874100005</u>		
<i>Title III, Part B Grants for Supportive Services and Senior Centers</i>	93.044	Title III-B	\$ 1,057,881	\$ 169,472
<i>ARP Title III C1 Congregate Meals-Older Americans Act - COVID 19</i>	93.044	ARP Title III-B FY22	70,665	41,664
<i>Title III, Part C Nutrition Services</i>	93.045	Title III-C1	646,274	266,522
<i>Title III, Part C Nutrition Services</i>	93.045	Title III-C2	1,378,399	1,355,103
<i>Title III, Part C Nutrition Services-Cares Act - COVID 19</i>	93.045	CARES Title III-C2	5	5
<i>ARP Title III C2 - COVID 19</i>	93.045	ARP Title III-C2 FY22	560,650	560,650
<i>Title III-C2 Families First - COVID 19</i>	93.045	Title III-C2 Families First	10	10
<i>Title III, Part C Disaster Flex</i>	93.045	Disaster Flex Title III-C1	473,895	473,895
<i>Nutrition Services Incentive Program (NSIP) C2</i>	93.053	NSIP	413,422	413,422
<i>Total Aging Cluster ALN 93.044, 93.045, 93.053</i>			<u>4,601,201</u>	<u>3,280,743</u>
<i>Title III, Part D Disease Prevention and Health Promotion Services</i>	93.043	Title III-D Evidence Based-Intervention	19,995	-
<i>ARP Title III D Preventative Health-Older Americans Act - COVID 19</i>	93.043	ARP Title III-D FY22	58,088	-
<i>Total ALN 93.043</i>			<u>78,083</u>	<u>-</u>
<i>Title III, Part E, National Family Caregiver Support</i>	93.052	Title III-E	586,890	-
<i>Title III-Part E, ORC</i>	93.052	Title III-E	925	-
<i>ARP Title III E Family Caregivers -Older Americans Act - COVID 19</i>	93.052	ARP Title III-E FY22	244	-
<i>Total ALN 93.052</i>			<u>588,059</u>	<u>-</u>
<i>Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation (EAP)</i>	93.041	Title VII-EAP	17,370	-
<i>Title VII, Chapter 2 Long-Term Care Ombudsman Services for Older Individuals (OAM)</i>	93.042	Title VII-OAM	73,026	-
<i>CARES Act Title VII-Ombudsman Program-Older Americans Act - COVID-19</i>	93.042	Title VII Cares Act Ombudsman	53,187	-
<i>ARP Title VII Ombudsman Program -Older Americans Act - COVID 19</i>	93.042	ARP Title VII OM FY22	10,592	-
<i>Total ALN 93.042</i>			<u>136,805</u>	<u>-</u>
<i>HICAP Health Insurance Counseling Advocacy Program</i>	93.324	HICAP	126,055	-
<i>Medicare Improvements for Patients and Providers ACT (MIPPA)</i>	93.071	MIPPA Priority Area 2-2021	510	-
<i>Medicare Improvements for Patients and Providers ACT (MIPPA)</i>	93.071	MIPPA Priority Area 2-2022	29,191	-
<i>Medicare Enrollment Assistance Program</i>	93.071	HHS000270200014 - ADRC-MIPPA	7,513	-
<i>Total ALN 93.071</i>			<u>37,214</u>	<u>-</u>
<i>Money Follows the Person Local Contact Agency Demonstration</i>	93.791	HHS000270200014 ADRC-Local Contact Agency	9,581	-
<i>Money Follows the Person Housing Navigator Demonstration</i>	93.791	HHS000270200014 ADRC - Navigator	14,885	-
<i>Total ALN 93.791</i>			<u>24,466</u>	<u>-</u>
<i>Texas Lifespan Respite Care Program-Respite Innovative Technology Enhancements</i>	93.072	HHS000270200014 ARDC-Respite RITE	1,288	-
<i>No Wrong Door: Critical Relief Funds for COVID-19 Pandemic Response</i>	93.048	HHS000270200014 ADRC-NWD COVID-19	3,500	-
<i>No Wrong Door: Critical Relief Funds for COVID-19 Pandemic Response</i>	93.048	HHS000270200014 ADRC-NWD COVID-19 R&U Assistance	23,825	-
<i>Total ALN 93.048</i>			<u>27,325</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><b>5,637,866</b></u>	<u><b>3,280,743</b></u>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2022**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass Through Grant/Contract Number	Expenditures	Pass Through to Subrecipients
<b>U.S. Department of Commerce</b>				
<b>Direct Award:</b>				
<i>Economic Development District Planning Grant Total ALN 11.302</i>	11.302	ED21AUS3020011	1,863	-
			<u>1,863</u>	<u>-</u>
<i>C19 Economic Disaster Recovery Support for Texas Capital Area Total Economic Development Cluster ALN 11.307</i>	11.307	ED20AUS3070077	197,052	-
			<u>197,052</u>	<u>-</u>
<b>Total U.S. Department of Commerce</b>			<b><u>198,915</u></b>	<b><u>-</u></b>
<b>U.S. Department of Homeland Security</b>				
<b>Pass-through Office of the Governor - Homeland Security Grant Division:</b>				
<i>2021 State Homeland Security Program Regional Planning</i>	97.067	2956907	252,645	-
<i>2022 State Homeland Security Program Regional Planning</i>	97.067	2956908	16,503	-
<i>2021 State Homeland Security Program Training and Exercise</i>	97.067	2956805	33,836	-
<i>2022 State Homeland Security Program Training and Exercise</i>	97.067	2956806	59,110	-
<i>2021 State Homeland Security Program Tier II Reporting</i>	97.067	3757802	23,500	-
<i>FY20 State Homeland Security Program UAV Robotics Interoperability Project Total ALN 97.067</i>	97.067	3995101	49,896	-
			<u>435,490</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>435,490</u></b>	<b><u>-</u></b>
<b>U.S. Department of Justice</b>				
<b>Pass-through Office of the Governor</b>				
<i>Coronavirus Emergency Supplemental FY21 Critical Regional Data Coordination COVID-19</i>	16.034	4353001	83,000	-
<b>Total U.S. Department of Justice</b>			<b><u>83,000</u></b>	<b><u>-</u></b>
<b>U.S Department of Housing and Urban Development</b>				
<b>Pass-through Texas General Land Office</b>				
<i>Community Development Block Grant Mitigation Program</i>	14.218	Federal Award B-18-DP-48-002 GLO Contract No. 22-061-003-D159	18,203	-
<b>Total U.S Department of Housing and Urban Development</b>			<b><u>18,203</u></b>	<b><u>-</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 6,373,474</u></b>	<b><u>\$ 3,280,743</u></b>

**CAPITAL AREA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended September 30, 2022**

Grantor/Pass-through Grantor/Program Title	Grant/Contract Number	Expenditures	Pass Through to Subrecipients
<b>Texas Health and Human Services Commission</b>			
State General Revenue Title III E Match	HHS000874100005	\$ 89,988	\$ -
State General Revenue - Other	HHS000874100005	146,522	-
State General Revenue - OMB ALF Services - 2022	HHS000874100005	137,633	-
State General Revenue - American Rescue Plan	HHS000874100005	55,468	55,468
State General Revenue - ADRC Respite	HHS000270200014	31,085	-
State General Revenue - ADRC Promoting Independence	HHS000270200014	5,363	-
State General Revenue - ADRC Operations	HHS000270200014	210,300	-
State General Revenue - ADRC RITE	HHS000270200014	4,367	-
<b>Total Texas Health and Human Services Commission</b>		<b>680,726</b>	<b>55,468</b>
<b>Office of the Governor Criminal Justice Division</b>			
Regional Training Academy 2020-21	1544416	369,275	-
<b>Total Office of the Governor Criminal Justice Division</b>		<b>369,275</b>	<b>-</b>
<b>Texas Commission on Environmental Quality</b>			
Regional Solid Waste Management 2022-23	582-22-30110	126,053	-
Rider 7 Local Air Quality Planning Grant 21-22	582-20-11982	32,341	-
Rider 7 Local Air Quality Planning Grant Amendment 22-23	582-20-11982	106,253	-
<b>Total Texas Commission on Environmental Quality</b>		<b>264,647</b>	<b>-</b>
<b>Office of the Governor State Wide Emergency Radio Infrastructure (SERI)</b>			
CAPCOG Regional Interoperability Project	4057401	156,587	156,587
<b>Total Office of the Governor State Wide Emergency Radio Infrastructure (SERI)</b>		<b>156,587</b>	<b>156,587</b>
<b>Total Expenditures of State Awards</b>		<b>\$ 1,471,235</b>	<b>\$ 212,055</b>

# CAPITAL AREA COUNCIL OF GOVERNMENTS

## NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended September 30, 2022

### 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of CAPCOG under programs of the federal and state government for the year ended September 30, 2022. The information in these Schedules is presented in accordance with the requirements of Office of Management and Budget (OMB) Uniform Guidance and the Texas Grant Management Standards. Because these Schedules present only a selected portion of the operations of CAPCOG, they are not intended to and do not present the financial position and changes in net position of CAPCOG.

### 2. Summary of Significant Accounting Policies

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

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

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

## **CAPITAL AREA COUNCIL OF GOVERNMENTS**

### ***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS***

***For the Year Ended September 30, 2022***

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, 2022***

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

