

**HEART OF TEXAS COUNCIL  
OF GOVERNMENTS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2015**



# HEART OF TEXAS COUNCIL OF GOVERNMENTS

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## **FINANCIAL SECTION**

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P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

Executive Committee  
Heart of Texas Council of Governments  
Waco, 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 Heart of Texas Council of Governments (the "Council"), as of and for the year ended September 30, 2015, 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Heart of Texas Council of Governments, as of September 30, 2015, 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 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 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.

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

Waco, Texas  
February 12, 2016

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **Management's Discussion and Analysis**

This section of the Heart of Texas Council of Governments' (HOTCOG) annual report offers a narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental schedules.

### **FINANCIAL HIGHLIGHTS**

- The assets of Heart of Texas Council of Governments exceeded its liabilities as of September 30, 2015, by \$1,496,348 (net position). Of this amount, \$(63,638) represents the balance of unrestricted net position for the Council.
- The Council's total net position decreased by \$40,192 during the fiscal year.
- As of the close of the current fiscal year, Heart of Texas Council of Governments' governmental funds reported combined ending fund balances of \$338,918, an increase of \$3,797 in comparison with the prior year.
- As of September 30, 2015, unassigned fund balance in the General Fund was \$11,398.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Statement of Net Position presents information on all of HOTCOG'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 the financial position of HOTCOG.

The Statement of Activities presents information showing how HOTCOG's net position changed during the fiscal year. All changes in net position are reported when an event that gives rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused compensated absences). The government-wide financial statements can be found on pages 10 through 11 of this report.

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

**Governmental Funds** – Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

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

HOTCOG maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Texas Department of Aging and Disabilities Services Fund, the Texas Department of Transportation Fund and the Commission on State Emergency Communications Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 12 through 16 of this report.

**Notes to the financial statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the governmental fund financial statements.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and other schedules that further support the information in the financial statements. The combining fund statements for non-major funds and other schedules can be found immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In HOTCOG's case, assets exceeded liabilities by \$1,496,348 as of September 30, 2015.

### HEART OF TEXAS COUNCIL OF GOVERNMENTS' NET POSITION

	Governmental Activities	
	2015	2014
Current assets	\$ 1,259,468	\$ 1,846,194
Capital assets	<u>3,236,638</u>	<u>3,448,772</u>
Total assets	<u>4,496,106</u>	<u>5,294,966</u>
Current liabilities	924,264	1,515,117
Other liabilities	<u>2,075,494</u>	<u>2,243,310</u>
Total liabilities	<u>2,999,758</u>	<u>3,758,427</u>
Net position:		
Net investment in capital assets	1,245,371	1,280,780
Restricted for:		
Building maintenance	-	37,120
Federal and state programs	223,817	213,186
Transportation projects	90,798	48,509
Unrestricted	<u>( 63,638)</u>	<u>( 43,056)</u>
Total net position	<u>\$ 1,496,348</u>	<u>\$ 1,536,539</u>

A large portion of HOTCOG's net position reflects its investment in capital assets. HOTCOG uses these assets to provide services; consequently, these values are not available for spending. Of the remaining balance, \$314,615 is restricted and can be used only for certain purposes.

The Council's total assets decreased by \$798,860 during the year. This was primarily due to the transfer of buses to McLennan County within the transportation program. McLennan County separated from Heart of Texas Rural Transit District (HOTRTD) and formed its own transit district effective July 1, 2015. As part of the agreement between HOTCOG and McLennan County outlining the details of the transition of rural operations, twelve transit buses were transferred to the new McLennan County Rural Transit District. Total liabilities decreased by \$758,669 (14%). This was primarily due to a \$399,489 decrease in accounts payable. Most of the decrease was in the Commission on State Emergency Communications (CSEC) program.

**Analysis of HOTCOG's Operations** – The following table provides a summary of HOTCOG's operations for the year ended September 30, 2015.

**HEART OF TEXAS COUNCIL OF GOVERNMENTS'  
CHANGES IN NET POSITION**

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 426,086	\$ 461,425
Operating grants and contributions	7,167,275	7,088,399
Capital grants and contributions	84,235	814,000
General revenues:		
Membership dues	57,861	57,484
Gain on sale of capital assets	-	26,574
Miscellaneous	49,689	77,652
Total revenues	<u>7,785,146</u>	<u>8,525,534</u>
Expenses after allocation of indirect costs:		
General government	341,389	381,860
Aging	2,754,579	2,639,224
Transportation	1,733,692	1,583,781
Emergency communications	859,817	1,468,633
Homeland security	382,386	541,380
Health and human services	429,614	418,619
Environmental quality	401,370	193,902
Criminal justice	134,581	132,933
Community development	564,847	276,515
Economic development	138,892	300,880
Interest on long-term debt	84,171	91,139
Total expenses after allocation of indirect costs	<u>7,825,338</u>	<u>8,028,866</u>
Change in net position	( 40,192)	496,668
Net position, beginning	<u>1,536,540</u>	<u>1,039,871</u>
Net position, ending	<u>\$ 1,496,348</u>	<u>\$ 1,536,539</u>

HOTCOG experienced a decrease in program revenues of \$740,388 or 10% from 2014. This can largely be attributed to an \$814,000 capital grant received from the Texas Department of Transportation in the prior year. Expenses decreased by \$203,528 or 3% from the prior year. HOTCOG's operations are driven primarily by federal and state grant funding, which can vary widely from year to year.

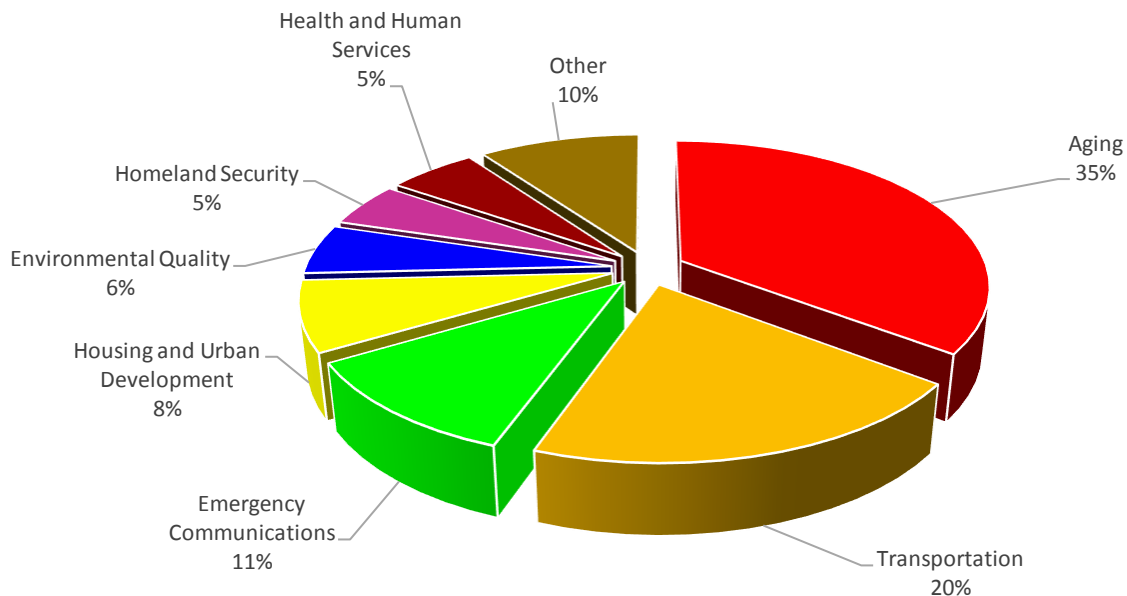


## FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

At the end of the current fiscal year, Heart of Texas Council of Governments’ governmental funds reported combined ending fund balances of \$338,918. The General Fund had a decrease in fund balance of \$6,834 from the prior year. The other four major funds had no significant change in fund balance during the year.

### Governmental Fund Expenditures by Function



## **CAPITAL ASSETS AND LONG-TERM DEBT**

HOTCOG's investment in capital assets for its governmental activities as of September 30, 2015, amounts to \$3,236,638 (net of accumulated depreciation). This investment in capital assets consists of the following:

### **HEART OF TEXAS COUNCIL OF GOVERNMENTS' CAPITAL ASSETS AT YEAR-END**

	Governmental Activities	
	2015	2014
Capital assets:		
Land	\$ 690,000	\$ 690,000
Buildings and improvements	2,810,000	2,810,000
Machinery and equipment	2,203,470	2,925,445
Less accumulated depreciation	( 2,466,832)	( 2,976,673)
Total capital assets, net of accumulated depreciation	\$ <u>3,236,638</u>	\$ <u>3,448,772</u>

There were no significant capital asset additions during the year. As mentioned earlier, there was a transfer of buses to McLennan County within the transportation program. McLennan County separated from Heart of Texas Rural Transit District (HOTRTD) and formed its own transit district effective July 1, 2015. As part of the agreement between HOTCOG and McLennan County outlining the details of the transition of rural operations, twelve transit buses were transferred to the new McLennan County Rural Transit District.

There were no new debt issues during the current fiscal year. HOTCOG paid \$176,725 in principal on existing notes payable during the year.

## **ECONOMIC FACTORS AND NEXT YEAR'S ANNUAL FINANCIAL PLAN**

The Heart of Texas Council of Governments is dependent on federal, state and local funding, which can vary widely from year to year. The federal and state economic condition and budget deficits can impact the reauthorization of funds available to local governments. It should be noted that HOTCOG does not know of any significant factors that would affect the financial plan for fiscal year 2016.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of HOTCOG's finances. If you have questions about this report or need any additional information, please contact the Director of Administration at 1514 South New Road, Waco, Texas, 76711.

# **BASIC FINANCIAL STATEMENTS**

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# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 400,731
Receivables:	
Grantors	814,325
Other	31,507
Prepaid expenses	12,905
Total current assets	<u>1,259,468</u>
Noncurrent assets:	
Capital assets:	
Land	690,000
Buildings and improvements	2,810,000
Machinery and equipment	2,203,470
Less: accumulated depreciation	( 2,466,832)
Total capital assets	<u>3,236,638</u>
Total noncurrent assets	<u>3,236,638</u>
Total assets	<u>4,496,106</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	273,338
Unearned revenue	10,486
Due to HOTEDD	622,346
Accrued liabilities	18,094
Total current liabilities	<u>924,264</u>
Noncurrent liabilities:	
Due within one year	259,524
Due in more than one year	1,815,970
Total noncurrent liabilities	<u>2,075,494</u>
Total liabilities	<u>2,999,758</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,245,371
Restricted for federal and state programs	223,817
Restricted for transportation projects	90,798
Unrestricted	( 63,638)
Total net position	<u>\$ 1,496,348</u>

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

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# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
				Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:							
General government	\$ 341,389	\$ -	\$ 341,389	\$ 403,048	\$ 1,303	\$ -	\$ 62,962
Aging	2,533,074	221,505	2,754,579	-	2,751,914	-	( 2,665)
Transportation	1,646,859	86,833	1,733,692	-	1,528,955	84,235	( 120,502)
Emergency communications	799,122	60,695	859,817	-	859,817	-	-
Homeland security	309,768	72,618	382,386	-	382,192	-	( 194)
Health and human services	296,361	133,253	429,614	20,000	401,002	-	( 8,612)
Environmental quality	372,666	28,704	401,370	41	401,329	-	-
Criminal justice	111,528	23,053	134,581	-	140,021	-	5,440
Community development	551,874	12,973	564,847	2,997	561,850	-	-
Economic development	105,756	33,136	138,892	-	138,892	-	-
Indirect costs	672,770	( 672,770)	-	-	-	-	-
Interest on long-term debt	84,171	-	84,171	-	-	-	( 84,171)
Total governmental activities	\$ 7,825,338	\$ -	\$ 7,825,338	\$ 426,086	\$ 7,167,275	\$ 84,235	( 147,742)
General revenues:							
Membership dues							57,861
Miscellaneous income							49,689
Total general revenues							107,550
Change in net position							( 40,192)
Net position, beginning							1,536,540
Net position, ending							\$ 1,496,348

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

# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	General	Texas Department of Aging and Disability Services	Texas Department of Transportation
<b>ASSETS</b>			
Cash and investments	\$ 275,526	\$ -	\$ -
Due from other funds	455,091	-	-
Due from grantor agencies	-	261,391	236,960
Other receivables	31,507	-	-
Prepaid items	12,905	-	-
Total assets	<u>775,029</u>	<u>261,391</u>	<u>236,960</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	23,202	92,020	90,278
Due to other funds	-	166,274	91,536
Unearned revenue	-	-	-
Due to HOTEDD	622,346	-	-
Accrued liabilities	14,380	-	-
Total liabilities	<u>659,928</u>	<u>258,294</u>	<u>181,814</u>
Fund balances:			
Nonspendable - prepaid items	12,905	-	-
Restricted for federal and state programs	-	3,097	55,146
Restricted for transportation projects	90,798	-	-
Unassigned	11,398	-	-
Total fund balances	<u>115,101</u>	<u>3,097</u>	<u>55,146</u>
Total liabilities and fund balances	<u>\$ 775,029</u>	<u>\$ 261,391</u>	<u>\$ 236,960</u>

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

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

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

Net position of governmental activities

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



Commission on State Emergency Communications	Other Governmental Funds	Total Governmental Funds
\$ 27,862	\$ 97,343	\$ 400,731
-	-	455,091
18,710	297,264	814,325
-	-	31,507
-	-	12,905
<u>46,572</u>	<u>394,607</u>	<u>1,714,559</u>
46,572	21,266	273,338
-	197,281	455,091
-	10,486	10,486
-	-	622,346
-	-	14,380
<u>46,572</u>	<u>229,033</u>	<u>1,375,641</u>
-	-	12,905
-	165,574	223,817
-	-	90,798
-	-	11,398
<u>-</u>	<u>165,574</u>	<u>338,918</u>
\$ <u>46,572</u>	\$ <u>394,607</u>	

3,236,638  
( 2,079,208)  
\$ 1,496,348

# HEART OF TEXAS COUNCIL OF GOVERNMENTS

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

### GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General	Texas Department of Aging and Disability Services	Texas Department of Transportation
<b>REVENUES</b>			
Federal	\$ -	\$ 1,816,248	\$ 891,332
State	-	118,874	585,855
Program income/in-kind match	-	757,201	105,428
Rent	390,000	-	-
Local funds	51,442	22,500	-
Membership dues	57,861	-	-
Investment income	420	-	-
Miscellaneous	49,269	-	-
Total revenues	<u>548,992</u>	<u>2,714,823</u>	<u>1,582,615</u>
<b>EXPENDITURES</b>			
Current:			
General government	261,148	-	-
Aging	-	2,767,034	-
Transportation	-	-	1,581,600
Emergency communications	-	-	-
Homeland security	-	-	-
Health and human services	-	-	-
Environmental quality	-	-	-
Criminal justice	-	-	-
Community development	-	-	-
Economic development	-	-	-
Debt service	261,225	-	-
Total expenditures	<u>522,373</u>	<u>2,767,034</u>	<u>1,581,600</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>26,619</u>	<u>( 52,211)</u>	<u>1,015</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	47,729	15,435
Transfers out	( 64,028)	-	-
Insurance recoveries	30,575	-	-
Total other financing sources and uses	<u>( 33,453)</u>	<u>47,729</u>	<u>15,435</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 6,834)	( 4,482)	16,450
<b>FUND BALANCES, BEGINNING</b>	<u>121,935</u>	<u>7,579</u>	<u>38,696</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 115,101</u>	<u>\$ 3,097</u>	<u>\$ 55,146</u>

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

Commission on State Emergency Communications	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 698,615	\$ 3,406,195
859,217	942,302	2,506,248
528	324,488	1,187,645
-	-	390,000
-	82,828	156,770
-	-	57,861
72	91	583
-	-	49,269
<u>859,817</u>	<u>2,048,324</u>	<u>7,754,571</u>
-	-	261,148
-	-	2,767,034
-	-	1,581,600
859,817	-	859,817
-	381,221	381,221
-	429,614	429,614
-	401,370	401,370
-	134,581	134,581
-	564,847	564,847
-	138,892	138,892
-	-	261,225
<u>859,817</u>	<u>2,050,525</u>	<u>7,781,349</u>
-	( 2,201)	( 26,778)
-	864	64,028
-	-	( 64,028)
-	-	30,575
<u>-</u>	<u>864</u>	<u>30,575</u>
-	( 1,337)	3,797
-	166,911	335,121
<u>\$ -</u>	<u>\$ 165,574</u>	<u>\$ 338,918</u>

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**HEART OF TEXAS COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds:	\$ 3,797
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount that depreciation expense exceeded capital outlay for the year.	( 212,134)
Governmental funds report repayment of the principal on long-term debt as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	176,725
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	( 8,580)
Change in net position of governmental activities	\$ ( 40,192)

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

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# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Description of the Reporting Entity

HOTCOG is a voluntary organization of local governmental units within Central Texas, created by the State of Texas under Article 1011M, V.A.C.S. and recognized as a political subdivision of the State. The stated purpose of HOTCOG is the improvement of the health, safety and general welfare of its citizens and the planning for the future development of the region. It does not have any legislative or taxing authority. The region served includes Bosque, Falls, Freestone, Hill, Limestone and McLennan Counties of Texas.

HOTCOG does not have any component units required to be included within its financial reporting entity.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of HOTCOG. 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 are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenue are reported instead as *general revenue*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue, rent 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 HOTCOG.

HOTCOG reports the following major governmental funds:

The **General Fund** is HOTCOG's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Texas Department of Aging and Disability Services Fund** is used to account for federal and state grants awarded to HOTCOG by the Texas Department of Aging and Disability Services.

The **Texas Department of Transportation Fund** is used to account for federal and state grants awarded to HOTCOG by the Texas Department of Transportation.

The **Commission on State Emergency Communications Fund** is used to account for the state grants awarded to HOTCOG by the Texas Commission on State Emergency Communications.

### **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 and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **Due from Grantor Agencies**

Due from grantor agencies represents amounts due from federal and state agencies for the various programs administered by HOTCOG. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2015.

### **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

### **Unearned Revenue**

Unearned revenue represents amounts received from grantors in excess of qualifying expenditures for programs in progress as of September 30, 2015.

### **Capital Assets**

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

The costs of normal maintenance and repairs are charged to operations as incurred.

Assets are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	3 - 7

### **Compensated Absences**

Employees in regular fulltime positions with less than three years of service accumulate annual leave at a rate of one day per month. Employees with more than 3 years, but less than 10 years of service accumulate annual leave at a rate of 15 days per year. Employees with 10 or more years of service accumulate leave at a rate of 20 days per year. Employees may accumulate up to 45 days annual leave. Leave of more than 45 days must be taken in the year accumulated.

However, employees who have 15 or more years of service and who have reached the maximum of 45 days of accrued vacation may be paid for up to 2 weeks of accumulated unused vacation time on December 31<sup>st</sup>, if the Executive Director determines that it is warranted and in the best interest of HOTCOG.

Employees in regular full-time and regular part-time positions accumulate sick leave at the rate of one day per month. Employees may accumulate up to 45 days of sick leave. There is no liability for accumulated unpaid sick leave since HOTCOG does not have a policy to pay any amounts when employees separate from services with HOTCOG.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **Fund Balance Classification**

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

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

## **Fund Balance Flow Assumption**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, HOTCOG considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, HOTCOG considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## **Net Position Flow Assumption**

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

HOTCOG does not have any items that qualify for reporting in either of the above categories in the current fiscal year.

## **F. Indirect Costs**

General and administrative costs are recorded in the General Fund as indirect costs in the HOTCOG accounting system and allocated to special revenue funds based upon a negotiated indirect cost rate. Indirect costs are defined by Office of Management and Budget (OMB) Circular A-87, Attachment "A" as costs *"(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved."* HOTCOG's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by a state cognizant agency. It is HOTCOG's policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during HOTCOG's fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized with the cognizant agency.

## **G. Matching Funds**

In accordance with the terms and provisions of various grant contracts, HOTCOG is required to provide a specified percentage of local matching funds to support certain grant programs.

## **2. BUDGETARY INFORMATION**

HOTCOG's financial plan is controlled at the fund and grant level with management authorized to make transfers of budgeted amounts between object class levels within a fund or grant, within restrictions imposed by grantor agencies. The Executive Committee 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 necessarily coincide with the fiscal year-end of HOTCOG. The appropriations for the General Fund lapse at the fiscal year-end. Although the financial plans are reviewed and approved by HOTCOG's Executive Committee, they are not considered legally adopted annual budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

## **3. DETAILED NOTES ON ALL FUNDS**

### **Cash Deposits with Financial Institutions**

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, HOTCOG's deposits may not be returned to it. State statutes require that all of HOTCOG's deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, HOTCOG's deposit balance was covered by FDIC insurance.

### **Investments**

HOTCOG invests in local government investment pools and reports these amounts as cash equivalents. As of September 30, 2015, HOTCOG had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard &amp; Poor's Current Rating</u>
TexPool	\$ <u>560,198</u>	41	AAAm

The TexPool 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.

Authorized investments for HOTCOG include obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies; obligations of states, agencies and other local governments having an investment rating of not less than A or its equivalent; certificates of deposit that are guaranteed by the Federal Deposit Insurance Corporation and other investments authorized by statutes governing public funds investment pools.

*Interest Rate Risk.* In accordance with its investment policy, HOTCOG manages its exposure to declines in fair market values by limiting the weighted average maturity of the investment portfolios to a maximum of 180 days.

*Credit Risk.* It is HOTCOG'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.

### **Capital Assets**

Capital asset activity for the year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 690,000	\$ -	\$ -	\$ 690,000
Total capital assets not being depreciated	<u>690,000</u>	<u>-</u>	<u>-</u>	<u>690,000</u>
Capital assets, being depreciated:				
Buildings and improvements	2,810,000	-	-	2,810,000
Machinery and equipment	<u>2,925,445</u>	<u>69,229</u>	<u>791,204</u>	<u>2,203,470</u>
Total capital assets being depreciated	<u>5,735,445</u>	<u>69,229</u>	<u>791,204</u>	<u>5,013,470</u>
Less accumulated depreciation:				
Buildings and improvements	807,250	70,250	-	877,500
Machinery and equipment	<u>2,169,423</u>	<u>211,113</u>	<u>791,204</u>	<u>1,589,332</u>
Total accumulated depreciation	<u>2,976,673</u>	<u>281,363</u>	<u>791,204</u>	<u>2,466,832</u>
Total capital assets, being depreciated, net	<u>2,758,772</u>	<u>(212,134)</u>	<u>-</u>	<u>2,546,638</u>
Governmental activities capital assets, net	<u>\$ 3,448,772</u>	<u>\$(212,134)</u>	<u>\$ -</u>	<u>\$ 3,236,638</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 71,332
Transportation	205,752
Aging	3,114
Homeland security	<u>1,165</u>
Total depreciation expense - governmental activities	<u>\$ 281,363</u>

### **Interfund Receivables and Payables**

HOTCOG uses a pooled cash account. All expenditures are paid out of this cash account, and appropriate interfund balances are recorded to reflect this activity. The composition of interfund balances as of September 30, 2015, is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 455,091	\$ -
Texas Department of Aging and Disability Services	-	166,274
Texas Department of Transportation	-	91,536
Other governmental funds	-	197,281
	<u>\$ 455,091</u>	<u>\$ 455,091</u>

### **Transfers**

Transfers at September 30, 2015, consisted of the following:

	<u>Transfers from General</u>
Transfers to:	
Texas Department of Aging and Disability Services	\$ 47,729
Texas Department of Transportation	15,435
Nonmajor governmental	864
Total	<u>\$ 64,028</u>

These transfers resulted from local matching funds provided in accordance with the terms and provisions of various grant contracts.

### **Rental Revenue**

HOTCOG leases a building to the Heart of Texas Workforce Development Board under a cancelable operating lease. Rental revenues for the year ended September 30, 2015 were \$390,000.

### **Due to HOTEDD**

The amount shown as Due to HOTEDD in the financial statements is owed to the Heart of Texas Economic Development District under the terms of an interlocal agreement. Under the terms of the agreement, rental revenues received by HOTCOG for the rental of a building are first used to pay related debt service payments, insurance and maintenance costs. Any remaining rental receipts are owed to HOTEDD and must be used by HOTEDD for economic development projects.

## **Long-term Debt**

A summary of long-term liability activity for the year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
Governmental activities:					
Notes payable	\$ 2,167,992	\$ -	\$ 176,725	\$ 1,991,267	\$ 183,720
Compensated absences payable	<u>75,318</u>	<u>93,647</u>	<u>84,738</u>	<u>84,227</u>	<u>75,804</u>
	<u>\$ 2,243,310</u>	<u>\$ 93,647</u>	<u>\$ 261,463</u>	<u>\$ 2,075,494</u>	<u>\$ 259,524</u>

Compensated absences are generally liquidated by all governmental funds.

## **Notes Payable**

HOTCOG has issued two notes payable for the purchase of land, a building and related furnishings. The first note was issued in 2004 with an original amount of \$2,975,000, an interest rate of 3.95%, and a maturity date of 2025. The second note was issued in 2011 with an original amount of \$350,423, an interest rate of 3.95% and a maturity date of 2025.

The following is a schedule of the future minimum payments under these agreements:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 183,720	\$ 76,597	\$ 260,317
2017	191,361	69,041	260,402
2018	199,070	61,503	260,573
2019	207,247	53,326	260,573
2020	215,633	44,940	260,573
2021-2025	<u>994,236</u>	<u>87,143</u>	<u>1,081,379</u>
Total	<u>\$ 1,991,267</u>	<u>\$ 392,550</u>	<u>\$ 2,383,817</u>

## **Operating Leases**

HOTCOG leases building facilities under a cancelable operating lease. Total cost for this lease was \$244,801 for the year ended September 30, 2015.

## **Risk Management**

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

## **Contingencies**

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

Each delegate agency is required to have an independent audit at least once every two years. HOTCOG requires each delegate 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 costs either from HOTCOG or the delegate agency. HOTCOG generally has the right of recovery from the delegate agency.

Some of the audits of the delegate agencies' expenditures for the year ended September 30, 2015, have not been completed. Based on prior experience, HOTCOG management believes that HOTCOG will not incur significant losses from possible grant disallowances.

## **Retirement Plan**

All regular full-time employees of HOTCOG are included in a Simplified Employees' Pension Plan (the "*Plan*"), a defined contribution plan under Section 408(K) of the Internal Revenue Code. HOTCOG has authorized the Plan's Board to establish and amend all plan provisions. Under such plan, HOTCOG is not required to make any contributions to the Plan in a given year. HOTCOG contributed seven percent of each employee's annual salary during the year ended September 30, 2015, to an Individual Retirement Account for each covered employee. Employees may participate immediately and are fully vested immediately. Accordingly, HOTCOG has no fiduciary responsibility after the deposits are made. HOTCOG's contributions to the Plan were \$95,978 for the fiscal year ended September 30, 2015. Employees may not contribute to the Plan.



## **COMBINING STATEMENTS**

# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	<u>Texas Commission on Environmental Quality</u>	<u>Texas Criminal Justice Division</u>	<u>U. S. Department of Homeland Security</u>
<b>ASSETS</b>			
Cash and investments	\$ 26,232	\$ 30,198	\$ -
Due from grantor agencies	<u>-</u>	<u>14,312</u>	<u>130,237</u>
Total assets	<u>26,232</u>	<u>44,510</u>	<u>130,237</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	15,746	708	1,446
Due to other funds	-	-	127,820
Unearned revenue	<u>10,486</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>26,232</u>	<u>708</u>	<u>129,266</u>
Fund balances:			
Restricted for federal and state programs	<u>-</u>	<u>43,802</u>	<u>971</u>
Total liabilities and fund balances	<u>\$ 26,232</u>	<u>\$ 44,510</u>	<u>\$ 130,237</u>

<u>Texas Health and Human Services Commission</u>	<u>U. S. Department of Housing and Urban Development</u>	<u>Texas Department of State Health Services</u>	<u>U. S. Department of Commerce</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 40,913	\$ -	\$ 97,343
<u>120,158</u>	<u>1,493</u>	<u>-</u>	<u>31,064</u>	<u>297,264</u>
<u>120,158</u>	<u>1,493</u>	<u>40,913</u>	<u>31,064</u>	<u>394,607</u>
1,798	-	-	1,568	21,266
38,472	1,493	-	29,496	197,281
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,486</u>
<u>40,270</u>	<u>1,493</u>	<u>-</u>	<u>31,064</u>	<u>229,033</u>
<u>79,888</u>	<u>-</u>	<u>40,913</u>	<u>-</u>	<u>165,574</u>
<u>\$ 120,158</u>	<u>\$ 1,493</u>	<u>\$ 40,913</u>	<u>\$ 31,064</u>	<u>\$ 394,607</u>

# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Texas Commission on Environmental Quality	Texas Criminal Justice Division	U. S. Department of Homeland Security
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Federal	\$ -	\$ -	\$ 382,192
State	401,279	140,021	-
Program income/in-kind match	-	-	-
Investment income	91	-	-
Local funds	-	-	-
Total revenues	<u>401,370</u>	<u>140,021</u>	<u>382,192</u>
<b>EXPENDITURES</b>			
Current:			
Health and human services	-	-	-
Environmental quality	401,370	-	-
Criminal justice	-	134,581	-
Homeland security	-	-	381,221
Community development	-	-	-
Economic development	-	-	-
Total expenditures	<u>401,370</u>	<u>134,581</u>	<u>381,221</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>5,440</u>	<u>971</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	864	-
Total other financing sources	<u>-</u>	<u>864</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	6,304	971
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>37,498</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ 43,802</u>	<u>\$ 971</u>

<u>Texas Health and Human Services Commission</u>	<u>U. S. Department of Housing and Urban Development</u>	<u>Texas Department of State Health Services</u>	<u>U. S. Department of Commerce</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 240,359	\$ -	\$ 76,064	\$ 698,615
401,002	-	-	-	942,302
-	324,488	-	-	324,488
-	-	-	-	91
20,000	-	-	62,828	82,828
<u>421,002</u>	<u>564,847</u>	<u>-</u>	<u>138,892</u>	<u>2,048,324</u>
429,614	-	-	-	429,614
-	-	-	-	401,370
-	-	-	-	134,581
-	-	-	-	381,221
-	564,847	-	-	564,847
-	-	-	138,892	138,892
<u>429,614</u>	<u>564,847</u>	<u>-</u>	<u>138,892</u>	<u>2,050,525</u>
( 8,612)	-	-	-	( 2,201)
-	-	-	-	864
-	-	-	-	864
( 8,612)	-	-	-	( 1,337)
88,500	-	40,913	-	166,911
<u>\$ 79,888</u>	<u>\$ -</u>	<u>\$ 40,913</u>	<u>\$ -</u>	<u>\$ 165,574</u>

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## **SUPPLEMENTAL SCHEDULES**

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# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## SCHEDULE OF INDIRECT COSTS YEAR ENDED SEPTEMBER 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>INDIRECT COSTS</b>			
Salaries	\$ 314,598	\$ 321,013	\$ ( 6,415)
Benefits	<u>142,623</u>	<u>145,516</u>	<u>( 2,893)</u>
Total indirect salaries and benefits	<u>457,221</u>	<u>466,529</u>	<u>( 9,308)</u>
Travel	11,000	8,538	2,462
Supplies	5,000	5,596	( 596)
Legal fees	1,000	84	916
Audit	29,200	28,600	600
Space costs	112,639	118,640	( 6,001)
Communications	4,000	3,465	535
Copies/printing	5,500	4,208	1,292
Computer costs	35,000	44,974	( 9,974)
Postage	7,000	9,232	( 2,232)
Insurance/bonding	3,500	3,187	313
Dues/subscriptions/publications	14,000	16,893	( 2,893)
Other costs/miscellaneous	<u>3,500</u>	<u>8,491</u>	<u>( 4,991)</u>
Total other indirect costs	<u>231,339</u>	<u>251,908</u>	<u>( 20,569)</u>
Total indirect costs	688,560	718,437	( 29,877)
Less: HOTEDD admin/fiscal contracts	<u>( 45,667)</u>	<u>( 45,667)</u>	<u>-</u>
Net indirect costs recovered	<u>642,893</u>	<u>672,770</u>	<u>\$ ( 29,877)</u>
<b>CALCULATION OF INDIRECT COST RATE</b>			
Adjusted gross salaries	1,239,111	1,197,044	
Net fringe benefits recovered	561,750	542,620	
Less: indirect salaries and benefits	<u>( 457,221)</u>	<u>( 466,529)</u>	
Total program personnel costs	<u>\$ 1,343,640</u>	<u>\$ 1,273,135</u>	
Indirect rate	<u>47.85%</u>	<u>52.84%</u>	

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# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## SCHEDULE OF FRINGE BENEFITS

YEAR ENDED SEPTEMBER 30, 2015

	2015	
	Actual	Budget
Payroll taxes	\$ 100,218	\$ 106,692
Group insurance	204,074	218,794
Retirement contribution	95,978	97,627
Release time	188,313	155,559
Prior period carryforward	-	(16,923)
<b>TOTAL FRINGE BENEFITS</b>	<b>\$ 588,583</b>	<b>\$ 561,749</b>
<b>TOTAL WAGES</b>	<b>\$ 1,197,044</b>	<b>\$ 1,239,111</b>
<b>EMPLOYEE BENEFIT RATE</b>	<b>49.17%</b>	<b>45.33%</b>
<b>FRINGE BENEFITS RECOVERED</b>	<b>542,620</b>	
<b>OVER (UNDER) RECOVERED</b>		
<b>TO BE RECAPTURED IN FUTURE YEARS</b>	<b>\$( 45,963)</b>	

# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## SCHEDULE OF EXPENDITURES BY OBJECT

### SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Texas Department of Aging and Disability Services	Texas Criminal Justice Division	U. S. Department of Housing and Urban Development	Texas Department of Transportation
<b>EXPENDITURES</b>				
Salaries	\$ 288,429	\$ 30,017	\$ 16,893	\$ 113,069
Benefits	130,746	13,606	7,657	51,255
Delegate agency	1,746,407	45,219	246,175	1,182,778
Contractual services	171,127	11,745	241,186	64,600
Supplies and materials	44,496	1,995	20,449	841
Travel	28,093	2,583	4,366	1,990
Office space	60,735	5,353	4,069	14,896
Repairs and maintenance	2,276	-	-	9,211
Utilities/telephone	5,279	978	417	21,356
Other	67,941	32	10,662	34,771
Indirect cost allocation	<u>221,505</u>	<u>23,053</u>	<u>12,973</u>	<u>86,833</u>
Total expenditures	<u>\$ 2,767,034</u>	<u>\$ 134,581</u>	<u>\$ 564,847</u>	<u>\$ 1,581,600</u>

<u>Texas Commission on Environmental Quality</u>	<u>Commission on State Emergency Communications</u>	<u>U. S. Department of Commerce</u>	<u>U. S. Department of Homeland Security</u>	<u>Texas Health and Human Services Commission</u>	<u>Total</u>
\$ 37,375	\$ 79,032	\$ 43,147	\$ 94,558	\$ 173,511	\$ 876,031
16,942	35,825	19,558	42,863	78,652	397,104
-	636,187	-	-	-	3,856,766
214,702	11,024	-	122,185	-	836,569
2,013	6,438	3,584	14,846	647	95,309
5,203	5,167	4,375	6,257	5,261	63,295
6,744	21,446	14,283	18,404	27,236	173,166
-	-	-	-	-	11,487
1,505	2,800	1,713	3,785	1,278	39,111
88,182	1,203	19,096	5,705	9,776	237,368
28,704	60,695	33,136	72,618	133,253	672,770
<u>\$ 401,370</u>	<u>\$ 859,817</u>	<u>\$ 138,892</u>	<u>\$ 381,221</u>	<u>\$ 429,614</u>	<u>\$ 7,258,976</u>

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## **SINGLE AUDIT SECTION**

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P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

Executive Committee  
Heart of Texas Council of Governments  
Waco, 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 Heart of Texas Council of Governments (the "Council") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 12, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas  
February 12, 2016



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR  
A-133 AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

Executive Committee  
Heart of Texas Council of Governments  
Waco, Texas

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

We have audited Heart of Texas Council of Governments' (the "Council's") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of the Council's major federal and state programs for the year ended September 30, 2015. The Council's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Council's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the State of Texas *Uniform Grant Management Standards*. Those standards, OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards* 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 and State Program***

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2015.

## **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 OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*, 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 OMB Circular A-133 and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas  
February 12, 2016

**HEART OF TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
<b>FEDERAL AWARDS</b>			
<b><u>U. S. Department of Commerce</u></b>			
Passed through the Heart of Texas Economic Development District:			
Continuation Planning Assistance	11.302	08-83-05013	\$ 76,064
Total Heart of Texas Economic Development District			76,064
Total U. S. Department of Commerce			76,064
<b><u>U. S. Department of Housing and Urban Development</u></b>			
Direct Program:			
Sustainable Communities	14.703	TXRIP0070-11	237,363
Total Direct Program			237,363
Passed through Texas Department of Agriculture:			
TxCDBG - Community and Economic Development Fund	14.228	C714215	2,996
Total Texas Department of Agriculture			2,996
Total U. S. Department of Housing and Urban Development			240,359
<b><u>U. S. Department of Transportation</u></b>			
Passed through the Texas Department of Transportation:			
Federal Transit - Capital Investment Grants	20.500	51409F7236	53,660
Subtotal			53,660
Rural Public Transportation Section 5311	20.509	51309F7190	106,666
Rural Public Transportation Section 5311	20.509	51409F7188	626,059
Rural Public Transportation Section 5311	20.509	512XXF7065	52,505
Subtotal			785,230
Elderly and Disabled - Section 5310	20.513	51409F7119	( 15,940)
Elderly and Disabled - Section 5310	20.513	51509F7092	26,682
Job Access Reverse Commute (Urban) - Section 5316	20.516	512XXF7065	8,340
Job Access Reverse Commute (Urban) - Section 5316	20.516	51309F7157	33,360
Subtotal Transit Services Programs Cluster			52,442
Total Texas Department of Transportation			891,332
Total U. S. Department of Transportation			891,332
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed through Texas Department of Aging and Disability Services:			
2015 Title VII-EAP	93.041	539-11-0020-00001	4,336
Subtotal			4,336

**HEART OF TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
<b>FEDERAL AWARDS (Continued)</b>			
<b><u>U. S. Department of Health and Human Services (Continued)</u></b>			
Passed through Texas Department of Aging and Disability Services (continued):			
2015 Title VII-OAG	93.042	539-11-0020-00001	\$ 30,393
Subtotal			<u>30,393</u>
2014 Title III-D Evidence Based-Intervention	93.043	539-11-0020-00001	18,592
Subtotal			<u>18,592</u>
2015 Title III-B	93.044	539-11-0020-00001	380,151
2015 PY Title III-B	93.044	539-11-0020-00001	9,180
2015 Title III-C1	93.045	539-11-0020-00001	463,710
2015 PY Title III-C1	93.045	539-11-0020-00001	29,888
2015 Title III-C2	93.045	539-11-0020-00001	225,151
2015 PY Title III-C2	93.045	539-11-0020-00001	13,835
2015 NSIP	93.053	539-11-0020-00001	193,001
Subtotal Aging Cluster			<u>1,314,916</u>
2015 Title III-E	93.052	539-11-0020-00001	136,960
2015 PY Title III-E	93.052	539-11-0020-00001	23
Subtotal			<u>136,983</u>
ACA-MIPPA Priority 2	93.071	539-11-0020-00001	23,353
Subtotal			<u>23,353</u>
Medical Assistance Program - ADRC	93.778	539-14-0475-00003	189,975
Subtotal			<u>189,975</u>
2015 CMS Basic (04/01/15 - 03/31/16)	93.324	539-11-0020-00001	60,893
2015 CMS Basic (04/01/14 - 03/31/15)	93.324	539-11-0020-00001	31,103
Subtotal			<u>91,996</u>
2014 PY HHSC-CMS-MFP	93.791	539-11-0020-00001	5,704
Subtotal			<u>5,704</u>
Total Texas Department of Aging and Disability Services			<u>1,816,248</u>
Total U. S. Department of Health and Human Services			<u>1,816,248</u>

**HEART OF TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
<b>FEDERAL AWARDS (Continued)</b>			
<b><u>U. S. Department of Homeland Security</u></b>			
Passed through Texas Department of Public Safety:			
2015 Homeland Security Grant Program	97.067	2954001	\$ 2,386
2014 Homeland Security Grant Program	97.067	EMW-2014-SS-00029	129,592
2013 Homeland Security Grant Program	97.067	EMW-2013-SS-00045	174,666
Mass Fatality	97.067	EMW-2013-SS-00045	75,548
Total Texas Department of Public Safety			<u>382,192</u>
Total U. S. Department of Homeland Security			<u>382,192</u>
Total Federal Awards			<u>\$ 3,406,195</u>

**HEART OF TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
(Continued)  
**YEAR ENDED SEPTEMBER 30, 2015**

State Grantor/ Grant Description	Pass-through Grantor's Number	Expenditures
<b>STATE AWARDS</b>		
<b><u>Texas Commission on Environmental Quality</u></b>		
Air Quality Planning	582-14-40056	\$ 257,411
Air Quality Planning	582-16-60654	5,450
Subtotal		<u>262,861</u>
2014-2015 Solid Waste Planning	582-14-40581	<u>138,418</u>
Total Texas Commission on Environmental Quality		<u>401,279</u>
<b><u>Texas Governor's Office, Criminal Justice Division</u></b>		
2013-2015 Regional Law Enforcement Training	SF14A101784708	52,267
2015-2017 Regional Law Enforcement Training	SF15A101784709	<u>3,170</u>
Subtotal		<u>55,437</u>
2014-2015 Regional Planning	30051521	30,933
2015-2016 Regional Planning	30051521	<u>2,834</u>
Subtotal		<u>33,767</u>
2014-2015 Juvenile Justice Alternatives	1424116	50,354
2015-2016 Juvenile Justice Alternatives	1424117	<u>463</u>
Subtotal		<u>50,817</u>
Total Texas Governor's Office, Criminal Justice Division		<u>140,021</u>
<b><u>Texas Department of Aging and Disability Services</u></b>		
2015 State General Revenue - Other	539-11-0020-00001	108,299
2015 Ombudsman Assisted Living Facility Services	539-11-0020-00001	<u>10,575</u>
Total Texas Department of Aging and Disability Services		<u>118,874</u>
<b><u>Commission on State Emergency Communications</u></b>		
2014-911 Emergency Communications	N/A	1,789
2015-911 Emergency Communications	N/A	817,931
2016-911 Emergency Communications	N/A	<u>39,497</u>
Total Commission on State Emergency Communications		<u>859,217</u>
<b><u>Texas Department of Transportation</u></b>		
Rural Public Transportation - Section 5311	51409F7020	( 772)
Rural Public Transportation - Section 5311	51509F7024	572,743
Rural Public Transportation - Section 5311	512XXF7065	<u>13,446</u>
Subtotal		<u>585,417</u>
RTAP Scholarship	140043	<u>438</u>
Total Texas Department of Transportation		<u>585,855</u>



**HEART OF TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

State Grantor/ Grant Description	Pass-through Grantor's Number	Expenditures
<b>STATE AWARDS (Continued)</b>		
<b><u>Texas Health and Human Services Commission</u></b>		
2014-2015 211 Area Information	529-11-0001-00015	\$ 357,150
2014-2015 211 Area Information - Childcare	529-11-0063-00018D	10,024
2015-2016 211 Area Information - Childcare	529-11-0063-00018D	1,114
2015-2016 211 Area Information	529-16-0006-00007	<u>32,714</u>
Total Texas Health and Human Services Commission		<u>401,002</u>
Total State Awards		<u>\$ 2,506,248</u>

# **HEART OF TEXAS COUNCIL OF GOVERNMENTS**

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

**SEPTEMBER 30, 2015**

### **1. GENERAL**

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

### **2. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the *State of Texas Single Audit Circular*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

### **3. NEGATIVE AMOUNTS**

Due to a revision in the allocation of certain costs, the grantor has retroactively allocated certain grant expenditures. As a result of this, the effected grants reflect a negative balance on the current Schedule of Expenditures of Federal and State Awards.

# HEART OF TEXAS COUNCIL OF GOVERNMENTS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

### Summary of Auditors' Results

#### Financial Statements:

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

#### Federal and State Awards:

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

Any audit findings disclosed that are required  
to be reported in accordance with Section  
510(a) of OMB Circular A-133 or the State  
of Texas Uniform Grant Management Standards?

No

#### Identification of major programs:

CFDA Number(s)  
#93.044, 93.045, 93.053  
State  
  
State

Name of Federal Program or Cluster:  
Aging Cluster  
Texas Health and Human Services  
Commission - 211 Area Information  
Section 5311 Transportation

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

\$300,000

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

\$300,000

Auditee qualified as low-risk auditee for federal single audit?

Yes

Auditee qualified as low-risk auditee for state single audit?

Yes

### Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

### Findings and Questioned Costs for Federal and State Awards

None

**HEART OF TEXAS COUNCIL OF GOVERNMENTS**

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

None