

TEXOMA COUNCIL OF GOVERNMENTS

ANNUAL FINANCIAL REPORT

APRIL 30, 2023

TEXOMA COUNCIL OF GOVERNMENTS

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INTRODUCTORY SECTION

September 21, 2023

Edwina Lane
President of the Governing Board
Texoma Council of Governments
1117 Gallagher Drive, Suite 470
Sherman, Texas 75090

Dear President Lane:

Texoma Council of Governments Annual Audit Report including financial statements and supplementary information for fiscal year ended April 30, 2023, is submitted for your review and acceptance. This report was prepared in accordance with TCOG's bylaws. We believe the data presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of TCOG operations as measured by the financial activity of its various grants and contracts; and, that all disclosures necessary to enable the reader to gain maximum understanding of TCOG's financial affairs and to satisfy Federal and State requirements of applicable grants are included. Standards issued by the Office of Management and Budget Uniform Guidance and GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted, as of April 30, 2023, were followed in the operation and audit of TCOG.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

TCOG's accounting records are maintained on a modified accrual basis, with revenues recorded when susceptible to accrual and expenditures recorded when liabilities are incurred, if measurable. This policy is implemented by generally accepted accounting principles and the Common Rule.

Budgetary amounts reported on the schedule of revenues and expenditures in memorandum form are monitored monthly for variances by TCOG staff. Variances are dealt with on an individual basis, according to contractual requirements of the specific grant or contract.

INTERNAL CONTROLS

In developing and improving TCOG's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to protect TCOG assets, prevent fraud and to insure economy and efficiency of operations within limitations. Internal controls are developed to assure management, and funding sources, of the integrity of the accounting and reporting systems.



REPORTING ENTITY AND SERVICES

TCOG operations are controlled by grant, or contract arrangements, with the United States of America and the State of Texas. For the fiscal year ended April 30, 2023, the largest sub-grantee of TCOG is Tri-County Senior Nutrition Project (Tri-County). Tri-County contracts with an independent public accounting firm for an annual audit of its operations. The resulting audit report will be presented to the Governing Body for review and approval upon receipt.

FUNCTIONAL ACTIVITIES

During the fiscal year ended April 30, 2023, TCOG, through grants and contracts, operated the Area Agency on Aging of Texoma, Community and Economic Development and Planning Activities, Criminal Justice Planning, Homeland Security Planning, Emergency 911, Weatherization Assistance Program, Comprehensive Energy Assistance Program, Section 8 Housing, and other programs for the Texoma Region.

CASH MANAGEMENT

Cash maintained in the general account is not invested in interest bearing instruments because of the restrictions placed on federal funds by the United States Treasury. Funds received from local units of government for matching grants are deposited into an interest-bearing account, including a minimal deposit in TexPool, a division of the Texas State Treasury. The interest earned on local funds is used to match grant requirements, reduce future local government contributions, and satisfy any costs not allowed by grant conditions.

FIXED ASSETS

Fixed assets are recorded at cost from grant funds or local funds. Fixed assets purchased from local funds are depreciated and grants are charged accordingly in conformity with Office of Management and Budget Uniform Guidance.

ANNUAL AUDIT

TCOG's bylaws require that an annual audit be made of its financial accounts and transactions for the preceding fiscal year. In 1997, the Office of Management and Budget (OMB) revised Circular A-133 to include units of local government. This circular requires that grantors of the United States of America perform audits which meet the requirements of the Single Audit Act Amendments of 1996. In December 2014 the OMB implemented the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly referred to as the Uniform Guidance, which



synthesizes and supersedes guidance from previous OMB circulars. In accordance with Uniform Guidance requirements, the Annual Audit Report is contained herein for your review and consideration.

CERTIFICATION OF INDIRECT COST PERCENTAGE

The undersigned Executive Director hereby certifies that based upon the enclosed audited financial data, TCOG's indirect cost for fiscal year ended April 30, 2023, was 3.83% of total expenditures and did not exceed 15% of total expenditures, as defined by The Local Government Code, Chapter 391, 586.(f)(1).

OVERVIEW

The Annual Audit Report contains an unmodified opinion. There are no significant control deficiencies, questioned or disallowed costs, or material weaknesses. There was one finding on the major program tested and management has responded with an action plan that has already been implemented by the date of this letter. The audit firm has not issued a separate management letter that would need to be provided to the public or funding agencies.

We would like to express our appreciation to everyone associated with the preparation of this Annual Audit Report. We would also like to thank the Members of the Governing Body for their direction and support in the financial operations of Texoma Council of Governments.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Eric Bridges". The signature is fluid and cursive, with the first and last names being clearly legible.

Eric Bridges
Executive Director

Cc: Texoma Council of Governments Governing Board Members

Enclosure

texoma council of governments

member governments 2022-2023

COUNTIES (3)

Cooke

Fannin

Grayson

CITIES/TOWNS (29)

City of Bells

City of Ladonia

City of Southmayd

City of Bonham

City of Leonard

City of Tioga

City of Callisburg

Town of Lindsay

City of Tom Bean

City of Collinsville

City of Muenster

City of Trenton

City of Denison

Town of Oak Ridge

City of Valley View

City of Ector

City of Pottsboro

City of Van Alstyne

City of Gainesville

Town of Ravenna

City of Whitesboro

City of Gunter

Town of Road Runner

City of Whitewright

City of Howe

City of Sadler

Town of Windom

City of Knollwood

City of Sherman

SCHOOL DISTRICTS (13)

Bells ISD

Fannindel ISD

Sam Rayburn ISD

Bonham ISD

Honey Grove ISD

Savoy ISD

Denison ISD

Leonard ISD

Sherman ISD

Dodd City ISD

Muenster ISD

Ector ISD

Pottsboro ISD

COMMUNITY COLLEGE DISTRICTS (2)

Grayson College

North Central Texas College

ASSOCIATE MEMBERS (3)

Bonham Chamber of Commerce

Denison Chamber of Commerce

Sherman Chamber of Commerce

FINANCIAL SECTION

Independent Auditor's Report

To the Board of Directors
Texoma Council of Governments
Sherman, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Texoma Council of Governments (the Council), as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Texoma Council of Governments, as of April 30, 2023, and the respective changes in financial position thereof 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 the Council, 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 the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 the Council'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 the management's discussion and analysis 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.

Management has omitted budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The Schedule of Revenues and Expenditures by Object – Special Revenue Funds, Real Estate Assessment Center Financial Assessment Subsystem (FASS-PH) Financial Data Schedules (FDS) as required by the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC), and the Schedule of Expenditures of Federal and State Awards, *as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Texas Grant Management Standards are presented for purposes of additional analysis and are 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. The 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 Schedule of Revenues and Expenditures by Object – Special Revenue Funds, Real Estate Assessment Center Financial Assessment Subsystem (FASS-PH) Financial Data Schedules (FDS), and 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023, on our consideration of the Council'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 the Council'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 the Council's internal control over financial reporting and compliance.



Plano, Texas
September 21, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

TEXOMA COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis

Year Ended April 30, 2023

This discussion and analysis of Texoma Council of Governments (TCOG) financial performance provides an overview of TCOG financial activities for the fiscal year ended April 30, 2023, and should be read in conjunction with TCOG financial statements.

Financial Highlights

For the fiscal year ended April 30, 2023, total assets were \$7,783,479 compared to \$7,067,407 for the prior year; total liabilities were \$4,297,757 compared to \$3,784,164 for the prior year. The increases are due to the implementation of *Governmental Accounting Standards Board (GASB) Statement No. 87 – Leases* which required TCOG to record a lease receivable, deferred inflow, lease liability and right-to-use asset for any related leases. Total net position was \$3,272,746 compared to \$3,283,243. Of this amount, \$644,764 was unrestricted compared to the prior year unrestricted amount of \$726,394.

For the fiscal year ended April 30, 2023, total revenues were \$22,400,299 compared to \$18,028,990 for the prior year; total expenses were \$22,410,796 compared to \$17,996,092 for the prior year. The 24% net increase in total revenues is the combined net of funding changes from the major funds. The categories of Department of Housing and Urban Development, Commission on State Emergency Communications, Department of Housing and Community Affairs, Department of Health and Human Services, and Other Programs experienced an increase in revenues. The General Fund experienced a decrease in revenues. The 24.5% increase in total expenditures resulted from increased expenditures in the same programs that had an increase in revenue.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to TCOG's basic financial statements which are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of TCOG's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of TCOG's assets, liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of TCOG's financial position.

The statement of activities presents information showing how TCOG's net position changed during the most recent fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant revenues and earned but unused leave).

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. TCOG, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TEXOMA COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis (continued)
Year Ended April 30, 2023

Notes to the 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 to the financial statements can be found on pages 14-30 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also contains certain supplementary information concerning TCOG's funding resources. This information begins on page 31 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of TCOG, assets exceeded liabilities and deferred inflows by \$3,272,746 at April 30, 2023, compared to \$3,283,243 for the prior year.

The most significant portion of TCOG's net position (73%) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. TCOG uses these capital assets to carry out its mission; consequently, these assets are not available for future spending. Although TCOG's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed statement of net position of TCOG for April 30, 2023, compared to the prior year:

Texoma Council of Government's Statement of Net Position		
	Total	
	2023	2022
Assets:		
Current Assets	\$ 4,531,100	\$ 4,454,652
Capital Assets	3,252,379	2,612,755
Total Assets	<u>7,783,479</u>	<u>7,067,407</u>
Liabilities:		
Current Liabilities	3,500,657	3,440,779
Noncurrent Liabilities	797,100	343,385
Total Liabilities	<u>4,297,757</u>	<u>3,784,164</u>
Deferred Inflows of Resources - Leases	<u>212,976</u>	<u>-</u>
Net Position:		
Net Investment in Capital Assets	2,377,387	2,262,638
Restricted	250,595	294,211
Unrestricted	<u>644,764</u>	<u>726,394</u>
Total Net Position	<u>\$ 3,272,746</u>	<u>\$ 3,283,243</u>

TEXOMA COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis (continued)
Year Ended April 30, 2023

The following table compares the revenue and expenses for the current and previous fiscal year:

Texoma Council of Government's Changes in Net Position

	Total	
	2023	2022
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ 22,068,691	\$ 17,724,702
General Revenues:		
Grants and Contributions Not Restricted to Specific Programs	300,780	304,051
Interest Income	30,828	237
Total Revenue	<u>22,400,299</u>	<u>18,028,990</u>
Expenses:		
General Government	318,575	222,284
Aging and Disabilities	3,086,522	3,004,009
Community and Economic Development	3,149,700	2,344,200
Housing and Client Services	15,837,457	12,405,294
Interest on Long-Term Debt	18,542	20,305
Total Expenses	<u>22,410,796</u>	<u>17,996,092</u>
Change in Net Position	(10,497)	32,898
Net Position, Beginning	<u>3,283,243</u>	<u>3,250,345</u>
Net Position, Ending	<u>\$ 3,272,746</u>	<u>\$ 3,283,243</u>

Financial Analysis of TCOG's Funds

As noted earlier, TCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In addition to this Annual Audit Report, TCOG is monitored by various grantor funding agencies throughout the year. TCOG's net position decreased \$10,497 under the prior year primarily as a result of an increase in overall expenditures from over the prior year.

Governmental Funds provide information on short-term inflows and outflows and balances of spendable resources, which is useful in assessing the Council's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$1,003,366, a decrease of \$131,586 as compared to the prior year. Approximately 10% or

TEXOMA COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis (continued)
Year Ended April 30, 2023

\$98,877 constitutes unassigned fund balance. The \$98,877 of unassigned fund balance is the net of \$377,648 of unassigned general fund balance and a deficit (\$278,771) in unassigned fund balance in two special revenue funds.

Because the deficit fund balance in the special revenue funds is a result of timing differences between the grant and fiscal year, there is no impact to the general fund unassigned fund balance's availability. Further, it is the opinion of Management, that there is no risk the general fund will have to cover the deficit in the special revenue funds as a portion of the amount has been reimbursed by the grantor subsequent to year end and the other portion will be recovered as unearned revenue is recognized in subsequent years.

Approximately 49% (\$493,008) constitutes non-spendable fund balance, which are funds that are either in non-spendable form, or funds that are legally or contractually required to be maintained intact. The amount committed by the Board of Directors is \$160,886 and is committed for future debt payments and building needs. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted specific purposes as defined by grants.

The general fund is the Council's chief operating fund. Approximately 62% (\$377,648) of the total General Fund fund balance on April 30, 2023 is unassigned and available for spending at the Council's discretion. The fund balance of the Council's general fund decreased \$310,826 during the current fiscal year, which is largely attributable to upgrades to the building. TCOG has received a loan to recover the costs of the upgrades, but due to a timing difference, the expenses are recorded in this fiscal year with the loan proceeds being funded in the subsequent fiscal year. At April 30, 2023, \$248,248 was expended over what was recovered through the funding of the loan.

The Council's Special Revenue Funds consist of the following funds: US Department of Housing and Urban Development (HUD), Commission on State Emergency Communications (SCEC), The Texas Department of Housing and Community Affairs (TDHCA), The Texas Department of Health and Human Services (THHS), and Other Programs. The net position for the Special Revenue funds increased by \$179,240 for the current fiscal year. This decrease is primarily due to rent paid in advance on the HUD Section 8 program.

TCOG Budget and Economic Factors

TCOG's annual budget is a management tool that assists users in analyzing financial activity for the fiscal year ending April 30. TCOG's primary funding sources are federal, state, and local grants, which have grant periods that may or may not coincide with TCOG's fiscal year. These grants normally are for a 12-month period; however, they can be awarded for periods shorter or longer than 12 months. Because of TCOG's dependency on grant funding, greater emphasis is placed on complying with individual grant budgets. Since TCOG is primarily dependent of federal, state, and local grant funding for operations, it is affected more by the federal and state budget than local economic conditions. The demand for TCOG services to the public is dependent on local economic conditions.

TEXOMA COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis (continued)
Year Ended April 30, 2023

Capital Asset and Debt Administration

Capital Assets. TCOG's net investment in capital assets for its governmental activities as of April 30, 2023, amounts to \$2,377,387 compared to \$2,262,638 for the prior year (both amounts are net of accumulated depreciation/amortization). This investment in capital assets includes the office building in Sherman, Texas, together with improvements, right-to-use leased assets, and other grant and non-grant related equipment. Details of TCOG's capital assets are continued in the notes to the financial statements.

Lease and Right-to-Use Assets. The increase of lease and right-to-use assets of \$84,568 is related to the implementation of GASB 87 and TCOG now recording right to use leased buildings and equipment as of April 30, 2023. The amount is included in Capital Assets in the Statement of Net Position.

Long-Term Liabilities. On April 30, 2023, TCOG had total long-term liabilities of \$797,100 compared to \$343,385 for the prior year. Of this amount, \$256,564 comprises debt secured by the office building located at 1117 Gallagher Drive, Sherman, Texas. The prior year amount was \$350,117. Additional information on TCOG's long-term debt can be found in the notes to the financial statements.

TCOG was approved for a State Energy Conservation Office (SECO) Loan with the Texas Comptroller of Public Accounts for a maximum amount of \$808,199 and is for the purpose of replacing the entire air conditioning/HVAC system for the building. Terms for repayment of the loan will be determined once the installation is complete and the loan is fully funded. At year end, \$559,951 had been drawn down on the loan. Subsequent to year end, another \$193,982 has been drawn on the note, making the total draw down as of the date of this report \$753,933. All funds are expected to be drawn and an anticipated completion date of October 2023.

Requests for Information

This financial report is designed to provide the Governing Board as well as citizens, taxpayers, and creditors with a general overview of TCOG's finances and to show TCOG's accountability for the money it receives. To request additional information, please contact Eric Bridges, TCOG's Executive Director, at 1117 Gallagher Drive, Suite 470, Sherman, Texas 75090, phone (903) 813-3516.

BASIC FINANCIAL STATEMENTS

TEXOMA COUNCIL OF GOVERNMENTS

Statement of Net Position

April 30, 2023

	Governmental Activities
ASSETS	
Current Assets	
Cash and Pooled Investments	\$ 2,034,476
Accounts Receivable	1,719,987
Lease Receivables	218,119
Under Allocated Cost Pools	65,510
Prepaid Items	493,008
Total Current Assets	<u>4,531,100</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation/Amortization:	
Buildings and Improvements	1,777,609
Furniture, Vehicles, and Other Equipment	1,474,770
Total Capital Assets Net of Accumulated Depreciation/Amortization	<u>3,252,379</u>
Total Noncurrent Assets	<u>3,252,379</u>
Total Assets	<u>7,783,479</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	1,544,955
Accrued Wages	119,614
Unearned Revenue	1,650,189
Noncurrent Liabilities	
Due Within One Year	185,899
Due In More Than One Year	797,100
Total Noncurrent Liabilities	<u>982,999</u>
Total Liabilities	<u>4,297,757</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Leases	<u>212,976</u>
NET POSITION	
Net Investment in Capital Assets	2,377,387
Restricted	250,595
Unrestricted	644,764
Total Net Position	<u><u>\$ 3,272,746</u></u>

The accompanying notes are an integral part of these financial statements.

TEXOMA COUNCIL OF GOVERNMENTS

Statement of Activities

Year Ended April 30, 2023

		Program Revenues	Net (Expense)
		Operating	Revenue and
		Grants and	Change in
	Expenses	Contributions	Net Position
			Total
			Governmental
			Activities
General Government	\$ 318,575	\$ -	\$ (318,575)
Aging and Disabilities	3,086,522	3,086,473	(49)
Community and Economic Development	3,149,700	3,026,167	(123,533)
Housing and Client Services	15,837,457	15,956,051	118,594
Interest on Long-Term Debt and Leases	18,542	-	(18,542)
Total Governmental Activities	<u>\$ 22,410,796</u>	<u>\$ 22,068,691</u>	<u>(342,105)</u>
General Revenues			
Local Grants and Contributions not Restricted to			
Specific Programs			
Unrestricted Investment Income			
Total General Revenues			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

The accompanying notes are an integral part of these financial statements.

TEXOMA COUNCIL OF GOVERNMENTS

Balance Sheets – Governmental Funds

April 30, 2023

	General	US Department of Housing and Urban Development	Commission on State Emergency Communications	Texas Department of Housing and Community Affairs	Texas Department of Health and Human Services	Other Programs	Total Governmental Funds
ASSETS							
Cash and Pooled Investments	\$ 1,261,933	\$ 199,400	\$ 573,143	\$ -	\$ -	\$ -	\$ 2,034,476
Accounts Receivable	29,865	15,714	216,532	929,972	417,113	110,791	1,719,987
Lease Receivable	218,119	-	-	-	-	-	218,119
Due From Other Funds	-	-	-	928,862	-	186,611	1,115,473
Under Allocated Indirect Cost Pools	65,510	-	-	-	-	-	65,510
Prepaid Items	69,602	233,786	189,620	-	-	-	493,008
Total Assets	<u>\$ 1,645,029</u>	<u>\$ 448,900</u>	<u>\$ 979,295</u>	<u>\$ 1,858,834</u>	<u>\$ 417,113</u>	<u>\$ 297,402</u>	<u>\$ 5,646,573</u>
LIABILITIES							
Accounts Payable	\$ 295,140	\$ 121,256	\$ 286,030	\$ 678,621	\$ 119,429	\$ 44,479	\$ 1,544,955
Accrued Wages	20,220	14,521	5,098	29,410	37,011	13,354	119,614
Due to Other Funds	508,557	47,401	486,296	-	39,970	33,249	1,115,473
Unearned Revenue	-	-	311,899	1,028,312	210,382	99,596	1,650,189
Total Liabilities	<u>823,917</u>	<u>183,178</u>	<u>1,089,323</u>	<u>1,736,343</u>	<u>406,792</u>	<u>190,678</u>	<u>4,430,231</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred Inflows - Leases	<u>212,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,976</u>
FUND BALANCES							
Non-Spendable	69,602	233,786	189,620	-	-	-	493,008
Restricted	-	31,936	-	122,491	10,321	85,847	250,595
Committed	160,886	-	-	-	-	-	160,886
Unassigned, Reported in:							
Special Revenue Funds	-	-	(299,648)	-	-	20,877	(278,771)
General Fund	377,648	-	-	-	-	-	377,648
Total Fund Balances	<u>608,136</u>	<u>265,722</u>	<u>(110,028)</u>	<u>122,491</u>	<u>10,321</u>	<u>106,724</u>	<u>1,003,366</u>
Total Liabilities and Fund Balances	<u>\$ 1,645,029</u>	<u>\$ 448,900</u>	<u>\$ 979,295</u>	<u>\$ 1,858,834</u>	<u>\$ 417,113</u>	<u>\$ 297,402</u>	<u>\$ 5,646,573</u>
Fund Balance - Total Governmental Funds (above)							1,003,366
Amounts reported for governmental activities in the Statement of Net Position are different because:							
Capital assets net of accumulated depreciation/amortization used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.							3,252,379
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.							<u>(982,999)</u>
Net Position of Governmental Activities							<u>\$ 3,272,746</u>

The accompanying notes are an integral part of these financial statements.

TEXOMA COUNCIL OF GOVERNMENTS
Statements of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended April 30, 2023

					Aging		
	General	US Department of Housing and Urban Development	Commission on State Emergency Communications	Texas Department of Housing and Community Affairs	Texas Department of Health and Human Services	Other Programs	Total Governmental Funds
REVENUES							
Federal	\$ -	\$ 6,144,372	\$ -	\$ 9,684,144	\$ 1,748,054	\$ 540,374	\$ 18,116,944
State	-	-	1,276,355	-	440,083	1,316,627	3,033,065
Local and In-Kind	253,786	1,731	1,750	125,804	663,724	125,673	1,172,468
Interest and Other Income	15,098	15,714	16	-	-	-	30,828
Total Revenues	<u>268,884</u>	<u>6,161,817</u>	<u>1,278,121</u>	<u>9,809,948</u>	<u>2,851,861</u>	<u>1,982,674</u>	<u>22,353,305</u>
EXPENDITURES							
Current							
General Government	195,669	-	-	-	-	-	195,669
Aging and Disabilities	-	-	-	-	2,853,029	233,493	3,086,522
Community and Economic Development	-	-	1,317,929	-	-	1,716,185	3,034,114
Housing and Client Services	-	6,056,882	-	9,772,264	-	-	15,829,146
Capital Outlay	808,199	-	-	11,182	-	-	819,381
Debt Service							
Note Payable Principal	93,553	-	-	-	-	-	93,553
Lease Financing Principal	18,540	-	-	7,551	-	-	26,091
Note Payable Interest	14,655	-	-	-	-	-	14,655
Lease Financing Interest	1,786	-	-	2,101	-	-	3,887
Total Expenditures	<u>1,132,402</u>	<u>6,056,882</u>	<u>1,317,929</u>	<u>9,793,098</u>	<u>2,853,029</u>	<u>1,949,678</u>	<u>23,103,018</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(863,518)</u>	<u>104,935</u>	<u>(39,808)</u>	<u>16,850</u>	<u>(1,168)</u>	<u>32,996</u>	<u>(749,713)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds From Debt	559,951	-	-	11,182	-	-	571,133
Leases (As Lessee)	46,994	-	-	-	-	-	46,994
Transfers In (Out)	<u>(54,253)</u>	<u>54,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>552,692</u>	<u>54,253</u>	<u>-</u>	<u>11,182</u>	<u>-</u>	<u>-</u>	<u>618,127</u>
Net Change in Fund Balances	(310,826)	159,188	(39,808)	28,032	(1,168)	32,996	(131,586)
Fund Balances - Beginning	<u>918,962</u>	<u>106,534</u>	<u>(70,220)</u>	<u>94,459</u>	<u>11,489</u>	<u>73,728</u>	<u>1,134,952</u>
Fund Balances - Ending	<u>\$ 608,136</u>	<u>\$ 265,722</u>	<u>\$ (110,028)</u>	<u>\$ 122,491</u>	<u>\$ 10,321</u>	<u>\$ 106,724</u>	<u>\$ 1,003,366</u>

The accompanying notes are an integral part of these financial statements.

TEXOMA COUNCIL OF GOVERNMENTS
Reconciliation of the Statements of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended April 30, 2023

Amounts recorded for governmental activities in the statement of activities (page 10) are different because:

Net Change in Fund Balance - Total Governmental Funds	\$ (131,586)
Principal paid on leases	26,091
Lease issued	(11,182)
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/amortization. The is the amount of capital assets recorded in the current period.	819,381
Depreciation/Amortization on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation/amortization is not reported as expenditures in the governmental funds.	(253,143)
Other amounts, including the change in liability for accrued vacation leave payable, are not reported under the modified accrual basis of accounting utilized by governmental funds.	6,340
Current year note proceeds reported as other financing sources in the governmental funds financial statements are shown as an increase in debt in the government-wide financial statements.	(559,951)
Current year long-term debt principal payments reported as expenditures in the governmental funds financial statements are shown as a reduction in debt in the government-wide financial statements.	<u>93,553</u>
Change in Net Position of Governmental Activities - Statement of Activities (page 10)	<u><u>\$ (10,497)</u></u>

The accompanying notes are an integral part of these financial statements.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements

April 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Texoma Council of Governments (TCOG/Council) relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for the Council are prescribed by the Governmental Accounting Standards Board (GASB).

A. Description of the Reporting Entity

The Council is a voluntary association of the local governmental units located within Cooke, Fannin, and Grayson Counties, in the State of Texas. The Council was organized January 23, 1968, under Article 1011 (m) of Vernon's (Texas) Annotated Revised Civil Statutes (subsequently revised to Chapter 391 of the Texas Local Government Code) to encourage and permit local units of governments to join and cooperate with one another to improve the health, safety, and general welfare of their citizens, and to plan for the future development of the communities, area and regions serviced by the Council.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information on all of the activities of the Council. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program; and 2) operating or capital grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Other items not properly included among program revenue are reported instead as general revenue.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenue to be available if it is 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue, membership dues, and interest are susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Council.

The Council reports the following major governmental funds:

The **General Fund** is the general operating fund of the Council. It is used to account for all financial resources except those that are required to be accounted for in other funds.

The **U.S. Department of Housing and Urban Development Fund** is a special revenue fund used to account for the federal grants awarded to the Council by the U.S. Department of Housing and Urban Development.

The **Commission on State Emergency Communications Fund** is a special revenue fund used to account for the state grants awarded to the Council by the Commission on State Emergency Communications.

The **Texas Department of Housing and Community Affairs Fund** is a special revenue fund used to account for the federal grants awarded by the U.S. Department of Energy passed through from the Texas Department of Housing and Community Affairs and the U.S. Department of Health and Human Services passed through from the Texas Department of Housing and Community Affairs.

The **Texas Department of Health and Human Services Fund** is a special revenue fund used to account for the federal and state grants awarded to the Council by the U.S. Department of Health and Human Services.

The **Other Programs Fund** is a special revenue fund used to account for all other federal, state, local grants, and other contributions related to these programs.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Assets, Liabilities, Deferred Inflow and Net Position or Equity

Cash and Cash Equivalents

Cash includes amounts in demand deposits and certificates of deposits with an initial maturity of ninety days or less. Interest earned is based on the amount of funds invested.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Inflow and Net Position or Equity (Continued)

Cash and Cash Equivalents (continued)

State statutes authorize the Council to invest in obligations of the United States, its agencies, certificates of deposits with banks and savings and local associations, banker's acceptances, commercial paper, mutual funds, investment pools, and repurchase agreements with underlying collateral of government securities. Investments for the Council are reported at fair value.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Accounts Receivable

Accounts receivable represent amounts due from agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of April 30, 2023. The Council considers all grants as fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

Interfund Receivables, Payables, and Transfers

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." The Council had no long-term interfund loans (noncurrent portion) that are generally reported as "advances from and to other funds." Interfund receivables and payables between governmental funds result from temporary assistance between funds. These balances, along with transfers, are eliminated in the government-wide financials.

Unearned Revenue

Unearned revenue is recorded when amounts received have not been earned. Unearned revenue related to grant funds pertains to funds received, but not yet expended, as of April 30, 2023.

Capital Assets

Capital assets, which include buildings, furniture, equipment, and right-to-use assets are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. At the commencement of a lease, the lease liability is measured based on the net present value of future lease payments using the incremental borrowing rate (IBR).

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Inflow and Net Position or Equity (Continued)

Capital Assets (continued)

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line methods. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Furniture, Vehicles, and Other Equipment	3–15
Building Improvements	15
Buildings	39
Right-to-use Assets	Length of remaining lease

Depreciation on assets purchased with local funds is included in the computation of the indirect cost allocation rate.

Leases

Lessee

Leases are recognized as a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. At the commencement of a lease, the lease liability is measured based on the net present value of future lease payments using the incremental borrowing rate (IBR). Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

TCOG is a lessor for noncancellable leases of property. TCOG recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements.

At the commencement of a lease, TCOG initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how TCOG determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- TCOG uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Inflow and Net Position or Equity (Continued)

Leases (Continued)

depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

TCOG monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences

Compensated Absences represents the estimated liability for accumulated and unpaid vacation, sick leave, and personal time for employees. Accumulated unpaid compensated absences is accrued at each payroll period. Full-time regular Council employees accumulate and vest in compensated absences on a sliding scale rate based on length of service and/or position in the organization up to a maximum of 27 days per year, limited at year-end to 144 hours.

Net Position

For government-wide reporting, the difference between assets less liabilities is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of restricted assets reduced by liabilities related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." TCOG's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Inflow and Net Position or Equity (Continued)

Fund Balance (Continued)

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by TCOG's Board prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Council considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Council considers amounts to have been spent first out of committed funds, the assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Indirect Costs

Indirect costs and central service IT costs are allocated to the grants in accordance with Uniform Guidance and the operating manuals of the various funding agencies. Indirect costs and central service IT costs are allocated to the grants as a percentage of total direct personnel costs. The percentage rates used to apply indirect costs and central service IT costs are determined by the Council's "Statement of Proposed Indirect Cost." This rate is based upon estimated costs and may result in over or under-application of indirect costs and central service IT costs when compared with actual costs versus audited costs. The cumulative balance of over or under-applied costs is used in the calculation of the indirect cost rate and the central service IT cost combined rate for future years.

F. Program Revenue

Amounts reported as program revenues include grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment.

G. Deferred Inflow

The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Implementation of New Accounting Standards

Effective for fiscal year 2023 reporting the Council adopted the following new standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87 - Leases, The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes 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. The Council 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. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This statement did not have an impact on the financial statements.

2. BUDGETARY INFORMATION

The Council's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending April 30th. The Board approves the financial plan for revenue and expenditures in all funds. The financial plan for the Special Revenue Funds is made on a project (grant) basis, spanning more than one year. Appropriations for all projects in the Special Revenue Funds lapse at the end of a contract period which may not coincide with the fiscal year-end of the Council. The appropriations for the General Fund lapse at the fiscal year-end. Although the financial plans are reviewed and approved by the Council's Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comprehensive budget and actual results are not presented in this report.

3. DETAILED NOTES ON ALL FUNDS

Cash Deposits with Financial Institutions

Custodial Credit Risk - Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Council's deposits may not be returned, or the Council will not be able to recover collateral securities in the possession of an outside party. The Council's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Deposited funds may be invested in certificates of deposits in institutions that are domiciled in the State of Texas. Collateral agreements must be approved prior to the deposit of funds as provided by law. The Council's carrying amount of deposits was \$1,889,304 and the bank's balances were \$2,249,302. Collateral pledged in the name of TCOG had an original par value of \$2,560,000 and a market value of \$2,426,100 as of April 30, 2023. As of April 30, 2023, the Council was not exposed to custodial credit risk.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (continued)

Pooled Investments

The public funds investment pools in Texas are established under authority of the Interlocal Cooperation Act, chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the values of its shares.

TexPool has a credit rating of AAAm from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standard for extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. The pool invests in a high-quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

As of April 30, 2023, the Council had the following investments:

Investment Type	Amortized Cost	Weighted Average Maturity (Days)
Texas Local Government Investment Pool (Texpool)	\$ 160,886	39

Investments in TexPool are not insured or guaranteed by the FDIC or any other governmental agency. The Pool is measured at amortized cost and is not required to be reported by levels.

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. The Council manages its exposure to market price changes by avoiding over-concentration of assets in a specific maturity sector, limitation of average maturity of operating funds investments to less than eighteen months, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and authorized investment pools.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The Council reduces the risk of issue default by limiting investments to those instruments allowed by the Public Funds Investment Act, Chapter 2256, Texas Government Code. As of April 30, 2023, Texpool's investments credit rating was AAAm (Standard & Poor's).

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Council's investment balance consists of only pooled accounts as described above.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (continued)

Pooled Investments (continued)

Custodial Credit Risk -Investments: This is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Capital Assets

Below is a summary of capital assets and related depreciation/amortization as of and for the year ended April 30, 2023:

	<u>Beginning Balance *</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, being Depreciated/Amortized				
Buildings	\$ 1,550,000	\$ -	\$ -	\$ 1,550,000
Building Improvements	1,313,110	808,199	-	2,121,309
Furniture, Vehicles, and Other Equipment	3,712,440	-	-	3,712,440
Right-of-Use Asset - Buildings	36,300	11,182	-	47,482
Right-of-Use Asset - Equipment	37,086	-	-	37,086
Total Capital Assets being Depreciated	<u>6,648,936</u>	<u>819,381</u>	<u>-</u>	<u>7,468,317</u>
Less Accumulated Depreciation/Amortization				
Buildings	831,305	39,744	-	871,049
Building Improvements	1,003,237	58,585	-	1,061,822
Furniture, Vehicles, and Other Equipment	2,128,253	127,442	-	2,255,695
Right-of-Use Asset - Buildings	-	8,311	-	8,311
Right-of-Use Asset - Equipment	-	19,061	-	19,061
Total Accumulated Depreciation/Amortization	<u>3,962,795</u>	<u>253,143</u>	<u>-</u>	<u>4,215,938</u>
Governmental Activities Capital				
Assets, Net	<u>\$ 2,686,141</u>	<u>\$ 566,238</u>	<u>\$ -</u>	<u>\$ 3,252,379</u>

* Includes addition for GASB 87

Depreciation/Amortization expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 129,246
Community and Economic Development	115,586
Housing and Client Services	8,311
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 253,143</u>

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (continued)

Lease Receivable

TCOG is reporting Leases Receivable of \$218,119 at April 30, 2023. For 2023, TCOG reported lease revenue of \$46,994 and interest revenue of \$8,721 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
Dr. Gary Harris	\$ 163,078	\$ 27,104	\$ 6,090
Lori Ann Cannon, CPA	7,218	2,715	445
Dr. Alexander S. Bernath	37,699	7,498	722
American Red Cross	10,124	9,677	1,464
Total	<u>\$ 218,119</u>	<u>\$ 46,994</u>	<u>\$ 8,721</u>

Dr. Gary Harris – On October 1, 2022, TCOG, as a lessor, entered into a four-year lease agreement with Dr. Gary Harris, to rent real property at Suite 430 that is part of the Gallagher Professional Building. If the Lessee becomes totally disabled, dies, or retires from practice, during the term of this lease, this Lease will terminate at lessee’s discretion effective at the end of the month during which such disability, death, or retirement occurs. TCOG is reasonably certain that the tenant will not exercise this option and will uphold the term of the lease. The internal rate of return (IRR) is 7%.

Lori Ann Cannon, CPA – On July 1, 2022, TCOG, as a lessor, entered into a three-year lease agreement with Lori Ann Cannon, CPA, to rent real property at Suite 370 that is part of the Gallagher Professional Building. The lessee may terminate the lease with written notice 90 days prior to the anniversary date of the lease. The IRR is 7%.

Dr. Alexander S. Bernath – On January 1, 2023, TCOG, as a lessor, entered into a one-year lease agreement with Dr. Alexander S. Bernath, to rent real property at Suite 460 that is part of the Gallagher Professional Building. The lease includes an option to extend it for one year. If the Lessee becomes totally disabled, dies, or retires from practice, during the term of this lease, this Lease will terminate at lessee’s discretion effective at the end of the month during which such disability, death, or retirement occurs. TCOG is reasonably certain that the tenant will not exercise this option and will uphold the term of the lease and the one-year extension. The IRR is 7%.

American Red Cross – On October 13, 2021, TCOG, as a lessor, entered into a three-year lease agreement with American Red Cross, to rent real property at Suite 340 that is part of the Gallagher Professional Building. The lessee may terminate the lease with written notice 90 days prior to the anniversary date of the lease. The IRR is 7%.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (continued)

Allocation of Indirect Costs and Employee Benefits to Grant Programs

The allocation of indirect costs creates an over or under-applied amount based on the actual costs incurred each year. Beginning May 1, 2019, the Council began direct charging employee benefits and consolidated the Central Services IT into the Indirect Cost Pool, resulting in one pool.

A detail of the costs allocated for the year ended April 30, 2023, is as follows:

	Indirect Costs
Under (Over) Applied Costs at April 30, 2022	\$ 28,464
Costs Allocated During the Year	(846,652)
Actual Costs	883,698
Under (Over) Applied Costs at April 30, 2023	<u>\$ 65,510</u>

The following shows the calculation of the indirect cost rate, both budget and actual, for the year ended April 30, 2023:

	<u>Budgeted</u>	<u>Actual</u>
Basis for Indirect Cost Allocation		
Net Indirect Costs	\$ 936,656	\$ 883,698
Direct Salaries and Benefits	\$ 2,900,103	\$ 2,502,399
Effective Indirect Cost Rate	32.30%	35.31%

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities

The following changes in long-term liabilities occurred during the fiscal year ended April 30, 2023, as reported in the financial statements:

	Beginning Balance *	Additions	Retirement	Ending Balance	Due Within One Year
Note Payable	\$ 350,117	\$ -	\$ (93,553)	\$ 256,564	\$ 97,321
SECO Loan Payable	-	559,951	-	559,951	29,934
Lease Liability	73,386	11,182	(26,091)	58,477	31,642
Compensated Absences	<u>114,347</u>	<u>189,775</u>	<u>(196,115)</u>	<u>108,007</u>	<u>27,002</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 537,850</u>	<u>\$ 760,908</u>	<u>\$ (315,759)</u>	<u>\$ 982,999</u>	<u>\$ 185,899</u>

* Includes addition for GASB 87

Compensated absences typically have been liquidated in the general and governmental funds.

Note Payable

The note payable has a fixed interest rate of 5.1% and is due in 119 monthly installments of \$9,017, with a final payment of \$3,272. The note is secured by the Council's building and matures November 10, 2025.

Future requirements for long-term debt are as follows:

Fiscal Year			
Ending	Principal	Interest	Totals
2024	\$ 97,321	\$ 10,883	\$ 108,204
2025	102,402	5,802	108,204
2026	<u>57,860</u>	<u>933</u>	<u>58,793</u>
	<u>\$ 256,564</u>	<u>\$ 17,618</u>	<u>\$ 275,201</u>

State Energy Conservation Office Loan

On July 25, 2022, The Council entered into a loan agreement with the Texas Comptroller of Public Accounts through its State Energy Conservation Office for an amount not to exceed \$808,199. As of April 30, 2023, \$559,951 of the loan was received by the Council with the remaining \$248,248 to be received by project completion in October 2023. A 2% annual interest rate began accruing as of the date of the contract, but the 13.5 year payout schedule will not begin until project completion. The estimated payout schedule presented next is an estimation of what the payout will be.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Liabilities (continued)

The estimated payout schedule for this loan is as follows:

As of April 30,	Principal	Interest	Total
2024	\$ 29,934	\$ 19,499	\$ 49,433
2025	59,868	14,917	74,785
2026	59,868	13,719	73,587
2027	59,868	12,522	72,390
2028	59,868	71,193	131,061
2029-2033	299,340	338,003	637,343
2034-2037	239,453	248,831	488,284
	<u>\$ 808,199</u>	<u>\$ 718,684</u>	<u>\$ 1,526,883</u>

Leases

For the year ended April 30, 2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the 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. For additional information, refer to the disclosures below. Rental expenditures under all TCOG lease agreements were \$29,978 for 2023.

On May 1, 2022 GASB 87 was implemented, and the following existing leases were recorded:

21-month lease as Lessee for the use of 306 N Loop 288, Denton Assistance Center, Inc. for 138 sq ft. An initial lease liability was recorded in the amount of \$11,182. As of April 30, 2023, the value of the lease liability is \$10,618. TCOG is required to make monthly fixed payments of \$564. The lease has an interest rate of 7%. The value of the right to use asset as of April 30, 2023 of \$10,649 with accumulated amortization of \$532 is included with Buildings on the Lease Class activities table found below.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (Continued)

Leases (continued)

36-month lease as Lessee for the use of 900 E. Park Boulevard, Collin County Health Care Foundation Board for 568 sq ft. An initial lease liability was recorded in the amount of \$36,300. As of April 30, 2023, the value of the lease liability is \$29,313. TCOG is required to make monthly fixed payments of \$757. The lease has an interest rate of 7%. The value of the right to use asset as of April 30, 2023 of \$28,523 with accumulated amortization of \$7,779 is included with Buildings on the Lease Class activities table found below.

53-month lease as Lessee for the use of Toshiba copiers. An initial lease liability was recorded in the amount of \$32,294. As of April 30, 2023, the value of the lease liability is \$15,891. TCOG is required to make monthly fixed payments of \$1,496. The lease has an interest rate of 7%. The value of the right to use asset as of April 30, 2023 of \$15,446 with accumulated amortization of \$16,850 is included with Equipment on the Lease Class activities table found below.

30-month lease as Lessee for the use of a Toshiba copier. An initial lease liability was recorded in the amount of \$4,792. As of April 30, 2023, the value of the lease liability is \$2,655. TCOG is required to make monthly fixed payments of \$198. The lease has an interest rate of 7%. The value of the right to use asset as of April 30, 2023 of \$2,580 with accumulated amortization of \$2,211 is included with Equipment on the Lease Class activities table found below.

	Balance as of <u>May 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance as of <u>April 30, 2023</u>
Lease Liability				
Buildings				
Denton Assistance Center	\$ -	\$ 11,182	\$ 564	\$ 10,618
Collin County Health Care Foundation	36,300	-	6,987	29,313
Total Building Lease Liability	36,300	11,182	7,551	39,931
Equipment				
Toshiba Copiers	32,294	-	16,403	15,891
Toshiba Copier	4,792	-	2,137	2,655
Total Equipment Lease Liability	37,086	-	18,540	18,546
Total Lease Liability	<u>\$ 73,386</u>	<u>\$ 11,182</u>	<u>\$ 26,091</u>	<u>\$ 58,477</u>

Amount of Lease Assets by Major Classes of Underlying Asset

	<u>As of Fiscal Year-end</u>	
<u>Asset Class</u>	<u>Net Lease Asset Value</u>	<u>Accumulated Amortization</u>
Buildings	\$ 47,482	\$ 8,311
Equipment	37,086	19,061
Total Leases	<u>\$ 84,568</u>	<u>\$ 27,372</u>

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (Continued)

Leases (continued)

Principal and Interest Requirements to Maturity

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 31,642	\$ 3,044
2025	12,580	1,416
2026	8,355	733
2027	5,900	156
	<u>\$ 58,477</u>	<u>\$ 5,349</u>

Retirement Plan

At April 30, 2023, substantially all employees were participants in the Texoma Council of Governments Employee Retirement Plan (the "Plan") administered by a corporate trustee, International City Management Association Retirement Corporation (ICMA-RC). The Plan is a defined contribution plan, which has been approved by the Internal Revenue Service for qualification under IRC Section 401(a), and provides retirement and death benefits based on a participant's vested interest. The Plan has a fiscal year-end of September 30. Employer contributions are 7% of participants' defined compensation, and participants are required to contribute 3% of their defined compensation. Employees may make voluntary after-tax contributions subject to certain limitations. Participants immediately vest in mandatory contributions, plus actual earnings thereon.

Vesting in Council contributions is based on years of continuous service according to a schedule, which provides full vesting at the end of seven years. The Plan investments are stated at fair value. Investments in securities traded on a national securities exchange are valued daily at the last quoted sales price on the day valuations are made. Other equity securities which are not traded on a particular day are reported at the last reported bid price. Debt securities are valued at a price deemed to best reflect fair value. The Council's total payroll in fiscal year 2023 was \$2,296,668 and the Council's contributions were based on a payroll of \$2,069,966. Total contributions of \$209,687 were made for the year, which consisted of \$144,928 employer contributions and \$64,759 of required employee contributions.

Deferred Compensation Plan and ROTH IRA

The Council has an agreement with the ICMA-RC to provide a deferred compensation plan in accordance with the Internal Revenue Code, Section 457, on a voluntary basis to fulltime employees. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement, or for an unforeseeable emergency. The Council makes no contributions to the plan. In accordance with federal law, a trust fund was established for the deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Council but are held in a trust, the deferred compensation assets and related liabilities are not reported

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (Continued)

Deferred Compensation Plan and ROTH IRA (continued)

in the Council's financial statements. The Council's only responsibilities are to submit participant payroll deductions and enrollment change forms to the plan administrator (ICMA-RC). Other than reviewing quarterly statements for accuracy, the Council has no other fiduciary responsibility. GASB 97 does not apply to the plan. Investments are managed by the Plan's trustee. The choice of the investment option is made by the employee. TCOG employees did not contribute into the Plan during fiscal year 2023. The Council has an option to invest in a ROTH IRA plan, as well, which is also not subject to GASB 97. TCOG employees contributed a total amount of \$480 to the ROTH IRA investment option during the fiscal year.

Interfund Balances and Transfers

The following tables reflect the interfund balances at April 30, 2023. These are done to assist the funds with operations during the year and will be repaid as soon as practical, but are expected to be repaid within the next operating year.

	<u>Due From</u>	<u>Due To</u>
General	\$ -	\$ 508,557
HUD	-	47,401
CSEC	-	486,296
TDHCA	928,862	-
TDHHS	-	39,970
Other	186,611	33,249
	<u>\$ 1,115,473</u>	<u>\$ 1,115,473</u>

Operating transfers are as follows:

	<u>Transfers From</u>	<u>Transfers To</u>
General	\$ (54,253)	\$ -
HUD	-	54,253
	<u>\$ (54,253)</u>	<u>\$ 54,253</u>

Fund Deficit

The Commission on State Emergency Communications had a fund deficit at April 30, 2023 of \$110,028. All deficits are due to not receiving local funds by fiscal year end and will be funded by the end of the grant cycle.

Commitments and Contingencies

Certain expenditures in the Aging Programs are contracted out to other governments or local agencies to perform the specific services set forth in the grant agreements. The Council disburses grant funds to the subcontractors based on monthly expenditures and performance reports received from each agency.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to Financial Statements (continued)

April 30, 2023

3. DETAILED NOTES ON ALL FUNDS (Continued)

Commitments and Contingencies (continued)

Subcontractors are required to have an annual independent audit. The Council requires each agency to submit a copy of the audit reports. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed or questioned cost either from the Council or the delegate agency.

The Council generally has the right of recovery from the subcontractors. The Council participates in numerous federal and state assisted grant programs. Under the terms of these grants, the Council is subject to program compliance audits by the grantors or their representatives. Accordingly, the Council's compliance with applicable grant requirements will be established at some future date. If future program compliance audits result in questioned or disallowed costs, reimbursements would have to be made to the grantor agencies. Accordingly, the amounts, if any, of expenditures that might be disallowed by the grantor agencies cannot be determined at this time; however, Council management believes such amounts, if any, would be immaterial.

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The Council manages these various risks of loss by purchasing commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Council.

Subsequent Events

As described in Note 3, the Council has received \$193,983 as of September 21, 2023 with \$54,265 expecting to be funded by October 2023.

Subsequent events have been evaluated through September 21, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Revenues and Expenditures by Object –
Special Revenue Funds
Year Ended April 30, 2023

	U.S Department of Housing and Urban Development	Corporation for National and Community Service	Economic Development Administration	Governor's Office Criminal Justice Division
REVENUES				
Federal	\$ 6,144,372	\$ 197,856	\$ 136,492	\$ -
State	-	34,683	-	69,100
Local and In-Kind	1,731	2,073	70,000	-
Interest Income	15,714	-	-	-
Total Revenues	<u>6,161,817</u>	<u>234,612</u>	<u>206,492</u>	<u>69,100</u>
EXPENDITURES				
Operational				
Direct Salaries	262,003	64,625	64,795	33,146
Benefit Program Costs	85,535	19,569	20,212	10,656
Indirect Costs	121,616	27,179	27,591	14,165
Travel	2,609	9,436	5,291	847
Supplies	10,550	2,691	1,218	8,229
Contracted Services	5,320	3,949	8,211	-
Capital Outlay	-	-	-	-
Professional Services	-	-	-	-
Other Direct Costs	17,687	104,949	2,649	1,918
Client Services				
Subcontracts	-	-	21,525	-
In-Kind Services	-	-	55,000	-
Other	5,551,562	1,095	-	139
Debt Service				
Lease Financing Principal	-	-	-	-
Lease Financing Interest	-	-	-	-
Total Expenditures	<u>6,056,882</u>	<u>233,493</u>	<u>206,492</u>	<u>69,100</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 104,935</u>	<u>\$ 1,119</u>	<u>\$ -</u>	<u>\$ -</u>

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Revenues and Expenditures by Object –
Special Revenue Funds (continued)
Year Ended April 30, 2023

	Commission on State Emergency Communications	Texas Department of Housing and Community Affairs	Department of Emergency Management	Texas Department of Agriculture
REVENUES				
Federal	\$ -	\$ 9,684,144	\$ 206,026	\$ -
State	1,276,355	-	18,852	10,117
Local and In-Kind	1,750	125,804	51,000	-
Interest Income	16	-	-	-
Total Revenues	<u>1,278,121</u>	<u>9,809,948</u>	<u>275,878</u>	<u>10,117</u>
EXPENDITURES				
Operational				
Direct Salaries	108,119	545,951	47,696	4,341
Benefit Program Costs	34,774	196,760	14,091	1,297
Indirect Costs	46,107	240,445	19,953	1,821
Travel	18,344	18,989	-	-
Supplies	8,976	86,408	20,269	-
Contracted Services	-	2,952	-	-
Capital Outlay	-	11,182	-	-
Professional Services	-	22,681	-	-
Other Direct Costs	7,898	7,827,466	9,074	2,658
Client Services				
Subcontracts	-	601,668	5,513	-
In-Kind Services	-	-	-	-
Other	1,093,711	217,762	130,404	-
Debt Service				
Lease Financing Principal	-	7,551	-	-
Lease Financing Interest	-	2,101	-	-
Total Expenditures	<u>1,317,929</u>	<u>9,781,916</u>	<u>247,000</u>	<u>10,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (39,808)</u>	<u>\$ 28,032</u>	<u>\$ 28,878</u>	<u>\$ -</u>

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Revenues and Expenditures by Object –
Special Revenue Funds (continued)
Year Ended April 30, 2023

	Department of Health and Human Services	Texas Commission on Environmental Quality	Office of the Governor	Total
REVENUES				
Federal	\$ 1,748,054	\$ -	\$ -	\$ 18,116,944
State	440,083	111,828	1,072,047	3,033,065
Local and In-Kind	663,724	2,600	-	918,682
Interest Income	-	-	-	15,730
Total Revenues	<u>2,851,861</u>	<u>114,428</u>	<u>1,072,047</u>	<u>22,084,421</u>
EXPENDITURES				
Operational				
Direct Salaries	713,281	36,359	8,895	1,889,211
Benefit Program Costs	219,355	11,203	2,532	615,984
Indirect Costs	301,073	15,364	3,690	819,004
Travel	24,482	1,572	113	81,683
Supplies	12,728	618	272	151,959
Contracted Services	31,408	-	-	51,840
Capital Outlay	-	-	-	11,182
Professional Services	1,502,049	-	-	1,524,730
Other Direct Costs	5,719	46,313	1,056,545	9,082,876
Client Services				
Subcontracts	6,000	-	-	634,706
In-Kind Services	36,934	-	-	91,934
Other	-	-	-	6,994,673
Debt Service				
Lease Financing Principal	-	-	-	7,551
Lease Financing Interest	-	-	-	2,101
Total Expenditures	<u>2,853,029</u>	<u>111,429</u>	<u>1,072,047</u>	<u>21,959,434</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (1,168)</u>	<u>\$ 2,999</u>	<u>\$ -</u>	<u>\$ 124,987</u>

TEXOMA COUNCIL OF GOVERNMENTS

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)
Financial Data Schedules (FDS)
Schedule I: Balance Sheet
April 30, 2023

PHA CODE:	TX542 Fiscal Year End date: 12/31/2022
PHA NAME:	Texoma Council of Governments
SUBMISSION TYPE:	Audited/Uniform Guidance
PROGRAM NAME:	Housing Choice Vouchers

Line Item #	Description	<u>HCV Total</u>
Assets		
Current Assets Cash:		
111	Cash-Unrestricted	\$ 618,557
113	Cash - Other Restricted	132,980
100	Total Cash	<u>751,537</u>
150	Total Current Assets	<u>751,537</u>
290	Total Assets and Deferred Outflows of Resources	<u><u>\$ 751,537</u></u>
Liabilities and Equity		
Liabilities		
Current Liabilities		
312	Accounts Payable <= 90 Days	\$ 514,658
310	Total Current Liabilities	<u>514,658</u>
353	Non-current Liabilities - Other	110,479
350	Total Non-current Liabilities	<u>110,479</u>
300	Total Liabilities	<u><u>625,137</u></u>
Equity		
511.4	Restricted Net Position	22,501
512.4	Unrestricted Net Position	103,899
513	Total Equity - Net Assets/Position	<u><u>126,400</u></u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position	<u><u>\$ 751,537</u></u>

TEXOMA COUNCIL OF GOVERNMENTS

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)
Financial Data Schedules (FDS)
Schedule II: Income Statement
April 30, 2023

PHA CODE: TX542 Fiscal Year End date: 12/31/2022
PHA NAME: Texoma Council of Governments
SUBMISSION TYPE: Audited/Uniform Guidance
PROGRAM NAME: Housing Choice Vouchers

Line Item #	Description	HCV Total
Revenue		
70600	HUD PHA Operating Grants	\$ 5,147,409
72000	Investment Income - Restricted	25
70000	Total Revenue	5,147,434
Expenses Administrative		
91100	Administrative Salaries	136,444
91200	Auditing Fees	5,320
91500	Employee Benefit Contributions - Administrative	45,368
91600	Office Expenses	45,650
91800	Travel	2,629
91810	Allocated Overhead	105,640
91000	Total Operating - Administrative	341,051
Expenses - Tenant Services		
92100	Tenant Services - Salaries	113,879
92300	Employee Benefit Contributions - Tenant Services	40,212
92500	Total Tenant Services	154,091
96900	Total Operating Expenses	495,142
97000	Excess of Operating Revenue over Operating Expenses	4,652,292
97300	Housing Assistance Payments	4,571,238
90000	Total Expenses	5,066,380
10200	Operating Transfers Out	(15,722)
10100	Total Other Financing Sources (Uses)	(15,722)
10000	Excess of Total Revenue over Total Expenses	\$ 65,332
Memo Account Information		
Excess (Deficiency) of Total Revenue over (Under) Total		
10000	Expenses	\$ 65,332
11030	Beginning Equity	\$ 61,068
11170	Administrative Fee Equity	\$ 103,899
11180	Housing Assistance Payments Equity	\$ 22,501
11190	Unit Months Available	11,442
11210	Number of Unit Months Leased	7,974

SINGLE AUDIT SECTION

**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 Board of Directors
Texoma Council of Governments
Sherman, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Texoma Council of Governments (the Council) as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated September 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 Board of Directors
Texoma 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Plano, Texas
September 21, 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 STATE OF TEXAS GRANT MANAGEMENT STANDARDS**

To the Board of Directors
Texoma Council of Governments
Sherman, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Texoma Council of Governments' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the Texas Grant Management Standards that could have a direct and material effect on each of the Council's major federal and state programs for the year ended April 30, 2023. The Council'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, the Council 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 April 30, 2023.

Basis for Opinion on Each Major Federal 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*); 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, the Uniform Guidance and 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 the Council 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 the Council'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 the Council's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council'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 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 the Council's 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 the Council'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 the Council'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 the Council'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Texas Grant Management Standards and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal and state program is not modified with respect to these matters. The Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

To the Board of Directors
Texoma Council of Governments

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 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 or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

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 Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

Plano, Texas
September 21, 2023

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Expenditures of Federal and State Awards
Year Ended April 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Expenditures
Federal Awards			
U.S. Department of Commerce			
Pass-Through Economic Development Administration			
Economic Development - Support for Planning Organizations	11.302	ED21AUS3020004	\$ 157,967
Economic Adjustment Assistance	11.307	ED20AUS3040045	48,525
<i>Total Economic Development Cluster (ALN 11.307)</i>			48,525
Total U. S. Department of Commerce			206,492
U. S. Department of Housing and Urban Development			
Direct Programs:			
Office of Public and Indian Housing			
Section 8 Housing Choice Vouchers 2022	14.871	TX542FSH505A015	3,887,680
Section 8 Housing Choice Vouchers 2023	14.871	TX542FSH505A015	2,179,466
<i>Total Housing Voucher Cluster (ALN 14.871)</i>			6,067,146
Total U. S. Department of Housing and Urban Development			6,067,146
U.S. Department of Energy			
Pass-Through Texas Department of Housing and Community Affairs			
Weatherization Assistance for Low-Income Persons (DOE)	81.042	56210003523	59,196
Weatherization Assistance for Low-Income Persons (DOE)	81.042	56220003770	142,893
<i>Total ALN 81.042</i>			202,089
Total U.S. Department of Energy			202,089
U.S Department of Health and Human Services			
Pass-Through Texas Department of Housing and Community Affairs			
Comprehensive Energy Assistance Program American Rescue Plan	93.568	25210003557	1,953,614
Comprehensive Energy Assistance Program	93.568	58220003597	4,093,285
Comprehensive Energy Assistance Program	93.568	58230003847	2,350,219
Low-Income Home Energy Assistance	93.568	81220003620	481,635
Low-Income Home Energy Assistance	93.568	81230003888	157,871
<i>Total ALN 93.568</i>			9,036,624
CSBG Discretionary	93.569	61220003928	17,187
CSBG Discretionary	93.569	61220003963	2,490
Community Services Block Grant (CSBG)	93.569	61220003659	159,247
Community Services Block Grant (CSBG)	93.569	61230003812	102,835
<i>Total ALN 93.569</i>			281,759
Low Income Household Water Assistance Program CAA (LIHWAP_CAA)	93.499	34210003695	167,688
Pass-Through Texas Health and Human Services Commission			
Administration for Community Living			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	HHS000874100027	311,506
American Rescue Plan for Supportive Services under Title III-B of the Older Americans Act	93.044	HHS000874100027	221,451
Expanding the Public Health Workforce within the Aging Network for States (STPH)	93.044	HHS000874100027	44,256
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	HHS000874100027	292,367
Special Programs for the Aging - Title III, Part C2 -Consolidated Appropriations Title III C2	93.045	HHS000874100027	14,910
American Rescue Plan for Supportive Services under Title III-C of the Older Americans Act	93.045	HHS000874100027	156,416
Nutrition Services Incentive Program	93.053	HHS000874100027	150,524
<i>Total Aging Cluster (ALN 93.044, 93.045 and 93.053)</i>			1,191,430

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended April 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title Federal Awards (continued)	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Expenditures
U.S Department of Health and Human Services (continued)			
Pass-Through Texas Health and Human Services Commission (continued)			
Administration for Community Living (continued)			
Special Program for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	HHS000874100027	2,071
Special Programs for the Aging - Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042	HHS000874100027	29,542
American Rescue Plan for Ombudsman Program under Title VII of the Older Americans Act	93.042	HHS000874100027	5,251
Total ALN 93.042			<u>34,793</u>
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	HHS000874100027	6,312
American Rescue Plan for Disease Prevention and Health Promotion under Title III-D of the Older Americans Act	93.043	HHS000874100027	42
Total ALN 93.043			<u>6,354</u>
No Wrong Door: COVID-19 Vaccine Access Carryforward	93.048	HHS000270200004	498
No Wrong Door: Critical Relief Funds for COVID-19 Pandemic Response Carryforward (Cares Act funds)	93.048	HHS000270200004	530
Total ALN 93.048			<u>1,028</u>
National Family Caregiver Support Program, Title III, Part E	93.052	HHS000874100027	60,954
American Rescue Plan for Preventive Health under Title III-E of the Older Americans Act	93.052	HHS000874100027	30,708
Total ALN 93.052			<u>91,662</u>
State Health Insurance Assistance Program	93.324	HHS000874100027	32,532
Medicare Enrollment Assistance Program	93.071	HHS000874100027	5,643
Medicare Improvements for Patients and Providers Act (MIPPA)	93.071	HHS000270200004	2,628
Total ALN 93.071			<u>8,271</u>
Texas Lifespan Respite Care Program RITE Federal	93.072	HHS000270200004	4,494
Aging And Disability Resource Center			
Money Follows the Person Rebalancing Demonstration	93.791	HHS000874100027	35,235
Local Contact Agency, Money Follows the Person Demonstration	93.791	HHS000874100027	3,442
Total ALN 93.791			<u>38,677</u>
Operations Information and Referral Services			
Temporary Assistance for Needy Families	93.558	HHS000979200005	13,966
Temporary Assistance for Needy Families	93.558	HHS000979200005	26,776
Total ALN 93.558			<u>40,742</u>
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	HHS000979200005	13,966
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	HHS000979200005	26,775
Total ALN 93.566			<u>40,741</u>
Children's Health Insurance Program	93.767	HHS000979200005	13,966
Children's Health Insurance Program	93.767	HHS000979200005	26,775
Total ALN 93.767			<u>40,741</u>
Grants to States for Operation of Qualified High-Risk Pools	93.780	HHS000979200005	13,966
Grants to States for Operation of Qualified High-Risk Pools	93.780	HHS000979200005	26,775
Total ALN 93.780			<u>40,741</u>

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended April 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title Federal Awards (continued)	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Expenditures
U.S Department of Health and Human Services (continued)			
Pass-Through Texas Health and Human Services Commission (continued)			
Child Care Information and Referral Services			
Child Care and Development Block Grant	93.575	HHS0009792000005	2,770
<i>Total Child Care and Development Fund Cluster (ALN 93.575)</i>			<u>2,770</u>
Total U.S. Department of Health and Human Services			11,063,118
U. S. Department of Agriculture			
Pass-Through Texas Health and Human Services Commission			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HHS0009792000005	13,966
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HHS0009792000005	26,775
<i>Total Supplemental Nutrition Assistance Program Cluster (ALN 10.561)</i>			<u>40,741</u>
Total U. S. Department of Agriculture			40,741
Corporation for National and Community Service			
Direct Programs:			
Retired and Senior Volunteer Program	94.002	22SRGT002	48,990
Foster Grandparent Program	94.011	21SF00002	150,940
<i>Total Foster Grandparent/Senior Companion Center Cluster (ALN 94.011)</i>			<u>150,940</u>
Total Corporation for National and Community Service			199,930
U. S. Department of Homeland Security			
Pass-Through Office of the Governor			
Homeland Security Grant Program	97.067	2969007	50,806
Homeland Security Grant Program	97.067	2969008	9,542
Homeland Security Grant Program	97.067	4299601	18,000
Homeland Security Grant Program	97.067	3124105	19,266
Homeland Security Grant Program	97.067	4298901	6,454
Homeland Security Grant Program	97.067	3124106	56,441
Homeland Security Grant Program	97.067	4298902	15,000
Homeland Security Grant Program	97.067	4297902	15,243
<i>Total ALN 97.067</i>			<u>190,752</u>
Total U.S. Department of Homeland Security			190,752
U. S. Department of Justice, Office of Justice Program, Bureau of Justice Assistance			
Pass-Through Office of the Governor			
CV-Coronavirus Emergency Supplemental Funding	16.034	4355901	15,805
Total U.S. Department of Justice, Office of Justice Program, Bureau of Justice Assistance			15,805
Total Expenditures of Federal Awards			\$ 17,986,073

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended April 30, 2023

State Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Expenditures
State Awards		
Governor's Division of Emergency Management		
State Homeland Security Interlocal	PO#22-00531	\$ 23,100
State Homeland Security Interlocal	PO#22-00531	12,373
RI21 PY21 Statewide Emergency Radio Infrastructure	4034601	1,058,646
RI21 PY22 Statewide Emergency Radio Infrastructure	4034602	13,401
Total Governor's Division of Emergency Management		1,107,520
Governor's Division of Criminal Justice Division		
Regional Criminal Justice Coordination	PO#22-00531	101,879
Total Governor's Division of Criminal Justice Division		101,879
Commission on State Emergency Communications		
Emergency 911 - 2020/2021	N/A	357,065
Emergency 911 - 2021/2022	N/A	201,902
Emergency 911 - 2022/2023	N/A	756,987
Total Commission on State Emergency Communications		1,315,954
Texas Commission on Environmental Quality		
Municipal Solid Waste	582-20-10225	106,577
Total Texas Commission on Environmental Quality		106,577
Texas Health and Human Services Commission		
State General Revenue	539-16-0008-00001	128,604
State General Revenue HDM Rate Increase	539-16-0008-00001	7,395
SGR Assisted Living Facility (ALF)	539-16-0008-00001	16,576
<i>Total Grantor's Number 539-16-0008-0001</i>		<u>152,575</u>
ADRC SGR Operations	HHS000270200004	56,739
ADRC Promoting Independence	HHS000270200004	5,921
<i>Total Grantor's Number HHS000270200004</i>		<u>62,660</u>
211 Area Information Center Operations	HHS0009792000005	202,407
Total Texas Health and Human Services Commission		417,642
Corporation for National and Community Service		
Retired Senior Volunteer Program	HHS000871100037	25,874
Foster Grandparent Program	HHS000871100032	7,690
Total Corporation for National and Community Service		33,564
Texas Department of Agriculture		
Community and Economic Development Assistance Funds for Administrative and Technical Assistance Services	C719210	14,542
Community and Economic Development Assistance Funds for Administrative and Technical Assistance Services	C719210	8,053
<i>Total Grantor's Number C719210</i>		<u>22,595</u>
Total Texas Department of Agriculture		22,595
Total Expenditures of State Awards		3,105,731
Total Expenditures of Federal and State Awards		\$ 21,091,804

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Schedule of Expenditures of Federal and State Awards

Year Ended April 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of Texoma Council of Governments under programs of the federal and state government for the year ended April 30, 2023. The information in this Schedule is presented in accordance with the 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 Texas Grant Management Standards. Because the Schedule presents only a selected portion of the operations of Texoma Council of Governments, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Texoma Council of Governments.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Council accounts for all federal and state awards under programs of the federal and state government in the 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.

The modified accrual basis of accounting is used for these funds. 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 the Council, 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.

NOTE C – INDIRECT COST RATE

Texoma Council of Governments has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

TEXOMA COUNCIL OF GOVERNMENTS

Schedule of Findings and Questioned Costs

Year Ended April 30, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s reports issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None Noted

Noncompliance material to the financial statements noted? No

Federal and State Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? Yes, See #2023-001

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance and state awards as defined by the Texas Grant Management Standards? Yes

Identification of major federal programs:

Assistance Listing Number
93.568

Name of Federal Program or Cluster
Low-Income Home Energy Assistance

Identification of major state programs:

Name of State Program
Statewide Emergency Radio Infrastructure

Dollar threshold to distinguish between Type A and Type B programs:	Federal	\$750,000
	State	\$750,000

Auditee qualified as a low-risk auditee? Yes

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Findings and Questioned Costs (continued)
Year Ended April 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no current year findings.

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Findings and Questioned Costs (continued)
Year Ended April 30, 2023

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-001

Federal Agency: U.S. Department of Health and Human Services

Type of Finding: Significant deficiency and noncompliance in internal control over compliance
Noncompliance

Recurring: No

Compliance Requirement: Eligibility

Program Information: ALN 93.568 Low-Income Home Energy Assistance

Criteria: Internal control procedures affect an agency's ability to process Low-Income Home Energy Assistance (LIHEAP) client applications that are authorized and accurate. Management must establish and maintain effective internal control over compliance to provide reasonable assurance that financial reports are accurate and supported.

Condition: The 40 client files reviewed revealed eight (8) files containing inaccurate income determinations based on 10 TAC Rule §6.4 requirements. During the review two (2) files contained inaccurate income determinations that negatively impacted client eligibility and the amount of benefits received. This resulted in questioned costs.

Cause: The Energy Grant Department does not have sufficient procedures for determining and reviewing income determination calculations.

Effect: As a result of this condition, there are known and likely questioned costs and failure to meet eligibility requirements could lead to loss or return of funding.

Questioned Cost: Known questioned cost: \$2,200
Likely questioned cost: \$201,522

Recommendations: Management must update their income determination process ensuring that income calculations are calculated according to program rules and that it maintains awareness of specific program updates or changes. TCOG staff must comply with the program updates and/or changes and if necessary, request training from the Department's Community Affairs Division's training section

View of Responsible Officials: TCOG's management will address the matter identified as described in the corrective action plan.

**Corrective Action Plan
For the Year Ended April 30, 2023**

Corrective Action Plan: 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.”

As a part of this responsibility, TCOG’s corrective action plan is presented below based on the finding 2023-001 of the single-year audit:

- a. *Review of files:* Twenty to twenty-five files will be reviewed four times a year to assess compliance with local, state, and federal guidelines. Files will be randomly selected to ensure a representative sample.
- b. *Quality Control Check:* The quality control check will focus on examining the files for accuracy, completeness, and adherence to the established guidelines. Key areas of review will include eligibility criteria, documentation, financial information and program-specific requirements.
- c. *Responsibility:* The primary responsibility for conducting quality control checks lies with the Program Manager. The Program Manager will oversee the entire process including file selection, review, and reporting. The Energy Services Director will provide secondary oversight and support.

The Energy Services Director will conduct quality control checks of any eligibility performed by the Program Manager.

The quality control process will consist of the following steps:

- a. File selection will consist of a variety of case types and categories.
- b. File review will verify the accuracy and completeness of the application and eligibility information. The information will compare the contents of the file against the established guidelines to identify any inconsistencies or non-compliance.
- c. Compliance will assess each file’s compliance with local, state, and federal guidelines. They will document any issues or discrepancies found and assign appropriate corrective actions.
- d. Corrective actions for compliance issues identified during review will result in the development of an action plan for one or more staff members. The plan will include steps to rectify issues, assign responsibility, and set deadlines for resolution.
- e. Reporting of finding of each quality control check will be prepared and highlight noncompliance, recommendations for improvement and document corrective actions taken.

By implementing a Quality Control Plan, the program aims to address inconsistencies in file processing and ensure that all files related to the Comprehensive Energy Assistance Program (CEAP) comply with local, state and federal guidelines.

TEXOMA COUNCIL OF GOVERNMENTS
Schedule of Prior Year Findings and Questioned Costs
Year Ended April 30, 2023

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.