



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

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2023**

**ARK-TEX COUNCIL OF GOVERNMENTS**

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Ark-Tex Council of Governments (the "Council"), as of and for the year ended September 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Council as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

#### Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2023 the Council adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

#### 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 due date, including any currently know information that may raise substantial doubt shortly thereafter.

#### OFFICE LOCATIONS

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

## ***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, budgetary comparison information, and pension information 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.



### **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 supplemental schedules as listed in the table of contents and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *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. 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 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 25, 2024, 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 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 25, 2024

## Management's Discussion and Analysis

As management of the Ark-Tex Council of Governments (the "Council"), 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, 2023.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the Council exceeded its liabilities and deferred inflows as of September 30, 2023, by \$11,385,784 (net position). Of this amount, \$4,740,183 is considered *unrestricted net position* that is available for spending at the Council's discretion.
- The Council's total net position increased by \$1,183,293, primarily due to capital contributions through state and federal grants for new transportation buses.
- As of the close of the current fiscal year, The Council's governmental funds reported combined ending fund balances of \$6,498,249, an increase of \$923,024 in comparison with the prior year. The primary reason for the increase was increased local grant funding for weatherization and health connections programs.
- As of September 30, 2023, unassigned fund balance for the General Fund was \$3,428,492, which is 16% of General Fund expenditures.

### 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).

**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.

**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 immediately following the basic financial statements.

**Required Supplementary Information** – Immediately following the notes to the financial statements is required supplementary information that presents certain trend data about the Council’s pension plan, TCDRS.

**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. This includes schedules showing the calculation of the Council’s indirect and fringe benefit cost rates, as well as a schedule of revenues and expenditures by funding source.

**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 the Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$11,385,784 as of September 30, 2023.

A portion of the Council’s net position, \$4,662,442, 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 is restricted for specific purposes: \$1,950,142 is restricted for federal and state programs, and \$33,017 is restricted for pensions. The remaining portion of the Council’s net position \$4,740,183 is unrestricted.

**GOVERNMENT-WIDE NET POSITION**

	Governmental Activities	
	2023	2022
Current assets	\$ 8,774,395	\$ 8,312,970
Capital assets	<u>5,186,612</u>	<u>4,527,579</u>
Total assets	<u>13,961,007</u>	<u>12,840,549</u>
Deferred outflows	<u>313,594</u>	<u>171,862</u>
Long-term liabilities	645,688	500,074
Other liabilities	<u>2,236,129</u>	<u>2,331,779</u>
Total liabilities	<u>2,881,817</u>	<u>2,831,853</u>
Deferred inflows	7,000	167,945
Net position:		
Net investment in capital assets	4,662,442	4,138,026
Restricted	1,983,159	2,176,714
Unrestricted	<u>4,740,183</u>	<u>3,697,873</u>
Total net position	<u>\$ 11,385,784</u>	<u>\$ 10,012,613</u>

The following table provides a summary of the Council’s operations for the year ended September 30, 2023. Governmental activities increased the Council’s net position by \$1,183,293.

**GOVERNMENT-WIDE CHANGES IN NET POSITION**

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 413,353	\$ 452,973
Operating grants and contributions	23,523,391	21,986,986
Capital grants and contributions	1,331,201	65,070
General revenues:		
Miscellaneous income	40,980	14,751
Investment earnings	74,551	62,196
Total revenues	<u>25,383,476</u>	<u>22,581,976</u>
Expenses:		
General government	1,543,287	1,949,211
Housing and urban development	11,730,965	9,379,556
Aging	2,693,278	2,410,515
Transportation	4,619,978	4,272,853
Emergency communications	2,889,253	4,082,088
Environmental quality	268,344	761,878
Homeland security	239,562	316,873
Community development	11,386	12,326
Criminal justice	190,744	278,261
Interest on long-term debt	13,386	18,868
Total expenses	<u>24,200,183</u>	<u>23,482,429</u>
Change in net position	1,183,293	( 900,453)
Net position, beginning, as restated	<u>10,202,491</u>	<u>10,913,066</u>
Net position, ending	<u>\$ 11,385,784</u>	<u>\$ 10,012,613</u>

The Council is approximately 94% 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 \$1,536,405 (7%). The largest increases in grant revenue were in the Commission on State Emergency Communications due to increased grant funding related to Next-Generation 9-1-1 funding. Another significant increase in grant revenue was from the Texas Department of Transportation that resulted from a large round of capital bus purchases. Capital replacement in both the 9-1-1 and transportation programs follow a multi-year cycle as equipment is purchased and subsequently worn out. Total expenses increased by \$717,754 (3%).

**FINANCIAL ANALYSIS OF THE COUNCIL’S FUNDS**

**Governmental Funds** – The focus of the Council’s 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, the Council’s governmental funds reported combined ending fund balances of \$6,498,249. Approximately 53% of this total amount \$3,428,492 constitutes unassigned fund balance. The remainder of the fund balance \$3,069,757 is either nonspendable, restricted, committed, or assigned. As discussed previously, fund balance increased for the current year along with net position. However, the primary reasons are different; in the government-wide financial statements, net position increased largely from the contribution of buses purchased by grant funds, but this contribution does not affect fund balance. Increases to fund balance primarily resulted from increased local contributions for the Council’s Weatherization and Health Connections programs, as well as increased grant funds from the U.S. Department of Housing and Urban Development.

The Commission on State Emergency Communications Fund, the Council’s other major governmental fund, tracks grant funds and expenditures from that state agency for 9-1-1 support. Because the funds are disbursed on a direct reimbursement basis, revenues equal expenditures and the fund has no fund balance.

## CAPITAL ASSETS

The Council's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$5,186,612 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, and right to use assets. Capital assets as of the end of the current fiscal year included the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 273,500	\$ 273,500
Construction-in-progress	246,355	672,928
Buildings	2,875,316	2,073,920
Equipment	8,130,756	6,980,839
Right to use:		
Buildings	26,820	26,820
Equipment	38,685	38,685
Software	468,940	-
Less: accumulated depreciation	( 6,873,760)	( 5,539,113)
Total capital assets	<u>\$ 5,186,612</u>	<u>\$ 4,527,579</u>

Significant transactions involving capital assets included the addition of approximately \$1 million of transportation buses, as described previously, and completion of an office lobby renovation. The Council also recognized \$468,940 as a right to use software asset upon implementation of GASB 96 in the current year.

Additional information on the Council's capital assets can be found in Note 3 to the financial statements.

## 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 \$291,158 on the note. The Council implemented GASB 96 effective for the current fiscal year, which requires to include software subscription liabilities as part of the Council's long-term liabilities. At the close of the fiscal year, the Council owes \$39,082 on leases for copiers and office space. Additional information on the Council's long-term debt can be found in Note 3 to the financial statements.

## ECONOMIC FACTORS

The Council 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](mailto:Mtickle@atcog.org)

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**BASIC  
FINANCIAL STATEMENTS**

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**ARK-TEX COUNCIL OF GOVERNMENTS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government	Component Units	
	Governmental Activities	NETEDD	ATRDC
<b>ASSETS</b>			
Cash and investments	\$ 4,986,615	\$ 570,933	\$ 91,263
Receivables:			
Grantors	2,632,778	312,402	-
Notes receivable	1,094,229	4,605,174	-
Other	41,381	3,826	187
Prepaid items	25,386	-	-
Net pension asset	40,017	-	-
Over-allocated indirect costs and employee benefits	( 46,011)	-	-
Capital assets:			
Land	273,500	-	-
Construction in progress	246,355	-	-
Buildings	2,875,316	-	-
Equipment	8,130,756	-	-
Right to use:			
Building	26,820	-	-
Equipment	38,685	-	-
Software	468,940	-	-
Less: accumulated depreciation/amortization	( 6,873,760)	-	-
Total capital assets	<u>5,186,612</u>	<u>-</u>	<u>-</u>
Total assets	<u>13,961,007</u>	<u>5,492,335</u>	<u>91,450</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	313,594	-	-
Total deferred outflows of resources	<u>313,594</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	585,740	2,365	-
Due to other governments	20,309	-	-
Accrued liabilities	134,639	-	-
Unearned revenue	1,495,441	-	-
Long-term liabilities:			
Due within one year:			
Notes payable	51,971	-	-
Leases	12,759	-	-
Subscriptions	66,496	-	-
Compensated absences	121,518	-	-
Due in more than one year:			
Notes payable	239,187	-	-
Leases	26,323	-	-
Subscriptions	127,434	-	-
Total liabilities	<u>2,881,817</u>	<u>2,365</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	7,000	-	-
Total deferred inflows of resources	<u>7,000</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,662,442	-	-
Restricted for federal and state programs	1,950,142	5,489,970	-
Restricted for pensions	33,017	-	-
Unrestricted	4,740,183	-	91,450
	<u>\$ 11,385,784</u>	<u>\$ 5,489,970</u>	<u>\$ 91,450</u>

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

**ARK-TEX COUNCIL OF GOVERNMENTS**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs
<b>Primary government</b>			
Governmental activities:			
General government	\$ 1,199,779	\$ 343,508	\$ 1,543,287
Housing and urban development	11,583,816	147,149	11,730,965
Aging	2,558,548	134,730	2,693,278
Transportation	4,500,970	119,008	4,619,978
Emergency communications	2,801,860	87,393	2,889,253
Environmental quality	252,266	16,078	268,344
Homeland security	226,189	13,373	239,562
Community development	11,243	143	11,386
Criminal justice	175,618	15,126	190,744
Indirect costs	917,325	( 917,325)	-
Interest on long-term debt	13,386	-	13,386
Total governmental activities	<u>24,241,000</u>	<u>( 40,817)</u>	<u>24,200,183</u>
<b>Component units</b>			
NETEDD	438,118	32,388	470,506
ATRDC	64,891	8,429	73,320
Total component units	<u>\$ 503,009</u>	<u>\$ 40,817</u>	<u>\$ 543,826</u>

**General revenues:**

Unrestricted investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position - beginning
Prior period adjustment
Net position - beginning, as restated
Net position - ending

			Net (Expense) Revenue and Changes in Net Position		
Program Revenues			Primary Government	Component Units	
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	NETEDD	ATRDC
\$ 367,170	\$ 1,557,798	\$ -	\$ 381,681	\$ -	\$ -
-	11,705,463	32,691	7,189	-	-
2,690	2,683,594	-	( 6,994)	-	-
43,493	4,042,437	1,205,324	671,276	-	-
-	2,859,087	93,186	63,020	-	-
-	267,248	-	( 1,096)	-	-
-	206,161	-	( 33,401)	-	-
-	11,354	-	( 32)	-	-
-	190,249	-	( 495)	-	-
-	-	-	-	-	-
-	-	-	( 13,386)	-	-
<u>413,353</u>	<u>23,523,391</u>	<u>1,331,201</u>	<u>1,067,762</u>	<u>-</u>	<u>-</u>
226,528	372,029	-	-	128,051	-
<u>70,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 2,904)</u>
\$ <u>296,944</u>	\$ <u>372,029</u>	\$ <u>-</u>	<u>-</u>	<u>128,051</u>	<u>( 2,904)</u>
			74,551	17,388	392
			<u>40,980</u>	<u>-</u>	<u>-</u>
			<u>115,531</u>	<u>17,388</u>	<u>392</u>
			<u>1,183,293</u>	<u>145,439</u>	<u>( 2,512)</u>
			10,012,613	5,344,531	93,962
			<u>189,878</u>	<u>-</u>	<u>-</u>
			<u>10,202,491</u>	<u>5,344,531</u>	<u>93,962</u>
			\$ <u>11,385,784</u>	\$ <u>5,489,970</u>	\$ <u>91,450</u>

**ARK-TEX COUNCIL OF GOVERNMENTS**

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	<u>General</u>	<u>Commission on State Emergency Communications</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 4,608,736	\$ 377,879	\$ 4,986,615
Receivables:			
Grantors	2,632,778	-	2,632,778
Notes	1,094,229	-	1,094,229
Other	34,952	6,429	41,381
Prepaid items	25,386	-	25,386
Due from other funds	-	182,975	182,975
Under (over) allocated indirect costs and employee benefits	<u>( 46,011)</u>	<u>-</u>	<u>( 46,011)</u>
Total assets	<u>\$ 8,350,070</u>	<u>\$ 567,283</u>	<u>\$ 8,917,353</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 396,336	\$ 189,404	\$ 585,740
Accrued liabilities	134,639	-	134,639
Due to other funds	182,975	-	182,975
Due to Texarkana Urban Transit District	20,309	-	20,309
Unearned revenue	<u>1,117,562</u>	<u>377,879</u>	<u>1,495,441</u>
Total liabilities	<u>1,851,821</u>	<u>567,283</u>	<u>2,419,104</u>
Fund balances:			
Nonspendable - prepaid items	25,386	-	25,386
Restricted for:			
Housing and Urban Development	1,950,142	-	1,950,142
Committed for Chapman Revolving Loan Fund	600,116	-	600,116
Assigned for:			
ETRAP/RBEG Revolving Loan Fund	494,113	-	494,113
Unassigned	<u>3,428,492</u>	<u>-</u>	<u>3,428,492</u>
	<u>6,498,249</u>	<u>-</u>	<u>6,498,249</u>
Total liabilities and fund balances	<u>\$ 8,350,070</u>	<u>\$ 567,283</u>	

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.	5,186,612
Included in the items related to pensions are the recognition of the Council's net pension asset and related deferred outflows and inflows of resources.	346,611
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>( 645,688)</u>
Net position of governmental activities	<u>\$ 11,385,784</u>

**ARK-TEX COUNCIL OF GOVERNMENTS**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>General</u>	<u>Commission on State Emergency Communications</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Federal grants	\$ 16,770,964	\$ 698,209	\$ 17,469,173
State grants	2,764,794	2,249,429	5,014,223
Local grants and contributions	2,366,561	4,635	2,371,196
Program income	337,545	-	337,545
Membership dues	75,808	-	75,808
Investment income	63,229	11,322	74,551
Miscellaneous	40,980	-	40,980
Total revenues	<u>22,419,881</u>	<u>2,963,595</u>	<u>25,383,476</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,676,610	-	1,676,610
Housing and urban development	11,714,145	-	11,714,145
Aging	2,686,284	-	2,686,284
Transportation	4,586,102	-	4,586,102
Emergency communications	-	2,963,595	2,963,595
Environmental quality	267,647	-	267,647
Homeland security	206,161	-	206,161
Community development	11,354	-	11,354
Criminal justice	190,249	-	190,249
Capital outlay	24,521	-	24,521
Debt service:			
Principal	144,445	-	144,445
Interest	13,386	-	13,386
Total expenditures	<u>21,520,904</u>	<u>2,963,595</u>	<u>24,484,499</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	898,977	-	898,977
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of SBITAs	24,047	-	24,047
Total other financing sources (uses)	<u>24,047</u>	<u>-</u>	<u>24,047</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>923,024</u>	<u>-</u>	<u>923,024</u>
<b>FUND BALANCE, BEGINNING</b>	<u>5,575,225</u>	<u>-</u>	<u>5,575,225</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 6,498,249</u>	<u>\$ -</u>	<u>\$ 6,498,249</u>

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

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**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, 2023

Net change in fund balances - total governmental funds: \$ 923,024

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

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

Capital outlay 1,548,787  
Depreciation expense ( 1,334,647)

The issuance of long-term debt (i.e. notes, leases) increases fund balance, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position.

Issuance of long-term debt ( 24,047)  
Principal paid on long-term debt 144,445

Certain expenses reported in the statement of activities do not require the use of current financial resources and, thus, are not reported as expenditures in governmental funds.

Pension expense ( 10,997)  
Compensated absences ( 63,272)

Change in net position of governmental activities \$ 1,183,293

# ARK-TEX COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

### 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, 2023, was 49.9% and the actual rate was 53.4%.

The cumulative difference between actual and allocated employee benefits at September 30, 2023, was an over-allocation of \$144,452. 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, 2023, was 17.2% and the actual rate was 24.7%. The difference resulted in a cumulative under-allocation of indirect costs at September 30, 2023, of \$98,441. 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, 2023.

### **Notes Receivable**

Notes receivable represent amounts due from businesses participating in the Council's Chapman revolving loan fund or NETEDD's Federal Revolving Loan Fund.

### **Prepaid Items**

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

### **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, 2023.

### **Capital Assets**

Capital assets, which include property, equipment, and right to use assets, 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
Right to use:	
Buildings	5 - 6
Equipment	5 - 6
Subscriptions	1 - 5

**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.

**Leases**

The Council has entered into various lease agreements as lessee. Key estimates and judgments related to leases include how the Council determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

The Council monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

The Council is a lessee for noncancellable leases of equipment and a building. The Council recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the Council initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

**SBITA payable**

The Council has agreements for subscription-based IT arrangements (SBITAs). The Council recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

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

Key estimates and judgments related to SBITAs include how the Council determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

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

The Council monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long-term debt on the statement of net position.

### **Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Council has the following items that qualify for reporting in this category.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in economic and demographic assumptions or other inputs included in determining the pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Council has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in economic and demographic assumptions or other inputs included in determining the pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).

### **Pensions**

For purposes of measuring the Net Pension Asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **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.

### **Change in Accounting Principle**

For the year ended September 30, 2023, the financial statements include the adoption of GASB statement No. 96, *Subscriptions-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. The statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

## 2. 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.

## 3. 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, 2023, 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.

As of and for the year ending September 30, 2023, all of the Council's funds were held in demand deposit accounts and it held no cash equivalents or investments.

### Receivables

Notes receivable in the General Fund and the discretely presented component unit were recorded net of allowances for uncollectable accounts. As of September 30, 2023, the General Fund had notes receivable of \$1,094,229, net of allowance of \$92,807 and NETEDD reported notes receivable of \$4,605,174, net of allowance of \$242,378. The notes are generally made to new or expanding businesses and are secured by the equipment purchased with the notes; in the event of default, management may accelerate payment or foreclose on the secured property.

During fiscal year 2023, NETEDD issued a total of seven new notes amounting to \$2,890,623. The notes carry interest rates ranging from 4-5% and are paid in terms of 10-20 years. All of the new notes are secured by property financed from the proceeds, as with the previous notes as described above.

Accounts and Grants receivable are generally received from governmental agencies and have been wholly collectable outside of infrequent disallowances of costs. Therefore, no allowance for uncollectable accounts has been recorded.

**Long-term Debt**

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Note payable	\$ 338,273	\$ -	\$( 47,115)	\$ 291,158	\$ 51,971
Compensated absences	110,521	121,518	( 110,521)	121,518	121,518
Leases	51,280	-	( 12,198)	39,082	12,759
SBITA payable	<u>255,015</u>	<u>24,047</u>	<u>( 85,132)</u>	<u>193,930</u>	<u>66,496</u>
Governmental activities long-term liabilities	<u>\$ 755,089</u>	<u>\$ 145,565</u>	<u>\$( 254,966)</u>	<u>\$ 645,688</u>	<u>\$ 252,744</u>

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

The note payable is classified as a direct borrowing and is secured by certain real property purchased using the note proceeds; in the event of default, the creditor may accelerate payment or foreclose on the secured property.

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

Fiscal Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2024	\$ 51,971	\$ 12,039	\$ 64,010
2025	54,358	9,651	64,009
2026	56,855	7,154	64,009
2027	59,467	4,542	64,009
2028	<u>68,507</u>	<u>1,810</u>	<u>70,317</u>
Total	<u>\$ 291,158</u>	<u>\$ 35,196</u>	<u>\$ 326,354</u>

***Lease Payable***

On 04/01/2021, the Council entered into a 60 month lease for the use of office space. An initial lease liability was recorded in the amount of \$26,920. As of 09/30/2023, the value of the subscription liability is \$14,163, the Council is required to make monthly fixed payments of \$500. The lease has an interest rate of 4.5%. The value of the right to use asset as of 09/30/2023 of \$13,410 with accumulated amortization of \$13,410.

On 10/01/2021, the Council entered into a 63 month lease for the use of copiers. An initial lease liability was recorded in the amount of \$38,685. As of 09/30/2023, the value of the subscription liability is \$24,919, the Council is required to make monthly fixed payments of \$688. The lease has an interest rate of 4.5%. The value of the right to use asset as of 09/30/2023 of \$23,948 with accumulated amortization of \$14,737.

A summary of the governmental activities long-term lease payable as of September 30, 2023, is as follows:

<u>Purpose of Lease</u>	<u>Interest Rate</u>	<u>Initial Year of Lease</u>	<u>Amount of Initial Lease Liability</u>	<u>Interest Current Year</u>	<u>Reductions Current Year</u>	<u>Amounts Outstanding 9/30/23</u>
Right to Use:						
Copiers	4.50%	2021	38,685	\$ 1,292	\$ 6,964	\$ 24,919
Office space	4.50%	2021	26,920	766	5,234	14,163
Totals				<u>\$ 2,058</u>	<u>\$ 12,198</u>	<u>\$ 39,082</u>

Annual lease payments to maturity are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 12,759	\$ 1,497	\$ 14,256
2025	13,344	912	14,256
2026	10,929	327	11,256
2027	<u>2,050</u>	<u>15</u>	<u>2,065</u>
Total	<u>\$ 39,082</u>	<u>\$ 2,751</u>	<u>\$ 41,833</u>

### **Subscription Based IT Arrangements**

For the year ended September 30, 2023, the financial statements include the adoption of GASB statement No. 96, Subscriptions-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. The statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The Council's SBITAs generally do not contain stated interest rates; thus, the Council has imputed an incremental borrowing rate based on its own obligations and other market factors. Interest rates used range from 2.79% to 3.44%.

A summary of SBITAs outstanding as of September 30, 2023, are as follows:

<u>Description of Subscription</u>	<u>Original Issuance Amount</u>	<u>Issuance Year</u>	<u>Annual Payments</u>	<u>Maturity Year</u>	<u>Balance at 9/30/23</u>
HorneMeds License	\$ 9,375	2023	\$ 3,303	2026	\$ 8,603
Transit Software	236,039	2022	64,000	2026	179,493
GoDaddy	83	2022	15	2028	68
Stormwind	11,725	2022	5,960	2024	5,766
Totals					<u>\$ 193,930</u>

Debt service requirements on SBITA payables as of September 30, 2023, are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 66,496	\$ 6,610	\$ 73,106
2025	62,987	4,332	67,319
2026	64,418	2,171	66,589
2027	14	1	15
2028	<u>15</u>	<u>-</u>	<u>15</u>
Total	<u>\$ 193,930</u>	<u>\$ 13,114</u>	<u>\$ 207,044</u>



## **Capital Assets**

Primary government capital asset activity for the year ended September 30, 2023, is as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 273,500	\$ -	\$ -	\$ 273,500
Construction-in-progress	<u>672,928</u>	<u>374,823</u>	<u>( 801,396)</u>	<u>246,355</u>
Total capital assets, not being depreciated	<u>946,428</u>	<u>374,823</u>	<u>( 801,396)</u>	<u>519,855</u>
Capital assets, being depreciated:				
Buildings	2,073,920	-	801,396	2,875,316
Furniture, fixtures and equipment	6,980,839	1,149,917	-	8,130,756
Right to use:				
Building	26,820	-	-	26,820
Equipment	38,685	-	-	38,685
Subscriptions	<u>444,893</u>	<u>24,047</u>	<u>-</u>	<u>468,940</u>
Total capital assets, being depreciated	<u>9,565,157</u>	<u>1,173,964</u>	<u>801,396</u>	<u>11,540,517</u>
Less: accumulated depreciation for:				
Buildings	( 1,394,623)	( 75,231)	-	( 1,469,854)
Furniture, fixtures and equipment	( 4,129,075)	( 1,143,477)	-	( 5,272,552)
Right to use:				
Building	( 8,046)	( 5,364)	-	( 13,410)
Equipment	( 7,369)	( 7,369)	-	( 14,738)
Subscriptions	<u>-</u>	<u>( 103,206)</u>	<u>-</u>	<u>( 103,206)</u>
Total accumulated depreciation	<u>( 5,539,113)</u>	<u>( 1,334,647)</u>	<u>-</u>	<u>( 6,873,760)</u>
Total capital assets being depreciated, net	<u>4,026,044</u>	<u>( 160,683)</u>	<u>801,396</u>	<u>4,666,757</u>
Governmental activities capital assets, net	<u>\$ 4,972,472</u>	<u>\$ 214,140</u>	<u>\$ -</u>	<u>\$ 5,186,612</u>

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

### **Governmental activities:**

General government	\$ 44,382
Housing and urban development	19,013
Transportation	1,227,260
Emergency communications	11,128
Homeland security	<u>32,864</u>

Total depreciation expense - governmental activities \$ 1,334,647

## **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 annual comprehensive financial report (ACFR) that can be obtained at [www.tcdrs.org](http://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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit	2
Inactive employees entitled to but not yet receiving benefits	75
Active employees	<u>110</u>
	<u><u>187</u></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 2022 and 2023, respectively. The Council's contributions to TCDRS for the year ended September 30, 2023, were \$197,478 and exceeded the required contribution by \$70,820.

### **Net Pension Liability/ (Asset)**

The Council's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	1.0% per year
Investment rate of return	7.50%, net of administration and investment expenses

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	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2022. All other actuarial assumptions that determined the total pension liability as of December 31, 2022, 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 7.50%. 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 2023 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 long-term time horizon; the most recent assumption was adopted in March 2021.

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 <sup>(1)</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(3)</sup>	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(5)</sup>	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

<sup>(1)</sup> Target asset allocation adopted at the March 2023 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.30% per Cliffwater's 2023 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

## Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. 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/ (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 1,267,366	\$ 1,673,332	\$( 405,966)
Changes for the year:			
Service cost	256,132	-	256,132
Interest on total pension liability <sup>(1)</sup>	114,610	-	114,610
Effect of plan changes <sup>(2)</sup>	188,677	-	188,677
Effect of economic/demographic gains or losses	36,546	-	36,546
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	( 29,342)	( 29,342)	-
Benefit payments	( 2,185)	( 2,185)	-
Administrative expenses	-	( 1,097)	1,097
Member contributions	-	154,668	( 154,668)
Net investment income	-	( 122,031)	122,031
Employer contributions	-	157,558	( 157,558)
Other <sup>(3)</sup>	-	40,918	( 40,918)
Balance at 12/31/2022	<u>\$ 1,831,804</u>	<u>\$ 1,871,821</u>	<u>\$( 40,017)</u>

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

<sup>(2)</sup> Reflects plans changes adopted effective in 2023.

<sup>(3)</sup> 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 7.6%, 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 (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	Current		
	1% Decrease 6.6%	Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	\$ 2,123,034	\$ 1,831,804	\$ 1,590,791
Fiduciary net position	<u>1,871,821</u>	<u>1,871,821</u>	<u>1,871,821</u>
Net pension liability/(asset)	<u>\$ 251,213</u>	<u>\$( 40,017)</u>	<u>\$( 281,030)</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](http://www.tcdrs.org).

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

For the year ended September 30, 2023, the Council recognized pension expense of \$260,748. At year-end, the Council reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,872	\$ 5,036
Changes in actuarial assumptions	22,350	1,964
Net difference between projected and actual investment earnings	90,167	-
Contributions made subsequent to the measurement date	<u>156,205</u>	<u>-</u>
Total	<u>\$ 313,594</u>	<u>\$ 7,000</u>

\$156,205 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 total pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2024	\$ 28,768
2025	36,868
2026	25,211
2027	59,542

**4. 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, 2023, 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.

## **New Accounting Standards**

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the Council include the following:

The GASB has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significant collectively. In this example, if the \$150,000 aggregate amount (100 costing \$1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

## **Prior Period Adjustment – Change in Accounting Principle**

As described in Note 1, during fiscal year 2023 the Council adopted GASB 96 for software subscriptions. The cumulative effect of this change from prior periods was reflected in the beginning balances of capital assets and long-term debt in the amounts of \$444,893 and \$255,015, respectively. This increased beginning net position in the statement of activities by \$189,878.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**ARK-TEX COUNCIL OF GOVERNMENTS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ (ASSET)  
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

<b>Plan Year Ended December 31</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Total Pension Liability</b>				
Service Cost	\$ 178,488	\$ 178,428	\$ 170,792	\$ 187,101
Interest total pension liability	14,422	29,375	42,794	60,866
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	566	-	-	55,522
Effect of economic/demographic (gains) or losses	1,080	( 12,881)	20,854	( 7,223)
Benefit payments/refunds of contributions	( 889)	( 19,250)	( 24,100)	( 31,292)
Net change in total pension liability	193,667	175,672	210,340	264,974
Total pension liability - beginning	<u>-</u>	<u>193,667</u>	<u>369,339</u>	<u>579,679</u>
Total pension liability - ending (a)	\$ <u>193,667</u>	\$ <u>369,339</u>	\$ <u>579,679</u>	\$ <u>844,653</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 117,659	\$ 125,443	\$ 130,713	\$ 137,528
Member contributions	117,659	125,443	130,713	137,528
Investment income net of investment expenses	3,771	( 1,906)	78,166	83,202
Benefit payments refunds of contributions	( 889)	( 19,250)	( 24,100)	( 31,292)
Administrative expenses	( 160)	( 383)	( 610)	( 830)
Other	<u>3,140</u>	<u>6,925</u>	<u>8,237</u>	<u>7,257</u>
Net change in plan fiduciary net position	241,180	236,272	323,119	333,393
Plan fiduciary net position - beginning	<u>-</u>	<u>241,180</u>	<u>477,452</u>	<u>800,571</u>
Plan fiduciary net position - ending (b)	<u>241,180</u>	<u>477,452</u>	<u>800,571</u>	<u>1,133,964</u>
Net pension liability (asset) - ending (a) - (b)	\$ <u>( 47,513)</u>	\$ <u>( 108,113)</u>	\$ <u>( 220,892)</u>	\$ <u>( 289,311)</u>
Fiduciary net position as a percentage of total pension liability	124.53%	124.53%	138.11%	134.25%
Pensionable covered payroll	\$ 2,941,486	\$ 3,136,075	\$ 3,267,832	\$ 3,438,190
Net pension liability as a percentage of covered payroll	-1.62%	-3.45%	-6.76%	-8.41%

Note: This schedule is required to include 10 years of information, but information prior to 2017, the year the Council entered into the plan, is not available.

<u>2021</u>	<u>2022</u>
\$ 209,638	\$ 256,132
78,968	114,610
154,407	188,677
( 3,273)	-
14,023	36,546
( 31,050)	( 31,527)
422,713	564,438
<u>844,653</u>	<u>1,267,366</u>
\$ <u>1,267,366</u>	\$ <u>1,831,804</u>
\$ 142,741	\$ 157,558
142,741	154,668
278,320	( 122,031)
( 31,050)	( 31,527)
( 905)	( 1,097)
<u>7,521</u>	<u>40,918</u>
539,368	198,489
<u>1,133,964</u>	<u>1,673,332</u>
<u>1,673,332</u>	<u>1,871,821</u>
\$ <u>( 405,966)</u>	\$ <u>( 40,017)</u>
132.03%	102.18%
\$ 3,568,519	\$ 3,866,693
-11.38%	-1.03%

**ARK-TEX COUNCIL OF GOVERNMENTS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

<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%
2019	128,917	128,917	-	3,222,928	4.0%
2020	139,636	139,636	-	3,490,911	4.0%
2021	137,210	137,210	-	3,430,251	4.0%
2022	86,974	151,469	( 64,495)	3,786,725	4.0%
2023	126,658	197,478	( 70,820)	4,122,329	4.8%

(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, the year the Council entered into the plan, is not available.

**ARK-TEX COUNCIL OF GOVERNMENTS**

NOTES TO SCHUEDLE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Valuation Timing	Actuarially determined contribution rates are calculated each 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	14.7 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5 year smoothed fair value
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Tables for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018 - 2021: No changes in plan provisions were reflected in the Schedule. 2022: Employer contributions reflect that the current service matching rate was increased to 150% for future benefits.

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**SUPPLEMENTAL  
SCHEDULES**

**ARK-TEX COUNCIL OF GOVERNMENTS**

SCHEDULE OF REVENUES AND EXPENDITURES  
BY FUNDING SOURCE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Governor's Office of Criminal Justice	Texas Department of Transportation	Texas Commission on Environmental Quality	U. S. Department of Housing and Urban Development	Texas Department of Aging and Disability Services
<b>REVENUES</b>					
Federal grants	\$ 20,345	\$ 2,982,246	\$ 20,216	\$ 11,300,495	\$ 2,134,967
State grants	169,904	2,101,195	197,890	-	243,498
Local grants and contributions	-	164,320	-	24,009	305,129
Program income	-	43,493	-	-	2,690
Membership dues	-	-	-	-	-
Investment earnings	-	-	399	5,814	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>190,249</u>	<u>5,291,254</u>	<u>218,505</u>	<u>11,330,318</u>	<u>2,686,284</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Housing	-	-	-	11,300,495	-
Aging	-	-	-	-	2,686,284
Transportation	-	4,586,102	-	-	-
Emergency communications	-	-	-	-	-
Environmental quality	-	-	218,505	-	-
Homeland security	-	-	-	-	-
Community development	-	-	-	-	-
Criminal justice	190,249	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	56,546	-	-	-
Interest	-	7,454	-	-	-
Total expenditures	<u>\$ 190,249</u>	<u>\$ 4,650,102</u>	<u>\$ 218,505</u>	<u>\$ 11,300,495</u>	<u>\$ 2,686,284</u>



Governor's Homeland Security Grants Division	Commission on State Emergency Communications	Texas Department of Housing and Community Affairs	Texas Department of Agriculture	Texas Water Development Board	Other	Total Governmental Funds
\$ 93,925	\$ 698,209	\$ 207,416	\$ 11,354	\$ -	\$ -	\$ 17,469,173
3,165	2,249,429	-	-	49,142	-	5,014,223
109,071	4,635	206,234	-	-	1,557,798	2,371,196
-	-	-	-	-	291,362	337,545
-	-	-	-	-	75,808	75,808
-	11,322	-	-	-	57,016	74,551
-	-	-	-	-	40,980	40,980
<u>206,161</u>	<u>2,963,595</u>	<u>413,650</u>	<u>11,354</u>	<u>49,142</u>	<u>2,022,964</u>	<u>25,383,476</u>
-	-	-	-	-	1,676,610	1,676,610
-	-	413,650	-	-	-	11,714,145
-	-	-	-	-	-	2,686,284
-	-	-	-	-	-	4,586,102
-	2,963,595	-	-	-	-	2,963,595
-	-	-	-	49,142	-	267,647
206,161	-	-	-	-	-	206,161
-	-	-	11,354	-	-	11,354
-	-	-	-	-	-	190,249
-	-	-	-	-	24,521	24,521
-	-	-	-	-	87,899	144,445
-	-	-	-	-	5,932	13,386
<u>\$ 206,161</u>	<u>\$ 2,963,595</u>	<u>\$ 413,650</u>	<u>\$ 11,354</u>	<u>\$ 49,142</u>	<u>\$ 1,794,962</u>	<u>\$ 24,484,499</u>

**ARK-TEX COUNCIL OF GOVERNMENTS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budget</u>	<u>Actual</u>
<b>EMPLOYEE SALARY BENEFITS</b>		
Salaries (release time):		
Vacations	\$ 181,000	\$ 182,497
Holidays	213,950	204,543
Sick leave	76,411	130,985
Liability differential	<u>-</u>	<u>-</u>
Total employee salary benefits	<u>471,361</u>	<u>518,025</u>
<b>OTHER EMPLOYEE BENEFITS</b>		
Longevity pay benefit	19,200	18,738
Health/life insurance	787,273	768,882
Payroll taxes	323,444	309,255
Unemployment insurance	118,385	1,039
Workers' compensation insurance	88,935	91,546
Retirement	<u>211,401</u>	<u>195,307</u>
Total other employee benefits	<u>1,548,638</u>	<u>1,384,767</u>
Total salary and other employee benefits	<u>2,019,999</u>	<u>1,902,792</u>
<b>PRIOR YEARS OVER ALLOCATION</b>		
Fiscal year 2021 cumulative (over) under allocation	<u>( 147,239)</u>	<u>-</u>
Total prior years (over) under allocation	<u>( 147,239)</u>	<u>-</u>
Total employee benefits and carryforward	<u>1,872,760</u>	<u>1,902,792</u>
<b>BASIS FOR ALLOCATION</b>		
Gross salaries	4,228,020	4,082,486
Less: release time	<u>( 471,361)</u>	<u>518,025</u>
Total chargeable salaries	<u>3,756,659</u>	<u>3,564,461</u>
<b>RATE COMPUTATION</b>		
Total employee benefits	1,872,760	1,902,792
Total chargeable salaries	<u>3,756,659</u>	<u>3,564,461</u>
Computed rate	<u>49.9%</u>	<u>53.4%</u>
<b>ALLOCATION</b>		
Total actual benefits	-	1,902,792
Allocated to grants and local activities	-	( 1,814,252)
Allocated to indirect cost pool	<u>-</u>	<u>( 301,543)</u>
<b>UNDER (OVER) ALLOCATED - CARRY OVER TO 2021 COST PROPOSAL</b>	-	( 213,003)
<b>PRIOR YEAR CUMULATIVE UNDER (OVER) ALLOCATION</b>	<u>-</u>	<u>68,551</u>
<b>TOTAL CUMULATIVE UNDER (OVER) ALLOCATION</b>	<u>\$ -</u>	<u>\$( 144,452)</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, 2023

	<u>Budget</u>	<u>Actual</u>
<b>INDIRECT COSTS</b>		
Salaries	\$ 576,189	\$ 586,032
Benefits	<u>287,240</u>	<u>301,543</u>
Total salaries and benefits	863,429	887,575
Audit	40,000	30,775
Travel	26,000	23,009
Office rental	44,026	29,285
Office supplies	10,750	32,294
Copy services	2,586	4,709
Telephone	9,787	11,652
Postage	6,850	2,885
Other	49,592	111,250
Fiscal year 2021 cumulative over allocation	<u>( 237,986)</u>	<u>-</u>
Total indirect costs	<u>815,034</u>	<u>1,133,434</u>
<b>BASIS FOR ALLOCATION</b>		
Direct salaries	3,162,035	2,978,429
Direct benefits	<u>1,576,329</u>	<u>1,601,249</u>
Total direct personnel costs	<u>4,738,364</u>	<u>4,579,678</u>
<b>INDIRECT COST RATE COMPUTATION</b>		
Total indirect costs	815,034	1,133,434
Total direct personnel costs	<u>4,738,364</u>	<u>4,579,678</u>
Computed rate	<u>17.2%</u>	<u>24.7%</u>
<b>ALLOCATION</b>		
Total actual indirect costs	-	1,133,434
Indirect costs allocated	<u>-</u>	<u>( 917,325)</u>
<b>UNDER (OVER) ALLOCATED - CARRY OVER TO 2023 COST PROPOSAL</b>	-	216,109
<b>PRIOR YEAR CUMULATIVE UNDER (OVER) ALLOCATION</b>	<u>-</u>	<u>( 117,668)</u>
<b>TOTAL CUMULATIVE UNDER (OVER) ALLOCATION</b>	<u>\$ -</u>	<u>\$ 98,441</u>

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## **SINGLE AUDIT SECTION**

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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**

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 aggregate discretely presented component units, and each major fund of Ark-Tex Council of Governments (the "Council") as of and for the year ended September 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 April 25, 2024.

***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 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.

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.

***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*.

## **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 Council'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 25, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL AND STATE PROGRAMS AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE  
AND THE STATE OF TEXAS GRANT MANAGEMENT STANDARDS**

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

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

***Opinion on Each Major Federal and State Programs***

We have audited 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 *Texas Grant Management Standards (TXGMS)* 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, 2023. 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.

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, 2023.

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

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

**OFFICE LOCATIONS**

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



## **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 TXGMS 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 programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and TXGMS, 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 TXGMS, 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.

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

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

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

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

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

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

**ARK-TEX COUNCIL OF GOVERNMENTS**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Expenditures	Pass-through Expenditures
<b>FEDERAL AWARDS - PRIMARY GOVERNMENT</b>				
<b>U. S. Department of Housing and Urban Development</b>				
<i>Passed through the Texas Department of Agriculture:</i>				
Community Development Block Grant	14.228	C719212	\$ 11,354	\$ -
<i>Total Passed through the Texas Department of Agriculture</i>			<u>11,354</u>	<u>-</u>
<i>Passed through the Texas Department of Housing and Community Affairs:</i>				
Emergency Solutions Grant	14.231	42216070022	4,298	-
Emergency Solutions Grant - COVID-19	14.231	42206070058	2,155	-
Emergency Solutions Grant	14.231	42216070022	200,963	-
<i>Subtotal 14.231</i>			<u>207,416</u>	<u>-</u>
<i>Total Passed through Texas Department of Housing and Community Affairs</i>			<u>207,416</u>	<u>-</u>
<i>Direct Programs:</i>				
Section 8 Housing Choice Vouchers	14.871		11,091,457	-
Section 8 Housing Choice Vouchers - COVID-19	14.871		49,263	-
<i>Total Housing Voucher Cluster</i>			<u>11,140,720</u>	<u>-</u>
Section 8 Family Self-Sufficiency	14.896		159,775	-
<i>Total Direct Programs</i>			<u>11,300,495</u>	<u>-</u>
<b>Total U. S. Department of Housing and Urban Development</b>			<u>11,519,265</u>	<u>-</u>
<b>U. S. Department of Justice</b>				
<i>Passed through Governor's Office of Criminal Justice:</i>				
Coronavirus Emergency Supplemental Funding - COVID-19	16.034	4349501	20,345	-
<i>Total Passed through the Governor's Office of Criminal Justice</i>			<u>20,345</u>	<u>-</u>
<b>Total U. S. Department of Criminal Justice</b>			<u>20,345</u>	<u>-</u>
<b>U. S. Department of Transportation</b>				
<i>Passed through Texas Department of Transportation:</i>				
Section 5311 Rural Transportation	20.509	51018011921	211,272	-
Section 5311 Rural Transportation	20.509	51018011922	665,319	-
Section 5311 Rural Transportation	20.509	51018011923	1,556,016	-
Section 5311 Rural Transportation	20.509	51018011924	99,955	-
<i>Subtotal 20.509</i>			<u>2,532,562</u>	<u>-</u>
Section 5310 Transportation for Elderly and Disabled	20.513	51016011922	128,143	-
Section 5310 Transportation for Elderly and Disabled	20.513	51016021924	28,379	-
<i>Total Transit Services Programs Cluster</i>			<u>156,522</u>	<u>-</u>
Section 5339 Federal Bus Facilities Program	20.526	19011906920	293,162	-
<i>Total Federal Transit Cluster</i>			<u>293,162</u>	<u>-</u>
<i>Total Passed through Texas Department of Transportation</i>			<u>2,982,246</u>	<u>-</u>
<b>Total U. S. Department of Transportation</b>			<u>2,982,246</u>	<u>-</u>

**ARK-TEX COUNCIL OF GOVERNMENTS**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Expenditures	Pass-through Expenditures
<b>FEDERAL AWARDS - PRIMARY GOVERNMENT (CONTINUED)</b>				
<b>U. S. Department of Treasury</b>				
<i>Passed through the Texas Commission on State Emergency Communications:</i>				
Coronavirus State Fiscal Recovery Fund- COVID-19	21.027	2022	698,209	-
<i>Total Passed through Texas Commission on State Emergency Communications</i>			698,209	-
<b>Total U. S. Department of Treasury</b>			698,209	-
<b>U.S. Environmental Protection Agency</b>				
<i>Passed through Texas Commission on Environmental Quality:</i>				
Water Quality	66.454	582-22-30078	20,216	-
<i>Total Passed through Texas Commission on Environmental Quality</i>			20,216	-
<b>Total U.S. Environmental Protection Agency</b>			20,216	-
<b>U. S. Department of Health and Human Services</b>				
<i>Passed through Texas Health and Human Services Commission:</i>				
Title VII-EAP	93.041	HHS000874100002	3,496	-
Title VII-OM	93.042	HHS000874100002	39,263	-
Cares Title VII-OM - COVID-19	93.042	HHS000874100002	6,141	-
<i>Subtotal 93.042</i>			45,404	-
Title III-D Evidence Based - Intervention	93.043	HHS000874100002	22,795	-
Title III-D ARP	93.043	HHS000874100002	12,683	-
<i>Subtotal 93.043</i>			35,478	-
Title III-B	93.044	HHS000874100002	461,313	-
ARP Title III-B - COVID-19	93.044	HHS000874100002	177,708	-
Title III-C1	93.044	HHS000874100002	76,148	-
ARP Title III-C1 - COVID-19	93.044	HHS000874100002	154,115	-
Title III-C2	93.045	HHS000874100002	470,130	-
ARP Title III-C2 - COVID-19	93.045	HHS000874100002	217,949	-
NSIP	93.053	HHS000874100002	222,685	-
<i>Total Aging Cluster</i>			1,780,048	-
Title III-E	93.052	HHS000874100002	138,934	-
ARP Title III-E - COVID-19	93.052	HHS000874100002	35,139	-
<i>Subtotal 93.052</i>			174,073	-
MIPPA Priority Area 2	93.071	HHS000874100002	29,665	-
HICAP	93.324	HHS000874100002	54,562	-
ARP ELDER JUSTICE OM	93.747	HHS000874100002	12,241	-
<i>Total Passed through Texas Health and Human Services Commission</i>			2,134,967	-
<b>Total U. S. Department of Health and Human Services</b>			2,134,967	-

**ARK-TEX COUNCIL OF GOVERNMENTS**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Grantor Number	Expenditures	Pass-through Expenditures
<b>FEDERAL AWARDS - PRIMARY GOVERNMENT (CONTINUED)</b>				
<b>U. S. Department of Homeland Security</b>				
<i>Passed through the Texas Department of Public Safety:</i>				
Homeland Security Grant Program - HSGP	97.067	2946007	\$ 93,925	\$ -
<i>Total Passed through Texas Department of Public Safety</i>			<u>93,925</u>	<u>-</u>
<b>Total U. S. Department of Homeland Security</b>			<u>93,925</u>	<u>-</u>
<b>Total Federal Awards - Primary Government</b>			<u>17,469,173</u>	<u>-</u>
<b>FEDERAL AWARDS - DISCRETELY PRESENTED COMPONENT UNITS</b>				
<b>U. S. Department of Commerce, Economic Development Administration</b>				
<i>Direct Programs:</i>				
NETEDD 3 Year Planning Grant	11.302		127,175	-
Red River Leadership Grant	11.303		87,689	-
Economic Development Project Grant	11.307		157,165	-
Revolving Loan Fund - NETEDD - COVID-19	11.307		<u>570,556</u>	<u>-</u>
<i>Total Economic Development Cluster</i>			<u>727,721</u>	<u>-</u>
<i>Total Direct Programs</i>			<u>942,585</u>	<u>-</u>
<b>Total U. S. Department of Commerce, Economic Development Administration</b>			<u>942,585</u>	<u>-</u>
<b>Total Federal Awards - Discretely Presented Component Units</b>			<u>942,585</u>	<u>-</u>
<b>Total Federal Awards - Financial Reporting Entity</b>			<u>\$ 18,411,758</u>	<u>\$ -</u>

**ARK-TEX COUNCIL OF GOVERNMENTS**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

State Grantor/ Program Title	State Grantor Number	Expenditures	Pass-through Expenditures
<b>STATE AWARDS</b>			
<b><u>Texas Health and Human Services Commission</u></b>			
State General Revenue Title III-E Match	HHSC00087410002	\$ 59,085	\$ -
OMB ALF Services	HHSC00087410002	29,432	-
State General Revenue - HDM Rate Increase	HHSC00087410002	136,493	-
Expanding Public Health Workforce	HHSC00087410002	<u>18,488</u>	<u>-</u>
<b>Total Texas Health and Human Services Commission</b>		<u>243,498</u>	<u>-</u>
<b><u>Texas Office of the Governor</u></b>			
Purchase of Juvenile Justice Alternatives	1426624	29,037	-
Regional Law Enforcement Training	1426417	75,074	-
Regional Criminal Justice Coordination	50044469	46,862	-
Homeland Security COG Contract	2023	18,931	-
Franklin County Radio Infrastructure	3979301	1,361	-
Lamar County Radio Infrastructure	4115701	149	-
Delta County Radio Infrastructure	4555401	<u>1,655</u>	<u>-</u>
<i>Total Statewide Emergency Radio Infrastructure Program</i>		<u>3,165</u>	<u>-</u>
<b>Total Texas Office of the Governor</b>		<u>173,069</u>	<u>-</u>
<b><u>Texas Department of Transportation</u></b>			
Rural Transportation	51218012021	46,039	-
Rural Transportation	51016011921	112,471	-
Rural Transportation	51018011922	35,421	-
Rural Transportation	51218012023	1,133,822	-
Rural Transportation	51016011923	36,449	-
Rural Transportation	51018011923	640,136	-
Rural Transportation	51218011924	<u>96,857</u>	<u>-</u>
<i>Total Rural Transportation - State</i>		<u>2,101,195</u>	<u>-</u>
<b>Total Texas Department of Transportation</b>		<u>2,101,195</u>	<u>-</u>
<b><u>Texas Commission on Environmental Quality</u></b>			
Regional Solid Waste	582-22-30108	<u>197,890</u>	<u>-</u>
<b>Total Texas Commission on Environmental Quality</b>		<u>197,890</u>	<u>-</u>
<b><u>Texas Water Development Board</u></b>			
Regional Flood Planning	2101792501	<u>49,142</u>	<u>-</u>
<b>Total Texas Water Development Board</b>		<u>49,142</u>	<u>-</u>
<b><u>Commission on State Emergency Communications</u></b>			
911 Emergency Communications	2022	1,209,272	-
911 Emergency Communications	2023	<u>1,040,157</u>	<u>-</u>
<b>Total Commission on State Emergency Communications</b>		<u>2,249,429</u>	<u>-</u>
<b>Total State Awards</b>		<u>\$ 5,014,223</u>	<u>\$ -</u>
<b>Total Federal and State Awards</b>		<u>\$ 23,425,981</u>	<u>\$ -</u>

**ARK-TEX COUNCIL OF GOVERNMENTS**

NOTES TO SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2023

**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"). 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 *Texas Grant Management Standards* ("TXGMS"). 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 in accordance with 2 CFR 200 §200.502(b) as follows:

	Revolving Loan Fund - COVID-19
Value of new loans made during audit period	\$ -
Beginning balance of existing RLF loans (9/30/2022)	468,281
Balance of undisbursed federal loan funds	102,275
Administrative cost allowance during the fiscal year	-
Total EDA Revolving Loan Fund Expenditures	570,556
Federal Participation Rate	<u>100.00%</u>
Total Federal Share of EDA RLF Expenditures	\$ <u><u>570,556</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, 2023

**Summary of Auditors' Results**

Financial Statements:

Type of auditor's 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 auditor's 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 Texas Grant Management Standards?	None
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Identification of major programs:

**Federal:**

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster:
20.509	Section 5311 Rural Transportation
21.027	Coronavirus State Fiscal Recovery
	Fund - COVID-19
93.044, 93.045, 93.053	Aging Cluster

**State:**

	Name of State Program or Cluster:
State	Rural Transportation
State	911 Emergency Communications

Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
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Dollar threshold used to distinguish between type A and type B state programs	\$750,000
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Auditee qualified as low-risk auditee under Section 510(a) of Uniform Guidance?	Yes
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Auditee qualified as low-risk auditee under Texas Grant Management Standards?	Yes
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**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, 2023

None