



**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2018**

ARK-TEX COUNCIL OF GOVERNMENTS

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ARK-TEX COUNCIL OF GOVERNMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ark-Tex Council of Governments
Texarkana, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Ark-Tex Council of Governments (the "Council"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

OFFICE LOCATIONS

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ark-Tex Council of Governments, as of September 30, 2018, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The combining nonmajor fund financial statements, the supplemental schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the supplemental schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 3, 2019

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Management's Discussion and Analysis

As management of the Ark-Tex Council of Governments, we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of Ark-Tex Council of Governments exceeded its liabilities as of September 30, 2018, by \$6,314,712 (net position).
- The Council's total net position increased by \$193,352.
- As of the close of the current fiscal year, Ark-Tex Council of Governments' governmental funds reported combined ending fund balances of \$4,905,848, a decrease of \$241,991 in comparison with the prior year.
- As of September 30, 2018, unassigned fund balance for the General Fund was \$3,350,472.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the 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 the Council's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Council's assets, deferred outflows (inflows) of resources, and liabilities with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The Statement of Activities presents information showing how the Council's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found on pages 10 – 11 of this report.

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

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

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

The Council maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Commission on State Emergency Communications Fund.

The Council’s Board approves a financial plan for revenue and expenditures in all funds. Although the financial plans are reviewed and approved by the Council’s Board, they are not considered legally adopted budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

The basic governmental fund financial statements can be found on pages 12 – 13 of this report.

Notes to the Financial Statements – The notes 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 beginning on page 15 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents other schedules that further support the information in the financial statements. The other schedules begin on page 30 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 Ark-Tex Council of Governments, assets and deferred outflows of resources exceeded liabilities by \$6,314,712 as of September 30, 2018.

A portion of the Council’s net position, \$1,342,761, reflects its net investment in capital assets (e.g., land and building and equipment). The Council uses these capital assets to provide services; consequently, these assets are not available for future spending. Another portion of the Council’s net position \$315,174 is restricted for federal and state programs. The remaining portion of the Council’s net position \$4,656,777 is unrestricted.

GOVERNMENT-WIDE NET POSITION

	Governmental Activities	
	2018	2017
Current assets	\$ 5,603,468	\$ 6,120,260
Capital assets	<u>1,863,103</u>	<u>1,530,341</u>
Total assets	<u>7,466,571</u>	<u>7,650,601</u>
Deferred outflows	<u>100,949</u>	<u>-</u>
Long-term liabilities	602,701	640,535
Other liabilities	<u>650,107</u>	<u>972,421</u>
Total liabilities	<u>1,252,808</u>	<u>1,612,956</u>
Net position:		
Net investment in capital assets	1,342,761	971,498
Restricted for federal and state programs	315,174	346,051
Unrestricted	<u>4,656,777</u>	<u>4,720,096</u>
Total net position	<u>\$ 6,314,712</u>	<u>\$ 6,037,645</u>

The following table provides a summary of the Council’s operations for the year ended September 30, 2018. Governmental activities increased the Council’s net position by \$193,352.

GOVERNMENT-WIDE CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 263,598	\$ 285,563
Operating grants and contributions	16,551,410	16,232,303
General revenues:		
Miscellaneous income	28,530	115,168
Investment earnings	55,559	43,432
Total revenues	16,899,097	16,676,466
Expenses:		
General government	1,058,682	767,909
Housing and urban development	7,405,654	7,079,836
Aging	1,786,632	1,907,477
Transportation	3,571,003	3,983,767
Emergency communications	2,425,167	2,735,355
Environmental quality	114,329	145,698
Homeland security	119,392	163,359
Criminal justice	205,157	218,131
Interest on long-term debt	19,729	25,289
Total expenses	16,705,745	17,026,821
Change in net position	193,352	(350,355)
Net position, beginning	6,037,645	6,388,000
Prior period adjustment	83,715	-
Net position, ending	\$ 6,314,712	\$ 6,037,645

The Council is approximately 100% percent funded by federal, state, and local grants and contributions, which determine funding for the region and the availability of services to be provided. During the current fiscal year, federal and state grant revenue increased \$319,107 (2%). The largest increases in grant revenue were in the Housing and Urban Development program (\$278,179) and the Texas Department of Transportation (\$780,659). The largest decrease in grant revenue was in the Commission on State Emergency Communications program (\$327,736). Total expenses decreased by \$321,076 (2%).

FINANCIAL ANALYSIS OF THE COUNCIL'S FUNDS

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

At the end of the current fiscal year, Ark-Tex Council of Governments' governmental funds reported combined ending fund balances of \$4,905,848. Approximately 68% of this total amount \$3,350,472 constitutes unassigned fund balance. The remainder of the fund balance \$1,555,376 is either nonspendable, restricted, committed, or assigned. Refer to page 12 of this report for a more detailed presentation of governmental fund balances and to pages 19-20 of this report for a more detailed description of fund balance classifications.

CAPITAL ASSETS

The Ark-Tex Council of Governments' investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$1,863,103 (net of accumulated depreciation). This investment in capital assets includes land, building and equipment. Capital assets as of the end of the current fiscal year included the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 273,500	\$ 273,500
Buildings	1,786,423	1,786,423
Equipment	4,643,846	3,882,122
Less: accumulated depreciation	<u>(4,840,666)</u>	<u>(4,411,704)</u>
Total capital assets	<u>\$ 1,863,103</u>	<u>\$ 1,530,341</u>

Additional information on the Council's capital assets can be found in Note 4, page 22 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Council had only one debt issue, a note payable issued in 2007 for the acquisition and renovation of the office at 4808 Elizabeth Street, Texarkana, Texas. At the close of the fiscal year, the Council owed \$520,342 on the note. Additional information on the Council's long-term debt can be found on page 21 of this report.

ECONOMIC FACTORS

The Ark-Tex Council of Governments is dependent on federal and state funding, which can vary widely from year to year. The federal and state economic condition and budget deficits can impact the reauthorization of funds available to local governments such as the Council.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Council's finances. If you have questions about this report or need any additional information, contact Melinda Tickle, Finance Manager, at:

Ark-Tex Council of Governments
4808 Elizabeth Street
Texarkana, Texas 75503
Telephone Number: (903) 832-8636
Email address: Mtickle@atcog.org

**BASIC
FINANCIAL STATEMENTS**

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ARK-TEX COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Primary Governmental Activities	Component Units	
		NETEDD	ATRDC
ASSETS			
Cash and investments	\$ 3,147,049	\$ 891,029	\$ 23,800
Receivables:			
Grantors	976,645	-	-
Notes receivable	1,186,288	337,688	-
Other	6,258	-	-
Prepaid items	2,485	-	-
Net pension asset	47,513		
Under allocated indirect costs and employee benefits	(187,930)		
Due from component units	194,726	-	3,932
Due from Texarkana Urban Transit District	230,434	-	-
Capital assets:			
Land	273,500	-	-
Buildings	1,786,423	-	-
Equipment	4,643,846	-	-
Less: accumulated depreciation	(4,840,666)	-	-
Total capital assets	<u>1,863,103</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>7,466,571</u>	 <u>1,228,717</u>	 <u>27,732</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>100,949</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>100,949</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	184,189	-	-
Due to primary government/ Component Unit	-	198,658	-
Accrued liabilities	66,584	-	-
Unearned revenue	399,334	-	-
Due within one year:			
Note payable	37,966	-	-
Compensated absences	82,359	-	-
Due in more than one year:			
Note payable	482,376	-	-
Total liabilities	<u>1,252,808</u>	<u>198,658</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,342,761	-	-
Restricted for federal and state programs	315,174	1,030,059	-
Unrestricted	<u>4,656,777</u>	<u>-</u>	<u>27,732</u>
 Total net position	 <u>\$ 6,314,712</u>	 <u>\$ 1,030,059</u>	 <u>\$ 27,732</u>

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

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ARK-TEX COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues		Primary Government	Component Units	
				Charges for Services	Operating Grants and Contributions	Governmental Activities	NETEDD	ATRDC
Primary government								
Governmental activities:								
General government	\$ 1,043,670	\$ 15,012	\$ 1,058,682	\$ 49,849	\$ 751,805	\$(257,028)	\$ -	\$ -
Housing and urban development	7,285,925	119,729	7,405,654	26,718	7,390,286	11,350	-	-
Aging	1,682,595	104,037	1,786,632	20,124	1,780,633	14,125	-	-
Transportation	3,144,107	426,896	3,571,003	83,716	3,845,842	358,555	-	-
Emergency communications	2,325,300	99,867	2,425,167	22,289	2,405,976	3,098	-	-
Environmental quality	97,055	17,274	114,329	-	115,630	1,301	-	-
Homeland security	103,184	16,208	119,392	-	115,933	(3,459)	-	-
Criminal justice	187,712	17,445	205,157	60,902	145,305	1,050	-	-
Indirect costs	849,236	(849,236)	-	-	-	-	-	-
Interest on long-term debt	19,729	-	19,729	-	-	(19,729)	-	-
Total governmental activities	<u>16,738,513</u>	<u>(32,768)</u>	<u>16,705,745</u>	<u>263,598</u>	<u>16,551,410</u>	<u>109,263</u>	<u>-</u>	<u>-</u>
Component units								
NETEDD	86,361	16,448	102,809	15,054	80,072	-	(7,683)	-
ATRDC	<u>103,787</u>	<u>16,320</u>	<u>120,107</u>	<u>91,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,858)</u>
Total component units	<u>\$ 190,148</u>	<u>\$ 32,768</u>	<u>\$ 222,916</u>	<u>\$ 106,303</u>	<u>\$ 80,072</u>	<u>-</u>	<u>(7,683)</u>	<u>(28,858)</u>
General revenues:								
Unrestricted investment earnings						55,559	7,640	678
Miscellaneous						<u>28,530</u>	<u>-</u>	<u>-</u>
Total general revenues						<u>84,089</u>	<u>7,640</u>	<u>678</u>
Change in net position						193,352	(43)	(28,180)
Net position - beginning						<u>6,037,645</u>	<u>1,030,102</u>	<u>55,912</u>
Prior period adjustment						83,715		
Net position - ending						<u>\$ 6,314,712</u>	<u>\$ 1,030,059</u>	<u>\$ 27,732</u>

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

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ARK-TEX COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	General	Commission on State Emergency Communications	Total Governmental Funds
ASSETS			
Cash and investments	\$ 2,508,506	\$ 638,543	\$ 3,147,049
Receivables:			
Grantors	975,101	1,544	976,645
Notes	1,186,288	-	1,186,288
Other	6,258	-	6,258
Prepaid items	2,485	-	2,485
Due from other funds	302,400	-	302,400
Under (over) allocated indirect costs and employee benefits	(187,930)	-	(187,930)
Due from component unit	194,726	-	194,726
Due from Texarkana Urban Transit District	230,434	-	230,434
Total assets	5,218,268	640,087	5,858,355
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	184,189	-	184,189
Accrued liabilities	66,584	-	66,584
Due to other funds	-	302,400	302,400
Unearned revenue	61,647	337,687	399,334
Total liabilities	312,420	640,087	952,507
Fund balances:			
Nonspendable	2,485	-	2,485
Restricted for:			
Housing and Urban Development	315,174	-	315,174
Committed for Chapman Revolving Loan Fund	622,663	-	622,663
Assigned for:			
ETRAP/RBEG Revolving Loan Fund	563,625	-	563,625
Criminal Justice	51,429	-	51,429
Unassigned	3,350,472	-	3,350,472
Total fund balances	4,905,848	-	4,905,848
Total liabilities and fund balances	\$ 5,218,268	\$ 640,087	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,863,103

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

(454,239)

Net position of governmental activities

\$ 6,314,712

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

ARK-TEX COUNCIL OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General</u>	<u>Commission on State Emergency Communications</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal	\$ 11,518,950	\$ -	\$ 11,518,950
State	1,073,455	2,395,501	3,468,956
Local	1,623,380	22,289	1,645,669
Program income	103,840	-	103,840
Membership dues	49,849	-	49,849
Investment income	72,828	10,475	83,303
Miscellaneous	<u>28,530</u>	<u>-</u>	<u>28,530</u>
Total revenues	<u>14,470,832</u>	<u>2,428,265</u>	<u>16,899,097</u>
EXPENDITURES			
Current:			
General government	1,000,346	-	1,000,346
Housing and urban development	7,426,695	-	7,426,695
Aging	1,801,044	-	1,801,044
Transportation	3,991,365	-	3,991,365
Emergency communications	-	2,428,265	2,428,265
Environmental quality	114,976	-	114,976
Homeland security	114,363	-	114,363
Criminal justice	205,804	-	205,804
Debt service:			
Principal	38,501	-	38,501
Interest	<u>19,729</u>	<u>-</u>	<u>19,729</u>
Total expenditures	<u>14,712,823</u>	<u>2,428,265</u>	<u>17,141,088</u>
NET CHANGE IN FUND BALANCES	<u>(241,991)</u>	<u>-</u>	<u>(241,991)</u>
FUND BALANCE, BEGINNING	<u>5,147,839</u>	<u>-</u>	<u>5,147,839</u>
FUND BALANCE, ENDING	<u>\$ 4,905,848</u>	<u>\$ -</u>	<u>\$ 4,905,848</u>

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

ARK-TEX COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds:	\$(241,991)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	332,762
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net position	38,501
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>64,080</u>
Change in net position of governmental activities	<u><u>\$ 193,352</u></u>

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ARK-TEX COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ark-Tex Council of Governments (the “Council”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the Council.

A. Description of the Reporting Entity

The Ark-Tex Council of Governments (the “Council”) is a political subdivision organized under the statutes of the States of Arkansas and Texas, and is actively engaged in obtaining and administering various contracts and grants from state and federal agencies.

The accompanying financial statements present the Council and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

The Ark-Tex Regional Development Company, Inc. (ATRDC) was created for the purpose of furthering the economic development and social welfare of its member counties by promoting and assisting the growth and development of business concerns, including small business concerns, in the area.

The North East Texas Economic Development District (NETEDD) was created to formulate, develop and administer a program for long-range economic growth in order to improve economic conditions in the District.

Both ATRDC and NETEDD are part of the Council’s financial reporting entity because of the significant influence the Council holds over the programs, projects, and activities of each entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by intergovernmental revenue.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

Governmental 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.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue, state financial assistance, 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 Council's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Commission on State Emergency Communications Fund** is used to account for the activities of grants received from the Commission on State Emergency Communications that are legally restricted to expenditure for specified purposes.

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. Employee Benefits Allocation Plan

Employee benefits are allocated to grants on a percentage determined by dividing the total estimated employee benefit costs by the estimated chargeable salaries (total salaries less release time for vacation, sick leave and holiday).

The budgeted rate for the fiscal year ended September 30, 2018, was 49.5% and the actual rate was 49.5%.

The cumulative difference between actual and allocated employee benefits at September 30, 2018, was an over-allocation of \$359,830. The Council's approved benefits allocation plan provides for carryforward adjustments in the second subsequent year for under or over-allocations of actual employee benefit costs. The financial statements therefore reflect under-allocations as an asset and over-allocations as a liability.

F. Indirect Cost Allocation

The indirect cost allocation plan of the Council charges indirect costs to grants on a percentage determined by dividing the estimated indirect costs for the period by the estimated total direct personnel costs. Total direct personnel costs include direct charge salaries and related employee benefits determined in accordance with the employee benefit allocation plan described above. Direct charges for space costs, printing and reproduction, telephone, postage and related equipment rental are made to the applicable grants.

The budgeted allocation rate for the fiscal year ended September 30, 2018, was 26% and the actual rate was 24.7%. The difference resulted in a cumulative under-allocation of indirect costs at September 30, 2018, of \$171,900. Consistent with the benefits allocation plan described earlier, the allocation differences are reflected as an asset or liability in the financial statements.

G. Assets, Liabilities and Net Position or Equity

Cash and Investments

Cash and equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents in the Council's financial statements include amounts in demand deposits and certificates of deposits. Interest is distributed according to each fund's relative percentage of the total pool.

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, bankers' acceptances, commercial paper, mutual funds, investment pools and repurchase agreements with underlying collateral of government securities. The Council currently has no investments.

Grants Receivable

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2018.

Interfund Receivables and Payables

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.”

Unearned Revenue

Unearned revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2018.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the primary government are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	15 - 20
Equipment	3 - 7

Compensated Absences

Employees earn ten (10) days of vacation per year during the first 5 years of service. From 6 to 9 full years of service, an employee earns 12 ½ days of vacation per year. During service years 10 until separation or retirement, employees accrue 15 days of vacation annually. Employees will be paid for accrued vacation upon voluntary termination of employment provided they have been in a permanent fulltime position for six months or more.

Regular fulltime employees are entitled to accrue 9 days of paid sick leave per year. At the time an employee’s sick leave balance reaches maximum accrual (480 hours), the employee will not accrue any further sick leave nor will the employee be compensated for any excess.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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, then assigned funds, and finally unassigned funds.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Council is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the Council's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$332,762 difference are as follows:

Capital outlay	\$ 781,906
Depreciation expense	<u>(449,144)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 332,762</u>

3. BUDGETARY INFORMATION

The Board approves budgets for revenue and expenditures in all governmental funds. Budgets are made on a project (grant) basis, spanning more than one year. Appropriations for all projects lapse at the end of a contract period, which may not coincide with the fiscal year-end of ATCOG. Although the budgets are reviewed and approved by ATCOG’s Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, budgetary information is not presented in this report.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Council to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the Council to invest in (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the Council to have independent auditors perform test procedures related to investment practices as provided by the Act. The Council is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the **Public Funds Investment Act**, the Council has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the Council's deposit may not be returned to it. As of September 30, 2018, the Council's deposit balance was fully collateralized with securities held by the pledging financial institution in the Council's name or by FDIC insurance.

Credit Risk: It is the Council's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

Concentration of Credit Risk: Preservation and safety of principal shall be ensured through the allocation and diversification of portfolio consistent with the Council's investment policy, state and federal regulations and prudent investment practices. Only those securities allowed by the Council's investment policy and the Public Funds Investment Act of 1987 shall be purchased as part of the Fund's portfolio.

Long-term Debt

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Note payable	\$ 558,843	\$ -	\$(38,501)	\$ 520,342	\$ 37,966
Compensated absences	<u>81,692</u>	<u>128,277</u>	<u>(127,610)</u>	<u>82,359</u>	<u>82,359</u>
Governmental activities long-term liabilities	<u>\$ 640,535</u>	<u>\$ 128,277</u>	<u>\$(166,111)</u>	<u>\$ 602,701</u>	<u>\$ 120,325</u>

Typically, all governmental funds assist in liquidating the leave time liability based on corresponding personnel costs.

Annual debt service requirements to maturity for notes payable are as follows:

Fiscal Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2019	\$ 37,966	\$ 20,709	\$ 58,675
2020	43,240	20,770	64,010
2021	45,226	18,783	64,009
2022	47,304	16,705	64,009
2023	49,477	14,532	64,009
2024-2028	<u>297,129</u>	<u>36,405</u>	<u>333,534</u>
Total	<u>\$ 520,342</u>	<u>\$ 127,904</u>	<u>\$ 648,246</u>

Capital Assets

Primary government capital asset activity for the year ended September 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 273,500	\$ -	\$ -	\$ 273,500
Total capital assets, not being depreciated	<u>273,500</u>	<u>-</u>	<u>-</u>	<u>273,500</u>
Capital assets, being depreciated:				
Buildings	1,786,423	-	-	1,786,423
Furniture, fixtures and equipment	<u>3,882,122</u>	<u>781,906</u>	<u>(20,182)</u>	<u>4,643,846</u>
Total capital assets, being depreciated	<u>5,668,545</u>	<u>781,906</u>	<u>(20,182)</u>	<u>6,430,269</u>
Less: accumulated depreciation for:				
Buildings	(908,157)	(105,161)	-	(1,013,318)
Furniture, fixtures and equipment	<u>(3,503,547)</u>	<u>(343,983)</u>	<u>20,182</u>	<u>(3,827,348)</u>
Total accumulated depreciation	<u>(4,411,704)</u>	<u>(449,144)</u>	<u>20,182</u>	<u>(4,840,666)</u>
Total capital assets being depreciated, net	<u>1,256,841</u>	<u>332,762</u>	<u>-</u>	<u>1,589,603</u>
Governmental activities capital assets, net	<u>\$ 1,530,341</u>	<u>\$ 332,762</u>	<u>\$ -</u>	<u>\$ 1,863,103</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 60,906
Housing and urban development	8,745
Transportation	367,203
Emergency communications	6,614
Homeland security	<u>5,676</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 449,144</u></u>

Defined Benefit Pension Plan

Plan Description

The Council participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>101</u>
	<u>118</u>

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer’s governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer’s plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the Council were required to contribute 4% of their annual gross earnings during the fiscal year. The contribution rates for the Council were 4% in calendar years 2017 and 2018, respectively. The Council’s contributions to TCDRS for the year ended September 30, 2018, were \$129,422 and equal to the required contributions.

Net Pension Liability/ (Asset)

The Council’s Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	1.0% per year
Investment rate of return	8.0%, net of administration and investment expenses, including inflation

The Council has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the Council may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2018 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net)	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI EM Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P /LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Index	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95% per Cliffwater's 2018 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	178,488	-	178,488
Interest on total pension liability ⁽¹⁾	14,422	-	14,422
Effect of economic/demographic gains or losses	1,080	-	1,080
Effect of assumptions changes or inputs	566	-	566
Refund of contributions	(889)	(889)	-
Benefit payments	-	-	-
Administrative expenses	-	(160)	160
Member contributions	-	117,659	(117,659)
Net investment income	-	3,771	(3,771)
Employer contributions	-	117,659	(117,659)
Other ⁽²⁾	-	3,140	(3,140)
Balance at 12/31/2017	<u>\$ 193,667</u>	<u>\$ 241,180</u>	<u>\$(47,513)</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or

⁽²⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the Council, calculated using the discount rate of 8.1%, as well as what the Council's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease	Current	1% Increase
	7.1%	Discount Rate 8.1%	9.1%
Total pension liability	\$ 225,381	\$ 193,667	\$ 167,667
Fiduciary net position	<u>241,180</u>	<u>241,180</u>	<u>241,180</u>
Net pension liability/(asset)	<u>\$(15,799)</u>	<u>\$(47,513)</u>	<u>\$(73,513)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the Council recognized pension expense of \$64,181. At year-end, the Council reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 945
Changes in actuarial assumptions	495
Net difference between projected and actual investment earnings	4,526
Contributions made subsequent to the measurement date	<u>94,983</u>
Total	<u>\$ 100,949</u>

\$94,983 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended September 30,</u>		
2018	\$	1,337
2019		1,337
2020		1,337
2021		1,337
2022		206
Thereafter		412

5. OTHER INFORMATION

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council maintains workers' compensation and other risks of loss coverage through commercial insurance carriers. The Council's management believes such coverage is sufficient to preclude any significant uninsured losses to the Council. There were no significant reductions in insurance coverage from coverage in the prior year. There were no insurance settlements that exceeded insurance coverage in any of the past three years.

Contingencies

The Council contracts with local governments or other local agencies to perform the specific services set forth in certain grant agreements. The Council disburses grant funds to the agencies based on expenditure reports received from each agency.

Agencies expending \$500,000 or more in the Council's grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to the Council. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursements of the disallowed costs either from the Council or the subcontractor. The Council generally has the right of recovery from the subcontracted agencies.

Audits of the agency's expenditures for the year ended September 30, 2018, have not been completed. Based on prior experience, the Council's management believes that the Council will not incur significant losses from possible grant disallowances.

6. PRIOR PERIOD ADJUSTMENT

GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27," which became effective for fiscal year 2018. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the recording of the beginning deferred outflow for contributions made after the measurement date in the amount of \$83,715. These items cumulatively resulted in a restatement of governmental activities net position in the amount of \$83,715.

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SUPPLEMENTAL INFORMATION

ARK-TEX COUNCIL OF GOVERNMENTS

**SCHEDULE OF REVENUES AND EXPENDITURES
BY FUNDING SOURCE**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Governor's Office of Criminal Justice	Texas Department of Transportation	Texas Commission on Environmental Quality
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Federal	\$ 57,000	\$ 2,690,491	\$ 8,967
State	88,305	642,237	106,663
Local	60,902	513,114	-
Program income	-	83,716	-
Membership dues	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
	<u>206,207</u>	<u>3,929,558</u>	<u>115,630</u>
Total revenues			
EXPENDITURES			
General government	-	-	-
Housing and urban development	-	-	-
Aging	-	-	-
Transportation	-	3,991,365	-
Emergency communications	-	-	-
Environmental quality	-	-	114,976
Homeland security	-	-	-
Criminal justice	205,804	-	-
Debt service:			
Principal	-	-	-
Interest	403	336	654
	<u>403</u>	<u>336</u>	<u>654</u>
Total expenditures	<u>\$ 206,207</u>	<u>\$ 3,991,701</u>	<u>\$ 115,630</u>

U. S. Department of Housing and Urban Development	Texas Department of Aging and Disability Services	U. S. Department of Homeland Security	Commission on State Emergency Communications	Other	Total Governmental Funds
\$ 7,255,664	\$ 1,411,862	\$ 94,966	\$ -	\$ -	\$ 11,518,950
117,353	97,930	20,967	2,395,501	-	3,468,956
26,718	270,841	-	22,289	751,805	1,645,669
-	20,124	-	-	-	103,840
-	-	-	-	49,849	49,849
17,269	-	-	10,475	55,559	83,303
-	-	-	-	28,530	28,530
<u>7,417,004</u>	<u>1,800,757</u>	<u>115,933</u>	<u>2,428,265</u>	<u>885,743</u>	<u>16,899,097</u>
-	-	-	-	1,000,346	1,000,346
7,426,695	-	-	-	-	7,426,695
-	1,796,541	-	-	4,503	1,801,044
-	-	-	-	-	3,991,365
-	-	-	2,428,265	-	2,428,265
-	-	-	-	-	114,976
-	-	114,363	-	-	114,363
-	-	-	-	-	205,804
-	-	-	-	38,501	38,501
<u>3,817</u>	<u>4,216</u>	<u>1,570</u>	<u>-</u>	<u>8,733</u>	<u>19,729</u>
<u>\$ 7,430,512</u>	<u>\$ 1,800,757</u>	<u>\$ 115,933</u>	<u>\$ 2,428,265</u>	<u>\$ 1,052,083</u>	<u>\$ 17,141,088</u>

ARK-TEX COUNCIL OF GOVERNMENTS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

SEPTEMBER 30, 2018

Plan Year Ended December 31	<u>2017</u>
Total Pension Liability	
Service Cost	\$ 178,488
Interest total pension liability	14,422
Effect of assumption changes or inputs	566
Effect of economic/demographic (gains) or losses	1,080
Benefit payments/refunds of contributions	<u>(889)</u>
Net change in total pension liability	193,667
Total pension liability - beginning	<u>-</u>
Total pension liability - ending (a)	<u><u>\$ 193,667</u></u>
Plan Fiduciary Net Position	
Employer contributions	\$ 117,659
Member contributions	117,659
Investment income net of investment expenses	3,771
Benefit payments refunds of contributions	(889)
Administrative expenses	(160)
Other	<u>3,140</u>
Net change in plan fiduciary net position	241,180
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>241,180</u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$(47,513)</u></u>
Fiduciary net position as a percentage of total pension liability	124.53%
Pensionable covered payroll	\$ 2,941,486
Net pension liability as a percentage of covered payroll	-1.62%

Note: This schedule is required to include 10 years of information, but information prior to 2017 is not available.

ARK-TEX COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2018

<u>Fiscal Year Ended September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2017	83,715	83,715	-	2,092,881	4.0%
2018	129,422	129,422	-	3,235,550	4.0%

(1) Payroll is calculated based on contributions as reported to TCDRS.

Note: This schedule is required to include 10 years of information, but information prior to 2017 is not available.

ARK-TEX COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2018

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.4 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5 year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of administrative and investment expenses, including inf
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule	2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

ARK-TEX COUNCIL OF GOVERNMENTS

**SCHEDULE OF EMPLOYEE BENEFITS AND COMPUTATION
OF EMPLOYEE BENEFIT RATE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget</u>	<u>Actual</u>
EMPLOYEE SALARY BENEFITS		
Salaries (release time):		
Vacations	\$ 134,048	\$ 128,227
Holidays	115,891	113,516
Sick leave	104,302	73,331
Liability differential	<u>1,000</u>	<u>-</u>
Total employee salary benefits	<u>355,241</u>	<u>315,074</u>
OTHER EMPLOYEE BENEFITS		
Longevity pay benefit	14,088	13,317
Health/life insurance	617,780	557,211
Payroll taxes	239,989	224,992
Unemployment insurance	9,450	16,054
Workers' compensation insurance	49,733	51,869
Retirement	<u>125,264</u>	<u>129,290</u>
Total other employee benefits	<u>1,056,304</u>	<u>992,733</u>
Total salary and other employee benefits	<u>1,411,545</u>	<u>1,307,807</u>
PRIOR YEARS OVER ALLOCATION		
Fiscal year 2016 cumulative under allocation	62,397	-
Fiscal year 2017 anticipated over allocation	<u>(85,380)</u>	<u>-</u>
Total prior years under allocation	<u>(22,983)</u>	<u>-</u>
Total employee benefits and carryforward	<u>1,388,562</u>	<u>1,307,807</u>
BASIS FOR ALLOCATION		
Gross salaries	3,157,690	2,962,814
Less release time	<u>355,241</u>	<u>315,074</u>
Total chargeable salaries	<u>2,802,449</u>	<u>2,647,740</u>
RATE COMPUTATION		
Total employee benefits	1,388,562	1,307,807
Total chargeable salaries	<u>2,802,449</u>	<u>2,647,740</u>
Computed rate	<u>49.5%</u>	<u>49.4%</u>
ALLOCATION		
Total actual benefits	-	1,307,807
Allocated to grants and local activities	-	(1,148,165)
Allocated to indirect cost pool	<u>-</u>	<u>(219,902)</u>
UNDER (OVER) ALLOCATED - CARRY OVER TO 2018 COST PROPOSAL	-	(60,260)
PRIOR YEAR CUMULATIVE UNDER (OVER) ALLOCATION	<u>-</u>	<u>(299,570)</u>
TOTAL CUMULATIVE UNDER (OVER) ALLOCATION	<u>\$ -</u>	<u>\$(359,830)</u>

ARK-TEX COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS AND COMPUTATION
OF INDIRECT COST RATE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budget</u>	<u>Actual</u>
INDIRECT COSTS		
Salaries	\$ 474,878	\$ 442,682
Benefits	235,294	219,902
Total salaries and benefits	<u>710,172</u>	<u>662,584</u>
Audit	38,000	38,253
Travel	28,500	27,291
Office rental	27,050	26,934
Office supplies	10,700	5,359
Copy services	1,275	2,040
Telephone	11,920	11,967
Postage	5,700	4,975
Other	71,950	44,111
Fiscal year 2016 cumulative over allocation	111,309	-
Anticipated fiscal year 2017 cumulative under allocation	(52,429)	-
Less: Earned acctng fees	(23,400)	-
Less: Earned administrative fees	(36,000)	(9,799)
Total indirect costs	<u>904,747</u>	<u>813,715</u>
BASIS FOR ALLOCATION		
Direct salaries	2,327,571	2,205,058
Direct benefits	1,153,268	1,087,905
Total direct personnel costs	<u>3,480,839</u>	<u>3,292,963</u>
INDIRECT COST RATE COMPUTATION		
Total indirect costs	904,747	813,715
Total direct personnel costs	<u>3,480,839</u>	<u>3,292,963</u>
Computed rate	<u>26.0%</u>	<u>24.7%</u>
ALLOCATION		
Total actual indirect costs	-	813,715
Indirect costs allocated	<u>-</u>	<u>(897,731)</u>
UNDER (OVER) ALLOCATED - CARRY OVER TO 2018 COST PROPOSAL	-	(84,016)
PRIOR YEAR CUMULATIVE UNDER (OVER) ALLOCATION	<u>-</u>	<u>255,916</u>
TOTAL CUMULATIVE UNDER (OVER) ALLOCATION	<u>\$ -</u>	<u>\$ 171,900</u>

SINGLE AUDIT

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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
Ark-Tex Council of Governments
Texarkana, 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, the major fund, and the discretely presented component units of Ark-Tex Council of Governments (the “Council”) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements, and have issued our report thereon dated April 3, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. 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*.

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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 3, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Directors
Ark-Tex Council of Governments
Texarkana, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the Ark-Tex Council of Governments' (the "Council") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS), issued by the Governor's Office of Budget and Planning, that could have a direct and material effect on each of the Council's major federal and state programs for the year ended September 30, 2018. The Council's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 3, 2019

ARK-TEX COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures	Pass-through Expenditures
FEDERAL AWARDS - PRIMARY GOVERNMENT				
<u>U. S. Department of Housing and Urban Development</u>				
Passed through the Texas Department of Agriculture:				
Community and Economic Development Assistance Funds	14.228	C717212	4,884	-
Total Passed through the Texas Department of Agriculture			4,884	-
Direct Program:				
Section 8 Housing Choice Vouchers	14.871	TX499	7,250,780	-
Total Direct Program			7,250,780	-
Total U. S. Department of Housing and Urban Development			7,255,664	-
<u>U. S. Department of Transportation</u>				
Passed through Texas Department of Transportation:				
Metropolitan Transportation Planning	20.505	51R08011918	3,724	-
Metropolitan Transportation Planning	20.505	51R08011918	13,955	-
Subtotal 20.505			17,679	-
Section 5311 Rural Transportation	20.509	51118011917	617,856	-
Section 5311 Rural Transportation	20.509	51118A21917	132,754	-
Section 5311 Rural Transportation	20.509	51R18011917	14,255	-
Section 5311 Rural Transportation	20.509	51018021917	772,026	-
Section 5311 Rural Transportation	20.509	51018041918	131,459	-
Subtotal 20.509			1,668,350	-
Section 5310 Transportation for Elderly and Disabled	20.513	512XXF7011	19,926	-
Section 5310 Transportation for Elderly and Disabled	20.513	51016011917	485,235	-
Section 5310 Transportation for Elderly and Disabled	20.513	51016011918	75,053	-
Section 5310 Transportation for Elderly and Disabled	20.513	51016041918	19,376	-
Subtotal 20.513			599,590	-
Section 5304 Regional Planning & Planning	20.515	51008911916	6,767	-
Section 5304 Regional Planning & Planning	20.515	51008011917	3,154	-
Subtotal 20.515			9,921	-
Section 5339 Federal Bus Facilities Program	20.526	51003011917	35,887	-
National Infrastructure Investments (TIGER)	20.933	51079011917	359,064	-
Total Passed through Texas Department of Transportation			2,690,491	-
Total U. S. Department of Transportation			2,690,491	-

ARK-TEX COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures	Pass-through Expenditures
<u>Environmental Protection Agency</u>				
Passed through Texas Commission on Environmental Quality:				
Water Quality	66.454	582-17-70165	-	-
Water Quality	66.454	582-18-80222	8,967	-
Total Passed through Texas Commission on Environmental Quality			<u>8,967</u>	<u>-</u>
Total Environmental Protection Agency			<u>8,967</u>	<u>-</u>
<u>U. S. Department of Health and Human Services</u>				
Passed through Texas Department of Aging and Disability Services:				
Title VII-EAP	93.041	539-11-0007-00001	\$ 3,733	\$ -
Subtotal			<u>3,733</u>	<u>-</u>
Title VII-OAG	93.042	539-11-0007-00001	13,878	-
Subtotal			<u>13,878</u>	<u>-</u>
Title III-D Evidence Based - Intervention	93.043	539-11-0007-00001	14,055	-
PY Title III-D Evidence Based - Intervention	93.043	539-11-0007-00001	1,193	-
Subtotal			<u>15,248</u>	<u>-</u>
Title III-B	93.044	539-11-0007-00001	319,939	-
PY Title III-B	93.044	539-11-0007-00001	20,776	-
Title III-C1	93.045	539-11-0007-00001	375,460	-
PY Title III-C1	93.045	539-11-0007-00001	15,779	-
Title III-C2	93.045	539-11-0007-00001	191,408	-
PY Title III-C2	93.045	539-11-0007-00001	22,488	-
NSIP	93.053	539-11-0007-00001	212,225	-
Subtotal Aging Cluster			<u>1,158,075</u>	<u>-</u>
Title III-E	93.052	539-11-0007-00001	117,471	-
PY Title III-E	93.052	539-11-0007-00001	6,915	-
Subtotal			<u>124,386</u>	<u>-</u>
MIPPA Priority Area 2	93.071	539-11-0007-00001	12,131	-
Subtotal			<u>12,131</u>	<u>-</u>
CMS Basic (04/01/16 - 03/31/17)	93.324	539-11-0007-00001	20,246	-
CMS Basic (04/01/17 - 03/31/18)	93.324	539-11-0007-00001	35,528	-
Subtotal			<u>55,774</u>	<u>-</u>
PY OMB MFPD	93.791	539-11-0007-00001	28,637	-
Subtotal			<u>28,637</u>	<u>-</u>
Total Passed through Texas Department of Aging and Disability Services			<u>1,411,862</u>	<u>-</u>
Total U. S. Department of Health and Human Services			<u>1,411,862</u>	<u>-</u>

ARK-TEX COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures	Pass-through Expenditures
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Department of Public Safety				
Homeland Security Grant Program - HSGP 2017	97.067	HS 2946003	89,840	-
Homeland Security Grant Program - SHSP 2018	97.067	EMW-2018-SS-00080	5,126	-
Subtotal Homeland Security Grant Program			<u>94,966</u>	<u>-</u>
Total Passed through Texas Department of Public Safety			<u>94,966</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>94,966</u>	<u>-</u>
Total Federal Awards - Primary Government			<u>11,461,950</u>	<u>-</u>
FEDERAL AWARDS - DISCRETELY PRESENTED COMPONENT UNITS				
<u>U. S. Department of Commerce, Economic Development Administration</u>				
Direct Program:				
Economic Development Support for Planning Organizations - NETEI	11.302	08-83-05014	15,000	-
Regional Food Systems Cooperative- NETEDD	11.302	08-86-05064	46,588	-
NETEDD 3 Year Planning Grant	11.302	ED18AUS3020012	18,484	-
Subtotal Economic Development Support Program			<u>80,072</u>	<u>-</u>
Revolving Loan Fund - NETEDD	11.307	08-39-02502	421,527	-
Total Direct Program			<u>501,599</u>	<u>-</u>
Total U. S. Department of Commerce, Economic Development Administration			<u>501,599</u>	<u>-</u>
Total Federal Awards - Discretely Presented Component Units			<u>501,599</u>	<u>-</u>
Total Federal Awards - Financial Reporting Entity			<u>\$ 11,963,549</u>	<u>\$ -</u>

ARK-TEX COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

State Grantor/ Program Title	State Grantor Number	Expenditures	Pass-through Expenditures
STATE AWARDS			
<u>Texas Department of Aging and Disability Services</u>			
State General Revenue Title III-E Match	539-11-0005-00001	\$ 42,368	\$ -
State General Revenue - Other	539-11-0005-00001	<u>55,562</u>	<u>-</u>
Total Texas Department of Aging and Disability Services		<u>97,930</u>	<u>-</u>
<u>Office of the Governor, Criminal Justice Division</u>			
Purchase of Juvenile Justice Alternatives	14266-18	<u>57,000</u>	<u>-</u>
Subtotal Purchase of Juvenile Justice Alternatives		<u>57,000</u>	<u>-</u>
Regional Law Enforcement Training	14264-16	<u>88,305</u>	<u>-</u>
Subtotal Regional Law Enforcement Training		<u>88,305</u>	<u>-</u>
Total Office of the Governor, Criminal Justice Division		<u>145,305</u>	<u>-</u>
<u>Office of the Governor, Homeland Security Grants Division</u>			
Small Business Service Provider	17-1	5,575	-
Homeland Interlocal Agreement	FY18	<u>15,392</u>	<u>-</u>
Total Office of the Governor, Homeland Security Grants Division		<u>20,967</u>	<u>-</u>
<u>Texas Department of Housing and Community Affairs</u>			
The Texas Balance of State Continuum of Care Program	42170002814	<u>117,353</u>	<u>-</u>
Total		<u>117,353</u>	<u>-</u>
<u>Texas Department of Transportation</u>			
Rural Transportation	51218011917	55,878	-
Rural Transportation	51218011918	533,382	-
Rural Transportation	51218011919	<u>52,977</u>	<u>-</u>
Total Texas Department of Transportation		<u>642,237</u>	<u>-</u>
<u>Texas Commission on Environmental Quality</u>			
Regional Solid Waste	582-18-80529	<u>106,663</u>	<u>-</u>
Total Texas Commission on Environmental Quality		<u>106,663</u>	<u>-</u>
<u>Commission on State Emergency Communications</u>			
911 Emergency Communications	2017	803,824	-
911 Emergency Communications	2018	1,477,264	-
911 Emergency Communications	2019	<u>114,413</u>	<u>-</u>
Total Commission on State Emergency Communications		<u>2,395,501</u>	<u>-</u>
Total State Awards		<u>\$ 3,408,603</u>	<u>\$ -</u>

ARK-TEX COUNCIL OF GOVERNMENTS

**NOTES TO SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS**

SEPTEMBER 30, 2018

1. GENERAL

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of the Ark-Tex Council of Governments. The Council’s reporting entity is defined in Note 1 of the financial statements. Federal and state awards received directly from federal and state agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB *Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (“UGMS”). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. CALCULATION OF FEDERAL AWARDS EXPENDED FOR EDA REVOLVING LOAN FUND

Expenditures for the EDA Revolving Loan Fund were calculated as follows:

Balance of RLF loans outstanding at 09/30/2018	\$	337,688
Cash and investment balance at 09/30/2018		537,166
Administrative costs during the fiscal year		86,361
Unpaid principal of loans written off during the fiscal year	(<u>399,179)</u>
Total EDA Revolving Loan Fund Expenditures		562,036
Federal Participation Rate		<u>75%</u>
Total Federal Share of EDA Revolving Loan Fund Expenditures	\$	<u><u>421,527</u></u>

4. INDIRECT COSTS

The COG has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

ARK-TEX COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance or State of Texas Uniform Grant Management Standards?

None

Identification of major programs:

CFDA Number(s)	Name of Federal/State Program or Cluster:
14.871	Section 8 Housing Choice Vouchers
93.044, 93.045 and 93.053	Aging Cluster
State	911 Emergency Communications

Dollar threshold used to distinguish between type A and type B federal programs

\$750,000

Dollar threshold used to distinguish between type A and type B state programs

\$300,000

Auditee qualified as low-risk auditee under Section 510(a) of Uniform Guidance?

Yes

Auditee qualified as low-risk auditee under State of Texas Uniform Grant Management Standards?

Yes

Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Government Auditing Standards

None

Findings and Questioned Costs for Federal and State Awards

None

ARK-TEX COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

None

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