



WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

Planning - Training - Community Development - Human Services

Abilene, Texas

ANNUAL FINANCIAL REPORT

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

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Executive Committee
West Central Texas Council of Governments
Abilene, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, and each major fund of West Central Texas 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 discretely presented component unit, and each major fund 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.

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS

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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 and pension and OPEB 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 July 1, 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
July 1, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the West Central Texas 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. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the Council exceeded its assets and deferred outflows as of September 30, 2023, by \$1,591,728 (net position - deficit). Of this amount, \$2,412,555 is a deficit of unrestricted net position may be used to meet the Council's ongoing obligations.
- The Council's total net position decreased overall by a total of \$770,840 primarily due to pension expense. The Council's primary revenue stream, federal and state grants, generally equals the related program expenses.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$2,619,596, an increase of \$1,507,667 in comparison with the prior year after prior period adjustments of \$1,433,753. Of the total fund balance, approximately 71% is nonspendable, committed, or assigned to specific purposes, and 29% is available for spending at the Council's discretion (unassigned).
- As of September 30, 2023, the fund balance for the General Fund was \$1,010,952, an increase of \$178,055 from prior year. Growth from several sources is credited with the increase such as fee for service contracts, interest, vehicle usage fees and membership dues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information to furnish in additional detail to support 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related *cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found immediately following this discussion and analysis.

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 essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance are accompanied by reconciliation to the government-wide financial statements in order to facilitate comparison between governmental funds and governmental activities.

The Council maintains two governmental funds: the General Fund and a Special Revenue Fund. 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 and Special Revenue funds.

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 annual 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 acquire 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.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents other schedules that further support the information in the financial statements. The other schedules can be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Council, liabilities and deferred inflows exceeded its assets and deferred outflows of resources by \$1,591,728 for the period ending September 30, 2023.

At the end of the 2023 fiscal year, net position for the Council was a deficit of \$1,591,728 as compared to \$1,989,894 in 2022. A portion of the Council's net position (\$820,827) reflects its net investment in capital assets (e.g., land, buildings, vehicles, and equipment). The Council uses these assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

West Central Texas Council of Government's Net Position

	Governmental Activities	
	2023	2022
Current and other assets	\$ 4,554,393	\$ 4,175,000
Capital assets	<u>1,076,029</u>	<u>1,229,156</u>
Total assets	<u>5,630,422</u>	<u>5,404,156</u>
Deferred outflows of resources	<u>1,491,216</u>	<u>941,516</u>
Current liabilities	2,723,191	2,602,887
Noncurrent liabilities	<u>5,906,206</u>	<u>1,374,324</u>
Total liabilities	<u>8,629,397</u>	<u>3,977,211</u>
Deferred inflows of resources	<u>83,969</u>	<u>4,358,355</u>
Net position:		
Net investment in capital assets	820,827	822,984
Unrestricted	<u>(2,412,555)</u>	<u>(2,812,878)</u>
Total net position	<u>\$(1,591,728)</u>	<u>\$(1,989,894)</u>

- Current assets increased primarily to increased interest income from rate increases, as well as the inclusion of the West Central Texas Housing Finance Corporation, a blended component unit with approximately \$700,000 of cash.
- Capital assets decreased due to continued depreciation with very few additions.
- Liabilities increased significantly due to the Council's pension liability recognized for its participation in TCDRS. The increase resulted from investment income experience by the plan that significantly increased the liability, but do not affect the plan's liquidity.

West Central Texas Council of Governments' Changes in Net Position

The following table provides a summary of the Council's operations for the year ended September 30, 2023 compared to 2022. The Council's revenue decreased by \$5,136,036 and the overall expenses decreased by \$2,369,589, ending the fiscal year with an overall decrease in net position of \$770,840.

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,082,085	\$ 2,428,169
Operating grants and contributions	7,833,315	13,633,326
General revenues:		
Membership dues	36,535	36,297
Unrestricted investment earnings	17,857	92
Miscellaneous	<u>13,123</u>	<u>21,067</u>
Total revenues	<u>10,982,915</u>	<u>16,118,951</u>
Expenses:		
General operations	377,700	816,163
Area health education (AHEC)	463,224	358,906
9-1-1 emergency communications	2,489,688	2,786,044
Criminal justice	276,036	220,430
Homeland security	992,370	1,064,789
Economic development	151,947	334,342
Regional services/solid waste	270,491	224,725
Aging services	2,635,875	3,244,499
Community programs	398,683	1,878,840
Employer of record services	3,332,882	2,428,169
Other programs	311,405	721,012
Interest on debt	<u>53,454</u>	<u>45,425</u>
Total expenses	<u>11,753,755</u>	<u>14,123,344</u>
Change in net position	(770,840)	1,995,607
Net position, beginning	(1,989,894)	(3,985,501)
Prior period adjustment	<u>1,169,006</u>	<u>-</u>
Net position, ending	<u>\$(1,591,728)</u>	<u>\$(1,989,894)</u>

Revenues decreased \$5,136,036 from the prior year due to several factors. Primarily, in 2022 the Council recognized significant pension income due to a large temporary decrease in the Council's pension liability. Results on the pension liability in the current year were more in line with prior years, causing an increase again in the liability. Local membership dues, the Council's primary unrestricted revenue source, remained constant compared to prior years and approximated \$36,000.

Expenses of governmental activities decreased by 17% in the current year, decreasing from \$14,123,344 in the prior year to \$11,753,755 in the current year. Since the Council operates primarily from federal and state grants, grant funding closely parallel increases and decreases in grant expenditures for services. As previously mentioned, the change can be attributed primarily to fluctuations in the Council's level of grant funding.

FINANCIAL ANALYSIS OF THE COUNCIL'S FUNDS

The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As noted previously, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements imposed by grantors in particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose. As previously noted, the Council operates primarily from federal and state grants and therefore increases in expenses, closely parallel increases in grant funding.

As of September 30, 2023, the Council's governmental funds reported combined fund balances of \$2,619,596, an increase of \$73,914 in comparison with the prior year. Of this amount, \$746,620 or 29% constitutes unassigned fund balance, which is available for spending at the Council's discretion. The remainder of the fund balance is either nonspendable, committed, or assigned.

General Fund. The General Fund is the primary operating fund for the Council and is available for use at the Council's discretion. The fund balance at the end of the fiscal year was \$1,010,952, an increase of \$178,055 or 32% from prior year fund balance. Revenue in the General Fund comes from membership dues, interest income on idle cash/investments, employer of record fees, and other contracts and local funds. These funds are essentially unrestricted but are used from time to time to help support programs and provide local matching to grant funds. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 154% of total General Fund expenditures, while total fund balance represents 160% of that same amount. The increase in fund balance resulted from the increase in program and local income.

Special Revenue Fund. As previously noted, the Council operates primarily from federal and state grants and therefore, grant funding closely parallel increases and decreases in grant expenditures for services. The Council's primary areas of grant funding include aging, emergency communications, and homeland security. The Council also provides employer of record services to other governments throughout the state. A large portion of these programs are reimbursement-based, and thus are not expected to carry fund balance over time. During the current fiscal year, fund balance decreased by \$104,141 primarily due to spending down committed funds for use in the Council's programs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Council's investment in capital and right to use assets for its governmental activities as of September 30, 2023, amounts to \$1,076,029 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

West Central Texas Council of Governments' Capital Assets at Year-end

	Governmental Activities	
	2023	2022
Land	\$ 174,500	\$ 174,500
Buildings and improvements	2,468,963	2,499,437
Furniture, equipment, and vehicles	2,003,553	2,014,961
Right to use - vehicles	117,769	117,769
Less: accumulated depreciation	(3,688,756)	(3,577,511)
Total capital assets	\$ <u>1,076,029</u>	\$ <u>1,229,156</u>

There were no significant transactions related to capital assets for the year. Except for minor equipment additions and disposals, balance changes related only to depreciation.

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

Long-term Debt - At the end of the current fiscal year, the Council had total long-term debt outstanding of \$1,131,271.

	Long-term Debt	
	2023	2022
Governmental Activities:		
Notes payable	\$ 243,814	\$ 350,515
Line of credit	510,200	495,000
Leases	11,388	55,657
Compensated absences	365,869	264,747
Total	<u>\$ 1,131,271</u>	<u>\$ 1,165,919</u>

This long-term debt relates primarily to a note payable secured by the Council’s administrative office building, as well as leases for equipment used in the Council’s operations.

Significant transactions involving long-term debt included the payment on existing leases and notes. The Council did not issue any new debt during fiscal year 2023.

Additional information on the Council’s long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S ANNUAL FINANCIAL PLAN

The Council used internal funds to pay off the line of credit with its financial institution totaling \$491,496 in January 2024 to reduce interest expense.

Beginning in 2024, the Council was approved for Hazard Mitigation Planning Grants for twelve counties in the Council’s region, totaling \$527,245 over two years.

The West Central Texas Regional Foundation was approved for a \$770,762 grant funded by HUD for New Housing Vision, a Continuum of Care grant to assist the homeless in the region. The grant begins in July 2024 and is for a period of 12 months. The Regional Foundation was also approved for a \$300,000 state grant from the Texas Veterans Commission beginning July 1, 2024.

In October 2023, the Housing Finance Corporation approved funding up to \$400,000 over a three-year period for the Council to conduct research or an assessment of housing needs and gaps within the WCTCOG region.

In 2024, the Council applied for and was approved for a provisional federal indirect cost rate of 25.35% for fiscal year 2024 and 19.67% for fiscal year 2025. In 2023, the Council was approved for two tier indirect cost rate, one rate at 30.61% and one rate of 13%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Council’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Council’s Finance Department at 325-672-8544 or 3702 Loop 322, Abilene, TX 79602.

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**BASIC
FINANCIAL STATEMENTS**

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WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government	Component Unit
	Governmental Activities	West Central Texas Regional Foundation
ASSETS		
Cash and cash equivalents	\$ 1,867,123	\$ 18,611
Investments	-	58,694
Receivables:		
Grants	2,380,974	137,466
Other	75,938	-
Notes receivable	30,504	-
Prepaid expenses	199,854	-
Capital assets:		
Land	174,500	-
Building and improvements, net	875,366	-
Furniture, equipment, and vehicles, net	14,867	-
Right-of-use assets, net	11,296	-
Total assets	<u>5,630,422</u>	<u>214,771</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related	28,658	-
Pension related	1,462,558	-
Total deferred outflows of resources	<u>1,491,216</u>	<u>-</u>
LIABILITIES		
Accounts payable	1,539,048	137,461
Accrued liabilities	212,060	-
Unearned revenue	153,185	-
Noncurrent liabilities:		
Due within one year:		
Compensated absences	187,037	-
Note payable	110,273	-
Leases payable	11,388	-
Line of credit payable	510,200	-
Due in more than one year:		
Compensated absences	178,832	-
Note payable	133,541	-
Net pension liability	5,231,946	-
Total OPEB liability	361,887	-
Total liabilities	<u>8,629,397</u>	<u>137,461</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB related	83,969	-
Total deferred inflows of resources	<u>83,969</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	820,827	-
Unrestricted	(2,412,555)	77,310
Total net position (deficit)	<u>\$(1,591,728)</u>	<u>\$ 77,310</u>

The notes to the financial statements are an integral part of this statement.

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions / Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs
Primary government:			
Governmental activities:			
General operations	\$ 377,700	\$ -	\$ 377,700
Area health education (AHEC)	428,266	34,958	463,224
9-1-1 emergency communications	2,378,002	111,686	2,489,688
Criminal justice	251,647	24,389	276,036
Homeland security	931,489	60,881	992,370
Economic development	139,155	12,792	151,947
Regional services/solid waste	236,930	33,561	270,491
Aging services	2,395,539	240,336	2,635,875
Community programs	202,998	195,685	398,683
Employer of record services	3,332,882	-	3,332,882
Other programs	301,999	9,406	311,405
Indirect costs	723,694	(723,694)	-
Interest on debt	53,454	-	53,454
Total governmental activities	11,753,755	-	11,753,755
Total primary government	11,753,755	-	11,753,755
Component Unit:			
West Central Texas Regional Foundation	2,291,636	-	2,291,636
Total component unit	2,291,636	-	2,291,636
Total	\$ 14,045,391	\$ -	\$ 14,045,391

General revenues:
 Membership dues
 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

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Charges For Services	Operating Grants and Contributions	Governmental Activities	West Central Texas Regional Foundation
\$ -	\$ 125,003	\$(252,697)	\$ -
-	493,380	30,156	-
-	2,432,832	(56,856)	-
-	246,062	(29,974)	-
-	858,557	(133,813)	-
9,548	156,361	13,962	-
-	255,602	(14,889)	-
-	2,631,551	(4,324)	-
-	158,357	(240,326)	-
3,072,537	-	(260,345)	-
-	475,610	164,205	-
-	-	(53,454)	-
<u>3,082,085</u>	<u>7,833,315</u>	<u>(838,355)</u>	<u>-</u>
<u>3,082,085</u>	<u>7,833,315</u>	<u>(838,355)</u>	<u>-</u>
-	2,291,645	-	9
-	2,291,645	-	9
<u>\$ 3,082,085</u>	<u>\$ 10,124,960</u>	<u>-</u>	<u>9</u>
		36,535	-
		17,857	5,652
		<u>13,123</u>	<u>-</u>
		<u>67,515</u>	<u>5,652</u>
		<u>(770,840)</u>	<u>5,661</u>
		(1,989,894)	71,649
		<u>1,169,006</u>	<u>-</u>
		<u>(820,888)</u>	<u>71,649</u>
		<u>\$(1,591,728)</u>	<u>\$ 77,310</u>

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,384,738	\$ 482,385	\$ 1,867,123
Accounts receivable:			
Grants	125	2,380,849	2,380,974
Other	75,938	-	75,938
Prepaid items	<u>25,229</u>	<u>174,625</u>	<u>199,854</u>
Total assets	<u>1,486,030</u>	<u>3,037,859</u>	<u>4,523,889</u>
LIABILITIES			
Accounts payable	214,366	1,324,682	1,539,048
Accrued liabilities	204,095	7,965	212,060
Unearned revenue	<u>56,617</u>	<u>96,568</u>	<u>153,185</u>
Total liabilities	<u>475,078</u>	<u>1,429,215</u>	<u>1,904,293</u>
FUND BALANCE			
Nonspendable - prepaid items	25,229	174,625	199,854
Committed for economic development	-	966,295	966,295
Committed for housing finance	-	694,623	694,623
Assigned for program support	12,204	-	12,204
Unassigned	<u>973,519</u>	<u>(226,899)</u>	<u>746,620</u>
Total fund balances	<u>1,010,952</u>	<u>1,608,644</u>	<u>2,619,596</u>
Total liabilities and fund balances	\$ <u>1,486,030</u>	\$ <u>3,037,859</u>	\$ <u>4,523,889</u>

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet \$ 2,619,596

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.

Land	174,500
Building	875,366
Furniture, fixtures and equipment	14,867
Right to use - vehicles and equipment	11,296

Notes receivable reported in governmental activities are not reported in the funds.	30,504
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Notes payable	(243,814)
Leases payable	(11,388)
Line of credit	(510,200)
Compensated absences	(365,869)

Included in the items related to pensions and OPEB are the recognition of the Council's Net Pension Liability, Total OPEB Liability and the related deferred outflows and deferred inflows of resources.

Net Pension Liability	(5,231,946)
Total OPEB Liability	(361,887)
Deferred outflows related to pensions and OPEB	1,491,216
Deferred inflows related to pensions and OPEB	(<u>83,969</u>)

Net position of governmental activities	<u><u>\$ (1,591,728)</u></u>
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WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Special Revenue	Total Governmental Funds
REVENUES			
Federal grants	\$ -	\$ 3,770,299	\$ 3,770,299
State grants	-	3,480,633	3,480,633
Local funds	<u>761,869</u>	<u>3,024,945</u>	<u>3,786,814</u>
Total revenues	<u>761,869</u>	<u>10,275,877</u>	<u>11,037,746</u>
EXPENDITURES			
Current:			
General government	118,144	11,213	129,357
Area health education	-	433,215	433,215
9-1-1 emergency communications	-	2,430,415	2,430,415
Criminal justice	536	258,990	259,526
Homeland security	74	960,216	960,290
Economic development	-	142,674	142,674
Regional services/solid waste	2,202	254,117	256,319
Aging	-	2,544,274	2,544,274
Community programs	307	323,282	323,589
Employer of record services	-	3,014,596	3,014,596
Other programs	317,596	7,026	324,622
Debt Service:			
Principal	141,501	-	141,501
Interest	<u>53,454</u>	<u>-</u>	<u>53,454</u>
Total expenditures	<u>633,814</u>	<u>10,380,018</u>	<u>11,013,832</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	128,055	(104,141)	23,914
OTHER FINANCING SOURCES			
Line of credit proceeds	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total other financing sources	<u>50,000</u>	<u>-</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCES	178,055	(104,141)	73,914
FUND BALANCES, BEGINNING	553,793	558,136	1,111,929
PRIOR PERIOD ADJUSTMENT	<u>279,104</u>	<u>1,154,649</u>	<u>1,433,753</u>
FUND BALANCES, BEGINNING, AS RESTATED	<u>832,897</u>	<u>1,712,785</u>	<u>2,545,682</u>
FUND BALANCES, ENDING	\$ <u>1,010,952</u>	\$ <u>1,608,644</u>	\$ <u>2,619,596</u>

The notes to the financial statements are an integral part of this statement.

WEST CENTRAL TEXAS 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: \$ 73,914

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 these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	13,700
Disposals of capital assets	(13,427)
Depreciation expense	(153,400)

Principal payments on long-term debt reduces current financial resources in governmental funds, but does not have any effect on net position.

Issuance of debt	(50,000)
Principal payments on debt	185,770

Long-term notes receivable are not current financial resources and, therefore, are not reported in the funds. Payments received on notes receivable are reported as revenue in the funds, but reduce the note receivable in the Statement of Activities.

(73,524)

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

Compensated absences	(101,122)
OPEB expense	15,299
Pension expense	(668,050)

Change in net position of governmental activities \$(770,840)

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WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the West Central Texas Council of Governments (the "Council" or WCTCOG) 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.

The West Central Texas Council of Governments is a voluntary association of cities, counties, school districts, and special districts within the nineteen-county West Central Texas region. The Council was established in 1966 to assist local government in planning common needs, cooperating for mutual benefit, and coordinating for sound regional development. WCTCOG is a political subdivision of the State of Texas under Article 391 of the Texas Local Government Code. The basic operations of the Council are financed by membership dues and by financial assistance provided by federal and state grants, and other local funds.

Membership in the WCTCOG is voluntary. Any county, city, or special purpose district within the West Central Texas region may become a member of the independent association by passing a resolution to join the Council and paying annual dues. Each member government is entitled to have one voting representative on the Council's Board of Directors which is the Council's governing board. Each year the Board of Directors elects a sixteen (16) member Executive Committee which is the policy making and oversight body of the Council.

Reporting Entity

The Council's basic financial statements include the accounts of all its operations. The Council meets the criteria of a primary government and is not a component unit of any reporting entity. The Council evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Council's reporting entity include whether:

- the organization is legally separate (can sue or be sued in its name)
- the Council holds the corporate powers of the organization
- the Council appoints a voting majority of the organization's board
- the Council is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Council
- there is fiscal dependency by the organization on the Council
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the Council has three component units, which are individually described below.

The **West Central Texas Economic Development District** (WCTEDD) is the grantee of funds for economic development and the Council is the operational arm for purposes of planning, service delivery, fiscal and staffing functions as they relate to the activities of WCTEDD. WCTEDD is listed as the grant recipient for any grants WCTEDD receives and is responsible for any match requirements required by the granting agency. Although WCTEDD is legally separate from the Council, the authority is reported as if it were part of the primary government as a blended component unit, because the Council's Executive Committee substantially serves as WCTEDD's governing board. Separately issued financial statements are not prepared.

The **West Central Texas Housing Finance Corporation** (WCTHFC) is a not-for-profit organization created under the provisions of the Texas Affordable Housing Act. WCTHFC was established to promote affordable housing in the WCTCOG region. WCTHFC is governed by a 5-member board of directors that are all members of the Council's board of directors. Additionally, the Council serves as WCTHFC's fiscal agent and controls the assets of WCTHFC. Thus, WCTHFC has been included within the Special Revenue Fund as a blended component unit. Separately issued financial statements are not prepared.

The **West Central Texas Regional Foundation** (WCTRF) is a not-for-profit organization operating with 501(c)3 status. WCTRF was created to obtain and manage grant funding to the benefit of citizens within the WCTCOG region. WCTRF is funded primarily from grants from the U.S. Department of Veterans Affairs, and is subject to a Federal Single Audit each year. WCTRF operates under a management agreement with the Council, whereby the Council serves as fiscal agent and administers all day-to-day operations, ensures grant compliance, and controls WCTRF's assets. The Council also serves as the employer of record for all WCTRF employees. Based on this relationship, the Council has effectively assumed responsibility for operating WCTRF, and management believes that the Council's financial statements could be misleading if WCTRF is excluded. As such, it has been included as a discretely presented component unit in the government-wide financial statements. Separately issued financial statements can be obtained from the Federal Audit Clearinghouse or by contacting the Council's finance department at 3702 Loop 322, Abilene, TX 79602.

Financial Statement Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Government activities generally are financed through memberships, federal, state, and local grants and other miscellaneous transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*.

Certain eliminations have been made regarding interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. The Council does not have any proprietary funds.

Fund Financial Statements: The fund financial statements provide information about the Council's funds with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Council reports the following governmental funds:

General Fund: This is the Council's primary operating fund and is considered a major fund. It accounts for all financial resources of the Council except those accounted for in another fund. Fund balances are considered resources available for current operations.

Special Revenue Fund: Used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal, state, and local financial assistance generally is accounted for in a special revenue fund. Normally, unused balances are returned to the grantor at the close of specified project periods.

Measurement Focus, Basis of Accounting

Government-wide Financial Statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. The major sources of revenue are federal and state grants, member government dues, local contributed cash, contributed services, and other revenue as discussed below:

Federal and State Grant Revenues

Recognized when program expenditures are incurred in accordance with program guidelines.

Member Government Dues

Recognized as revenue when assessed as it is measurable and are collectible within the current period. Dues may be used to meet the matching requirements of the grants, if necessary.

Employer of Record Services

The Council serves as employer of record for the following entities: Workforce Solutions Central Texas, Workforce Solutions North Texas Board and Workforce Solutions Southeast Texas Board. Under these arrangements, the Council serves as the employer of record for the employees of those entities, providing all services related to payroll and human resources, and pays all costs related to benefits, insurance, and taxes. The Council charges the entities on a direct-reimbursement basis with an administrative fee added.

Local Contributed Cash

Contributions to grant programs from local governments and other participants are recognized when grant expenditures are incurred.

Other Revenues

Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned. Miscellaneous charges for services are recorded as revenue when received in cash because they are generally not measurable until actually received.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The Council considered all revenues reported in the governmental funds to be available if the revenues are collected within 120 days after year-end. Revenues received from Federal and State grants are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition under capital leases are reported as other financing sources.

When the Council incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Council's policy to use restricted resources first, then unrestricted resources.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Cash Equivalents

Cash and cash 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 external investment pools. Interest earned is based on the amount of funds invested.

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

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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Council uses the consumption method to account for prepaid items, whereby amounts are expensed when goods or services are consumed, rather than when paid.

Notes Receivable

The Council received funding from the U.S. Department of Agriculture to form a revolving loan fund to assist small and emerging businesses in rural areas to retain employment or create employment. A loan committee determines the rate and term of the loan. At September 30, 2023, all notes receivable are considered fully collectible, and accordingly no allowance for uncollectible accounts has been recorded.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are reported at acquisition cost, which is the estimated cost to acquire the same asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Years
Buildings	25
Building improvements	15
Vehicles	5
Office equipment	5
Computer equipment	5
Right-to-use lease asset	5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 expected and actual economic experience for the Council's pension – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 expected and actual economic experience for the Council's pension – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

Leases

The Council has entered into various lease agreements as a 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 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.

Lessee

The Council is a lessee for noncancellable leases of equipment and vehicles. 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.

Fund Balance

Fund balance classifications are: nonspendable, restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund is the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The Council classifies governmental fund balances 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 determined by a formal action of the Board of Directors, the Council's highest level of decision-making authority. A commitment of funds requires the passage of a resolution by a simple majority vote. Governing action to commit fund balance must occur within the fiscal reporting period, no later than September 30th of the applicable fiscal year. If the actual amount of the commitment is not available by September 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same type of formal action taken to establish the commitment.

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

Net Position

For government-wide statements, net position is displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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.

Unrestricted net position – All other net position that do not meet the definition of the "restricted" or "net investment in capital assets".

Employee Benefits

WCTCOG provides various benefits to regular employees including medical and dental insurance coverage, disability benefits, life insurance, retirement, vacation, personal leave, and other released times. In addition, the Council is covered under the Texas Workforce Compensation Insurance program and Texas Unemployment Compensation Insurance program for which the Council pays the premiums.

Vacation Leave

Regular employees are not eligible for vacation leave until they have completed 90 days of continuous employment with the Council. Upon completion of the initial 90-day probationary employment period, regular full-time employees are credited with two and one-half days of vacation leave. Regular full-time employees are credited with a proportional amount of vacation leave based upon the amount of time worked to a 40-hour work week. During the remainder of the first year of employment, regular full-time employees accrue vacation leave at the rate of 5/6th of a day per month for a total of 10 vacation days after 12 months of employment. The accrual rate of vacation leave for regular full-time employees will increase at the rate of one additional day per year for every two years of continuous employment. Upon completion of 12 years of service and for each year thereafter, an employee will accrue 20 days of vacation leave annually. The maximum amount of vacation leave allowed to be accumulated is the amount an employee may accrue in two years, based upon current length of service. The liability for accumulated vacation has been recorded under compensated absences in the statement of net position.

Personal Leave

WCTCOG's personal leave policy permits regular full-time employees to accumulate 15 personal days per year up to a maximum of 60 days. Regular full-time employees accumulate personal days based upon proportion of time worked to a 40-hour work week. Employees are not paid for unused personal days upon termination of employment. Accordingly, personal leave pay is charged to expenditures when taken. No provision has been made in the financial statements for unused personal leave.

Other Benefits

Section 125 Flexible Benefits Plan – All Council staff are eligible to participate in the flexible benefits plan. The plan is a means whereby staff, at their option, may take a voluntary reduction of gross income by a pre-determined amount which is placed in an account. The employee is reimbursed for allowable employee paid medical, dental or group life insurance premiums, unreimbursed medical expenses, and/or childcare costs. There is no material liability to the Council; therefore, no provision has been made in the financial statements.

Section 457(b) Deferred Compensation Plan – All Council staff are eligible to participate in the Nationwide Retirement Solutions deferred compensation plan. The plan is a means whereby staff, at their option, may take a voluntary reduction of gross income by a predetermined amount which is deferred into a retirement arrangement for them with certain limits. There is no liability to the Council therefore no provision had been made in the financial statements.

Indirect Costs Allocation

General administrative costs are recorded in cost pools. The costs are partially recovered from special revenue funds based on negotiated indirect rates with the Texas Health and Human Services Commission, which is the Council's designated cognizant agency for the negotiation and approval of indirect rates for use of federal and state grants. Indirect costs are defined by the U.S. Office of Management and Budget as costs "(a) incurred for a common or joint purpose benefiting more than one costs objective, and (b) not readily achieved." The Council uses an interim and final rate structure. The rates are submitted with the cognizant agency annually based on projected costs submitted on a cost allocation plan. The negotiated rates approved are used for billing purposes. Indirect costs are included in the program expenses for individual activities in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgetary Information

The Council's financial plan is controlled at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, within restrictions imposed by grantor agencies. The Board approves the financial plan for revenue and expenditures in all funds. The financial plan for the Special Revenue Fund is made on a project (grant) basis, spanning more than one year. Appropriations for all projects in the Special Revenue Fund lapse at the end of a contract period which may not coincide with the fiscal year-end of the Council. The appropriations for the General Fund lapse at the fiscal year-end. Although the financial plans are reviewed and approved by the Council's Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comprehensive budget and actual results are not presented in this report.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash Deposits

At September 30, 2023, the carrying amount of the Council's deposits (cash, and interest-bearing savings accounts included in cash and cash equivalents) all of which mature in less than one year was \$1,867,123. The Council's cash deposits at September 30, 2023, and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the Council's agent bank in the Council's name.

Custodial Credit Risk

The Council's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the Council's agent bank approved pledged securities in an amount sufficient to protect Council funds on a daily basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Interest Rate Risk

In accordance with its investment policy, the Council manages its exposure to declines in fair value by limiting the maximum allowable maturity to one year, unless otherwise provided in a specific investment strategy that complies with current law.

Credit Risk

State law and Council policy limits investments in public funds investment pools to those rated no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. Additional authorized investments are consistent with governing law (Government Code 2256).

Concentration of Credit Risk

The Council's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. The Public Funds Investment Act ("ACT") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Council adhered to the requirements of the ACT. Additionally, investment practices of the Council were in accordance with local policies.

Investment Accounting Policy

The Council's general policy is to report money market investments and short-term participating interest earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists that guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

Public Funds Investment Pools

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

As of September 30, 2023, the Council was invested in TexPool in the amount of \$13,783. TexPool is reported at the net asset value per share of the pool's underlying portfolio, which approximates fair value.

NOTE 3: RECEIVABLES

Accounts Receivable

Accounts receivable primarily consist of receivables from state agencies for grants, and from other governments for whom the Council provides employer of record services. Other receivables primarily consist of vendor refunds and other local revenues sources. Based on historical experience, management considers the entire balances to be collectable, and thus no allowance for doubtful accounts has been recorded.

Notes Receivable

The Council has issued notes receivable to businesses in the region as part of its revolving loan program. The notes generally were issued to finance the starting or expansion of those businesses, and the notes are secured by any equipment or property purchased with the proceeds. Interest rates range from 5.25% to 7.25%. As of September 30, 2023, two notes were outstanding with a total reported value of \$30,504.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 174,500	\$ -	\$ -	\$ 174,500
Total capital assets, not being depreciated	<u>174,500</u>	<u>-</u>	<u>-</u>	<u>174,500</u>
Capital assets, being depreciated:				
Buildings and improvements	2,499,437	13,700	(44,174)	2,468,963
Furniture, equipment and vehicles	2,014,961	-	(11,408)	2,003,553
Right to use - vehicles	<u>117,769</u>	<u>-</u>	<u>-</u>	<u>117,769</u>
Total capital assets, being depreciated	<u>4,632,167</u>	<u>13,700</u>	<u>(55,582)</u>	<u>4,590,285</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,516,621)	(109,734)	32,758	(1,593,597)
Furniture, equipment and vehicles	(1,992,480)	(5,603)	9,397	(1,988,686)
Right to use - vehicles	<u>(68,410)</u>	<u>(38,063)</u>	<u>-</u>	<u>(106,473)</u>
Total accumulated depreciation	<u>(3,577,511)</u>	<u>(153,400)</u>	<u>42,155</u>	<u>(3,688,756)</u>
Capital assets, being depreciated, net	<u>1,054,656</u>	<u>(139,700)</u>	<u>(13,427)</u>	<u>901,529</u>
Total capital assets, net	<u>\$ 1,229,156</u>	<u>\$ (139,700)</u>	<u>\$ (13,427)</u>	<u>\$ 1,076,029</u>

Depreciation was charged to the functions of governmental activities as follows:

General operations	\$ 147,798
9-1-1 emergency communications	2,054
Homeland security	1,700
Aging	<u>1,848</u>
Total depreciation expense	<u>\$ 153,400</u>

NOTE 5: LONG-TERM DEBT

Long-term debt includes a note payable and several leases payable. Changes in long-term debt for the year ended September 30, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in One Year
Governmental activities:					
Notes payable - direct borrowing	\$ 350,515	\$ -	\$(106,701)	\$ 243,814	\$ 110,273
Leases payable - direct borrowing	55,657	-	(44,269)	11,388	11,388
Line of credit - direct borrowing	495,000	50,000	(34,800)	510,200	510,200
Compensated absences	<u>264,747</u>	<u>231,722</u>	<u>(130,600)</u>	<u>365,869</u>	<u>187,037</u>
Total	<u>\$ 1,165,919</u>	<u>\$ 281,722</u>	<u>\$(316,370)</u>	<u>\$ 1,131,271</u>	<u>\$ 818,898</u>

Note Payable

The Council has a note payable that financed the purchase of its office building. It is a direct borrowing that is secured by the building. The note is paid in monthly installments of \$10,738 including interest at 3.25%, and the final payment is due November 2025.

Maturities of the note payable obligation are as follows:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	Requirements
2024	\$ 110,273	\$ 6,375	\$ 116,648
2025	113,964	2,684	116,648
2026	19,577	80	19,657
Totals	<u>\$ 243,814</u>	<u>\$ 9,139</u>	<u>\$ 252,953</u>

Leases Payable

The Council has entered into several leases used in operations. All the leases are direct borrowings.

The Council has multiple vehicle leases, payable in monthly installments ranging from \$322 to \$401, including interest at 0.55%, secured by equipment, final payments due March 2024.

The Council has three leases for copiers and a postage machine, payable in monthly installments ranging from \$288 to \$581 including interest ranging from 0.55% to 1%, secured by equipment, final payments due between October 2022 and December 2023.

Future maturities of the leases are as follows:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	Requirements
2024	\$ 11,388	\$ 13	\$ 11,401

Line of Credit Payable

The Council has a \$600,000 line of credit with a financial institution. Outstanding borrowings under the line-of-credit are unsecured and bear a variable interest rate. The Council uses the line of credit to finance general operations during periods of uneven collection of grants receivable.

The line was scheduled to mature September 29, 2023, but was extended to November 15, 2023, and again extended to August 15, 2024. Based on historical experience, management expects that the Council will continue to be able to refinance the line to pay off over time. Thus, the line is reported as long-term debt in the statement of net position.

NOTE 6: RISK MANAGEMENT AND UNCERTAINTIES

The Council is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the Council obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP is a self-funded pool operating as a common risk management and insurance program. The Council pays an annual premium to TMLIRP for insurance coverage. The agreement for the formation of TMLIRP provides that TMLIRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The Council continues to carry commercial insurance of other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims (if any) have not exceeded coverage in any of the past three fiscal years.

NOTE 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The Council provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional 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 870 non-traditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available on written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034, or by calling (800) 823-7782. TCDRS's ACFR is also available at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members have flexibility and local control to adjust benefits annually and pay for these benefits based on their needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plan are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

Benefits Provided

At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit. Employees receive a month of service for each month that they make a deposit into their account. Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 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. Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options.

Employee deposit rate	7%
Matching ratio (Council to employee)	200%
Years required for vesting	10
Service retirement eligibility	75 years of age + service 30 years of service at any age

As of the most recent measurement date, which was December 31, 2022, membership data for the pension plan was as follows:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	149
Active employees	<u>64</u>
	<u>304</u>

Contributions

The Council has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Employees for the Council were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Council were 17.38% and 19.17% in calendar years 2022 and 2023, respectively. The Council's contributions to TCDRS for the year ended September 30, 2023 were \$878,806, and were equal to the required contributions.

Net Pension Liability

The net pension liability (NPL) is the difference between the total pension liability (TPL) and the plan's fiduciary net position. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The fiduciary net position is determined on the same basis used by the pension plans. The Council's NPL was measured as of December 31, 2022, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of actuarial experience studies. The experience study was for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. The mortality rates for depositing members, service retirees, beneficiaries and non-depositing members, and disabled retirees are shown below:

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.

The long-term expected rate of return on pension plan investments is 7.60%. 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 valuation assumption for the long-term expected return is reassessed at a minimum of every four years and is set based on a long-term time horizon. The most recent analysis was performed in March 2021.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
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 ⁽³⁾	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	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	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	<u>2.00%</u>	0.20%
		<u>100.00%</u>	

⁽¹⁾ Target asset allocation adopted at the March 2023 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

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 the 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 periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2021	\$ 42,590,369	\$ 42,946,525	\$ (356,156)
Changes for the year:			
Service cost	647,407	-	647,407
Interest on total pension liability ⁽¹⁾	3,208,532	-	3,208,532
Effect on plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	197,468	-	197,468
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(95,735)	(95,735)	-
Benefit payments	(1,982,816)	(1,982,816)	-
Administrative expenses	-	(23,050)	23,050
Member contributions	-	293,486	(293,486)
Net investment income	-	(2,428,032)	2,428,032
Employer contributions	-	734,870	(734,870)
Other ⁽³⁾	-	(111,969)	111,969
Balance at 12/31/2022	<u>\$ 44,565,225</u>	<u>\$ 39,333,279</u>	<u>\$ 5,231,946</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the Council calculated using the discount rate of 7.60% as well as what the Council net pension liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 50,029,529	\$ 44,565,225	\$ 39,948,779
Fiduciary net position	<u>39,333,279</u>	<u>39,333,279</u>	<u>39,333,279</u>
Net Pension Liability/(Asset)	<u>\$ 10,696,250</u>	<u>\$ 5,231,946</u>	<u>\$ 615,500</u>

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

For the year ended September 30, 2023, the Council recognized pension expense of \$1,034,316. As of September 30, 2023, the Council reported deferred outflows related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 98,734
Net difference between projected and actual investment earnings	683,356
Contributions made subsequent to the measurement date	<u>680,468</u>
Total	<u>\$ 1,462,558</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$680,468 will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Remaining net deferred outflows (inflows) of resources related to pensions totaling \$782,090 will be recognized as shown below:

Year Ended September 30,	
2024	\$(419,454)
2025	(38,804)
2026	110,798
2027	1,129,550

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Council participates in a statewide, agent multiple-employer defined benefit OPEB plan operated by TCDRS. This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group-term life insurance coverage to current eligible employees, and if elected, to retired employees. Retired employees are insured for \$5,000. The GTLF does not meet the requirements to be defined as a trust under GASB 75.

Contributions

The Council contributes to the plan based on an actuarially determined rate as a percent of covered payroll. The Council’s contribution rates for retirees were 0.14% and 0.17% for calendar years 2022 and 2023, respectively. Employees are not required to contribute to the plan. The Council’s contributions for the year ended September 30, 2023, were \$15,362 for both active and retiree coverage, and were equal to the required contributions.

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 currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	52
Active employees	81
	<u>197</u>

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for GTL benefits.

Actuarial Assumptions

The total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Discount rate	3.72%
Long-term expected rate of return, net of investment expense	Does not apply
Municipal bond rate	3.72%

Actuarial assumptions used in the December 31, 2022, valuation was based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2017 through December 31, 2020, first used in the December 31, 2022 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2017 through 2020 and dated December 31, 2020. Assumptions are reviewed annually. No additional changes were made for the 2022 valuation.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.72%. The discount rate was based on the Fidelity Index’s “20-Year Bond GO Index” rate as of December 31, 2022. Due to the GTL being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer’s yearly contribution for retirees.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	\$ 473,152
Changes for the year:	
Service cost	6,936
Interest on total OPEB liability	9,830
Differences between expected and actual experience	3,792
Changes in assumptions or other inputs	(125,953)
Benefit payments	(5,870)
Balance at 12/31/2022	<u>\$ 361,887</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Council calculated using the discount rate of 3.72% as well as what the Council's total OPEB liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	1% Decrease 2.72%	Current Discount Rate 3.72%	1% Increase 4.72%
Total OPEB liability	\$ 431,227	\$ 361,887	\$ 307,702

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended September 30, 2023, the Council recognized OPEB expense of \$17,538. The Council reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,894	\$ -
Changes of assumptions	14,730	83,969
Contributions subsequent to the measurement date	<u>6,034</u>	<u>-</u>
Total	<u>\$ 28,658</u>	<u>\$ 83,969</u>

Deferred outflows of resources related to contributions subsequent to measurement date of \$6,034 will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	
2024	\$(20,625)
2025	(40,720)

NOTE 9: HEALTHCARE COVERAGE

During the year ended September 30, 2023, employees of the Council were covered by a health insurance plan (the Plan). The Council paid premiums of \$815 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan operates under the Interlocal Cooperation Act and Chapter 172 of the Local Government Code, which established the Texas Political Subdivision Uniform Group Benefits Program. Employees retiring from the Council may, at their option, continue health benefits coverage with the Plan, however, premiums are solely the responsibility of the retiree.

By executing the annual re-rate notice and benefit selection form, the Council may renew and extend the interlocal agreement with the pool. Non-execution will result in termination of the agreement.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Contingencies

The Council participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Council has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Council, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Federal and State Grants

In the normal course of operations, the Council receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 11: TRANSACTIONS WITH PRIMARY GOVERNMENT

As described in Note 1, the Council serves as fiscal agent and employer of record for WCTRF, the discretely presented component unit. Substantially all of WCTRF's expenses are paid by the Council and reimbursed with a transfer from WCTRF funds. For the year ended September 30, 2023, WCTRF's expenses were \$2,291,636, including approximately \$950,398 of payroll costs and the Council's management fee of \$172,894. The fees charged by the Council in excess of actual costs are set in contract approved by both entities' boards.

NOTE 12: PRIOD PERIOD ADJUSTMENT

Changes To and Within the Financial Reporting Entity

In fiscal year 2023, the Council's management elected to begin including WCTRF as a discretely presented component unit based on the relationship between the two entities, as described in Note 1. As such, WCTRF's beginning net position of \$71,649 has been reported in the statement of activities.

Additionally, in fiscal year 2023 the Council elected to combine its special revenue funds into a single reporting fund. As such, the beginning fund balances of the previously-reported major funds of \$558,136 have been combined and reported as the beginning fund balance of the Special Revenue Fund.

Error Corrections

During fiscal year 2023, management identified certain errors reported in prior years. These items, described below, resulted in an increase to beginning fund balance in the General Fund and Special Revenue Fund of \$279,104 and \$1,154,649, respectively, and an increase to beginning net position of the governmental activities of \$1,169,006.

- 1) Compensated absences payable of \$264,747 were reported in the General Fund as accrued liabilities, despite not meeting criteria for recognition under modified accrual.
- 2) WCTHFC, the blended component unit, should have been previously recognized in the Council's financial statements. The net assets of \$685,075 increased the beginning fund balance of the Special Revenue Fund.
- 3) Certain 9-1-1 maintenance was paid for in the prior year and covered the next fiscal year. Beginning fund balance increased \$192,696 in the Special Revenue Fund with the recognition of a prepaid item.
- 4) Certain monies held by the Council were previously reported as unearned revenue, when the revenue recognition criteria were already met. Recognition of these items resulted in an increase to beginning fund balance of \$14,357 in the General Fund and \$276,878 in the Special Revenue Fund.

NOTE 13: FORTHCOMING ACCOUNTING STANDARDS

Significant new accounting standards issued by the 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 computers 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.

GASB Statement No. 102, *Certain Risk Disclosures* - This Statement requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of Statement No. 102 are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement date December 31,	2022	2021	2020
Total Pension Liability			
Service Cost	\$ 647,407	\$ 967,099	\$ 819,902
Interest total pension liability	3,208,532	3,174,767	3,011,728
Effect of plan changes	-	(465,516)	-
Effect of assumption changes or inputs	-	(239,975)	2,164,965
Effect of economic/demographic (gains) or losses	197,468	(652,615)	347,285
Benefit payments, including refunds of contributions	(2,078,551)	(1,963,143)	(1,836,348)
Net change in Total Pension Liability	1,974,856	820,617	4,507,532
Total Pension Liability - beginning	<u>42,590,369</u>	<u>41,769,752</u>	<u>37,262,220</u>
Total Pension Liability - ending (a)	<u>\$ 44,565,225</u>	<u>\$ 42,590,369</u>	<u>\$ 41,769,752</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 734,870	\$ 1,021,238	\$ 1,052,253
Member contributions	293,486	366,223	389,042
Investment income, net of investment expenses	(2,428,032)	7,789,150	3,388,098
Benefit payments, including refunds of contributions	(2,078,551)	(1,963,143)	(1,836,348)
Administrative expenses	(23,050)	(23,235)	(26,168)
Other	(111,969)	(6,460)	(8,439)
Net change in plan fiduciary net position	(3,613,246)	7,183,773	2,958,438
Plan fiduciary net position - beginning	<u>42,946,525</u>	<u>35,762,752</u>	<u>32,804,314</u>
Plan fiduciary net position - ending (b)	<u>\$ 39,333,279</u>	<u>\$ 42,946,525</u>	<u>\$ 35,762,752</u>
Net Pension Liability/(Asset) - ending (a) - (b)	<u>\$ 5,231,946</u>	<u>\$ (356,156)</u>	<u>\$ 6,007,000</u>
Fiduciary net position as a percentage of Total Pension Liability/(Asset)	88%	101%	86%
Pensionable covered payroll	\$ 4,192,658	\$ 5,231,761	\$ 5,557,749
Net Pension Liability/(Asset) as a percentage of covered payroll	125%	-7%	108%

Note: GASB 68 requires 10 years of data be reported, but information prior to 2014 is not available.

2019	2018	2017	2016	2015	2014
\$ 864,570	\$ 835,618	\$ 908,744	\$ 897,578	\$ 861,870	\$ 892,741
2,876,354	2,703,937	2,506,097	2,295,319	2,143,587	1,978,485
-	-	-	-	(129,053)	-
-	-	275,900	-	378,260	-
(248,419)	169,898	224,450	157,921	(192,714)	88,855
(1,719,041)	(1,504,744)	(1,298,448)	(1,139,274)	(1,030,927)	(1,026,815)
1,773,464	2,204,709	2,616,743	2,211,544	2,031,023	1,933,266
35,488,755	33,284,047	30,667,305	28,455,761	26,424,737	24,491,472
\$ 37,262,219	\$ 35,488,756	\$ 33,284,048	\$ 30,667,305	\$ 28,455,760	\$ 26,424,738
\$ 921,118	\$ 847,615	\$ 841,819	\$ 727,928	\$ 717,291	\$ 700,228
368,792	364,246	373,476	368,972	373,589	369,096
4,693,097	(551,900)	3,763,090	1,773,067	(306,562)	1,514,551
(1,719,041)	(1,504,744)	(1,298,448)	(1,139,274)	(1,030,927)	(1,026,815)
(24,998)	(22,952)	(19,585)	(19,272)	(17,322)	(18,031)
(10,122)	(5,768)	(1,299)	107,140	49,660	18,056
4,228,846	(873,503)	3,659,053	1,818,561	(214,271)	1,557,085
28,575,468	29,448,971	25,789,918	23,971,358	24,185,628	22,628,544
\$ 32,804,314	\$ 28,575,468	\$ 29,448,971	\$ 25,789,919	\$ 23,971,357	\$ 24,185,629
\$ 4,457,905	\$ 6,913,288	\$ 3,835,077	\$ 4,877,386	\$ 4,484,403	\$ 2,239,109
88%	81%	88%	84%	84%	92%
\$ 5,268,451	\$ 5,203,508	\$ 5,335,368	\$ 5,271,024	\$ 5,336,991	\$ 5,272,795
85%	133%	72%	93%	84%	42%

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2014	\$ 700,228	\$ 700,228	\$ -	\$ 5,272,795	13.3%
2015	717,291	717,291	-	5,336,991	13.4%
2016	727,928	727,928	-	5,271,024	13.8%
2017	839,253	841,819	(2,566)	5,335,368	15.8%
2018	847,615	847,615	-	5,203,508	16.3%
2019	921,118	921,118	-	5,268,451	17.5%
2020	1,050,970	1,052,253	(1,283)	5,557,749	18.9%
2021	1,021,238	1,021,238	-	5,231,761	19.5%
2022	741,162	741,162	-	4,127,655	18.0%
2023	878,806	878,806	-	4,655,254	18.9%

Notes:

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

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Valuation Date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18.0 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed fair value
Inflation	2.5%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.5%, 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 Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	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*	2022: Employer contributions reflect that the current service matching rate was decreased to 200%.

* Only changes effective 2019 and later are shown in the Notes to Schedule.

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND
RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement date December 31,	2022	2021
Total OPEB Liability		
Service cost	\$ 6,936	\$ 10,285
Interest on total OPEB liability	9,830	9,547
Effect of assumption changes or inputs	(125,953)	7,211
Effect of economic/demographic (gains) or losses	3,792	9,726
Benefit payments, including refunds of contributions	(5,870)	(7,324)
Net change in Total OPEB Liability	(111,265)	29,445
Total OPEB Liability - beginning	<u>473,152</u>	<u>443,707</u>
Total OPEB Liability - ending (a)	<u>\$ 361,887</u>	<u>\$ 473,152</u>
Covered payroll	\$ 4,192,658	\$ 5,231,761
Total OPEB Liability as a percentage of covered payroll	8.6%	9.0%

* A full 10-year schedule will be displayed as it becomes available

2020	2019	2018	2017
\$ 8,221	\$ 6,085	\$ 7,125	\$ 7,530
10,381	11,495	10,499	10,208
49,304	80,260	(34,334)	12,980
8,495	5,321	(281)	11,399
(6,669)	(6,849)	(6,765)	(6,402)
69,732	96,312	(23,756)	35,715
<u>373,975</u>	<u>277,663</u>	<u>301,419</u>	<u>265,704</u>
\$ <u>443,707</u>	\$ <u>373,975</u>	\$ <u>277,663</u>	\$ <u>301,419</u>
\$ 5,557,749	\$ 5,268,451	\$ 5,203,508	\$ 5,335,368
8.0%	7.1%	5.3%	5.6%

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SUPPLEMENTAL SCHEDULES

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF FINAL INDIRECT COST RATE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

INDIRECT COSTS

Salaries and wages	\$ 446,040
Fringe benefits	185,240
Contracted services	<u>108,679</u>
Total indirect costs	<u>\$ 739,959</u>

APPLIED INDIRECT

Rate 1 applied	\$ 514,048
Rate 2 applied	<u>225,911</u>
Total indirect costs applied	<u>\$ 739,959</u>

CALCULATION OF INDIRECT COST RATE

Indirect Rate 1

Direct salaries and fringe benefits	\$ 1,837,266
Less: excluded labor	(157,918)
Direct labor base	<u>1,679,348</u>
Indirect applied from rate 1	<u>\$ 514,048</u>
Indirect cost rate 1	<u>30.61%</u>

Indirect Rate 2

Direct salaries and fringe benefits	\$ 1,741,956
Less: excluded labor	(4,177)
Direct labor base	<u>1,737,779</u>
Indirect applied from rate 1	<u>\$ 225,911</u>
Indirect cost rate 1	<u>13.00%</u>

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

Executive Committee
West Central Texas Council of Governments
Abilene, 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 discretely presented component unit and each major fund of West Central Texas 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 July 1, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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
July 1, 2024



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

Executive Committee
West Central Texas Council of Governments
Abilene, Texas

Report on Compliance for Each Major Federal and State Programs

Opinion on Each Major Federal and State Programs

We have audited West Central Texas 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 *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.

The Council's basic financial statements include West Central Texas Regional Foundation (the "Agency"), a discretely presented component unit. The Agency expended \$2,291,636 in federal awards. Our audit, described below, does not include the federal expenditures of the Agency because it is audited separately.

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 Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and 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 or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 or 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.

Waco, Texas
July 1, 2024

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS				
<u>U.S. Department of Agriculture</u>				
Direct Program:				
Rural Business Development Grant	10.351	N/A	\$ 33,844	\$ -
Total U.S. Department of Agriculture			<u>33,844</u>	<u>-</u>
<u>U.S. Department of Commerce</u>				
Direct Programs:				
Economic Development Support for Planning Organizations	11.302	N/A	85,461	-
Economic Development Cluster:				
Disaster Resiliency Plan and Technical Assistance	11.307	N/A	<u>34,727</u>	<u>-</u>
<i>Total direct programs</i>			<u>120,188</u>	<u>-</u>
Total U.S. Department of Commerce			<u>120,188</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the Texas Department of Agriculture:				
Texas Community Development Block Grant Program	14.228	CEDAF21-11	2,329	-
Texas Community Development Block Grant Program	14.228	CEDAF22-11	14,521	-
Texas Community Development Block Grant Program	14.228	CEDAF23-11	<u>167</u>	<u>-</u>
<i>Total 14.228</i>			<u>17,017</u>	<u>-</u>
<i>Total Passed through the Texas Department of Agriculture</i>			<u>17,017</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>17,017</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Passed through the Texas Office of the Governor -				
Criminal Justice Division:				
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	4356701	<u>27,817</u>	<u>-</u>
<i>Total Passed Through the Texas Office of the Governor -</i>				
<i>Criminal Justice Division</i>			<u>27,817</u>	<u>-</u>
Total U.S. Department of Justice			<u>27,817</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed through the Texas Department of Transportation:				
Technical Assistance Grant	20.710	693JK32240003PTAG	<u>99,916</u>	<u>-</u>
<i>Total Passed Through the Texas Department of Transportation</i>			<u>99,916</u>	<u>-</u>
Total U.S. Department of Transportation			<u>99,916</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Passed through the Commission on State				
Emergency Communications:				
COVID-19 - Coronavirus State Fiscal Recovery Fund	21.027	N/A	<u>308,496</u>	<u>-</u>
<i>Total Passed Through the Commission on State</i>				
<i>Emergency Communications</i>			<u>308,496</u>	<u>-</u>
Total U.S. Department of Treasury			<u>308,496</u>	<u>-</u>

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS (cont.)				
<u>Small Business Administration</u>				
Passed through the Abilene Chamber of Commerce:				
Community Navigator Pilot Program	59.077	SBAHQ22CNP0020	\$ 50,000	\$ -
<i>Total Passed Through the Abilene Chamber of Commerce</i>			<u>50,000</u>	<u>-</u>
<i>Total Small Business Administration</i>			<u>50,000</u>	<u>-</u>
<u>U.S. Department of Energy</u>				
Passed through the State Energy Conservation Office:				
State Energy Program	81.041	CM23003	<u>123,740</u>	<u>-</u>
<i>Total Passed Through the State Energy Conservation Office</i>			<u>123,740</u>	<u>-</u>
<i>Total U.S. Department of Energy</i>			<u>123,740</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Passed Through the Texas Department of Aging and Disability Services:				
Special Programs for the Aging-Title VII, Chapter 3-				
Programs for Prevention of Elder Abuse, Neglect, and Exploitation #50711	93.041	HHS000874100028	3,591	-
Special Programs for the Aging-Title VII, Chapter 2 -				
Long Term Care:				
Ombudsman Services for Older Individuals OAA #50712	93.042	HHS000874100028	43,939	-
COVID 19 - Ombudsman Services for Older Individuals -				
American Rescue Plan	93.042	HHS000874100028	<u>9,542</u>	<u>-</u>
<i>Total 93.042</i>			<u>53,481</u>	<u>-</u>
Special Programs for the Aging-Title III, Part D -				
Disease Prevention and Health Promotion Services #55203	93.043	HHS000874100028	8,683	-
COVID 19 - Disease Prevention and Health Promotion				
Services - American Rescue Plan	93.043	HHS000874100028	<u>17,835</u>	<u>-</u>
<i>Total 93.043</i>			<u>26,518</u>	<u>-</u>
Aging Cluster:				
Special Programs for the Aging-Title III, Part B -				
Grants for Supportive Services and Senior Centers - OAA	93.044	HHS000874100028	495,671	343,733
COVID 19 - Grants for Supportive Services and				
Senior Centers - COVID Vaccine	93.044	HHS000874100028	7,338	-
COVID 19 - Grants for Supportive Services and Senior				
Centers - American Rescue Plan	93.044	HHS000874100028	258,879	29,384
Special Programs for the Aging-Title III, Part C -				
Nutrition Services - OAA	93.045	HHS000874100028	664,010	317,653
COVID 19 - Nutrition Services - American Rescue Plan	93.045	HHS000874100028	336,712	660
Nutrition Services - Consolidated Appropriations	93.045	HHS000874100028	3	-
Nutrition Services Incentive Program #55810	93.053	HHS000874100028	<u>81,319</u>	<u>27,161</u>
<i>Total Aging Cluster</i>			<u>1,843,932</u>	<u>718,591</u>

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS (cont.)				
<u>U.S. Department of Health and Human Services (cont.)</u>				
Passed Through the Texas Department of Aging and Disability Services (cont.):				
COVID 19 - Grants for Supportive Services and Senior Centers - COVID Vaccine	93.048	HHS000270200011	\$ 7,008	\$ -
Special Programs for the Aging-Title III, Part E- National Family Caregiver Support Program				
Title III E OAA	93.052	HHS000874100028	168,006	-
COVID 19 - Title III E American Rescue Plan	93.052	HHS000874100028	77,485	-
<i>Total 93.052</i>			<u>245,491</u>	<u>-</u>
Medicare Improvements for Patients and Providers Act (MIPPA)	93.071	HHS000270200011	11,212	-
Medicare Improvements for Patients and Providers Act (MIPPA)	93.071	HHS000874100028	10,132	-
<i>Total 93.071</i>			<u>21,344</u>	<u>-</u>
Title III E RITE (Lifespan Respite)	93.072	HHS000270200011	1,707	-
AAA SHIP-HICAP Grants	93.324	HHS000874100028	142,741	-
Money Follows the Person Rebalancing Demonstration - Housing Navig	93.791	HHS000270200011	43,866	-
Money Follows the Person Rebalancing Demonstration - LCA	93.791	HHS000270200011	7,063	-
<i>Total 93.791</i>			<u>50,929</u>	<u>-</u>
AAA ARP Elder Justice OM-EAP	93.747	HHS000874100028	24,873	-
<i>Total Passed Through the Texas Department of Aging and Disability Services</i>			<u>2,421,615</u>	<u>718,591</u>
Passed Through the Texas Tech University Health Sciences Center:				
Area Health Education Centers	93.107	A23-0001-S002	116,128	-
Area Health Education Centers	93.107	A23-0001-S002	9,966	-
<i>Total 93.107</i>			<u>116,128</u>	<u>-</u>
<i>Total Passed Through the Texas Tech University Health Sciences Center</i>			<u>126,094</u>	<u>-</u>
Passed Through Texas Council for Developmental Disabilities:				
Sexual Assault Prevention and Response	93.630	22241	57,662	-
Sexual Assault Prevention and Response	93.630	23341	70,667	-
<i>Total Passed Through the Texas Council for Developmental Disabilities</i>			<u>128,329</u>	<u>-</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>2,676,038</u>	<u>718,591</u>
<u>U.S. Department of Homeland Security</u>				
Passed Through the Texas Office of the Governor:				
State Homeland Security Program (SHSP)	97.067	3408706	85,677	-
State Homeland Security Program (SHSP)	97.067	3408707	2,478	-
State Homeland Security Program (SHSP)	97.067	2949708	225,088	-
<i>Total Passed Through the Texas Office of the Governor</i>			<u>313,243</u>	<u>-</u>
<i>Total U.S. Department of Homeland Security</i>			<u>313,243</u>	<u>-</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$3,770,299</u>	<u>\$ 718,591</u>

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

State Grantor/Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total State Expenditures	Passed Through to Subrecipients
STATE AWARDS				
<u>Texas Office of the Governor, Criminal Justice Division</u>				
Regional Law Enforcement Training Academy	N/A	1425718	\$ 98,375	\$ -
Regional Law Enforcement Training Academy	N/A	1425719	<u>3,661</u>	<u>-</u>
Total Texas Office of the Governor, Criminal Justice Division			<u>102,036</u>	<u>-</u>
<u>Texas Office of the Governor, Homeland Security Grants Division</u>				
Statewide Emergency Radio Infrastructure (SERI)	N/A	4011601	307,325	-
Statewide Emergency Radio Infrastructure (SERI)	N/A	4011602	<u>235,551</u>	<u>-</u>
Total Texas Office of the Governor, Homeland Security Grants Division			<u>542,876</u>	<u>-</u>
<u>Texas Health and Human Services Commission</u>				
State General Revenue AAA ARP TITLE III SM	N/A	HHS000874100028	59,060	-
State General Revenue Access & Asst Coordination	N/A	HHS000874100028	96,621	-
State General Revenue ALF Ombudsman Grants	N/A	HHS000874100028	24,400	-
State General Revenue Home Delivered Meals Services	N/A	HHS000874100028	15,165	3,469
State General Revenue FY23	N/A	HHS000270200011	94,442	-
State General Revenue Promoting Independence FY23	N/A	HHS000270200011	14,519	-
State General Revenue Respite FY23	N/A	HHS000270200011	14,619	-
State General Revenue Respite RITE FY23	N/A	HHS000270200011	973	-
State General Revenue FY24	N/A	HHS000270200011	<u>8,267</u>	<u>-</u>
Total Texas Health and Human Services Commission			<u>328,066</u>	<u>3,469</u>
<u>Texas Commission on Environmental Quality</u>				
Regional Solid Waste Grant	N/A	582-22-30130	132,659	-
Regional Solid Waste Grant	N/A	582-24-50101	<u>8,339</u>	<u>-</u>
Total Texas Commission on Environmental Quality			<u>140,998</u>	<u>-</u>
<u>Commision On State Emergency Communications</u>				
Emergency Communications	N/A	FY 2023	2,026,753	-
Emergency Communications	N/A	FY 2024	<u>96,958</u>	<u>-</u>
Total Commission on State Emergency Communications			<u>2,123,711</u>	<u>-</u>
<u>Texas Tech University Health Sciences Center</u>				
Area Health Education Center (AHEC)	N/A	CON3400231	214,371	-
Area Health Education Center (AHEC)	N/A	CON3530673	<u>28,575</u>	<u>-</u>
Total Texas Tech University Health Sciences Center			<u>242,946</u>	<u>-</u>
Total Expenditures of State Awards			<u>\$3,480,633</u>	<u>\$ 3,469</u>
Total Expenditures of Federal and State Awards			<u>\$7,250,932</u>	<u>\$ 722,060</u>

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED 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 West Central Texas Council of Governments (the "Council"). The Council, for purposes of the supplementary schedule of expenditures of federal and state awards, includes all the funds of the primary government as defined by GASB pronouncements. It does not include amounts related to West Central Texas Regional Foundation, which also receives federal financial assistance but separately satisfies the audit requirements of OMB *Uniform Guidance* and the *State of Texas Grant Management Standards*.

Federal and state awards received directly from federal and state agencies, as well as federal 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 basic financial statements.

3. INDIRECT COSTS

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

WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Summary of Auditor's 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
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance or <i>Texas Grant Management Standards</i> ?	None
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Identification of major programs:

Federal:

Assistance Listing Numbers: 93.044, 93.045, 93.053	Name of Federal Program or Cluster: Aging Cluster
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State: Commission on State Emergency Communications	Name of State Program or Cluster: 911 - Emergency Communications
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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?	No
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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



WEST CENTRAL TEXAS COUNCIL OF GOVERNMENTS

Planning - Training - Community Development - Human Services

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Finding 2022-001

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Condition: During the 2022 audit, it was identified that the Council failed to reconcile grant expenditures to the grant awards causing financial reporting to be inaccurate.

Effect: Grant revenues and expenditures were materially misstated or misclassified as federal or state. It was also noted that some grants were over-expended during the year under audit, causing receivables to be overstated. Revenues and expenditures were also incorrectly reported.

Cause: Staff responsible for grant accounting were not properly trained in grant management and reconciliation.

Recommendation: We recommend the Council implement and strengthen internal controls and procedures to ensure grant expenditures are accurately tracked and reconciled in a timely manner. We also recommend the Council train staff involved in grant management to enhance their skills and knowledge.

Current status: This matter has been resolved.

Finding 2022-002

Criteria: In accordance with federal regulations (Uniform Guidance 2 CFR 200), recipients of federal awards are required to submit their single audit within the stipulated timeframe, usually nine months after the end of the fiscal year.

Condition: During the 2022 audit, it was identified that the Council failed to submit its single audit report for the fiscal year ended September 30, 2022, within the required timeframe, which is a violation of the Uniform Guidance requirements.

Effect: The late submission of the single audit report has resulted in a breach of compliance with federal regulations. This non-compliance has the potential to disallow funding from federal agencies.

Cause: The delay in submitting the single audit report was primarily attributed to a change in key personnel.

Recommendation: We recommend the Council develop a system of monitoring grant requirements and establish a timeline for meeting deadlines related to reporting in compliance with the Uniform Guidance.

Current status: This matter has been resolved.

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