

TEXOMA COUNCIL OF GOVERNMENTS

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED APRIL 30, 2016

TEXOMA COUNCIL OF GOVERNMENTS
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INTRODUCTORY SECTION

September 19, 2016

The Honorable Jason Brinkley
President of the Governing Body
Texoma Council of Governments
1117 Gallagher Drive, Suite 470
Sherman, Texas 75090

Dear Judge Brinkley:

Texoma Council of Governments Annual Audit Report including financial statements and supplementary information for fiscal year ended April 30, 2016, is submitted for your review and acceptance. This report was prepared in accordance with TCOG's bylaws. We believe the data presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of TCOG operations as measured by the financial activity of its various grants and contracts; and, that all disclosures necessary to enable the reader to gain maximum understanding of TCOG's financial affairs and to satisfy Federal and State requirements of applicable grants are included. Standards issued by the Office of Management and Budget Uniform Guidance and GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted, as of April 30, 2016, were followed in the operation and audit of TCOG.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

INTERNAL CONTROLS

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

REPORTING ENTITY AND SERVICES

TCOG operations are controlled by grant, or contract arrangements, with the United States of America and the State of Texas. For the fiscal year ended April 30, 2016, the largest sub-grantee of TCOG is Tri-



County Senior Nutrition Project (Tri-County). Tri-County contracts with an independent public accounting firm for an annual audit of its operations. The resulting audit report will be presented to the Governing Body for review and approval upon receipt.

FUNCTIONAL ACTIVITIES

During the fiscal year ended April 30, 2016, TCOG, through grants and contracts, operated the Area Agency on Aging of Texoma, Community and Economic Development and Planning Activities, Criminal Justice Planning, Homeland Security Planning, Emergency 911, Weatherization Assistance Program, Comprehensive Energy Assistance Program, Section 8 Housing, Public Housing Authorities of eighteen cities, and other programs for the Texoma Region.

CASH MANAGEMENT

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

FIXED ASSETS

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

ANNUAL AUDIT

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

CERTIFICATION OF INDIRECT COST PERCENTAGE

The undersigned Executive Director hereby certify that based upon the enclosed audited financial data, TCOG's indirect cost for fiscal year ended April 30, 2016, did not exceed 15 percent of total expenditures, as defined by The Local Government Code, Chapter 391, 586.(f)(1).



OVERVIEW

The Annual Audit Report contains an unmodified opinion from the auditors. There is one (1) audit report finding that is addressed on pages 44-45. There are no questioned or disallowed costs, instances of noncompliance, or other grant reportable conditions. The audit firm has not issued a separate management letter.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "SMT", written over a light gray horizontal line.

Susan B. Thomas, Ph.D.
Executive Director

Cc: Texoma Council of Governments Governing Board Members

Enclosure

texoma council of governments

member governments 2015-2016

COUNTIES (3)

Cooke

Fannin

Grayson

CITIES/TOWNS (25)

City of Bonham

City of Ladonia

City of Tom Bean

City of Callisburg

City of Leonard

City of Trenton

City of Denison

Town of Lindsay

City of Valley View

City of Ector

Town of Oak Ridge

City of Van Alstyne

City of Gainesville

City of Pottsboro

City of Whitesboro

City of Gunter

City of Sadler

City of Whitewright

City of Honey Grove

City of Sherman

Town of Windom

City of Howe

City of Southmayd

City of Knollwood

City of Tioga

SCHOOL DISTRICTS (10)

Bells ISD

Leonard ISD

Savoy ISD

Denison ISD

Muenster ISD

Sherman ISD

Dodd City ISD

Pottsboro ISD

Ector ISD

Sam Rayburn ISD

COMMUNITY COLLEGE DISTRICTS (2)

Grayson College

North Central Texas College

ASSOCIATE MEMBERS (21)

Bonham Chamber of

Farmersville Public Housing

Trenton Public Housing

Commerce

Gunter Public Housing

Van Alstyne Public Housing

Denison Chamber of

Honey Grove Public Housing

Whitewright Public Housing

Commerce

Howe Public Housing

Windom Public Housing

Sherman Chamber of

Ladonia Public Housing

Commerce

Pottsboro Public Housing

Bells Public Housing

Princeton Public Housing

Bonham Public Housing

Savoy Public Housing

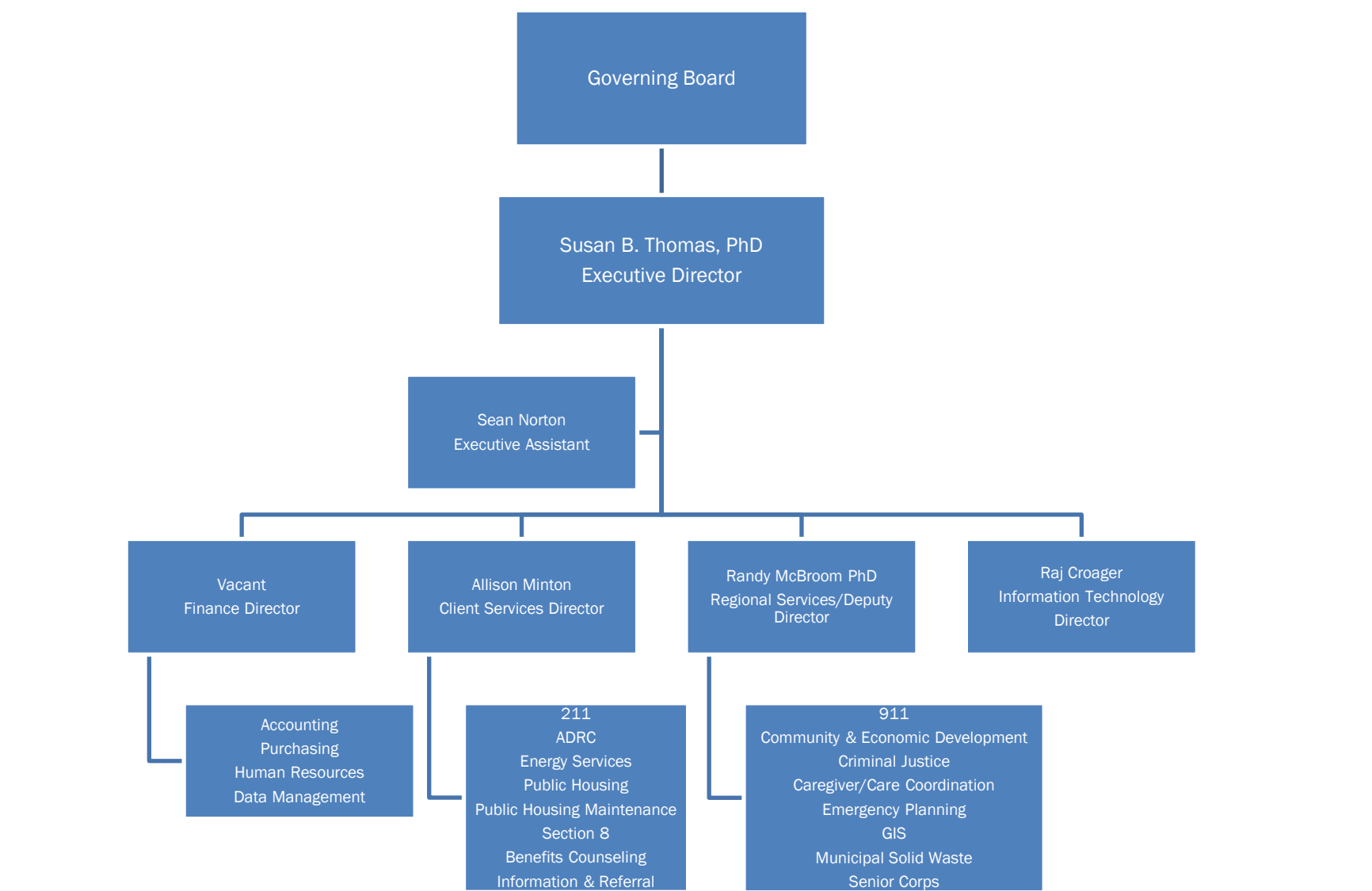
Celeste Public Housing

Tioga Public Housing

Ector Public Housing

Tom Bean Public Housing

Texoma Council of Governments
Organization Chart



Texoma Council of Governments
Governance Chart

| | |
|----------------------|---|
| Governing Board | <ul style="list-style-type: none"> • 15 Board Members |
| Member Jurisdictions | <ul style="list-style-type: none"> • 3 Counties • 25 Cities • 10 School Districts • 2 Special Districts • 21 Associate Members |
| Aging Services | <ul style="list-style-type: none"> • RSVP Advisory Council Cooke County • RSVP Advisory Council Fannin County • RSVP Advisory Council Grayson County • Foster Grandparent Program Advisory Council • Texoma Regional Advisory Council |
| Client Services | <ul style="list-style-type: none"> • 211 Texas Advisory Council • Family Self Sufficiency Fannin County • Family Self Sufficiency Grayson County • ADRC Executive Oversight Committee • Texoma Housing Partners Board of Commissioners |
| Regional Services | <ul style="list-style-type: none"> • Criminal Justice Advisory Committee • Homeland Security Advisory Committee • Natural Resources Advisory Committee |

FINANCIAL SECTION



Susan LaFollett, CPA – Partner

Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Texoma Council of Governments (the Council) as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council, as of April 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section (pages i through v), supplemental schedules (pages 23 through 31), statistical section (pages 46 through 54), and the Real Estate Assessment Center Financial Assessment Subsystem Financial Data Schedules (FDS) (pages 32 and 33) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The FDS are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC). The schedule of expenditures of federal awards (pages 38 through 40) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental schedules (pages 23 through 31), the FDS (pages 32 and 33), and the schedule of expenditures of federal awards (pages 38 through 40) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Ja Farrell and Abbott PLLC

Tom Bean, Texas
September 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

TEXOMA COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis

Fiscal Year Ended April 30, 2016

This discussion and analysis of Texoma Council of Governments (TCOG) financial performance provides an overview of TCOG financial activities for the fiscal year ended April 30, 2016, and should be read in conjunction with TCOG financial statements.

Financial Highlights

For the fiscal year ended April 30, 2016, total assets were \$4,730,662 compared to \$4,414,965 for the prior year; total liabilities were \$2,142,327 compared to \$1,802,004 for the prior year; total net position was \$2,588,335 compared to \$2,612,961 for the prior year. Of this amount, \$553,099 was unrestricted compared to the prior year unrestricted amount of \$4,559.

For the fiscal year ended April 30, 2016, total revenues were \$11,080,734 compared to \$11,428,916 for the prior year; total expenses were \$11,105,360 compared to \$10,602,488 for the prior year. The 3% net decrease in total revenues is the combined net of funding changes from the major funds. The categories of Department of Housing and Urban Development, Department of Housing and Community Affairs, and the Department of Aging and Disability Services experienced an increase in revenues while the categories Commission on State Emergency Communications and Other Programs both experienced a decrease in revenues. The 4% in net increased expenditures resulted from increased expenditures in all functional categories with the exception of Commission on State Emergency Communications, Department of Housing and Community Affairs, and Other Programs.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of TCOG's assets 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 TCOG's financial position.

The statement of activities presents information showing how TCOG's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant revenues and earned but unused leave).

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

TEXOMA COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis

Fiscal Year Ended April 30, 2016

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning TCOG's funding resources. This information begins on page 23 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of TCOG, assets exceeded liabilities by \$2,588,335 at April 30, 2016 compared to \$2,612,961 for the prior year.

The most significant portion of TCOG's net position (72%) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. TCOG uses these capital assets to carry out its mission; consequently, these assets are not available for future spending. Although TCOG's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed statement of net assets of TCOG for April 30, 2016, compared to the prior year:

Texoma Council of Government's Statement of Net Position

| | Total | | Percent |
|----------------------------------|---------------------|---------------------|---------|
| | 2015 | 2016 | Change |
| Assets: | | | |
| Current and Other Assets | \$ 1,695,262 | \$ 2,049,825 | 21% |
| Capital Assets | 2,719,703 | 2,680,837 | -1% |
| Total Assets | <u>4,414,965</u> | <u>4,730,662</u> | 7% |
| Liabilities: | | | |
| Current Liabilities | 1,570,670 | 1,309,966 | -17% |
| Noncurrent Liabilities | 231,334 | 832,362 | 260% |
| Total Liabilities | <u>1,802,004</u> | <u>2,142,328</u> | 19% |
| Net Position: | | | |
| Net Investment in Capital Assets | 2,388,074 | 1,864,467 | -22% |
| Restricted | 220,328 | 170,769 | -22% |
| Unrestricted | <u>4,559</u> | <u>553,099</u> | 12032% |
| Total Net Position | <u>\$ 2,612,961</u> | <u>\$ 2,588,335</u> | -1% |

TEXOMA COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis

Fiscal Year Ended April 30, 2016

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

Texoma Council of Government's Changes in Net Position

| | Total | | Percent |
|--|---------------------|---------------------|---------|
| | 2015 | 2016 | Change |
| Revenues: | | | |
| Program Revenues: | | | |
| Operating Grants and Contributions | \$ 10,019,790 | \$ 9,327,391 | -7% |
| General Revenues: | | | |
| Grants and Contributions Not Restricted to Specific Programs | 1,408,838 | 1,753,199 | 24% |
| Interest Income | 288 | 144 | -50% |
| Total Revenue | <u>11,428,916</u> | <u>11,080,734</u> | -3% |
| Expenses: | | | |
| General Government | 1,213,514 | 1,710,287 | 41% |
| Aging and Disabilities | 2,643,965 | 2,869,101 | 9% |
| Community and Economic Development | 1,605,521 | 1,723,564 | 7% |
| Housing and Client Services | 5,117,731 | 4,777,087 | -7% |
| Interest on Long-Term Debt | 21,757 | 25,321 | 16% |
| Total Expenses | <u>10,602,488</u> | <u>11,105,360</u> | 5% |
| Change in Net Position | 826,428 | (24,626) | -103% |
| Net Position, Beginning | <u>1,786,533</u> | <u>2,612,961</u> | 46% |
| Net Position, Ending | <u>\$ 2,612,961</u> | <u>\$ 2,588,335</u> | -1% |

Financial Analysis of TCOG's Funds

As noted earlier, TCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In addition to this Annual Audit Report, TCOG is monitored by various grantor funding agencies throughout the year.

TCOG Budget and Economic Factors

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

Since TCOG is primarily dependent of federal, state and local grant funding for operations, it is affected more by the federal and state budget than local economic conditions. The demand for TCOG services to the public is dependent on local economic conditions.

TEXOMA COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis

Fiscal Year Ended April 30, 2016

Capital Asset and Debt Administration

Capital Assets. TCOG's investment in capital assets for its governmental activities as of April 30, 2016, amounts to \$1,864,467 compared to \$2,388,074 for the prior year (both amounts are net of accumulated depreciation). This investment in capital assets includes the office building in Sherman, Texas, together with improvements and other grant and non-grant related equipment. Details of TCOG's capital assets are continued in the notes to the financial statements.

Long-Term Debt. At April 30, 2016, TCOG had total debt related liabilities of \$928,879 compared to \$785,389 for the prior year. Of this amount, \$816,370 comprises debt secured by the office building located at 1117 Gallagher Drive, Sherman, Texas. The prior year amount was \$331,629. Additional information on TCOG's long-term debt can be found in the notes to the financial statements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Texoma Council of Governments

Statement of Net Position

April 30, 2016

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and Pooled Investments | \$ 1,016,997 |
| Accounts Receivable | 799,931 |
| Under Allocated Employee Benefits and Central Service IT | 191,979 |
| Prepaid Items | <u>40,918</u> |
| Total Current Assets | <u>2,049,825</u> |
| Noncurrent Assets: | |
| Capital Assets (non-depreciable): | |
| Construction in Progress | 56,733 |
| Capital Assets Net of Accumulated Depreciation: | |
| Buildings and Improvements | 1,278,208 |
| Furniture, Vehicles and Other Equipment | <u>1,345,896</u> |
| Total Capital Assets Net of Accumulated Depreciation | <u>2,624,104</u> |
| Total Noncurrent Assets | <u>2,680,837</u> |
| Total Assets | <u>4,730,662</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable and Accrued Liabilities | 548,856 |
| Unearned Revenue | 664,592 |
| Accrued Compensated Absences | 28,127 |
| Notes Payable | <u>68,390</u> |
| Total Current Liabilities | <u>1,309,965</u> |
| Noncurrent Liabilities | |
| Accrued Compensated Absences | 84,382 |
| Notes Payable | <u>747,980</u> |
| Total Noncurrent Liabilities | <u>832,362</u> |
| Total Liabilities | <u>2,142,327</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 1,864,467 |
| Restricted | 170,769 |
| Unrestricted | <u>553,099</u> |
| Total Net Position | <u>\$ 2,588,335</u> |

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

Texoma Council of Governments

Statement of Activities

For the Year Ended April 30, 2016

| | | <u>Program Revenues</u> | <u>Net (Expense)</u> <u>Revenue and</u> <u>Change in</u> <u>Net Position</u> |
|--|----------------------|---|---|
| | <u>Expenses</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Total</u> <u>Governmental</u> <u>Activities</u> |
| General Government | \$ 1,710,287 | \$ - | \$ (1,710,287) |
| Aging and Disabilities | 2,869,101 | 2,864,330 | (4,771) |
| Community and Economic Development | 1,723,564 | 1,793,581 | 70,017 |
| Housing and Client Services | 4,777,087 | 4,669,480 | (107,607) |
| Interest on Long-Term Debt | <u>25,321</u> | <u>-</u> | <u>(25,321)</u> |
| Total Governmental Activities | \$ <u>11,105,360</u> | \$ <u>9,327,391</u> | <u>(1,777,969)</u> |
| General Revenues | | | |
| Grants and Contributions not Restricted to | | | |
| Specific Programs | | | 1,753,199 |
| Unrestricted Investment Income | | | <u>144</u> |
| Total General Revenues | | | <u>1,753,343</u> |
| Change in Net Position | | | (24,626) |
| Net Position - Beginning | | | <u>2,612,961</u> |
| Net Position - Ending | | | <u>\$ 2,588,335</u> |

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

Texoma Council of Governments

Balance Sheets -
Governmental Funds
April 30, 2016

| | <u>General</u> | <u>US Department of Housing and Urban Development</u> | <u>Commission on State Emergency Communications</u> | <u>Texas Department of Housing and Community Affairs</u> | <u>Texas Department of Aging and Disability Services</u> | <u>Other Programs</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|--|--|---------------------------|---|
| ASSETS | | | | | | | |
| Cash and Pooled Investments | \$ 592,447 | \$ 159,303 | \$ 253,299 | \$ - | \$ - | \$ 11,949 | \$ 1,016,997 |
| Accounts Receivable | 119,160 | 18,764 | - | 182,077 | 308,754 | 171,176 | 799,931 |
| Due From Other Funds | 229,537 | 19,673 | - | - | 154,590 | 191,041 | 594,841 |
| Under Allocated Employee Benefits and Central Service IT | 191,979 | - | - | - | - | - | 191,979 |
| Prepaid Items | 40,918 | - | - | - | - | - | 40,918 |
| Total Assets | <u>\$ 1,174,041</u> | <u>\$ 197,740</u> | <u>\$ 253,299</u> | <u>\$ 182,077</u> | <u>\$ 463,344</u> | <u>\$ 374,165</u> | <u>\$ 2,644,666</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable and Accrued Liabilities | \$ 265,227 | \$ 93,879 | \$ 21,760 | \$ 70,790 | \$ 95,391 | \$ 1,810 | \$ 548,857 |
| Due to Other Funds | 187,984 | 139,136 | 57,553 | 61,246 | - | 148,922 | 594,841 |
| Unearned Revenue | - | - | 173,986 | 69,989 | 280,273 | 140,344 | 664,592 |
| Total Liabilities | <u>453,211</u> | <u>233,015</u> | <u>253,299</u> | <u>202,024</u> | <u>375,664</u> | <u>291,076</u> | <u>1,808,290</u> |
| Fund Balances | | | | | | | |
| Non-Spendable | 40,918 | - | - | - | - | - | 40,918 |
| Restricted | - | - | - | - | 87,680 | 83,089 | 170,769 |
| Unassigned, Reported in: | | | | | | | |
| Special Revenue Funds | - | (35,275) | - | (19,947) | - | - | (55,222) |
| General Fund | <u>679,912</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>679,911</u> |
| Total Fund Balances | <u>720,830</u> | <u>(35,275)</u> | <u>-</u> | <u>(19,947)</u> | <u>87,680</u> | <u>83,089</u> | <u>836,377</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,174,041</u> | <u>\$ 197,740</u> | <u>\$ 253,299</u> | <u>\$ 182,077</u> | <u>\$ 463,344</u> | <u>\$ 374,166</u> | <u>\$ 2,644,666</u> |

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

| | |
|--|---------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements. | 2,680,837 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds. | <u>(928,879)</u> |
| Net Position of Governmental Activities | <u>\$ 2,588,335</u> |

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

Texoma Council of Governments
Statements of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended April 30, 2016

| | <u>General</u> | <u>US Department of Housing and Urban Development</u> | <u>Commission on State Emergency Communications</u> | <u>Department of Housing and Community Affairs</u> | <u>Department of Aging and Disability Services</u> | <u>Other Programs</u> | <u>Total Governmental Funds</u> |
|--|-------------------|---|---|--|--|---------------------------|---|
| REVENUES | | | | | | | |
| Federal | \$ - | \$ 2,760,298 | \$ - | \$ 1,908,243 | \$ 1,337,160 | \$ 299,913 | \$ 6,305,611 |
| State | - | - | 1,103,421 | - | 216,540 | 707,887 | 2,027,848 |
| Local and In-kind | 1,753,199 | 840 | - | 100 | 882,507 | 110,482 | 2,747,131 |
| Investment Income | 24 | 49 | 68 | - | - | 4 | 144 |
| Total Revenues | <u>1,753,223</u> | <u>2,761,187</u> | <u>1,103,489</u> | <u>1,908,343</u> | <u>2,436,207</u> | <u>1,118,286</u> | <u>11,080,734</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General Government | 1,563,100 | - | - | - | - | - | 1,563,100 |
| Aging and Disabilities | - | - | - | - | 2,436,207 | 427,631 | 2,863,838 |
| Community and Economic Development | - | - | 939,735 | - | - | 687,722 | 1,627,456 |
| Housing and Client Services | - | 2,849,200 | - | 1,908,343 | - | - | 4,757,543 |
| Capital Outlay | 56,733 | - | 163,754 | - | - | - | 220,487 |
| Debt Service: | | | | | | | |
| Principal | 704,023 | - | - | - | - | - | 704,023 |
| Interest | 24,929 | - | - | - | - | - | 24,929 |
| Total Expenditures | <u>2,348,785</u> | <u>2,849,200</u> | <u>1,103,489</u> | <u>1,908,343</u> | <u>2,436,207</u> | <u>1,115,353</u> | <u>11,761,376</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(595,562)</u> | <u>(88,013)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,933</u> | <u>(680,641)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds From Debt | 838,372 | - | - | - | - | - | 838,372 |
| Transfers In (Out) | (246) | - | - | - | - | 246 | - |
| Total Financing Sources (Uses) | <u>838,126</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>246</u> | <u>838,372</u> |
| Net Change in Fund Balances | 242,564 | (88,013) | - | - | - | 3,179 | 157,731 |
| Fund Balances - Beginning | <u>478,266</u> | <u>52,738</u> | <u>-</u> | <u>(19,947)</u> | <u>87,680</u> | <u>79,910</u> | <u>678,647</u> |
| Fund Balances - Ending | <u>\$ 720,830</u> | <u>\$ (35,275)</u> | <u>\$ -</u> | <u>\$ (19,947)</u> | <u>\$ 87,680</u> | <u>\$ 83,089</u> | <u>\$ 836,377</u> |

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

Texoma Council of Governments
Reconciliation of the Statements of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended April 30, 2016

Amounts recorded for governmental activities in the statement of activities (page 8) are different because:

| | |
|--|--------------------|
| Net Change in Fund Balance - Total Governmental Funds (page 10) | \$ 157,731 |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. | (38,866) |
| Other amounts, including the change in liability for accrued vacation leave payable, is not reported under the modified accrual basis of accounting utilized by governmental funds. | (9,142) |
| Current year refinanced note proceeds reported as other financing sources in the governmental funds financial statements are shown as an increase in debt in the government-wide financial statements. | (838,372) |
| Current year long-term debt principal payments reported as expenditures in the governmental funds financial statements are shown as a reduction in debt in the government-wide financial statements. | <u>704,023</u> |
| Change in Net Position of Governmental Activities - Statement of Activities (page 8) | <u>\$ (24,626)</u> |

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

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of the Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Council reports the following major governmental funds:

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

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

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

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

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

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

D. Use of Estimates

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

E. Assets, Liabilities and Net Position or Equity

Cash

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

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Equity (continued)

Cash (continued)

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

Accounts Receivable

Accounts 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 April 30, 2016. The Council considers all grants as fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

Interfund Receivables, Payables, and Transfers

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

Unearned Revenue

Unearned revenue represents amounts received from grantors in excess of expenditures for programs in progress as of April 30, 2016.

Capital Assets

Capital assets, which include building, furniture and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Donated capital assets are recorded at estimated fair market value on the date received.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line methods. Estimated useful lives are as follows:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Furniture and Equipment | 3 – 15 |
| Building Improvements | 15 |
| Buildings | 39 |

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (continued)

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

Compensated Absences

Accrued vacation represents the estimated liability for accumulated and unpaid vacation. Accumulated unpaid vacation leave is accrued when incurred. Fulltime regular Council employees accumulate and vest in vacation leave on a sliding scale rate based on length of service and/or position in the organization up to a maximum of 21 days per year. Vacation Accrual at calendar year-end is limited to 120 hours.

Council employees accumulate sick leave at the rate of one day per month of service up to a maximum of 80 days. Sick leave is vested only to the extent that an employee actually uses it while employed by the Council. Part-time regular employees earn vacation and sick leave based upon the number of hours worked per week. The Council does not accrue for such leave benefits in accordance with GASB No. 16, "Accounting for Compensated Absences."

Net Position

Net position represents the difference between assets and liabilities. Investments in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Council or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

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

Fund Balance

Beginning with fiscal year 2012, the Council implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

As of April 30, 2016, fund balances of the governmental funds are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. The Council had \$40,918 of prepaid assets classified as a non-spendable fund balance at April 30, 2016.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (continued)

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The Texas Department of Aging and Disability Services Fund and Other Programs Fund, had \$87,680 and \$83,089 of fund balances restricted by their federal and state grantors at April 30, 2016, respectively.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision making authority for the Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purpose. Under the Council's policy, only the Board may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

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

Indirect Costs

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

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Program Revenue

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

| | |
|--|--------------------|
| Capital Outlay | \$ 220,487 |
| Depreciation Expense | (259,353) |
| Net adjustments to increase <i>net change in fund balance - total governmental funds to arrive at changes in net assets of governmental activities</i> | <u>\$ (38,866)</u> |

3. BUDGETARY INFORMATION

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

4. DETAILED NOTES ON ALL FUNDS

Cash Deposits with Financial Institutions

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Council’s deposits may not be returned to it. As of April 30, 2016, \$250,000 of the Council’s \$1,186,875 deposits carrying value was covered by FDIC insurance. A balance totaling \$1,027,043 was fully collateralized with securities held by the pledging financial institution. The remaining balance of \$160,990 was uninsured as of April 30, 2016. Council management is aware of the uninsured balance and has determined custodial credit risk is minimal.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

4. DETAILED NOTES ON ALL FUNDS (continued)

Investments

As of April 30, 2016, the primary government had the following investment:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Days)</u> |
|------------------------|-------------------|---|
| TexPool | \$ 974 | 39 |

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

The Council's investment pool is 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Interest Rate Risk. In accordance with its investment policy, the Council manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of any individual investment to one year, unless otherwise provided in a specific investment strategy that complies with current law.

Credit Risk. It is the Council's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The Council's investment pool was rated AAAm by Standard and Poor's Investors Service.

Concentration of Credit Risk. The Council's policy is to diversify its portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

4. DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

Below is a summary of capital assets and related depreciation as of April 30, 2016:

| | Beginning Balance | Increases | Reclassifications and Decreases | Ending Balance |
|--|----------------------|--------------------|------------------------------------|---------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being Depreciated | | | | |
| Construction in Progress | \$ - | \$ 56,733 | \$ - | \$ 56,733 |
| Capital Assets, being Depreciated | | | | |
| Buildings | 1,550,000 | - | - | 1,550,000 |
| Buildings and Improvements | 1,087,189 | - | - | 1,087,189 |
| Furniture, Vehicles, and Other | 2,320,749 | 163,754 | (20,486) | 2,464,017 |
| Total Capital Assets being Depreciated | 4,957,938 | 220,487 | (20,486) | 5,157,939 |
| Less Accumulated Depreciation: | | | | |
| Buildings | 553,099 | 39,744 | - | 592,843 |
| Buildings and Improvements | 698,531 | 67,608 | - | 766,139 |
| Furniture, Vehicles, and Other | 986,605 | 152,001 | (20,486) | 1,118,120 |
| Total Accumulated Depreciation | 2,238,235 | 259,353 | (20,486) | 2,477,102 |
| Governmental Activities Capital Assets, Net | <u>\$ 2,719,703</u> | <u>\$ (38,866)</u> | <u>\$ -</u> | <u>\$ 2,680,837</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------|
| Governmental Activities: | |
| General Government | \$ 142,003 |
| Community and Economic Development | 94,706 |
| House and Client Services | 17,819 |
| Aging and Disabilities | 4,825 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 259,353</u> |

Allocation of Indirect Costs and Employee Benefits to Grant Programs

The allocation of indirect costs and employee benefits creates an over or under-applied amount based on the actual costs incurred each year.

A detail of the costs allocated for the year ended April 30, 2016, is as follows:

| | Indirect Costs | Employee Benefits | Central Service IT | Total |
|--|-------------------|----------------------|-----------------------|-------------------|
| Under (Over) Applied Costs at April 30, 2015 | \$ 63,318 | \$ (38,928) | \$ 66,427 | \$ 90,817 |
| Costs Allocated During the Year | (757,787) | (1,061,339) | (221,251) | (2,040,377) |
| Actual Costs | <u>821,716</u> | <u>1,049,830</u> | <u>269,495</u> | <u>2,141,041</u> |
| Under (Over) Applied Costs at April 30, 2016 | <u>\$ 127,247</u> | <u>\$ (50,437)</u> | <u>\$ 114,671</u> | <u>\$ 191,481</u> |

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

4. DETAILED NOTES ON ALL FUNDS (continued)

Long-Term Debt

The following changes in general long-term debt occurred during the fiscal year ended April 30, 2016, as reported in the financial statements:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------|----------------------|-------------------|---------------------|-------------------|------------------------|
| Note Payable 1 | \$ 331,629 | \$ - | \$ (331,629) | \$ - | \$ - |
| Note Payable 2 | - | 838,372 | (22,002) | 816,370 | 68,390 |
| Line of Credit | 350,000 | - | (350,000) | - | - |
| Compensated Absences | 103,760 | 8,749 | - | 112,509 | 28,127 |
| Governmental Activities | | | | | |
| Long-term Liabilities | <u>\$ 785,389</u> | <u>\$ 847,121</u> | <u>\$ (703,631)</u> | <u>\$ 928,879</u> | <u>\$ 96,517</u> |

Note payable 1 has a fixed interest rate of 4.5% and was originally dated May 29, 2013, due in 44 monthly installments of \$15,799 with a final payment of \$14,488, due in fiscal year 2017. Note payable 1 was paid in full on June 10, 2015 with proceeds from the issuance of note payable 2.

Note payable 2 has a fixed interest rate of 5.1% and paid off the remaining balance of note payable 1 of \$303,118 on June 10, 2015. The Council drew additional cash of \$535,254 up until January 10, 2016. Note payable 2 is due in 119 monthly installments of \$9,017, with a final payment of \$3,272. The note is secured by the Council's building and matures November 10, 2025.

Future requirements for long-term debt are as follows:

| Fiscal Year Ending | Note Payable | | Totals |
|-----------------------|-------------------|-------------------|---------------------|
| | Principal | Interest | |
| 2017 | \$ 68,390 | \$ 39,818 | \$ 108,208 |
| 2018 | 71,939 | 36,269 | 108,208 |
| 2019 | 75,672 | 32,536 | 108,208 |
| 2020 | 79,524 | 28,684 | 108,208 |
| 2021-2025 | 464,356 | 76,684 | 541,040 |
| 2026 | 56,489 | 888 | 57,377 |
| | <u>\$ 816,370</u> | <u>\$ 214,879</u> | <u>\$ 1,031,249</u> |

Retirement Plan

At April 30, 2016, substantially all employees were participants in the Texoma Council of Governments Employee Retirement Plan (the "Plan") administered by a corporate trustee, International City Management Association Retirement Corporation (ICMA-RC). The Plan is a defined contribution plan, which has been approved by the Internal Revenue Service for qualification under IRC Section 401(a), and provides retirement and death benefits based on a participant's vested interest. The Plan has a fiscal year-end of September 30. Employer contributions are 7% of

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

4. DETAILED NOTES ON ALL FUNDS (continued)

Retirement Plan (continued)

participants' defined compensation, and participants are required to contribute 3% of their defined compensation. Employees may make voluntary after-tax contributions subject to certain limitations. Participants immediately vest in mandatory contributions, plus actual earnings thereon. Vesting in Council contributions is based on years of continuous service according to a schedule, which provides full vesting at the end of seven years. The Plan investments are stated at fair value. Investments in securities traded on a national securities exchange are valued daily at the last quoted sales price on the day valuations are made. Other equity securities which are not traded on a particular day are reported at the last reported bid price. Debt securities are valued at a price deemed to best reflect fair value. The Council's total payroll in fiscal year 2016 was \$2,439,064 and the Council's contributions were based on a payroll of \$2,416,205. Total contributions of \$242,501 were made for the year, which consisted of \$169,838 employer contributions and \$72,663 of required employee contributions.

Deferred Compensation Plan

The Council has an agreement with the ICMA-RC to provide a deferred compensation plan in accordance with the Internal Revenue Code, Section 457, on a voluntary basis to fulltime employees. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement, or for an unforeseeable emergency. The Council makes no contributions to the plan. In accordance with federal law, a trust fund was established for the deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Council but are held in a trust, the deferred compensation assets and related liabilities are not reported in the Council's financial statements. The Council's fiduciary responsibilities are to submit participant payroll deductions and enrollment change forms to the plan administrator (ICMA-RC). Other than reviewing quarterly statements for accuracy, the Council has no other fiduciary responsibility. Investments are managed by the Plan's trustee with various investment options available. The choice of the investment option is made by the employee. TCOG employees contributed total amount of \$15,801 into the Plan during fiscal year 2016.

Interfund Balances and Transfers

The following tables reflect the interfund balances and interfund transfers at April 30, 2016. These are done to assist the funds with operations during the year and will be repaid as soon as practical.

| | <u>Interfund Balances</u> | | <u>Net Interfund Operating Transfers</u> | |
|---------|---------------------------|-------------------|--|---------------------|
| | <u>Due From</u> | <u>Due To</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
| General | \$ 209,590 | \$ - | \$ - | \$ 246 |
| HUD | - | 139,136 | | - |
| CSEC | - | 57,553 | 246 | |
| TDHCA | - | 41,299 | <u>\$ 246</u> | <u>\$ 246</u> |
| TDADS | 66,189 | - | | |
| Other | 111,131 | 148,922 | | |
| | <u>\$ 386,910</u> | <u>\$ 386,910</u> | | |

TEXOMA COUNCIL OF GOVERNMENTS

Notes to the Financial Statements

April 30, 2016

4. DETAILED NOTES ON ALL FUNDS (continued)

Commitments and Contingencies

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

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

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

Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date on which the financial statements were available to be issued. There are no subsequent events to disclose.

SUPPLEMENTARY INFORMATION

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES BY OBJECT -
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

| | U.S. Department of Housing and Urban Development | Corporation for National and Community Service | Economic Development Administration | Governor's Office Criminal Justice Division |
|---|--|---|---|--|
| REVENUES | | | | |
| Federal | \$ 2,760,298 | \$ 216,768 | \$ 73,229 | \$ - |
| State | - | 45,697 | - | 54,330 |
| Local and In-kind | 840 | 64,429 | 28,000 | - |
| Interest Income | 49 | - | - | - |
| Total Revenues | <u>2,761,187</u> | <u>326,894</u> | <u>101,229</u> | <u>54,330</u> |
| EXPENDITURES | | | | |
| Operational | | | | |
| Direct Salaries | 149,952 | 61,942 | 45,244 | 24,648 |
| Benefit Program Costs | 70,777 | 29,237 | 21,247 | 11,634 |
| Indirect Costs | 82,399 | 33,651 | 24,445 | 13,386 |
| Travel | 5,747 | 14,657 | 4,588 | 1,023 |
| Supplies | 14,818 | 2,787 | 3,241 | 3,638 |
| Contracted Services | 5,278 | - | - | - |
| Capital Outlay | - | - | - | - |
| Professional Services | - | - | - | - |
| Other Direct Costs | - | 129,903 | 2,464 | - |
| Client Services | | | | |
| Subcontracts | - | - | - | - |
| In-kind Services | - | 54,226 | - | - |
| Other | <u>2,520,228</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>2,849,200</u> | <u>326,402</u> | <u>101,229</u> | <u>54,330</u> |
| Excess (Deficiency) Revenues Over Expenditures | <u>\$ (88,013)</u> | <u>\$ 491</u> | <u>\$ (0)</u> | <u>\$ -</u> |

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES BY OBJECT -
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

| | Commission on State Emergency Communications | Texas Department of Housing and Community Affairs | Governor's Office Division of Emergency Management | Texas Department of Aging and Disability Services | Texas Department of Health/UNT |
|---|---|---|--|---|--------------------------------------|
| REVENUES | | | | | |
| Federal | \$ - | \$ 1,908,243 | \$ - | \$ 1,337,160 | \$ - |
| State | 1,103,421 | - | 62,269 | 216,540 | - |
| Local and In-kind | - | 100 | 2,683 | 882,507 | 8,988 |
| Interest Income | 68 | - | - | - | - |
| Total Revenues | <u>1,103,489</u> | <u>1,908,343</u> | <u>64,952</u> | <u>2,436,207</u> | <u>8,988</u> |
| EXPENDITURES | | | | | |
| Operational | | | | | |
| Direct Salaries | 83,393 | 272,641 | 27,884 | 419,351 | - |
| Benefit Program Costs | 39,361 | 128,598 | 13,161 | 197,935 | - |
| Indirect Costs | 35,966 | 148,225 | 15,149 | 224,917 | - |
| Travel | 18,439 | 36,302 | 2,701 | 19,124 | - |
| Supplies | 4,167 | 31,274 | 2,561 | 15,299 | - |
| Contracted Services | 10,074 | 2,316 | - | 51,250 | - |
| Capital Outlay | 163,754 | - | - | - | - |
| Professional Services | - | 3,235 | - | - | - |
| Other Direct Costs | 9,503 | 894,237 | 813 | 1,508,331 | 8,988 |
| Client Services | | | | | |
| Subcontracts | - | 391,038 | - | - | - |
| In-kind Services | - | - | - | - | - |
| Other | <u>738,832</u> | <u>477</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>1,103,489</u> | <u>1,908,343</u> | <u>62,269</u> | <u>2,436,207</u> | <u>8,988</u> |
| Excess (Deficiency) Revenues Over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,683</u> | <u>\$ -</u> | <u>\$ -</u> |

(continued)

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES BY OBJECT -
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

| | Texas Health and Human Services Commission | Texas Commission on Environmental Quality | Total |
|---|--|--|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Federal | \$ - | \$ - | \$ 6,295,698 |
| State | 379,230 | 176,278 | 2,037,764 |
| Local and In-kind | 6,382 | - | 993,929 |
| Interest Income | 4 | - | 120 |
| Total Revenues | <u>385,616</u> | <u>176,278</u> | <u>9,327,511</u> |
| EXPENDITURES | | | |
| Operational | | | |
| Direct Salaries | 173,882 | 33,672 | 1,292,609 |
| Benefit Program Costs | 82,073 | 15,893 | 609,917 |
| Indirect Costs | 94,442 | 18,309 | 690,888 |
| Travel | 3,777 | 1,115 | 107,473 |
| Supplies | 23,962 | 1,161 | 102,906 |
| Contracted Services | - | 15 | 68,934 |
| Capital Outlay | - | - | 163,754 |
| Professional Services | - | - | 3,235 |
| Other Direct Costs | 1,473 | 106,116 | 2,661,828 |
| Client Services | | | |
| Subcontracts | 6,000 | - | 397,038 |
| In-kind Services | - | - | 54,226 |
| Other | - | - | 3,259,537 |
| Total Expenditures | <u>385,608</u> | <u>176,281</u> | <u>9,412,345</u> |
| Excess (Deficiency) Revenues Over Expenditures | <u>\$ 8</u> | <u>\$ (3)</u> | <u>\$ (84,834)</u> |

(continued)

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED APRIL 30, 2016

| | 2016 Actual | 2015 Actual |
|---------------------------------------|--------------------------|--------------------------|
| Indirect Salaries | \$ 256,810 | \$ 252,452 |
| Employee Benefits | 120,968 | 123,591 |
| Advertising | 517 | - |
| Audit Services | 31,803 | 33,925 |
| Bank Fee | 81 | - |
| Contracted Services | 14,671 | 18,171 |
| Consultatant Services | 9,066 | - |
| Depreciation Expense | 104,021 | 119,968 |
| Dues and Subsriptions | 629 | - |
| Insurance and Bonding General | 7,302 | 7,095 |
| Legal Services | 91,917 | 1,250 |
| Postage | 1,374 | 2,663 |
| Printing | 1,254 | 8 |
| Mortgage Interest | 20,564 | 17,696 |
| Repair & Maintenance Building | 37,321 | 34,245 |
| Copy Center Expense | 4,036 | 2,609 |
| Sanitation Services | 1,896 | 2,680 |
| Supplies Office | 9,021 | 9,175 |
| Travel Indirect Staff | 18,332 | 14,292 |
| Utilities | 90,133 | 97,808 |
| Total Indirect Costs | <u>\$ 821,716</u> | <u>\$ 737,628</u> |
| Less: Contributions To Indirect Costs | - | (2,700) |
| Net Indirect Costs | <u><u>\$ 821,716</u></u> | <u><u>\$ 734,928</u></u> |
| Basis for Indirect Cost Allocation | | |
| Net Indirect Costs | \$ 821,716 | \$ 734,928 |
| Direct Salaries and Benefits | <u>3,258,199</u> | <u>2,819,828</u> |
| Effective Indirect Cost Rate | <u><u>25.22%</u></u> | <u><u>26.06%</u></u> |

TEXOMA COUNCIL OF GOVERNMENTS
COMPARISON OF BUDGETED VS ACTUAL INDIRECT COSTS
FOR THE YEAR ENDED APRIL 30, 2016

| | <u>2016 Budget</u> | <u>2016 Actual</u> |
|-------------------------------|--------------------|--------------------|
| Indirect Salaries | \$ 262,375 | \$ 256,810 |
| Employee Benefits | 123,841 | 120,968 |
| Advertising | 300 | 517 |
| Audit Services | 34,000 | 31,803 |
| Bank Fee | 9,799 | 81 |
| Contracted Services | 16,318 | 14,671 |
| Consultatant Services | - | 9,066 |
| Depreciation Expense | 90,200 | 104,021 |
| Dues and Subscriptions | 7,000 | 629 |
| Insurance and Bonding General | 9,020 | 7,302 |
| Legal Services | 3,000 | 91,917 |
| Postage | 3,200 | 1,374 |
| Printing | 500 | 1,254 |
| Mortgage Interest | 39,360 | 20,564 |
| Repair & Maintenance Building | 31,160 | 37,321 |
| Copy Center Expense | 4,500 | 4,036 |
| Sanitation Services | 2,050 | 1,896 |
| Supplies Office | 17,500 | 9,021 |
| Travel Indirect Staff | 17,000 | 18,332 |
| Utilities | 101,000 | 90,133 |
| Total Indirect Costs | <u>\$ 772,123</u> | <u>\$ 821,716</u> |

Basis for Indirect Cost Allocation

| | | |
|---------------------------------------|------------------|------------------|
| Net Indirect Costs | \$ 772,123 | \$ 821,716 |
| Adjusted Direct Salaries and Benefits | <u>3,101,843</u> | <u>3,258,199</u> |
| Effective Indirect Cost Rate | <u>24.89%</u> | <u>25.22%</u> |

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF EMPLOYEE BENEFITS
FOR THE YEAR ENDED APRIL 30, 2016

| | 2016 Actual | 2015 Actual |
|--|----------------------------|----------------------------|
| Sick Leave | \$ 82,712 | \$ 66,827 |
| Annual Leave | 137,405 | 112,373 |
| Holidays | 85,652 | 105,340 |
| Funeral Leave | 4,793 | 3,935 |
| Admin Leave | 7,846 | 7,828 |
| | <u>318,408</u> | <u>296,303</u> |
| Payroll Taxes | 191,296 | 180,473 |
| Retirement | 149,890 | 123,161 |
| Workers Comp Insurance | 13,988 | 8,098 |
| Unemployment Insurance | 10,969 | 2,648 |
| Group Insurance | 360,966 | 368,059 |
| Employee Assistance Program | 1,440 | 1,440 |
| Air Ambulance Membership | 2,873 | 217 |
| | <u>731,422</u> | <u>684,096</u> |
| Total Benefits | <u><u>\$ 1,049,830</u></u> | <u><u>\$ 980,399</u></u> |
| Basis for Employee Benefit Allocation not including Employee Benefits in Base: | | |
| Total Employee Benefits | 1,049,830 | 980,399 |
| Chargeable Time (See Below) | <u>2,243,973</u> | <u>2,523,525</u> |
| Employee Benefit Rate | <u><u>46.78%</u></u> | <u><u>38.85%</u></u> |
| Computation Of Chargeable Time | | |
| Gross Salaries | 2,562,381 | 2,819,828 |
| Less: Fringe Benefit Costs Per Schedule Of Employee Benefits | | |
| Which Are Not Included In Chargeable Time | <u>(318,408)</u> | <u>(296,303)</u> |
| Chargeable Time For Basis Of Allocation Of Employee Benefits | <u><u>\$ 2,243,973</u></u> | <u><u>\$ 2,523,525</u></u> |

TEXOMA COUNCIL OF GOVERNMENTS
COMPARISON OF BUDGETED VS ACTUAL EMPLOYEE BENEFITS
FOR THE YEAR ENDED APRIL 30, 2016

| | 2016 Budget | 2016 Actual |
|---|---------------------|---------------------|
| Sick Leave | \$ 66,594 | \$ 82,712 |
| Annual Leave | 133,188 | 137,405 |
| Holidays | 112,697 | 85,652 |
| Funeral Leave | 3,500 | 4,793 |
| Admin Leave | 4,000 | 7,846 |
| | <u>319,979</u> | <u>318,408</u> |
| | | |
| Payroll Taxes | 203,777 | 191,296 |
| Retirement | 158,612 | 149,890 |
| Workers Comp Insurance | 11,500 | 13,988 |
| Unemployment Insurance | 15,142 | 10,969 |
| Group Insurance | 393,916 | 360,966 |
| Employee Assistance Program | 1,800 | 1,440 |
| Air Ambulance Membership | 2,400 | 2,873 |
| | <u>787,147</u> | <u>731,422</u> |
| | | |
| Total Benefits | <u>\$ 1,107,126</u> | <u>\$ 1,049,830</u> |
| | | |
| Basis for Employee Benefit Allocation not including Employee Benefits in Base | | |
| Total Employee Benefits | 1,107,126 | 1,049,830 |
| Chargeable Time (See Below) | <u>2,343,771</u> | <u>2,243,973</u> |
| | | |
| Employee Benefit Rate | <u>47.2%</u> | <u>46.8%</u> |
| | | |
| Computation Of Chargeable Time | | |
| Gross Salaries | 2,663,750 | 2,562,381 |
| Less: Fringe Benefit Costs Per Schedule Of Employee Benefits | | |
| Which Are Not Included In Chargeable Time | (319,979) | (318,408) |
| Chargeable Time For Basis Of Allocation Of Employee Benefits | <u>\$ 2,343,771</u> | <u>\$ 2,243,973</u> |

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF CENTRAL SERVICE I.T. COSTS
FOR THE YEAR ENDED APRIL 30, 2016

| | 2016 Actual | 2015 Actual |
|--|-------------------|-------------------|
| Contracted Services | \$ 220,829 | \$ 192,328 |
| Supplies | 1,623 | 1,353 |
| Software Maintenance | 13,133 | 3,988 |
| Telephone Service | 33,910 | 28,503 |
| Total Costs | <u>\$ 269,495</u> | <u>\$ 226,172</u> |
| Basis for Central Service IT Costs Allocation: | | |
| Net CIT Costs | 269,495 | 226,172 |
| Direct Salaries And Benefits | <u>3,258,199</u> | <u>2,819,828</u> |
| CIT Cost Rate | <u>8.27%</u> | <u>8.02%</u> |

TEXOMA COUNCIL OF GOVERNMENTS
COMPARISON OF BUDGETED VS ACTUAL CENTRAL SERVICE I.T. COSTS
FOR THE YEAR ENDED APRIL 30, 2016

| | <u>2016 Budget</u> | <u>2016 Actual</u> |
|--|--------------------|--------------------|
| Contracted Services | \$ 170,163 | \$ 220,829 |
| Supplies | 1,500 | 1,623 |
| Software Maintenance | 19,240 | 13,133 |
| Telephone Service | 43,200 | 33,910 |
| (Over) Under applied from Prior Year | | - |
| Total Costs | <u>\$ 234,103</u> | <u>\$ 269,495</u> |
| Basis for Central Service IT Costs Allocation: | | |
| Net CIT Costs | 234,103 | 269,495 |
| Adjusted Salaries and Benefits | <u>3,101,843</u> | <u>3,258,199</u> |
| CIT Cost Rate | <u>7.55%</u> | <u>8.27%</u> |

TEXOMA COUNCIL OF GOVERNMENTS
REAL ESTATE ASSESSMENT CENTER
FINANCIAL ASSESSMENT SUBSYSTEM (FASS-PH)
FINANCIAL DATA SCHEDULES (FDS)
SCHEDULE I: BALANCE SHEET
APRIL 30, 2016

| | |
|------------------|--|
| PHA CODE: | TX542 Fiscal Year End date: 12/31/2015 |
| PHA NAME: | Texoma Council of Governments |
| SUBMISSION TYPE: | Audited/Uniform Guidance |
| PROGRAM NAME: | Housing Choice Vouchers |

| Line Item # | Description | Value |
|-----------------------------------|--|-----------------------|
| Assets | | |
| Current Assets Cash: | | |
| 111 | Cash-Unrestricted | \$ 67,095 |
| 113 | Cash - Other Restricted | 92,208 |
| 100 | Total Cash | 159,303 |
| Receivables | | |
| 124 | Accounts Receivable - Other Government | 38,437 |
| 120 | Total Receivables, Net of Allowance for Doubtful Accounts | 38,437 |
| 150 | Total Current Assets | 197,740 |
| 290 | Total Assets and Deferred Outflows of Resources | \$ 197,740 |
| Liabilities and Equity | | |
| Liabilities | | |
| Current Liabilities | | |
| 312 | Accounts Payable <= 90 Days | \$ 1,672 |
| 333 | Accounts Payable - Other Government | 139,135 |
| 310 | Total Current Liabilities | 140,807 |
| 353 | Non-current Liabilities - Other | 92,208 |
| 350 | Total Non-current Liabilities | 92,208 |
| 300 | Total Liabilities | 233,015 |
| Equity | | |
| 512.4 | Unrestricted Net Position | (35,275) |
| 513 | Total Equity - Net Assets/Position | (35,275) |
| 600 | Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position | \$ 197,740 |

TEXOMA COUNCIL OF GOVERNMENTS
REAL ESTATE ASSESSMENT CENTER
FINANCIAL ASSESSMENT SUBSYSTEM (FASS-PH)
FINANCIAL DATA SCHEDULES (FDS)
SCHEDULE II: INCOME STATEMENT
FOR THE YEAR ENDED APRIL 30, 2016

| | |
|------------------|--|
| PHA CODE: | TX542 Fiscal Year End date: 12/31/2015 |
| PHA NAME: | Texoma Council of Governments |
| SUBMISSION TYPE: | Audited/Uniform Guidance |
| PROGRAM NAME: | Housing Choice Vouchers |

| Line Item # | Description | Value |
|----------------------------------|--|----------------------------|
| Revenue | | |
| 70600 | HUD PHA Operating Grants | \$ 2,760,298 |
| 72000 | Investment Income - Restricted | 49 |
| 71500 | Other Revenue | 840 |
| 70000 | Total Revenue | <u>2,761,187</u> |
| Expenses Administrative | | |
| 91100 | Administrative Salaries | 149,950 |
| 91500 | Employee Benefit Contributions-Administrative | 70,777 |
| 91600 | Office Expenses | 14,818 |
| 91800 | Travel | 5,747 |
| 91810 | Allocated Overhead | 82,402 |
| 91900 | Other | 5,278 |
| 91000 | Total Operating - Administrative | <u>328,972</u> |
| 96900 | Total Operating Expenses | <u>328,972</u> |
| 97000 | Excess of Operating Revenue over Operating Expenses | <u>2,432,215</u> |
| 97300 | Housing Assistance Payments | 2,520,228 |
| 90000 | Total Expenses | <u>\$ 2,849,200</u> |
| Memo Account Information: | | |
| 11030 | Beginning Equity | \$ 52,738 |
| 11170 | Administrative Fee Equity | \$ 67,846 |
| 11180 | Housing Assistance Payments Equity | \$ (103,121) |
| 11190 | Unit Months Available | 7,404 |
| 11210 | Number of Unit Months Leased | 5,887 |

SINGLE AUDIT SECTION



Susan LaFollett, CPA – Partner

Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Texoma Council of Governments (the Council), as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated September 27, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described as finding 2016-001 in the accompanying Schedule of Findings and Questioned Costs that we consider to be a material weakness.

Compliance and Other Matters

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

Council's Response to Findings

Council's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "J. Follett and Abbott PLLC". The signature is written in a cursive, flowing style.

Tom Bean, Texas
September 27, 2016



Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM
GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS*

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

Report on Compliance for Each Major Federal and State Program

We have audited the Texoma Council of Governments' (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Planning, that could have a direct and material effect on each of the Council's major federal and state programs for the year ended April 30, 2016. The Council's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended April 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "J. Fallett and Abbott PLLC". The signature is written in a cursive, flowing style.

Tom Bean, Texas
September 27, 2016

TEXOMA COUNCIL OF GOVERNMENT
Schedule of Federal and State Awards
Year Ended April 30, 2016

| Federal Grantor/Pass-Through Grantor/Program Title/Grant Year | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|---|---------------------------|----------------------------------|--------------|
| U.S. Department of Commerce | | | |
| Direct Programs: | | | |
| Economic Development Administration: | | | |
| Economic Development Support for Planning Organizations 2015-2017 | 11.302 | 08-83-05011 | \$ 73,229 |
| Total U.S. Department of Commerce | | | 73,229 |
| U.S. Department of Housing and Urban Development | | | |
| Direct Programs: | | | |
| Office of Public and Indian Housing: | | | |
| Section 8 Housing Choice Vouchers 2015 | 14.871 | TX542FSH653A014 | 1,792,863 |
| Section 8 Housing Choice Vouchers 2016 | 14.871 | TX542FSH505A015 | 967,435 |
| Total U.S. Department of Housing and Urban Development | | | 2,760,298 |
| U.S. Department of Energy | | | |
| Pass-Through from: | | | |
| Texas Department of Housing and Community Affairs: | | | |
| Weatherization Assistance for Low-Income Persons 2014/2015 | 81.042 | 56140002010 | 4,300 |
| Weatherization Assistance for Low-Income Persons 2015/2016 | 81.042 | 56150002277 | 145,687 |
| Total U.S. Department of Energy | | | 149,987 |
| U. S. Department of Health and Human Services | | | |
| Pass-Through from: | | | |
| Administration for Children and Families: | | | |
| Texas Department of Housing and Community Affairs: | | | |
| Comprehensive Energy Assistance Program 2015 | 93.568 | 58150002283 | 102,632 |
| Comprehensive Energy Assistance Program 2015 | 93.568 | 58150002127 | 570,458 |
| Comprehensive Energy Assistance Program 2015 | 93.568 | 58140002282 | 65,022 |
| Comprehensive Energy Assistance Program 2015 | 93.568 | 58140002247 | 162,089 |
| Comprehensive Energy Assistance Program 2016 | 93.568 | 58160002355 | 128,117 |
| Subtotal | | | 1,028,318 |
| Low-Income Home Energy Assistance 2015 | 93.568 | 81150002155 | 386,068 |
| Low-Income Home Energy Assistance 2016 | 93.568 | 81160002421 | 96,084 |
| Subtotal | | | 482,152 |
| Community Services Block Grant 2015/2016 | 93.569 | 61150002196 | 165,831 |
| Community Services Block Grant 2016 | 93.569 | 61160002396 | 81,952 |
| Subtotal | | | 247,783 |
| Total Texas Department of Housing and Community Affairs | | | 1,758,253 |
| Pass-Through from: | | | |
| Administration for Community Living: | | | |
| Texas Department of Aging and Disability Services: | | | |
| Aging Cluster: | | | |
| Special Program for the Aging - Title III, Part B 2015/2016 | 93.044 | 539-16-0008-00001 | 162,084 |
| Special Program for the Aging - Title III, Part B 2014/2015 | 93.044 | 539-11-0025-00001 | 276,088 |
| Subtotal | | | 438,172 |
| Special Program for the Aging - Title III, Part C 2015/2016 | 93.045 | 539-16-0008-00001 | 191,644 |
| Special Program for the Aging - Title III, Part C 2014/2015 | 93.045 | 539-11-0025-00001 | 215,159 |
| Subtotal | | | 406,803 |

TEXOMA COUNCIL OF GOVERNMENT

Schedule of Federal and State Awards

Year Ended April 30, 2016

| Federal Grantor/Pass-Through Grantor/Program Title/Grant Year | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|--|---------------------------|----------------------------------|---------------------|
| Nutrition Services Incentive Program 2015/2016 | 93.053 | 539-16-0008-00001 | 120,414 |
| Nutrition Services Incentive Program 2014/2015 | 93.053 | 539-11-0025-00001 | 53,845 |
| Subtotal | | | 174,259 |
| Aging Cluster Subtotal | | | 1,019,234 |
| Special Program for the Aging_CMS MFP 2015/2016 | 93.791 | 539-16-0008-00001 | 4,332 |
| Special Program for the Aging_CMS MFP 2014/2015 | 93.791 | 539-11-0025-00001 | 2,188 |
| Special Program for the Aging_Title VII, Chapter 3 2015/2016 | 93.041 | 539-16-0008-00001 | 2,448 |
| Special Program for the Aging_Title VII, Chapter 2 2015/2016 | 93.042 | 539-16-0008-00001 | 18,003 |
| Special Program for the Aging_Title VII, Chapter 2 2014/2015 | 93.042 | 539-11-0025-00001 | 148 |
| Special Program for the Aging_Title III, Part D 2015/2016 | 93.043 | 539-16-0008-00001 | 8,714 |
| Special Program for the Aging_Title III, Part D 2014/2015 | 93.043 | 539-11-0025-00001 | 8,106 |
| Subtotal | | | 43,939 |
| National Family Caregiver Support, Title III, Part E 2015/2016 | 93.052 | 539-16-0008-00001 | 58,069 |
| National Family Caregiver Support, Title III, Part E 2014/2015 | 93.052 | 539-11-0025-00001 | 29,258 |
| Subtotal | | | 87,327 |
| CMS Research, Development and Evaluation 2015/2016 | 93.789 | 539-16-0008-00001 | 19,491 |
| CMS Research, Development and Evaluation 2014/2015 | 93.789 | 539-11-0025-00001 | 22,215 |
| Subtotal | | | 41,706 |
| ACL MIPPA Priority 2 2015/2016 | 93.071 | 539-16-0008-00001 | 2,386 |
| ACL MIPPA Priority 2 2014/2015 | 93.071 | 539-11-0025-00001 | 15,195 |
| Subtotal | | | 17,581 |
| Aging And Disability Resource Center 2015/2016 | 93.791 | 539-14-0475-00007 | 73,389 |
| Aging And Disability Resource Center 2014/2015 | 93.791 | 539-10-40127-00007 | 53,984 |
| Subtotal | | | 127,373 |
| Total Texas Department of Aging and Disability Services | | | 1,337,160 |
| Total U.S. Department of Health and Human Services | | | 3,095,413 |
| Corporation for National and Community Service | | | |
| Direct Programs: | | | |
| Retired and Senior Volunteer Program 2015/2016 | 94.002 | 13SRWTX004 | 43,790 |
| Retired and Senior Volunteer Program 2014/2015 | 94.002 | 13SRWTX004 | (277) |
| Subtotal | | | 43,513 |
| Foster Grandparent Program 2015/2016 | 94.011 | 15SR177708 | 125,098 |
| Foster Grandparent Program 2014/2015 | 94.011 | 12SFFWTX001 | 48,157 |
| Subtotal | | | 173,255 |
| Total Corporation for National and Community Services | | | 216,768 |
| U.S. Department of Homeland Security | | | |
| Direct Programs: | | | |
| Governor's Division of Emergency Management: | | | |
| Homeland Security Grant Program 2015/2016 | 97.067 | 2969001 | 9,916 |
| Total Governor's Division of Emergency Management | | | 9,916 |
| Total U.S. Department of Homeland Security | | | 9,916 |
| Total Expenditures of Federal Awards | | | \$ 6,305,611 |

TEXOMA COUNCIL OF GOVERNMENT
Schedule of Federal and State Awards
Year Ended April 30, 2016

| Federal Grantor/Pass-Through Grantor/Program Title/Grant Year | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|--|---------------------------|----------------------------------|---------------------|
| Governor's Office | | | |
| State Homeland Security Program 2015/2016 | | 160167 | \$ 9,778 |
| State Homeland Security Program 2014 - 2016 | | EMW-2014-SS-00029 | 42,080 |
| State Homeland Security Program 2013 - 2015 | | EMW 2013-AA-00045 | 495 |
| Total Governor's Office | | | 52,353 |
| Governor's Office - Criminal Justice Division | | | |
| Regional Criminal Justice Coordination - 2015/2016 | | 30061105 | 23,575 |
| Regional Criminal Justice Coordination - 2014/2015 | | 30051532 | 30,755 |
| Total Governor's Office - Criminal Justice Division | | | 54,330 |
| Commission on State Emergency Communications | | | |
| Emergency 911 - 2015/2016 | | NONE | 323,782 |
| Emergency 911 - 2014/2015 | | NONE | 779,639 |
| Total Commission on State Emergency Communications | | | 1,103,421 |
| Texas Commission on Environmental Quality | | | |
| Municipal Solid Waste - 2015 - 2017 | | 582-16-60666 | 39,616 |
| Municipal Solid Waste - 2014/2015 | | 582-14-40593 | 136,662 |
| Total Texas Commission on Environmental Quality | | | 176,278 |
| Texas Department of Aging and Disability Services | | | |
| State General Revenue 2015/2016 | | 539-16-0008-00001 | 81,899 |
| State General Revenue 2014/2015 | | 539-11-0025-00001 | 5,141 |
| SGR Assisted Living Facility 2015/2016 | | 539-16-0008-00001 | 12,452 |
| SGR Assisted Living Facility 2014/2015 | | 539-11-0025-00001 | 2,683 |
| Subtotal | | | 102,175 |
| ADRC State - 2015/2016 | | 539-14-0475-00007 | 74,804 |
| ADRC State - 2014/2015 | | 539-10-40127-00007 | 39,560 |
| Subtotal | | | 114,364 |
| Total Texas Department of Aging and Disability Services | | | 216,539 |
| Corporation for National and Community Service | | | |
| Retired Senior Volunteer Program 2015/2016 | | | 23,730 |
| Retired Senior Volunteer Program 2014/2015 | | | 17,753 |
| Foster Grandparant Program 2014/2015 | | | 4,214 |
| Total Corporation for National and Community Service | | | 45,697 |
| Texas Health and Human Services Commission | | | |
| 211 Area Information Center Operations 2015/2016 | | | 249,605 |
| 211 Area Information Center Operations 2014/2015 | | | 129,625 |
| Total Texas Health and Human Services Commission | | | 379,230 |
| Total Expenditures of State Awards | | | \$ 2,027,848 |
| Total Expenditures of Federal and State of Texas Awards | | | \$ 8,333,459 |

TEXOMA COUNCIL OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
APRIL 30, 2016

1. Fund Accounting

The accounts of Texoma Council of Governments (the Council) are organized on the basis of funds with each being considered a separate accounting group. All federal and state programs are accounted for in Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

2. Basis of Accounting

Both the federal and state programs are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

3. The Council has elected not to use the 10% de minimus indirect cost rate.

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

2016

Type of auditor’s reports issued: Unmodified

Internal control over financial reporting:

- Significant deficiencies identified? No
- Significant deficiencies identified that are considered to be a material weakness? Yes

Noncompliance material to the financial statements noted? No

Federal and State Awards

Internal control over major programs:

- Significant deficiencies identified? No
- Significant deficiencies identified that are considered to be a material weakness? No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) and state awards as defined by the State of Texas Uniform Grant Management Standards? No

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|---|
| 93.044, 93.045, 93.053 | Special Programs for Aging Cluster - Title III B, Title III C, and National Services Incentives |
| 93.568 | Low Income Home Energy Assistance Program |

Identification of major state programs:

Name of State Program
 211 Area Information Center Operations
 Municipal Solid Waste

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

Auditee qualified as a low-risk auditee? Yes

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED APRIL 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

| | |
|---------------------------|--|
| 2016-001 | Financial reporting of fund balances and long-term debt transactions. |
| Criteria: | Per governmental accounting principles, long-term debt principal payments should be recorded as an expense at the fund level and debt proceeds recorded as an other financing source. Closing procedures should also ensure that fund balances properly rollforward. |
| Conditions: | <p>Long-term debt transactions were posted in the General Fund in a manner that resulted in debt principal expense being understated by \$639,150. A long-term debt refinancing transaction was not recorded in the General Fund and resulted in an understatement of proceeds from debt issuance of \$838,372. The net effect of these misstatements on the Statement of Revenues, Expenditures, and Changes in Fund Balances was \$199,222.</p> <p>Additionally, for the Balance Sheets – Governmental Funds, an overall reduction in beginning fund balances of \$185,264 was required for fund balances to properly rollforward into fiscal year 2016.</p> |
| Possible Asserted Effect: | The control objectives of reporting long-term debt transactions and fund balances were compromised. Internal controls did not provide for proper accounting of fund balances and long-term debt on a modified accrual basis, which resulted in more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected. |
| Cause: | Internal controls did not operate to properly detect material misstatements in fund balances and long-term debt transactions. |
| Perspective | A new accounting system was implemented during the year that may well have contributed to misstatements that will not occur going forward. An infrequent debt refinancing occurred during the year and fund balance issues can arise during an accounting system transition. While both transactions appear to be isolated to this unique situation, the Council's internal control system for closing procedures should include rolling forward debt and equity balances in a manner that would identify these misstatements. |
| Recommendation: | Management should record long-term debt transactions based on the modified accrual basis, which will properly record the debt principal payments and debt proceeds at the fund level and the debt balances in the accounts groups. Also, management should implement a system of financial statement review that will provide for the detection of errors in a timely manner, including proper rollforward of fund balances and debt balances. |

Views of
Responsible Officials
and Planned

Corrective Action: The updated accounting system implemented as of January 1, 2016 requires fund balances to roll forward by financial statement fund type. This feature was one of the main reasons that the updated system was put in place by management during this fiscal year. Management does not believe that anything further needs to be implemented in the accounting system or in its internal control structure for the funds to balance individually in the future. Management believes the situation, as described by the auditors, is an isolated occurrence, immaterial in net effect, and not indicative of an internal control material deficiency.

More specifically, the isolated occurrence was an unrecorded transaction in the previous system. Accounting management did not record the refinance transaction in June of 2015 at the time the transaction occurred. When the proceeds from the refinance were ultimately drawn down in December 2015, those proceeds were recorded without linkage to the refinance because the original refinance transaction had never been recorded and was not transferred into the new system. Also complicating the issue, was the fact that the prior accounting system did not balance by fund and the memo accounts for debt were not being used correctly and were not self-balancing.

The setup of the current system being used has all debt being recorded correctly with allowance for the general long term debt account group to be recorded correctly at year end for audit presentation purposes. Again, management believes this is an isolated occurrence that will not occur in the future based on the set up in the updated accounting system, and management believes that its current internal control structure as defined in the updated system is operating as intended to prevent issues of this nature in the future. The refinancing of the building debt is a one-time event that is not expected to occur any time in the near future, and even if it did, the updated system is sufficient for management to record the transaction correctly.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report in this section.

TEXOMA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED APRIL 30, 2016

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There are no matters to report in this section.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report in this section.

STATISTICAL SECTION
(Unaudited)

TEXOMA COUNCIL OF GOVERNMENTS
Grant Register- Year Ended April 30, 2016
(Unaudited)

| CFDA No. | Fund Source | Account Number | Federal Grantor/Pass-Through Grantor/Program Title | Contract Number | Grant Start Date | Grant End Date | Total | FYE 2016 Expenditures |
|--|----------------|-------------------|--|-------------------|---------------------|-------------------|--------------|--------------------------|
| Department of Commerce | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Economic Development Administration | | | | | | | | |
| 11.302 | Federal | 32000 | Economic Development Support | 08-83-05011 | 01/01/15 | 12/31/17 | \$ 180,000 | \$ 73,229 |
| Total U. S. Department of Commerce | | | | | | | \$ 180,000 | \$ 73,229 |
| U. S. Department of Housing and Urban Development | | | | | | | | |
| Direct Programs: | | | | | | | | |
| Office of Public and Indian Housing | | | | | | | | |
| 14.871 | Federal | 20001 | Section 8 Housing Choice Vouchers 2015 | TX542FSH653A014 | 01/01/15 | 12/31/15 | \$ 2,979,574 | \$ 1,792,863 |
| 14.871 | Federal | 20000 | Section 8 Housing Choice Vouchers 2016 | TX542FSH505A015 | 01/01/16 | 12/31/16 | \$ 2,984,598 | \$ 967,435 |
| Total U. S. Department of Housing and Urban Development | | | | | | | \$ 5,964,172 | \$ 2,760,298 |
| U.S. Department of Energy | | | | | | | | |
| Pass-Through from: | | | | | | | | |
| Department of Energy | | | | | | | | |
| 81.042 | Federal | 26002 | Weatherization Assistance Program (DOE) | 56140002010 | 08/01/14 | 06/30/15 | \$ 118,268 | \$ 4,300 |
| 81.042 | Federal | 26000 | Weatherization Assistance Program (DOE) | 56150002277 | 07/21/15 | 06/30/16 | \$ 192,559 | \$ 145,687 |
| Total U.S. Department of Energy | | | | | | | \$ 310,827 | \$ 149,987 |
| U. S. Department of Health and Human Services | | | | | | | | |
| Pass-Through from: | | | | | | | | |
| Administration for Children and Families | | | | | | | | |
| Energy Services | | | | | | | | |
| 93.568 | Federal | 24000 | Comprehensive Energy Assistance Program (CEAP) | 58150002283 | 07/30/15 | 12/31/15 | \$ 709,847 | \$ 102,632 |
| 93.568 | Federal | 22015 | Comprehensive Energy Assistance Program (CEAP) | 58150002127 | 01/01/15 | 12/31/15 | \$ 780,324 | \$ 570,458 |
| 93.568 | Federal | 23000 | Comprehensive Energy Assistance Program (CEAP) | 58140002282 | 08/01/15 | 09/30/15 | \$ 204,006 | \$ 65,022 |
| 93.568 | Federal | 22001 | Comprehensive Energy Assistance Program (CEAP) | 58140002247 | 05/01/15 | 09/30/15 | \$ 162,128 | \$ 162,089 |
| 93.568 | Federal | 22000 | Comprehensive Energy Assistance Program (CEAP) | 58160002355 | 01/01/16 | 12/31/16 | \$ 651,221 | \$ 128,117 |
| | | | | | | | \$ 2,507,526 | \$ 1,028,318 |
| 93.568 | Federal | 27015 | Low-Income Home Energy Assistance (LIHEAP) | 81150002155 | 01/04/15 | 12/31/215 | \$ 534,075 | \$ 386,068 |
| 93.568 | Federal | 27000 | Low-Income Home Energy Assistance (LIHEAP) | 81160002421 | 01/01/16 | 12/31/16 | \$ 473,183 | \$ 96,084 |
| Subtotal | | | | | | | \$ 1,007,258 | \$ 482,152 |
| 93.569 | Federal | 25001 | Community Services Block Grant (CSBG) | 61150002196 | 01/04/15 | 03/31/16 | \$ 231,981 | \$ 165,831 |
| 93.569 | Federal | 25000 | Community Services Block Grant (CSBG) | 61160002396 | 01/01/16 | 12/31/16 | \$ 231,981 | \$ 81,952 |
| Subtotal | | | | | | | \$ 463,962 | \$ 247,783 |
| Pass-Through from: | | | | | | | | |
| Administration for Community Living | | | | | | | | |
| Texas Department of Aging and Disability Services | | | | | | | | |
| 93.044 | Federal | | Special Program for the Aging - Title III, Part B | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 269,102 | 162,084 |
| 93.044 | Federal | | Special Program for the Aging - Title III, Part B | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 294,461 | 276,088 |
| 93.791 | Federal | | Special Program for the Aging - CMS MFP | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 4,699 | 4,332 |
| 93.791 | Federal | | Special Program for the Aging - CMS MFP | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 2,995 | 2,188 |
| 93.045 | Federal | | Special Program for the Aging - Title III, Part C | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 482,096 | 191,644 |
| 93.045 | Federal | | Special Program for the Aging - Title III, Part C | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 404,701 | 215,159 |

TEXOMA COUNCIL OF GOVERNMENTS
Grant Register- Year Ended April 30, 2016
(Unaudited)

| CFDA No. | Fund Source | Account Number | Federal Grantor/Pass-Through Grantor/Program Title | Contract Number | Grant Start Date | Grant End Date | Total | FYE 2016 Expenditures |
|--|----------------|-------------------|--|--------------------|---------------------|-------------------|----------------------|--------------------------|
| 93.053 | Federal | | National Services Incentive Program | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 153,326 | 120,414 |
| 93.053 | Federal | | National Services Incentive Program | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 151,568 | 53,845 |
| 93.041 | Federal | | Special Program for the Aging - Title VII, Chapter 3 | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 2,452 | 2,448 |
| 93.041 | Federal | | Special Program for the Aging - Title VII, Chapter 3 | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ - | - |
| 93.042 | Federal | | Special Program for the Aging - Title VII, Chapter 2 | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 18,003 | 18,003 |
| 93.042 | Federal | | Special Program for the Aging - Title VII, Chapter 2 | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 17,983 | 148 |
| 93.043 | Federal | | Special Program for the Aging - Title III, Part D | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 10,451 | 8,714 |
| 93.043 | Federal | | Special Program for the Aging - Title III, Part D | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 17,342 | 8,106 |
| 93.052 | Federal | | National Family Caregiver Support, Title III, Part E | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 83,413 | 58,069 |
| 93.052 | Federal | | National Family Caregiver Support, Title III, Part E | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 78,981 | 29,258 |
| 93.789 | Federal | | CMS Research, Development and Evaluation | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 64,189 | 19,491 |
| 93.789 | Federal | | CMS Research, Development and Evaluation | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 49,857 | 22,215 |
| 93.071 | Federal | | ACL MIPPA Priority 2 | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 17,250 | 2,386 |
| 93.071 | Federal | | ACL MIPPA Priority 2 | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 15,202 | 15,195 |
| | | | Area Agency on Aging Subtotal | | | | \$ 2,138,071 | \$ 1,209,787 |
| | | | Aging And Disability Resource Center | | | | | |
| 93.791 | Federal | 51000 | ADRC | 539-14-0475-00007 | 09/01/15 | 08/31/16 | \$ 52,000 | \$ 73,389 |
| 93.791 | Federal | 51001 | ADRC 14-15 | 539-10-40127-00007 | 09/01/14 | 09/01/15 | \$ 195,425 | \$ 53,984 |
| | | | ADRC Subtotal | | | | \$ 247,425 | \$ 127,373 |
| Total U.S. Department of Health and Human Services | | | | | | | \$ 6,364,242 | \$ 3,095,413 |
| Corporation for National and Community Service | | | | | | | | |
| | | | Direct Programs: | | | | | |
| 94.002 | Federal | 56000 | Retired and Senior Volunteer Program | 13SRWTX004 | 07/01/15 | 06/30/16 | \$ 59,479 | \$ 43,790 |
| 94.002 | Federal | 56001 | Retired and Senior Volunteer Program | 13SRWTX004 | 07/01/14 | 06/30/15 | \$ 59,979 | \$ (277) |
| 94.011 | Federal | 50000 | Foster Grandparent Program | 15SR177708 | 07/01/15 | 06/30/16 | \$ 210,493 | \$ 125,098 |
| 94.011 | Federal | 50001 | Foster Grandparent Program | 12SFFWTX001 | 10/01/14 | 06/30/15 | \$ 149,384 | \$ 48,157 |
| Total Corporation for National and Community Services | | | | | | | \$ 479,335 | \$ 216,768 |
| U. S. Department of Homeland Security | | | | | | | | |
| | | | Direct Programs | | | | | |
| | | | Governor's Division of Emergency Management: | | | | | |
| 97.067 | Federal | 45015 | Homeland Security Program | 2969001 | 05/01/15 | 04/30/16 | \$ 50,000 | \$ 9,916 |
| | | | Total Governor's Division of Emergency Management | | | | \$ 50,000 | \$ 9,916 |
| Total U. S. Department of Homeland Security | | | | | | | \$ 50,000 | \$ 9,916 |
| Total Expenditures of Federal Awards | | | | | | | \$ 13,348,576 | \$ 6,305,611 |
| Governor's Office | | | | | | | | |
| State | | 44015 | State Homeland Security Program | 160167 | 09/01/15 | 08/31/16 | \$ 23,926 | \$ 9,778 |
| State | | 45014 | State Homeland Security Program | EMW-2014-SS-00029 | 09/01/14 | 05/31/16 | \$ 48,857 | \$ 42,080 |
| State | | 44013 | State Homeland Security Program | EMW 2013-AA-00045 | 09/01/13 | 05/31/15 | \$ 45,898 | \$ 495 |
| Total Governor's Office - Criminal Justice Division | | | | | | | \$ 118,681 | \$ 52,353 |

TEXOMA COUNCIL OF GOVERNMENTS
Grant Register- Year Ended April 30, 2016
(Unaudited)

| CFDA No. | Fund Source | Account Number | Federal Grantor/Pass-Through Grantor/Program Title | Contract Number | Grant Start Date | Grant End Date | Total | FYE 2016 Expenditures |
|--|----------------|-------------------|--|--------------------|---------------------|-------------------|----------------------|--------------------------|
| Governor's Office - Criminal Justice Division | | | | | | | | |
| | State | 40000 | Regional Criminal Justice Coordination | 30061105 | 09/01/15 | 08/31/16 | \$ 63,271 | \$ 23,575 |
| | State | 40001 | Regional Criminal Justice Coordination | 30051532 | 09/01/14 | 08/31/15 | \$ 59,497 | \$ 30,755 |
| Total Governor's Office - Criminal Justice Division | | | | | | | \$ 122,768 | \$ 54,330 |
| Commission on State Emergency Communications | | | | | | | | |
| | State | 41015 | Emergency 911 - 2014/2015 | N/A | 09/01/14 | 08/31/15 | \$ 1,048,340 | \$ 779,639 |
| | State | 41016 | Emergency 911 - 2015/2016 | N/A | 09/01/15 | 08/31/16 | \$ 1,017,258 | \$ 323,782 |
| Total Commission on State Emergency Communications | | | | | | | \$ 2,065,598 | \$ 1,103,421 |
| Texas Commission on Environmental Quality | | | | | | | | |
| | State | 46000 | Municipal Solid Waste | 582-16-60666 | 09/01/15 | 08/31/17 | \$ 115,000 | \$ 39,616 |
| | State | 46001 | Municipal Solid Waste | 582-14-40593 | 09/01/14 | 08/31/15 | \$ 115,000 | \$ 136,662 |
| Total Texas Commission on Environmental Quality | | | | | | | \$ 230,000 | \$ 176,278 |
| Texas Department of Aging and Disability Services | | | | | | | | |
| | State | 52004 | State General Revenue | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 86,733 | \$ 81,899 |
| | State | | State General Revenue | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 86,733 | \$ 5,141 |
| | State | 52002 | SGR Assisted Living Facility (ALF) | 539-16-0008-00001 | 10/01/15 | 09/30/16 | \$ 18,581 | \$ 12,452 |
| | State | | SGR Assisted Living Facility (ALF) | 539-11-0025-00001 | 10/01/14 | 09/30/15 | \$ 10,299 | \$ 2,683 |
| Subtotal | | | | | | | \$ 202,346 | \$ 102,175 |
| | State | 51000 | ADRC State | 539-14-0475-00007 | 09/01/15 | 08/31/16 | \$ 123,169 | \$ 74,804 |
| | State | 51001 | ADRC 14-15 State | 539-10-40127-00007 | 09/01/14 | 09/30/15 | \$ 17,072 | \$ 39,560 |
| Subtotal | | | | | | | \$ 140,241 | \$ 114,364 |
| Total Texas Department of Aging and Disability Services | | | | | | | \$ 342,587 | \$ 216,539 |
| Corporation for National and Community Service | | | | | | | | |
| | State | 56000 | Retired Senior Volunteer Program | | 09/01/15 | 08/31/16 | \$ 24,621 | \$ 23,730 |
| | State | 56001 | Retired Senior Volunteer Program | | 09/01/14 | 08/31/15 | \$ 24,621 | \$ 17,753 |
| | State | 50000 | Foster Grandparant Program | | 09/01/15 | 08/31/16 | \$ 5,000 | \$ 4,214 |
| | State | 50001 | Foster Grandparant Program | | 09/01/14 | 08/31/15 | \$ 5,000 | \$ - |
| Total Corporation for National and Community Service | | | | | | | \$ 59,242 | \$ 45,697 |
| Texas Health and Human Services Commission | | | | | | | | |
| | State | 60000 | 211 Area Informatin Center Operations | | 09/01/15 | 08/31/16 | \$ 396,695 | \$ 249,605 |
| | | 60001 | 211 Area Informatin Center Operations | | 09/01/14 | 08/31/15 | \$ 403,052 | \$ 129,625 |
| Total Texas Health and Human Services Commission | | | | | | | \$ 799,747 | \$ 379,230 |
| Total Expenditures of State Awards | | | | | | | \$ 3,738,623 | \$ 2,027,848 |
| Total Expenditures of Federal and State of Texas Awards | | | | | | | \$ 17,087,199 | \$ 8,333,459 |

TEXOMA COUNCIL OF GOVERNMENTS
MEMBERSHIP PROFILE
(UNAUDITED)

| <u>Fiscal</u> <u>Year</u> | <u>County</u> <u>Members</u> | <u>City</u> <u>Members</u> | <u>Other</u> <u>Members</u> | <u>Total</u> <u>Membership</u> |
|------------------------------|---------------------------------|-------------------------------|--------------------------------|-----------------------------------|
| 2006 | 3 | 31 | 43 | 77 |
| 2007 | 3 | 31 | 42 | 76 |
| 2008 | 3 | 29 | 44 | 76 |
| 2009 | 3 | 31 | 46 | 80 |
| 2010 | 3 | 30 | 45 | 78 |
| 2011 | 3 | 32 | 40 | 75 |
| 2012 | 3 | 31 | 44 | 78 |
| 2013 | 3 | 29 | 38 | 70 |
| 2014 | 3 | 31 | 41 | 75 |
| 2015 | 3 | 29 | 39 | 71 |
| 2016 | 3 | 25 | 33 | 61 |

| <u>Fiscal</u> <u>Year</u> | <u>County</u> <u>Dues</u> | <u>City</u> <u>Dues</u> | <u>Other</u> <u>Dues</u> | <u>Total</u> <u>Dues</u> |
|------------------------------|------------------------------|----------------------------|-----------------------------|-----------------------------|
| 2006 | 12,800 | 23,342 | 10,712 | 46,854 |
| 2007 | 12,800 | 23,465 | 10,712 | 46,977 |
| 2008 | 12,800 | 23,191 | 11,012 | 47,003 |
| 2009 | 12,800 | 23,529 | 9,607 | 45,936 |
| 2010 | 12,800 | 23,365 | 10,172 | 46,337 |
| 2011 | 13,455 | 24,917 | 10,078 | 48,450 |
| 2012 | 13,134 | 24,964 | 9,625 | 47,723 |
| 2013 | 13,193 | 23,919 | 9,916 | 47,028 |
| 2014 | 13,193 | 25,005 | 9,155 | 47,353 |
| 2015 | 13,193 | 23,433 | 8,405 | 45,031 |
| 2016 | 13,193 | 23,359 | 3,881 | 40,433 |

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF MEMBERSHIP DUES
YEARS ENDED APRIL 30, 2016 AND 2015
(UNAUDITED)

| MEMBER ENTITY | 2016 | 2015 |
|----------------------|---------------|---------------|
| Cooke County | \$ 3,748 | \$ 3,748 |
| Fannin County | 2,992 | 2,992 |
| Grayson County | 6,453 | 6,453 |
| County Total | 13,193 | 13,193 |
| | | |
| City of Bells | - | - |
| City of Bonham | 2,089 | 2,089 |
| City of Callisburg | 100 | 100 |
| City of Collinsville | - | - |
| City of Denison | 4,840 | 4,840 |
| City of Dodd City | 100 | 100 |
| City of Ector | 135 | 135 |
| City of Gainesville | 3,310 | 3,310 |
| City of Gunter | 352 | - |
| City of Honey Grove | 366 | 366 |
| City of Howe | 582 | 582 |
| City of Knollwood | 100 | 100 |
| City of Ladonia | 140 | - |
| City of Leonard | 394 | 394 |
| Town of Lindsay | 200 | 200 |
| City of Muenster | - | 334 |
| Town of Oak Ridge | 100 | - |
| City of Pottsboro | 452 | 452 |
| Town of Ravenna | - | - |
| City of Sadler | 100 | 100 |
| City of Savoy | 171 | 171 |
| City of Sherman | 7,738 | 7,738 |
| City of Southmayd | 215 | 215 |
| City of Tioga | 190 | 190 |
| City of Tom Bean | 203 | 203 |
| City of Trenton | 223 | - |
| City of Valley View | - | - |
| City of Van Alstyne | - | 555 |
| City of Whitesboro | 826 | 826 |
| City of Whitewright | 333 | 333 |
| Town of Windom | 100 | 100 |
| City Total | 23,359 | 23,433 |

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF MEMBERSHIP DUES (continued)
YEARS ENDED APRIL 30, 2016 AND 2015
(UNAUDITED)

| MEMBER ENTITY | 2016 | 2015 |
|---|-----------------------------|-----------------------------|
| Bells ISD | 155 | - |
| Bonham ISD | - | 378 |
| Callisburg ISD | - | - |
| Collinsville ISD | - | - |
| Denison ISD | 880 | 880 |
| Dodd City ISD | 100 | 100 |
| Ector ISD | 100 | 100 |
| Era ISD | - | 100 |
| Fannindell ISD | - | 100 |
| Gainesville ISD | - | - |
| Grayson County College | 746 | 746 |
| Honey Grove ISD | - | 120 |
| Leonard ISD | 176 | 176 |
| Muenster ISD | 100 | 100 |
| Muenster Sacred Heart | - | 100 |
| North Central Texas College (CC Campus only) | - | 451 |
| Pottsboro ISD | 246 | 246 |
| Sam Rayburn ISD | - | - |
| Savoy ISD | 100 | 100 |
| Sherman ISD | 1,333 | 1,333 |
| Tom Bean ISD | - | - |
| Van Alstyne ISD | - | - |
| Whitesboro ISD | - | 305 |
| Denison Chamber of Commerce | 100 | 100 |
| Associate Memberships Texoma Housing Partners | - | 2,970 |
| Other Total | <u>3,881</u> | <u>8,405</u> |
| Grand Total | <u><u>\$ 40,433</u></u> | <u><u>\$ 45,031</u></u> |

TEXOMA COUNCIL OF GOVERNMENTS
REVENUES BY SOURCE AND AUTHORIZED STAFF
Last Ten Fiscal Years Ended
(Unaudited)

| Fiscal Year | Member Government Dues | Local Govt Income/In-Kind Contributions | Interest Income | State Funds | State Administered Grants | Federal Grants | Totals | Authorized Full-Time Positions |
|-------------|------------------------|---|-----------------|-------------|---------------------------|----------------|------------|--------------------------------|
| 2007 | 46,977 | 1,371,191 | 1,420 | 1,837,362 | 2,774,263 | 3,513,869 | 9,545,082 | 76 |
| 2008 | 47,003 | 2,269,921 | 1,397 | 1,932,824 | 3,307,267 | 2,550,917 | 10,109,329 | 68 |
| 2009 | 45,936 | 2,132,838 | 3,485 | 2,407,434 | 2,858,907 | 3,243,396 | 10,691,996 | 66 |
| 2010 | 46,337 | 2,490,098 | 3,640 | 2,141,700 | 5,526,117 | 4,607,334 | 14,815,226 | 68 |
| 2011 | 48,450 | 3,892,293 | 1,899 | 1,440,445 | 8,548,810 | 4,191,292 | 18,123,189 | 84 |
| 2012 | 47,723 | 2,899,507 | 1,790 | 1,726,466 | 6,879,902 | 3,258,587 | 14,813,975 | 80 |
| 2013 | 47,028 | 2,857,569 | 598 | 1,260,402 | 3,689,647 | 2,540,670 | 10,395,914 | 62 |
| 2014 | 47,353 | 3,192,743 | 240 | 1,644,156 | 3,069,648 | 3,115,435 | 11,069,575 | 58 |
| 2015 | 45,031 | 2,893,552 | 288 | 1,971,476 | 3,555,022 | 3,050,816 | 11,516,185 | 58 |
| 2016 | 40,433 | 2,706,695 | 144 | 2,027,848 | 1,337,159 | 4,968,455 | 11,080,734 | 58 |

TEXOMA COUNCIL OF GOVERNMENTS
TOTAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(UNAUDITED)

| <u>Fiscal</u> <u>Year</u> | <u>Amount</u> |
|------------------------------|---------------|
| 2007 | \$ 9,399,667 |
| 2008 | \$ 9,659,356 |
| 2009 | \$ 10,824,295 |
| 2010 | \$ 14,290,954 |
| 2011 | \$ 17,906,877 |
| 2012 | \$ 14,889,053 |
| 2013 | \$ 11,275,356 |
| 2014 | \$ 11,130,735 |
| 2015 | \$ 11,310,911 |
| 2016 | \$ 11,761,376 |

TEXOMA COUNCIL OF GOVERNMENTS
SCHEDULE OF INSURANCE IN FORCE
APRIL 30, 2016
(UNAUDITED)

| <u>Insurance Carrier & Policy Number</u> | <u>Coverage</u> | <u>Limits of Liability</u> | <u>Deductibles</u> |
|--|---|--|--|
| Texas Municipal League 5208 | General Liability | \$1,000,000 each occurrence \$1,000,000 sudden events involving pollution - each occurrence \$2,000,000 annual aggregate | None |
| Texas Municipal League 5208 | Automobile Liability & Physical Damage | \$1,000,000 liability (hired, owned and non-owned), \$50,000 medical payments Actual cash value comprehensive & collision | Comprehensive & collision: \$250 per vehicle |
| Texas Municipal League 5208 | Public Officials Errors & Omissions | \$1,000,000 each occurrence \$2,000,000 annual aggregate Covers Governing Body and Staff | \$5,000 each claim |
| Texas Municipal League 5208 | Property | \$5,550,879 Real and Personal Property \$1,000,000 Newly Acquired Property \$4,976,446 Boiler and Machinery \$100,000 Valuable Papers \$10,000 Accounts Receivable \$50,000 Loss of Revenues, Extra Expense and Rental Value \$10,000 Outdoor Trees & Shrubs \$5,000 Personal Property of Employees & Officials \$5,000 Leasehold Interest \$20,000 Pollutant Cleanup and Removal | \$500 each loss |
| Texas Municipal League 5208 | Crime Coverage | \$150,000 Employee Dishonesty including "Faithful Performance" | \$250 |
| Texas Municipal League 5208 | Workers Compensation 5208 | Workers compensation statutory employer's liability: \$500,000 | None |



Susan LaFollett, CPA – Partner

Rod Abbott, CPA – Partner

September 27, 2016

To the Board of Directors
Texoma Council of Governments

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Texoma Council of Governments (TCOG) for the year ended April 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 26, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Texoma Council of Governments are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2016. We noted no transactions entered into by TCOG during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting TCOG's financial statements was:

Management's estimates related to the allocation of indirect costs and employee benefits to grant programs. We evaluated the key factors and assumptions used to develop the estimates for these cost allocations in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Schedule I includes both material misstatements and immaterial misstatements detected as a result of audit procedures that were corrected by management. The attached Schedule II summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter September 27, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to TCOG's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as TCOG's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information as outlined in the table of contents of the report, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Statistical Section as defined in the table of contents of the report, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of TCOG and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "LaFollett and Abbott PLLC". The script is cursive and fluid, with the company name written in all lowercase letters.

LaFollett & Abbott PLLC

Certified Public Accountants

TCOG
Adjusting Journal Entries
FYE 4/30/16

| AJE # | Account # | Account Description | Debit | Credit |
|--------------|--|---------------------------------------|----------------|----------------|
| 1 | 10-3000 | UNRESTRICTED NET ASSET EQUITY | 167,725 | |
| | 10-3100 | DUE TO OTHER FUNDS | | 187,984 |
| | 10-1220 | UNDER/OVER DUE FROM | 19,947 | |
| | 10-6335 | Bank Fee Expense | 312 | |
| | | | <u>187,984</u> | <u>187,984</u> |
| | SECTION 8 FUND | | | |
| | 200-3000 | UNRESTRICTED NET ASSET EQUITY | | 19,673 |
| | 200-1200 | DUE FROM OTHER FUNDS | 19,673 | |
| | | | <u>19,673</u> | <u>19,673</u> |
| | TDHCA FUND | | | |
| | 210-3000 | UNRESTRICTED NET ASSET EQUITY | 19,947 | |
| | 210-2900 | DUE TO OTHER FUNDS | | 19,947 |
| | | | <u>19,947</u> | <u>19,947</u> |
| | TX DADS AGING FUND | | | |
| | 500-3000 | UNRESTRICTED NET ASSET EQUITY | | 88,401 |
| | 500-1220 | DUE FROM OTHER FUNDS | 88,401 | |
| | | | <u>88,401</u> | <u>88,401</u> |
| | OTHER PROGRAMS FUND | | | |
| | 3000 | UNRESTRICTED NET ASSET EQUITY | | 79,910 |
| | 1220 | DUE FROM OTHER FUNDS | 79,910 | |
| | | | <u>79,910</u> | <u>79,910</u> |
| | <i>Adjustment 1 of 2 to properly state opening fund balances.</i> | | | |
| 2 | 10-70000-1310 | Accumulated Depreciation | 107,352 | |
| | 10-70000-1306 | Accum Depr-Buildings | | 39,743 |
| | 10-70000-1301 | Accum Depr-Buildings & Improvements | | 67,609 |
| | | | <u>107,352</u> | <u>107,352</u> |
| | <i>To adjust A-2 to agree with depreciation schedule.</i> | | | |
| 3 | 10-70000-1350 | Furniture, Vehicles & Other Equipment | | 56,733 |
| | 10-70000-13XX <i>new</i> | CONSTRUCTION IN PROGRESS | 56,733 | |
| | | | <u>56,733</u> | <u>56,733</u> |
| | <i>To reclass contruction in progress to its own account on A-2.</i> | | | |
| 4 | 200-2005 | Accounts Payable HUD | 7,865 | |
| | 200-1060 | SECT 8 CASH IN BANK CHASE | | 7,865 |
| | | | <u>7,865</u> | <u>7,865</u> |
| | <i>To correct Section 8 cash reconciliation mistake.</i> | | | |

| | | | | |
|---|----------------|---|---------|---------|
| 5 | 320-4010 | State Revenue | 9,916 | |
| | 320-4000 | Federal Revenue | | 9,916 |
| | 500-4000 | Federal Revenue | | 75,831 |
| | 500-4010 | State Revenue | 1,000 | |
| | 500-4020 | Local Revenue | 74,831 | |
| | | | 75,831 | 75,831 |
| | | <i>To post PBC adjustment to reconcile SEFA to A-2.</i> | | |
| 6 | 10-8510 | Principal Expense | 652,796 | |
| | 10-6xxx | Proceeds from Refinanced Debt | | 838372 |
| | 10-3000 | Unrestricted Net Asset Equity | 185,576 | |
| | 10-8510 | Principal Expense | | 13646 |
| | 10-6335 | Miscellaneous expense | 13,646 | |
| | | | 852,018 | 852018 |
| | | <i>To properly state long-term debt related transactions.</i> | | |
| | | <i>Adjustment 2 of 2 to properly state opening fund balances.</i> | | |
| 7 | 100-17000-4020 | Local Revenue | 30,000 | |
| | 100-17000-2500 | Deferred Revenue | | 30,000 |
| | | | 30,000 | 30,000 |
| | | <i>Entry PBC to re-post THP deferred revenue that was erroneously deleted.</i> | | |
| 8 | 200-6223 | FSS Graduation | | 8,104 |
| | 200-2600 | Escrow Account (FSS Liability) | 8,104 | |
| | | | 8,104 | 8,104 |
| | | <i>Entry PBC to properly state HUD escrow account.</i> | | |
| 9 | 100-12000-9020 | Allocation CIT Expense | | 48,244 |
| | 100-11000-9000 | EMPLOYEE BENEFITS ALLOCATION | 11,012 | |
| | 100-10000-9030 | INDIRECT COST ALLOCATION | | 63,930 |
| | 100-1900 | Other Assets (over/under from cost pool close out | 101,162 | |
| | | | 112,174 | 112,174 |
| | | <i>PBC adjustment to update the y-e balance for under(over) applied indirect costs asset.</i> | | |

TCOG
Passed Adjusting Journal Entries
FYE 4/30/16

| PAJE # | Account # | Account Description | Debit | Credit |
|---------------|------------------|---|---------------|---------------|
| 1 | 100-6325 | Maintenance | | 4,633 |
| | 100-7000 | Equipment | 4,633 | |
| | | | <u>4,633</u> | <u>4,633</u> |
| | | <i>To record asset that was not capitalized during FY 16.</i> | | |
| 2 | 100-17000-2500 | Deferred Revenue | | 30,000 |
| | 100-17000-3000 | UNRESTRICTED NET ASSET EQUITY | 30,000 | |
| | | | <u>30,000</u> | <u>30,000</u> |
| | | <i>To re-establish a Texoma Housing Partners deferred revenue balance that was erroneously deleted in FY2015.</i> | | |
| 3 | 210-4000 | Federal Revenue | 2,850 | |
| | 210-2025 | AP CARRY FORWARD | | 2,850 |
| | | | <u>2,850</u> | <u>2,850</u> |
| | | <i>To adjust carry forward accounts payable balance in TDHCA fund to actual.</i> | | |