

South East Texas Regional Planning Commission

Hardin County

Kountze



Silsbee

Comprehensive Annual Financial Report

Lumberton

Rose Hill Acres

Orange County

Pine Forest

Bevil Oaks

Vidor

Sour Lake

Rose City

Orange

Pinehurst

West Orange

Beaumont

Nome

China



Bridge City

Port Neches

Nederland

Groves

Fiscal Year Ended September 30, 2017

Port Arthur

Taylor Landing

Jefferson County

COMPREHENSIVE ANNUAL FINANCIAL REPORT
of the
SOUTH EAST TEXAS REGIONAL PLANNING COMMISSION
Beaumont, Texas



For the Fiscal Year Ended
September 30, 2017

Prepared by:
Department of Finance and Administration

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**South East Texas Regional Planning Commission
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2017**

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Introductory Section





June 20, 2018

Members of the Executive Committee
South East Texas Regional Planning Commission

We are pleased to present the Comprehensive Annual Financial Report of the South East Texas Regional Planning Commission (SETRPC) for the year ended September 30, 2017. This report was prepared for the Agency by SETRPC's Department of Finance and Administration. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with SETRPC's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of SETRPC as measured by the financial activity of its various funds. We believe that all disclosures necessary to enable the reader to gain a maximum understanding of SETRPC's financial affairs have been included. These financial statements are presented annually in compliance with Office of Management and Budget's Circular A-133, the Single Audit Act of 1984, as amended, and the SETRPC's By-laws.

REPORT FORMAT

South East Texas Regional Planning Commission's financial statements have been audited by Charles E. Reed & Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the SETRPC for the fiscal year ended September 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the SETRPC's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the SETRPC was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only of the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The SETRPC's MD&A can be found immediately following the report of the independent auditors.

President – Chris Kirkendall, Hardin County | 1st VP – Barry Burton, Orange County | 2nd VP – Rebecca Ford, Bevil Oaks
3rd VP – Mary Adams, Kountze | Treasurer – Kirk Roccaforte, Bridge City | Secretary – Michael Sinegal, Jefferson County

Executive Director - Shaun P. Davis

2210 Eastex Freeway Beaumont, Texas 77703-4929

(409) 899-8444 | (409) 347-0138 fax

setrpc@setrpc.org | <http://www.setrpc.org>

ORGANIZATIONAL PROFILE

The South East Texas Regional Planning Commission was formed in June 1970, as a voluntary association of local governments pursuant to Texas law, Local Government Code, Chapter 391, Regional Planning Commissions (V.A.C.S. Article 1011m). As one of 24 planning councils in Texas, the South East Texas Regional Planning Commission works with its member governments to solve area wide problems by promoting intergovernmental cooperation and coordination by means of conducting comprehensive regional planning and by providing a forum for the discussion and study of area issues. SETRPC's mission is to compliment local government without infringing on local home rule, with the goal of making our local jurisdictions better able to respond to the needs of their citizens. One hundred percent of the Region's population was represented on our Executive Committee by virtue of all three of the counties that make up Planning Region 15 (Hardin, Jefferson and Orange) being members of the South East Texas Regional Planning Commission. Additionally, all twenty one of the incorporated cities within the Region were Planning Commission members. Representatives of local school districts, water districts, ports, navigation districts and river authorities also serve on the Executive Committee. The governing body of the South East Texas Regional Planning Commission is the SETRPC Executive Committee. All individuals serving on the Executive Committee are elected officials from the various counties, cities and special districts that make up the Commission's membership. Likewise, the SETRPC officers consist of elected officials from each county, city or special district.

By focusing their efforts toward collective goals outlined in the SETRPC Mission Statement, Purpose and Core Values, the Executive Committee, officers and SETRPC staff ensure that the region is pursuing resources, which will provide a greater quality of life for all residents.

SETRPC's federally and State assisted area wide responsibilities include: transportation planning and implementation, environmental protection, nutrition and social services for the elderly, criminal justice, economic development, community services and community development. SETRPC is also charged with area wide administration of the Foster Grandparent and RSVP Programs, AARP Experience Corps program, planning and implementation of the region wide Enhanced 9-1-1 Emergency Network System, Homeland Security and coordination and facilitation of emergency management planning activities. SETRPC also administers a program of air quality monitoring funded by private industry.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the South East Texas Regional Planning Commission operates.

LOCAL ECONOMY

The South East Texas Regional Planning Commission serves approximately 388,745 citizens. The SETRPC's planning region 15 encompasses 2,207 square miles. Some of the major occupational employment groups serving the South East Texas region are Office and Administrative support, Production Occupations, Sales and related operations, and Construction. As of April 2017 the areas unemployment rate was at 6.2%.

LONG-TERM FINANCIAL PLANNING

Accounting Systems and Budgetary Control. Management of SETRPC is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of SETRPC are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of a control should not exceed the expected benefits and that the evaluation of costs and benefits requires management's estimates.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgments by management. All internal control evaluations occur within the above framework. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of misuse, if any, have been detected. We believe that adequate precautions have been taken, within cost limitations, to safeguard assets and provide reasonable assurance of proper recording of financial transactions within the SETRPC.

As a recipient of federal, state, and local government financial assistance, SETRPC also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to these programs. The internal control structure is subject to periodic evaluation by management, federal and state agencies and independent auditors. The Executive Committee of SETRPC approves a plan for revenues and expenditures of all funds. The annual budget is reviewed and formally adopted by the Executive Committee prior to the beginning of the fiscal year. The objective of

the annual budget is to act as a control device for the general fund while the individual grant budgets are used as the control device within the Special Revenue Funds.

Financial plans for the Special Revenue Funds are made on a project (grant) basis, often 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 SETRPC. Financial plans for the Special Revenue Funds are established in accordance with grant awards received. In adopting the annual budget as a financial guide, the Executive Committee is aware that actual federal and state resources must be individually negotiated on a programmatic basis at which time they are presented for local approval.

The financial plan for the General Fund is prepared on the modified accrual basis, except that expenditures also include amounts for changes in the liability for accrued vacation leave. The financial plan for the Special Revenue Funds is also prepared on the same basis as the plan for the General Fund and includes amounts for depreciation on capital assets acquired. As stated in the Management's Discussion and Analysis, the financial plan for the SETRPC is not considered a legally adopted budget. Therefore, comparative budget and actual results are not presented.

Relevant Financial Policies. SETRPC has several financial policies and procedures that keep the financial records in compliance with 2 CFR 200 (formerly OMB A-87) and the Uniform Grants Management Standards (UGMS) and free from material misstatement. The Investment Policy insures that SETRPC's funds are properly accounted and invested to minimize credit and market risks, while maintaining a competitive yield and the money is adequately protected either through collateralization or FDIC insurance. The Risk Management Policy limits SETRPC's exposure to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Capitalization Policy insures that the major tangible assets and software are properly controlled and accounted for. Finally, the Financial, Accounting and Information Technologies Manual establishes a set of policies and procedures to ensure that sufficient controls exist over the safeguarding of assets against waste, loss and misuse and also for providing relevant information to management, its Executive Committee and its federal, state and local granting agencies.

Awards and Acknowledgments. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South East Texas Regional Planning Commission for its comprehensive annual financial report for the fiscal year ended September 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been accomplished without the dedication and efficiency of the SETRPC's Financial, Administrative, and Program Management Staff. Special acknowledgement should also be given to the SETRPC's independent auditors, Charles E. Reed & Associates, P.C., whose expertise greatly assisted in the completion of this report. Finally, we would like to thank the members of the Executive Committee for their interest and support in planning and conducting the SETRPC's financial operations in a responsible and progressive manner.

Respectfully Submitted, ...



Shaun P. Davis
Executive Director



Jim Borel
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**South East Texas
Regional Planning Commission**

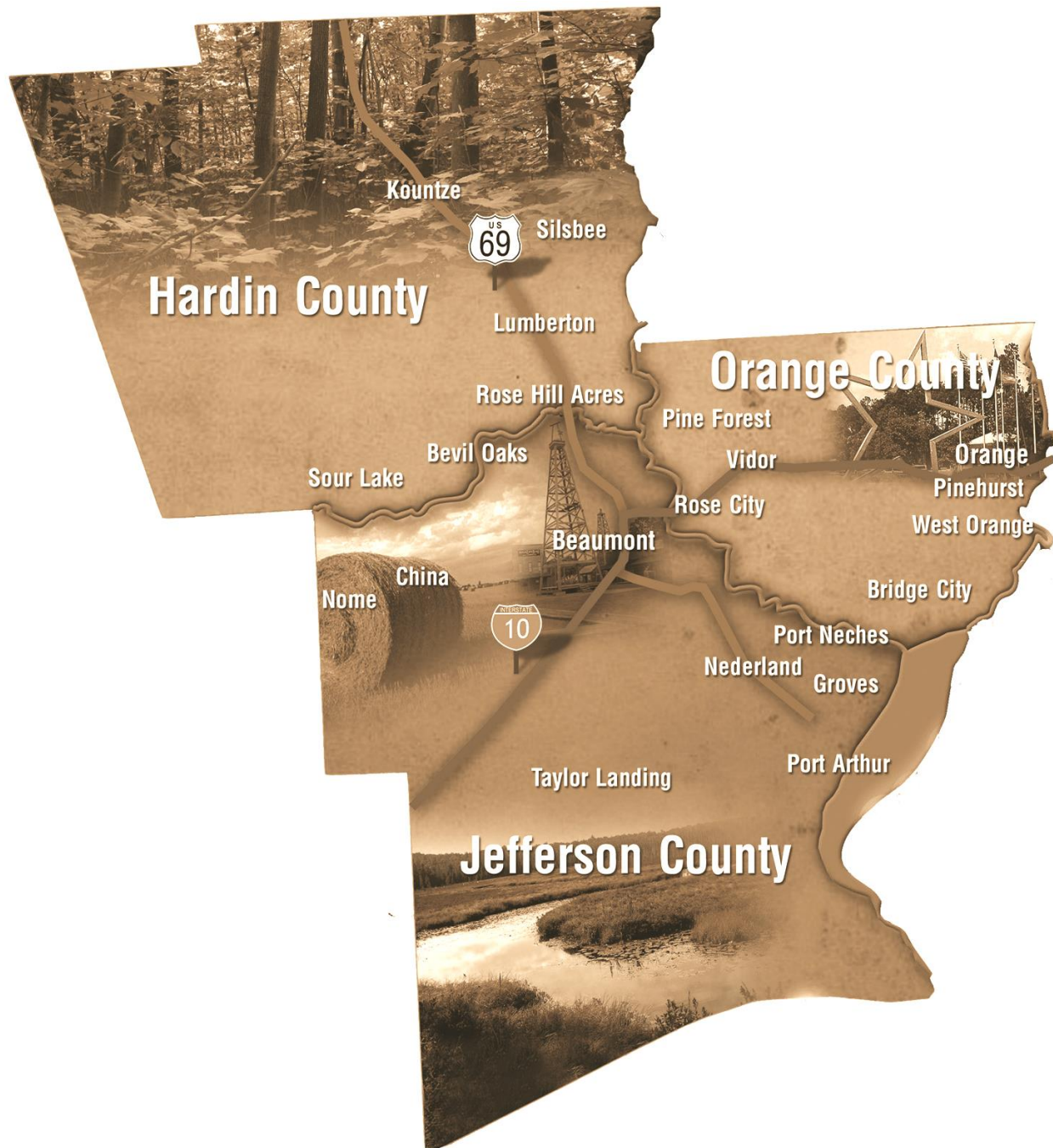
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

SOUTH EAST TEXAS REGION



2017 EXECUTIVE COMMITTEE OFFICERS



Commissioner
Eddie Arnold
Jefferson County
President



Commissioner
Chris Kirkendall
Hardin County
1st Vice-President



Commissioner
Barry Burton
Orange County
2nd Vice-President



Mayor
Becky Ford
City of Bevil Oaks
3rd Vice-President



Alder Member
Mary Adams
City of Kountze
Treasurer



Council member
Kirk Roccaforte
City of Bridge City
Secretary

2017 MEMBERSHIP

COUNTIES (3)		
HARDIN COUNTY	JEFFERSON COUNTY	ORANGE COUNTY
CITIES (21)		
Kountze	Beaumont	Bridge City
Lumberton	Bevil Oaks	Orange
Rose Hill Acres	China	Pine Forest
Silsbee	Groves	Pinehurst
Sour Lake	Nederland	Rose City
	Nome	Vidor
	Port Arthur	West Orange
	Port Neches	
	Taylor Landing	
SCHOOL DISTRICTS (6)		
Beaumont ISD	Port Arthur ISD	
Bridge City ISD	Port Neches-Groves ISD	
Hamshire-Fannett ISD	Vidor ISD	
SPECIAL DISTRICTS (18)		
Jefferson County Emergency Services District #1	Orange County Drainage District	
Jefferson County Emergency Services District #3	Orange County Water Control & Improvement Dist. #1	
Hardin County Emergency Services District #2	Orange County Water Control & Improvement Dist. #2	
Jefferson County Drainage District #3	Orange County Navigation & Port District	
Jefferson County Drainage District #6	Port of Beaumont	
Jefferson County Drainage District #7	Port of Port Arthur	
Jefferson County Water Control & Improvement Dist., #10	Sabine-Neches Navigation District	
Lower Neches Valley Authority	Sabine River Authority of Texas	
Lumberton Municipal Utility District	Orange County Emergency Services District #3	
Mauriceville Municipal Utility District		

EXECUTIVE STAFF

Executive Director.....Shaun P. Davis

Executive Assistant.....Suzanne Carver

Director, FinanceJim Borel

Director, Community Services Division Colleen Halliburton

Director, Disaster Recovery Division/Human ResourcesShanna Burke

Director, 9-1-1 Emergency Network Pete De La Cruz

Director, Southeast Texas AARP Experience Corps Stephanie Pearson

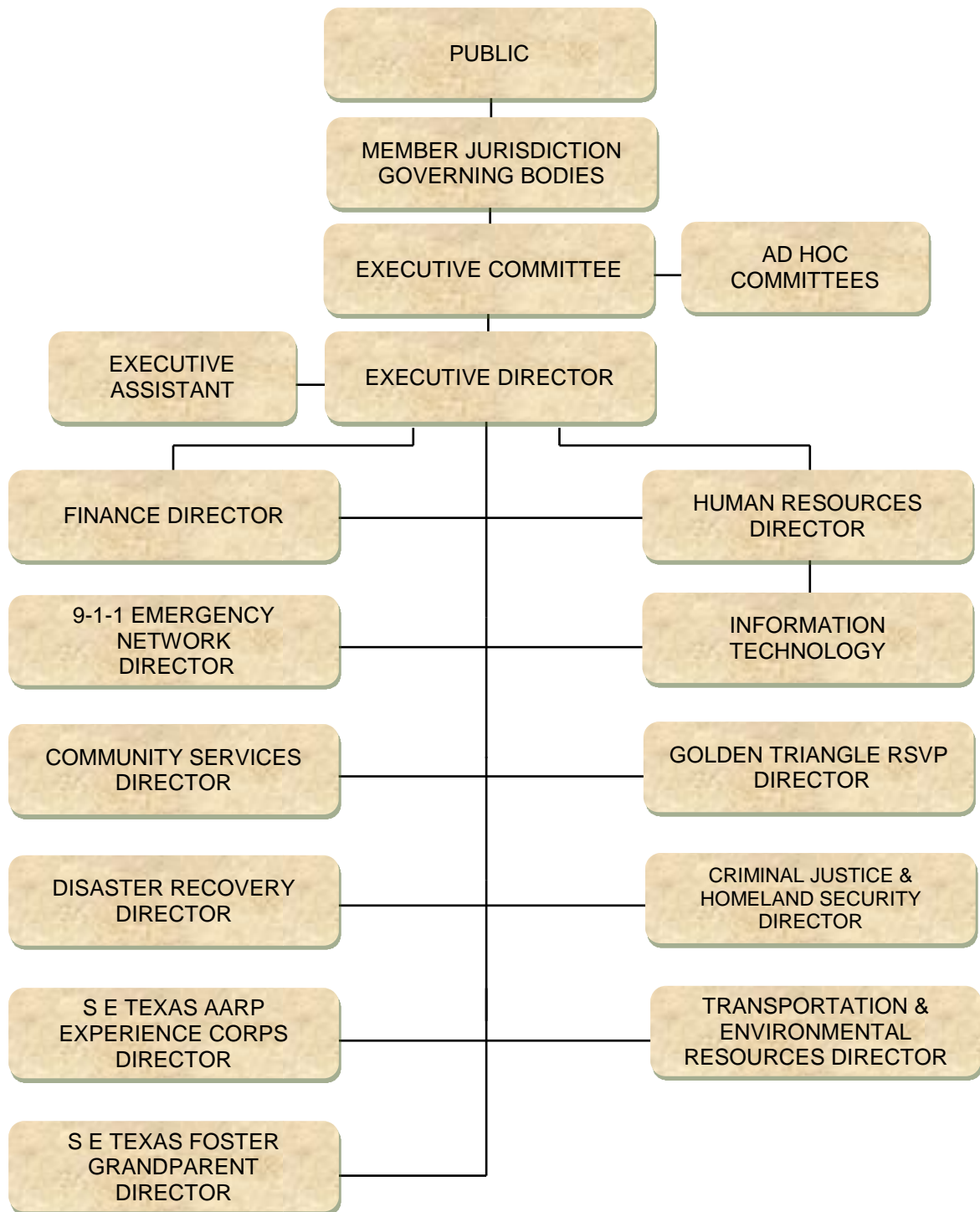
Director, Golden Triangle RSVP.....Crystal Petry

Director, Southeast Texas Foster Grandparent ProgramTyronna McKenzie

Director, Criminal Justice and Homeland Security Division Sue Landry

Director, Transportation & Environmental ResourcesBob Dickinson

ORGANIZATIONAL CHART



Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Executive Committee
South East Texas Regional Planning Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South East Texas Regional Planning Commission as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the South East Texas Regional Planning Commission'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, the business-type activities, each major fund, and the aggregate remaining fund information of the South East Texas Regional Planning Commission, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-21 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 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 South East Texas Regional Planning Commission's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is 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*, the State Single Audit Circular and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal 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 and individual non-major fund financial statements 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 section has 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 June 15, 2018, on our consideration of the South East Texas Regional Planning Commission'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 South East Texas Regional Planning Commission's internal control over financial reporting and compliance.

Charles E. Reed and Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas
June 15, 2018

Management's Discussion and Analysis

As management of the South East Texas Regional Planning Commission (the "SETRPC"), we offer readers of the SETRPC's financial statements this narrative overview and analysis of the financial activities of the SETRPC for the year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the SETRPC's financial statements, which follow this section.

The South East Texas Regional Planning Commission (SETRPC) is a voluntary association of 45 local governmental units in the three county (Hardin, Jefferson and Orange) area of South East Texas. SETRPC was organized in June 1970 under authority provided by the Texas Legislature in 1965. The South East Texas Region lies at the northern tip of the Texas Gulf Coast. It encompasses an area of 2,207 square miles with a 2010 population of 388,745. SETRPC, a political subdivision of the State of Texas and exempt from Federal Income Taxes and filing returns under I.R.C. 115, serves as a conduit for funds made available through various Federal and State programs to provide a variety of services developed or delivered through consultants or subcontractors.

Financial Highlights

- a. The assets of the SETRPC exceeded its liabilities at the close of 2017 by \$8,602,058. Of this amount \$3,226,653 is considered unrestricted and may be used to meet ongoing financial obligations. The balance of net position, \$5,375,405, is the net amount invested in capital assets.
- b. The SETRPC's total net position increased by \$2,744,589 in 2017.
- c. As of the close of the current fiscal year, the SETRPC's governmental funds reported a combined ending fund balance of \$3,258,204 at September 30, 2017.
- d. At the end of the current fiscal year, unassigned fund balance for the general fund was \$361,413 or 1.53% percent of total governmental fund expenditures.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the SETRPC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the SETRPC is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present the functions of the SETRPC that are principally supported by federal and state grants (governmental activities). The SETRPC does not have any business-type activities. The government-wide financial statements can be found on pages 22 & 23 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The SETRPC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SETRPC has only one category of funds: governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The SETRPC maintains fifteen 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, Air Quality Fund, Area Agency on Aging, Community Development Fund, Community Services Fund, 9-1-1 Emergency Communications Fund, and Transportation Planning Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 24 & 25 of this report.

Proprietary funds. The SETRPC reports one proprietary fund, which is the combined internal service funds reported in the basic financial statements. SETRPC reports no enterprise funds. The basic proprietary fund financial statements can be found on pages 27 - 29 of this report.

Fiduciary funds (agency funds). Agency funds are used to account for assets held by SETRPC as an agent. The funds are custodial in nature and do not involve measurement of results of operations. The basic fiduciary fund (agency fund) financial statement can be found on page 30 of this report. Additional combining statements for agency funds may be found on pages 47-48.

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 31 through 41 of this report.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the SETRPC's service programs. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the revenues reported for each function are membership fees and, in some cases, the resulting Net (Expense)/Revenue reflects an increase or decrease in that functions Net Position.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to the Financial Statements and can be found on pages 43 - 45 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which can be found on pages 49 and 50 of this report.

South East Texas Regional Planning Commission
Net Position

	Governmental Activities 2017	Governmental Activities 2016	% Change
Current and other assets	\$ 6,717,902	\$ 12,708,771	-47.1%
Capital assets, net	5,933,027	3,102,595	91.2%
Total assets	<u>12,650,929</u>	<u>15,811,366</u>	<u>-20.0%</u>
Long-term liabilities outstanding	578,170	585,615	-1.3%
Other liabilities	3,470,701	9,368,283	-63.0%
Total liabilities	<u>4,048,871</u>	<u>9,953,898</u>	<u>-59.3%</u>
Net position:			
Net investment in capital assets	5,375,405	2,431,015	121.1%
Unrestricted	3,226,653	3,426,454	-5.8%
	<u>\$ 8,602,058</u>	<u>\$ 5,857,469</u>	<u>46.9%</u>

Government-wide Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SETRPC's net position increased between fiscal years 2016 and 2017 by \$2,744,590 – an increase of 46.9% from fiscal year 2016.

A large portion of the SETRPC's net position (\$3,226,653) reflects its unrestricted assets which may be used to meet ongoing financial obligations. SETRPC's unrestricted assets decreased between fiscal years 2016 and 2017 by \$199,801 or 5.8%. The remainder of SETRPC's net position increased by \$2,944,390 or 121.1%. This amount represents SETRPC's investment in capital assets (e.g. land, building, leasehold improvements, equipment, and furniture and fixtures). These assets are not available for future spending.

Significant components of the net position activity are as follows:

Governmental activities total expenses decreased by \$30,491,263 (59.5%) in the current year. Following are details of the significant changes for the programs administered by the SETRPC.

- a. General government increased by \$46,956 (340.7%) primarily due to an increase in compensated absences.
- b. 9-1-1 Emergency Communications shows an increase of \$468,530 (17.6%) In 2016 the program replaced Customer Premise Equipment (CPE) at all 13 Public Safety Answering Points (PSAP) as well as beginning installation of a new closed wireless network. The work replacing the CPE was completed which accounts for the decrease in activity for 2017.
- c. Community Development had a decrease of \$29,278,027 (74.6%). As noted in previous years SETRPC has administered several contracts for disaster relief following hurricane Ike. The contract for round two (2) began in fiscal year 2014 and was for a period of two (2) years. During the first year of the contract policies, procedures and processes were developed and put into place. During fiscal year 2015, the second year of the contract, reconstruction of damaged single family and multi-family units was well under way. Also during fiscal year 2015 the contract with the state was amended for an additional year and as expected an additional amendment was executed to extend the contract terms until December 31, 2017. The funds are used to assist owners of single family and multi-family units damaged or destroyed in hurricane Ike. Much of those funds expended are for payments to subcontractors for repairs and reconstruction of damaged or destroyed homes.
- d. Community Services had a decrease in expenditures of \$242,759 (27.9%). SETRPC saw a reduction of Supplemental Environmental Project funds for the Lighthouse Program during fiscal year 2017. The purpose of the program is to weatherize and improve the energy efficiency of homes and communities in the city of Port Arthur. Supplemental Environmental Projects (SEPs) are environmentally beneficial projects that a respondent agrees to undertake in settlement of an enforcement action. Dollars directed to TCEQ-approved environmental projects may be used to offset assessed penalties in enforcement actions.
- e. Public Safety saw a decrease in expenditures of \$68,147 (27.4%) SETRPC has a two-year contract with the local police academy. Historically fewer dollars are spent in the first year of the contract. We expect there will be an increase in 2018 the second year of the contract.
- f. Homeland Security program saw a decrease of \$127,040 (24.7%) The SETPC saw a reduction in funding from the Texas Department of Public Safety during 2017. We also saw a reduction in Inkind which is used to match federal dollars.

South East Texas Regional Planning Commission
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016	Difference	Percent Change from Prior Year
REVENUES:				
Program revenues:				
Operating Grants and contributions	\$ 23,502,447	\$ 52,898,041	\$ (29,395,594)	-55.6%
General revenues:				
Investment earnings	3,173	1,714	1,459	85.1%
	<u>23,505,620</u>	<u>52,899,756</u>	<u>\$ (29,394,135)</u>	<u>-55.6%</u>
EXPENSES:				
General government	60,739	13,783	46,956	340.7%
Air Quality	1,169,673	1,270,638	(100,965)	-7.9%
9-1-1 Emergency Network	2,198,835	2,667,365	(468,530)	-17.6%
Substance Abuse	7,400	30,280	(22,881)	-75.6%
Area Agency on Aging	2,291,848	2,276,512	15,336	0.7%
Community Development	10,155,136	39,433,163	(29,278,027)	-74.2%
Community Services	627,558	870,317	(242,759)	-27.9%
Public Safety	180,903	249,050	(68,147)	-27.4%
Foster Grandparent	469,838	477,427	(7,589)	-1.6%
RSVP	367,369	339,507	27,861	8.2%
Solid Waste Management Planning	126,872	108,972	17,900	16.4%
Transportation Planning	2,372,797	2,666,802	(294,005)	-11.0%
Homeless	57,210	51,135	6,075	11.9%
AARP Experience Corps	264,030	255,166	8,863	3.5%
Homeland Security	387,685	514,726	(127,040)	-24.7%
Interest	23,139	27,451	(4,312)	-15.7%
Total governmental activities	<u>20,761,031</u>	<u>51,252,294</u>	<u>(30,491,263)</u>	<u>-59.5%</u>
Change in net position	2,744,590	1,647,462		
Net position, beginning	<u>\$ 5,857,468</u>	<u>\$ 4,210,007</u>		
Net position, ending	<u>\$ 8,602,058</u>	<u>\$ 5,857,468</u>		

Financial Analysis of the Government's Funds

As noted earlier, the SETRPC uses fund accounting to insure and demonstrate compliance with finance-related requirements.

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

As of September 30, 2017, the SETRPC's governmental fund reported ending fund balances of \$3,258,204 a decrease of \$171,365 in comparison with the prior year.

General Fund. The unassigned fund balance of the SETRPC's general fund increased by \$19,176. The fund balance is generally used to support programs and projects of region wide significance. The fund balance is also used to support program disbursements prior to reimbursement by grantor agencies.

Special Revenue Funds. The fund balance of SETRPC's special revenue funds decreased by \$190,541 during fiscal year 2017. Of special interest are the following changes in fund balances. SETRPC saw a reduction of Supplemental Environmental Project (SEP) funding. Therefore, it necessary to utilize Air Quality monitoring dues during fiscal year 2017. In prior years SETRPC received enough SEP funding to cover all Air Quality monitoring expenditures.

Budgetary Highlights. The SETRPC's annual budget, a requirement of agency bylaws, serves as a guide to estimate and coordinate anticipated revenues and expenditures. Because most of the SETRPC's revenues are received through contracts with various funding agencies, the budget is based upon estimated funds to be derived and obligations to be incurred through future negotiations with numerous State and Federal agencies. Although, the financial plans are reviewed and approved by the SETRPC'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.

Capital Asset and Debt Administration

Capital Assets. The SETRPC's investment in capital assets for governmental activities amounted to \$5,933,027 (net of accumulated depreciation) as of September 30, 2017. This investment in capital assets includes land, building, leasehold improvements, equipment and furniture and fixtures. Significant capital asset events occurring during the current fiscal year included the following:

- a. The 9-1-1 Emergency Network Program began installing microwave towers throughout the region to serve as a closed loop for Public Safety Answering Points (PSAP). Purchases for this program totaled \$3,150,855.
- b. Our Transportation division purchased four new buses to assist with service for the rural communities of Jefferson and Hardin counties. These purchases totaled \$167,802.

CAPITAL ASSETS Net of Depreciation

	Governmental Activities	
	2017	2016
Land	\$ 136,130	\$ 136,130
Building	808,820	901,045
Furniture and equipment	4,988,077	2,065,420
	<u>\$ 5,933,027</u>	<u>\$ 3,102,595</u>

Additional information on the SETRPC's capital assets can be found in Note 1 (f) on page 34 and in Note 4 on page 38 of this report.

LONG-TERM DEBT

As of September 30, 2017, the SETRPC had \$439,315 in long-term debt outstanding. This debt represents the long-term balance of a real estate loan incurred for the purchase of the SETRPC's office building, and additional proceeds received to make improvements to the office building. The loan is secured by the land and building. Additional information on long-term debt can be found in Note 4 on page 39 of this report.

Economic Factors and Next Year's Budgets

The South East Texas Regional Planning Commission is dependent on federal and state funding, which can vary widely from year to year. The federal economic condition and federal budget deficits can impact the reauthorization of funds available to local governments. In August 2011, Congress passed the Budget Control Act of 2011 (Public Law 112-25) to limit federal spending and reduce the national debt. To enforce annual spending limits, that law requires across-the-board funding reductions to almost every federal program, project, and activity through a process called "sequestration." As a consequence, all federal agencies had to implement funding cuts, which began in fiscal year 2013 (FY2013). For FY2017 the SETRPC experienced minimal impact to funding due to the "sequestration". Also, disaster recovery efforts are continuing because of a direct hit to the Southeast Texas region from Hurricane Ike in September of 2008. SETRPC expects to complete this project by the end of the next fiscal year. Finally, in August and September of 2017 the Southeast Texas region took a direct hit from Hurricane Harvey. SETRPC is expected to receive funding to assist with repairing damages sustained during the Hurricane.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the SETRPC's finances and to show accountability for the funding it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, South East Texas Regional Planning Commission, 2210 Eastex Freeway, Beaumont, Texas 77703.

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Basic Financial Statements

South East Texas Regional Planning Commission
Statement of Net Position
September 30, 2017

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 336,291
Investments	3,253,469
Accounts Receivable	36,752
Due from grantor agencies	2,262,340
Prepaid items	829,049
Capital Assets:	
Land	136,130
Building	1,952,020
Equipment	7,581,735
Less: accumulated depreciation	<u>(3,736,858)</u>
Total Assets	<u>\$ 12,650,929</u>
LIABILITIES	
Accounts Payable	1,310,216
Unearned Revenue	2,003,009
Noncurrent liabilities:	
Due within on year	157,476
Due in more than one year	<u>578,170</u>
Total Liabilities	<u>\$ 4,048,871</u>
NET POSITION	
Net investment in capital assets	\$ 5,375,405
Unrestricted net assets	<u>3,226,653</u>
Total net assets	<u>\$ 8,602,058</u>

The accompanying notes are an integral part of this financial statement.

South East Texas Regional Planning Commission
Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government Governmental Activities
				Charges for Services	Operating Grants and Contributions	
Government activities:						
General government	\$ 60,739	\$ -	\$ 60,739	\$ -	\$ 84,428	\$ 23,688
Air Quality	1,166,905	2,767	1,169,673	-	1,107,073	(62,599)
9-1-1 Emergency Network	2,028,542	170,293	2,198,835	-	4,993,617	2,794,782
Substance Abuse	7,400	-	7,400	-	-	(7,400)
Area Agency on Aging	2,070,792	221,056	2,291,848	-	2,303,490	11,643
Community Development	9,965,473	189,663	10,155,136	-	10,163,559	8,423
Community Services	561,083	66,475	627,558	-	629,878	2,320
Public Safety	165,961	14,942	180,903	-	182,687	1,784
Foster Grandparent	437,439	32,399	469,838	-	463,945	(5,893)
RSVP	306,619	60,749	367,369	-	301,406	(65,963)
Solid Waste Management Planning	124,187	2,685	126,872	-	125,486	(1,385)
Transportation Planning	2,229,173	143,624	2,372,797	-	2,505,414	132,617
Homeless	44,974	12,236	57,210	-	43,059	(14,151)
AARP Experience Corps	232,422	31,608	264,030	-	213,752	(50,278)
Homeland Security Planning	356,965	30,720	387,685	-	384,653	(3,033)
Interest	23,139	-	23,139	-	-	(23,139)
Total government activities	<u>19,781,813</u>	<u>979,217</u>	<u>20,761,031</u>	<u>-</u>	<u>23,502,447</u>	<u>2,741,417</u>
Total primary government	<u>\$19,781,813</u>	<u>\$ 979,217</u>	<u>\$ 20,761,031</u>	<u>\$ -</u>	<u>\$ 23,502,447</u>	<u>2,741,417</u>
General revenues:						
Investment earnings						<u>3,173</u>
Total general revenues, special items, and transfers						<u>3,173</u>
Change in net position						<u>2,744,589</u>
Net Position, beginning						<u>5,857,469</u>
Net Position , ending						<u>\$8,602,058</u>

The accompanying notes are an integral part of this financial statement.

**South East Texas Regional Planning Commission
Balance Sheet
Governmental Funds
September 30, 2017**

	<u>General Fund</u>	<u>Air Quality</u>	<u>Area Agency on Aging</u>	<u>Community Development</u>	<u>Community Services</u>	<u>9-1-1 Emergency Network</u>	<u>Transportation Planning Program</u>	<u>Other Government Programs</u>	<u>Total Governmental Funds</u>
Assets									
Cash	\$ 328,935	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 329,135
Investments	1,293	1,755,868	-	-	524,594	808,988	-	27,146	3,117,889
Accounts receivable	-	34,300	1,091	-	-	761	-	600	36,752
Due from grantor agencies	-	8,333	670,300	757,611	90,806	-	520,895	214,394	2,262,340
Due from other funds	1,129,876	-	-	-	6,769	-	-	290,951	1,427,596
Prepaid items	-	-	783	-	-	739,305	975	7,988	749,051
Total Assets	<u>1,460,104</u>	<u>1,798,501</u>	<u>672,174</u>	<u>757,611</u>	<u>622,169</u>	<u>1,549,255</u>	<u>521,870</u>	<u>541,079</u>	<u>7,922,762</u>
Liabilities									
Accounts payable	21,554	180,096	137,257	501,221	14,137	194,386	203,341	16,725	1,268,715
Deferred Revenue	-	16,310	-	-	607,369	1,337,079	42,250	219	2,003,228
Due to other funds	329,844	1,445	459,588	256,391	-	17,790	271,608	55,951	1,392,617
Total Liabilities	<u>351,398</u>	<u>197,851</u>	<u>596,845</u>	<u>757,611</u>	<u>621,506</u>	<u>1,549,255</u>	<u>517,198</u>	<u>72,896</u>	<u>4,664,560</u>
Fund balances									
Nonspendable	-	-	-	-	-	739,305	975	7,988	748,269
Assigned to:									
Air Quality	-	1,600,650	-	-	-	-	-	-	1,600,650
Substance Abuse Program	7,988	-	-	-	-	-	-	(7,988)	(0)
Area Agency on Aging	-	-	75,328	-	-	-	-	-	75,328
Public Safety	-	-	-	-	-	-	-	130,530	130,530
Foster Grandparent Program	-	-	-	-	-	-	-	5,874	5,874
RSVP	-	-	-	-	-	-	-	109,609	109,609
Solid Waste Management Planning	-	-	-	-	-	-	-	25,489	25,489
Transportation Planning	-	-	-	-	-	-	3,697	-	3,697
Homeless Coalition	-	-	-	-	-	-	-	19,833	19,833
AARP Experience Corps	-	-	-	-	-	-	-	130,599	130,599
Homeland Security Planning	-	-	-	-	-	-	-	46,250	46,250
Community Development	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	663	-	-	-	663
9-1-1 Emergency Network	739,305	-	-	-	-	(739,305)	-	-	-
Unassigned	361,413	-	-	-	-	-	-	-	361,413
Total Fund balances	<u>1,108,707</u>	<u>1,600,650</u>	<u>75,328</u>	<u>-</u>	<u>663</u>	<u>-</u>	<u>4,672</u>	<u>468,184</u>	<u>3,258,204</u>
Total Liabilities and Fund Equity	<u>\$ 1,460,104</u>	<u>\$ 1,798,501</u>	<u>\$ 672,174</u>	<u>\$ 757,611</u>	<u>\$ 622,169</u>	<u>\$ 1,549,255</u>	<u>\$ 521,870</u>	<u>\$ 541,079</u>	

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

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

5,060,739

Internal Service Funds are used by management to charge cost of certain activities to individual funds, such as centralized common costs, to individual funds. The net affect of this activity is to decrease net position.

461,139

Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.

(178,024)

Net position of governmental activities (page 23)

\$ 8,602,058

The accompanying notes are an integral part of this financial statement.

South East Texas Regional Planning Commission
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Area Agency on Aging	Air Quality	Community Services	Community Development	9-1-1 Emergency Network	Transportation Planning Program	Other Government Programs	Total Governmental Funds
Revenues									
Intergovernmental	\$ -	\$ 2,143,144	\$ 156,358	\$ 476,363	\$ 10,127,320	\$ 4,993,467	\$ 2,505,091	\$ 1,222,080	\$ 21,623,823
Membership Dues & Assessments	84,428	61,687	-	-	-	-	-	129,710	275,824
Miscellaneous	-	98,659	950,716	153,515	36,240	150	323	363,197	1,602,800
Investment Income	755	-	1,499	411	-	500	-	9	3,173
Total Revenues	85,182	2,303,490	1,108,572	630,289	10,163,559	4,994,117	2,505,414	1,714,996	23,505,620
Expenditures									
Current:									
General Fund	32,304	-	-	-	-	-	-	-	32,304
Community Development	-	-	-	-	10,163,800	-	-	-	10,163,800
Community Services	-	-	-	630,346	-	-	-	-	630,346
Substance Abuse	-	-	-	-	-	-	-	6,709	6,709
9-1-1 Emergency Network	-	-	-	-	-	1,856,027	-	-	1,856,027
Air Quality	-	-	1,170,614	-	-	-	-	-	1,170,614
Area Agency on Aging	-	2,300,876	-	-	-	-	-	-	2,300,876
Public Safety	-	-	-	-	-	-	-	181,325	181,325
Foster Grandparent Program	-	-	-	-	-	-	-	471,151	471,151
RSVP	-	-	-	-	-	-	-	369,258	369,258
Solid Waste Management Planning	-	-	-	-	-	-	-	127,065	127,065
Transportation Planning	-	-	-	-	-	-	2,337,288	-	2,337,288
Homeless Coalition	-	-	-	-	-	-	-	57,649	57,649
AARP Experience Corps	-	-	-	-	-	-	-	265,304	265,304
Homeland Security Planning	-	-	-	-	-	-	-	388,612	388,612
Capital Outlay	-	-	-	-	-	3,150,855	167,802	-	3,318,657
Total Expenditures	32,304	2,300,876	1,170,614	630,346	10,163,800	5,006,882	2,505,090	1,867,073	23,676,985
Excess (deficiency) of Revenues Over Expenditures	52,878	2,614	(62,042)	(57)	(241)	(12,765)	324	(152,076)	(171,365)
Other Financing Sources									
Transfers in	-	23,923	50,000	720	242	12,765	379,030	19,079	485,759
Transfers out	(33,703)	(23,026)	(50,000)	-	(1)	-	(379,030)	-	(485,759)
Total Other Financing Sources	(33,703)	898	-	720	241	12,765	-	19,079	-
Net change in fund balances	19,176	3,512	(62,042)	663	(0)	(0)	324	(132,997)	(171,365)
Fund Balances - Beginning	1,089,532	71,817	1,662,692	-	-	-	4,348	601,181	3,429,570
Fund Balances - Ending	\$ 1,108,708	\$ 75,328	\$ 1,600,650	\$ 663	\$ (0)	\$ (0)	\$ 4,672	\$ 468,184	\$ 3,258,204

The accompanying notes are an integral part of this financial statement.

**South East Texas Regional Planning Commission
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, 2017**

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

Net change in fund balances - total governmental funds (page 25)	\$ (171,365)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,917,818
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An Internal Service Fund is used by management to charge certain costs to individual funds. The change in net position of the Internal Service Fund are included in the governmental activities in the Statement of Net Position, however they are not reported on the governmental fund balance sheet.	26,572
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Some expenses (i.e. compensated absences) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">(28,435)</div>
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Change in net position of governmental activities (page 23)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 2,744,589</div>
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The accompanying notes are an integral part of this financial statement.

South East Texas Regional Planning Commission
Statement of Net Position
Proprietary Funds
September 30, 2017

	Internal Service Fund
ASSETS	
Current Assets:	
Cash	\$ 142,737
Prepaid items	79,998
Total current Assets	<u>222,735</u>
Noncurrent Assests:	
Capital assets -	
Land	136,130
Buildings	1,783,938
Less: accumulated depreciation	<u>(1,047,780)</u>
Capital assets - net of depreciation	<u>872,288</u>
Total Assets	<u>1,095,024</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	41,282
Due To Other Funds	34,980
Current portion of note payable	<u>118,307</u>
Total current liabilities	<u>194,569</u>
Noncurrent liabilities:	
Note payable	<u>439,315</u>
Total noncurrent liabilities	<u>439,315</u>
Total Liabilities	<u>633,883</u>
NET POSITION	
Net investment in capital assets	314,666
Unrestricted	<u>146,473</u>
Total net position	<u><u>\$ 461,140</u></u>

The accompanying notes are an integral part of this financial statement.

**South East Texas Regional Planning Commission
Statement of Revenues, Expenses
And Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2017**

	Internal Service Fund
Operating Revenues	
Regional Planning Commission Support Services	\$1,313,350
Total Operating Revenues	<u>1,313,350</u>
Operating Expenses	
Personnel	751,001
Supplies Expense	22,538
Printing & Publications Expense	1,609
Dues & Subscriptions	31,394
Subcontractor Services Expense	57,952
Telecommunications Expense	26,102
Postage Expense	4,510
Conferences & Seminars	19,475
Auto Allowances	8,820
Local Travel	431
Rent Expense	61,004
Utilities Expense	39,492
Audit & Other Professional Services	34,920
Equip - Lease/Rental Expense	24,139
Equipment - Maintenance Expense	12,169
Licenses Expense	50
Building Repairs & Maintenance	44,264
Depreciation and Amortization	87,386
Other Insurance Expense	27,214
Indirect Costs	13,389
Total Operating Expenses	<u>1,267,859</u>
Operating Income (Loss)	<u>45,491</u>
Nonoperating Revenues (expenses)	
Miscellaneous	4,220
Interest Expense	<u>(23,139)</u>
Change in net position	26,572
Net Position - October 1	<u>434,567</u>
Net Position - September 30	<u><u>\$ 461,139</u></u>

The accompanying notes are an integral part of this financial statement.

South East Texas Regional Planning Commission
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Internal Service Fund
Cash flows from operating activities	
Cash received from other funds for services	\$ 1,313,350
Cash payments to suppliers for goods and services	(470,305)
Cash payments to employees for services	(497,370)
Cash payments to other funds for services	(267,021)
Net cash provided (used) by operating activities	<u>78,654</u>
Cash flows from noncapital financing activities	
Received (due) from non-operating grants	4,220
Cash payments to/from other funds	54,352
Net cash provided (used) by noncapital and related financing activities	<u>58,572</u>
Cash flows from capital and related financing activities	
Retirement of debt	(113,958)
Payment of interest	(23,139)
Net cash provided (used) by capital and related financing activities	<u>(137,097)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	130
Cash and Cash Equivalents - Beginning of Year	<u>142,607</u>
Cash and Cash Equivalents - End of Year	<u><u>142,737</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	<u>45,491</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	87,386
Change in assets and liabilities:	
(Increase) decrease in prepaid items	(68,222)
Increase (decrease) in accounts payable	14,000
Total adjustments	<u>33,164</u>
Net cash provided by operating activities	<u><u>\$ 78,654</u></u>

The accompanying notes are an integral part of this financial statement.

South East Texas Regional Planning Commission
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017

	<u>Agency Funds</u>
ASSETS	
Accounts Receivable	<u>\$ 21,197</u>
Total Assets	<u>\$ 21,197</u>
LIABILITIES	
Accounts Payable	\$ 4,714
Due To Economic Development District	16,103
Due To Employees	<u>380</u>
Total Liabilities	<u>\$ 21,197</u>
NET POSITION	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

South East Texas Regional Planning Commission
Notes to Financial Statements
September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South East Texas Regional Planning Commission (the "SETRPC") 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. A summary of significant accounting policies consistently applied in the preparation of the accompanying statements follows.

Reporting Entity

The South East Texas Regional Planning Commission (SETRPC) is a voluntary association of 47 local governmental units in the three county (Hardin, Jefferson and Orange) area of South East Texas. SETRPC was organized in June 1970 under authority provided by the Texas Legislature in 1965. The South East Texas Region lies at the northern tip of the Texas Gulf Coast. It encompasses an area of 2,207 square miles with a 2010 population of some 388,745. SETRPC, a political subdivision of the State of Texas and exempt from Federal Income Taxes and filing returns under I.R.C. 115, serves as a conduit for funds made available through various Federal and State programs to provide a variety of services developed or delivered through consultants or subcontractors.

The basic financial statements of SETRPC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

As required by generally accepted accounting principles, these financial statements solely present the Planning Commission's financial activities.

In the fiscal year ended September 30, 2003, SETRPC implemented GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" (GASB 34) and GASB Statement No. 38, "certain Financial Statement Note Disclosures" (GASB 38), which in part addressed the need to reevaluate certain disclosure requirements in the contexts of the reporting model in GASB 34.

The basic financial statements are the core of the general-purpose external financial reporting for state and local governments. Basic financial statements have three components:

Government-wide financial statements. GAAP requires that SETRPC provide a government-wide statement of net position and a government-wide statement of activities that are to include all of the Planning Commission's governmental activities and business-type activities. These government-wide financial statements are to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

Fund Financial Statements. GAAP requires that the government-wide financial statements be accompanied by separate sets of financial statements for SETRPC's governmental and proprietary funds. The financial statements for a proprietary fund use the same measurement focus and basis of accounting used for government-wide financial reporting. The financial statements for governmental funds, on the other hand, are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accordingly, the governmental fund financial statements must present a summary reconciliation to explain the differences between the data reported in the governmental funds and the data reported for the corresponding *governmental activities* in the government-wide and fund financial statements.

Notes to the Financial Statements. The data displayed on the face of the governmental-wide and fund financial statements must be accompanied by various disclosures to ensure that a complete picture is presented in the financial statements. This additional disclosure is presented in the form of a single set of notes placed immediately following the government-wide and fund financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements report *governmental activities*, which are supported by federal and state grants and by regional appropriations. The commission does not have business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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. Regional appropriations and other items not properly included among program revenue are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds, proprietary (internal service) funds and agency funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Regional appropriations are recognized as revenues in the year they are levied. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. as soon as they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SETRPC considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences and claims and judgments are recorded when payment is due.

Governmental funds grant resources and supportive services fees are susceptible to accrual and recognized as revenues to the extent of qualifying expenditures recorded for the individual programs since SETRPC is only reimbursed for qualifying expenditures incurred for grant and contract purposes. All costs allocated by the internal services funds are also recognized in this manner. Membership dues become measurable and available when cash is received by the Planning Commission and are recognized as revenue at that time.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SETRPC reports the following as major governmental funds:

- a. General Fund - The General Fund is the general operating fund of SETRPC. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Air Quality Fund - To account for contributions from local industry used to monitor the quality of air in the Region, to inform citizens about the immediate and long-range air quality concerns, to advise elected officials and citizens about the impact of federal clean air legislation, to identify air quality problems that affect economic growth, to develop solutions, recommendations and plans, and to implement and administer the ozone action day program.
- c. Area Agency on Aging Fund – To account for grant monies provided in support of several regional operations which attempt to (1) secure and maintain maximum independence and dignity in a home environment for older individuals capable of self-care with appropriate support services, (2) remove individual and social barriers to economic and personal independence for older individuals and (3) provide a continuum of care for the vulnerable elderly.
- d. Community Development Fund - Used to account for grant monies designated for the community development and the creation of new jobs within the region.
- e. Community Services Fund – To account for grant monies disbursed to subcontractors to aid low-income families in times of emergency and to aid the homeless.
- f. 9-1-1 Emergency Network - To account for public fees used to plan, implement and maintain the Regional 9-1-1 Emergency Communications System.
- g. Transportation Planning Fund - To account for grant monies used to carry out regional multi-modal transportation planning, to survey influencing transportation factors such as population, land usages, economic considerations, environmental considerations and travel pattern characteristics of the region, to analyze the existing transportation and transit systems, to provide consistent transportation services to the elderly, handicapped, low income residents and the general public in the rural areas of the region and to develop transportation planning documents.

The government reports one proprietary fund type – its internal service fund, which is used to account for centralized common costs associated with SETRPC activities. Costs associated with the centralized activity are recovered from all benefited funds. Interfund balances are eliminated during the process of incorporating fund data into the government-wide financial statements.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, depreciation on capital assets and other common expenditures for the SETRPC. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following Fiduciary Funds (Agency Funds), which are used to account for assets held by SETRPC as an agent. The funds are custodial in nature and do not involve measurement of results of operations.

- a. Economic Development District Fund - This fund is used to account for monies received from the South East Texas Economic Development District to fund activities not part of SETRPC's operations.
- b. Employee Flow Through Fund - Fund in which monies for employee projects is accounted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Cash and equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and investments in the SETRPC's financial statements included amounts in demand deposits. Interest earned is based on the amount of funds invested.

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

b. Grants Receivables

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the SETRPC. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2017.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those which are normally repaid within a 12 month period are classified as "due to and from other funds". For those interfund balances which will not be repaid within the 12 month period (noncurrent portion) are generally reported as "advances to and from other funds". Interfund receivables and payables between funds are generally eliminated in the Statement of Net Position.

d. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Expense for these payments is recognized when actually used or during the period benefited by the prepayment.

e. Deferred Revenue

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2017.

f. Capital Assets

Capital assets, which include building, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the SETRPC as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. When preparing government-wide financial statements donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Furniture and equipment is amortized on a straight-line basis over its useful life of 5-7 years. The building is amortized on a straight-line basis over 25 years.

g. Compensated Absences

It is SETRPC's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since SETRPC does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SETRPC's policies allow employees to earn annual leave at the rate of ten, fifteen, or twenty days a year depending upon length of service. Annual leave can be carried forward with the maximum accrual being twenty, thirty, or forty days depending upon length of employment.

At December 31st any vacation balances exceeding two full years accumulated leave are reduced without compensation to the maximum allowable amount of accrual. Terminating employees are compensated for unused annual leave.

h. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

i. Fund Equity

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the SETRPC 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. When both restricted and unrestricted resources are available for use for the same purpose, restricted resources will be applied then unrestricted resources will be applied.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by SETRPC'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 the SETRPC's intent to be used for a specific purpose but are neither restricted nor committed. Through the passage of a resolution the Executive Committee has authorized the Executive Director to assign funds for specific purposes.
- **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.

When committed, assigned, and unassigned resources are available for use for the same purpose, committed resources will be applied first then assigned resources will be applied and finally unassigned resources will be applied. The Executive Committee establishes (and modifies or rescinds) fund balance commitments by passage

of a resolution. Assigned fund balance is established by SETRPC through preparation of the budget by the Executive Director and approval by the Executive Committee.

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 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 (\$2,917,818) difference are as follows:

Capital outlay	\$	3,318,657
Depreciation expense		<u>(400,839)</u>
<i>Net adjustment to increase net changes in fund balances-</i>		
<i>total governmental funds to arrive at changes in net</i>		
<i>position of governmental activities</i>		
	\$	<u>2,917,818</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The SETRPC budgetary process is accomplished at two levels. The SETRPC annual budget serves as a policy and planning document, while programmatic budgets or awards serve as implementation guides.

a. Annual Budget

SETRPC's annual budget, a requirement of agency bylaws, serves as a guide to estimate and coordinate anticipated revenues and expenditures. Because most of SETRPC's revenues are received through contracts with various funding agencies, the budget is based upon estimated funds to be derived and obligations to be incurred through future negotiations with numerous State and Federal agencies. Thus the budget, which does not restrict or appropriate monies, has not been included in the combined financial statements.

b. Programmatic Budget or Award

Programmatic budgets or awards are approved by the various funding agencies for their respective programs. The award for a program or activity sets the maximum amount to be provided by a funding agency for a particular purpose and generally specifies by cost category the permitted level of expenditure. The programmatic budget includes both the funding to be provided by the funding agency and the required matching funds to be provided by SETRPC or others.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The carrying amounts of SETRPC's deposits as of September 30, 2017 were \$335,991 and the bank balances were \$695,877. All demand deposits as of the balance sheet date were entirely insured by federal depository coverage and pledged collateral.

Investments held by Wells Fargo Bank as of September 30, 2017 was \$3,245,567. All investments were collateralized at 102 percent of the balances.

The Texas Local Governmental Investment Pool (“TexPool”) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Texpool was rated AAAm by Standard and Poor's Investors Service. The fair value of TexPool investments at September 30, 2017 was \$7,902 with a weighted average maturity of 30 days and the fair value of SETRPC's position in the pool is the same as the value of the pool shares. SETRPC's investments include amounts in demand deposits with Wells Fargo Bank and investments with the

DETAILED NOTES ON ALL FUNDS (continued)

Texas State Treasury – Texas Local Government Investment Pool (TexPool). Wells Fargo conforms to the provisions of the Texas Government Code. Each Public Funds customer is separately insured in the amount of \$250,000 in the aggregate for all time and savings deposits and up to \$250,000 in the aggregate for all demand deposits. Wells Fargo collateralizes uninsured balances by pledging securities from its investment portfolio. This portfolio consists primarily of government agency securities and collateralized mortgage obligations. The Federal Reserve Bank acts as custodian. A Depository Pledge Agreement has been executed between Wells Fargo Bank and SETRPC. The custodian provides safekeeping receipts as new securities are pledged. Pledge Reports are provided whenever there is a change to the collateral at month end. Collateral is maintained at 102 percent of SETRPC's total deposits.

a. Interest Rate Risk

In accordance with its investment policy, the SETRPC 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.

b. Credit Risk

It is the SETRPC'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.

c. Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the SETRPC's deposits may not be returned to it. The SETRPC's investment policy is to have all deposits placed in the SETRPC's depository bank under contract. The balance is covered by federal deposit insurance or collateralized with securities, in the SETRPC's name, held by the SETRPC's agent. Evidence of pledged collateral is maintained by the SETRPC, and reviewed regularly to assure that the market value of the pledged securities is adequate.

d. Custodial Investment Risk

For an investment, this is the risk that, in the event of the failure of counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The SETRPC limits this risk by contracting with a third party custodian for securities. This bank holds the securities in the SETRPC's name which are evidenced by safekeeping receipts of the institution.

Receivables

Receivables as of September 30, 2017 for SETRPC's governmental funds were as follows:

Due from grantor agencies	\$ 2,262,340
Other receivables	36,752
Total receivables	<u>\$ 2,299,093</u>

Interfund Receivables and Payables

Interfund balances resulted from a time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made from the general fund that are expected to be collected in the subsequent year. The following is a summary of amounts due to/from other funds as of September 30, 2017:

DETAILED NOTES ON ALL FUNDS (continued)

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$ 329,844	\$ 1,129,876
Air Quality Program	1,445	
Area Agency on Aging Program	459,588	
Community Services Program		6,769
Community / Economic Development Program	256,391	
Criminal Justice Program		111,502
9-1-1 Emergency Network	17,790	
Foster Grandparent Program	9,731	
RSVP		27,746
Solid Waste Management Planning Program	195	
Substance Abuse Program	9,256	
Transportation Planning Program	271,607	
Homeless Coalition	-	19,850
AARP Experience Corps Program		131,853
Homeland Security Program	36,770	-
Agency Funds		
Internal Service Funds	<u>65,724</u>	<u>30,744</u>
	<u>\$ 1,458,340</u>	<u>\$ 1,458,340</u>

Capital Assets

Primary government capital asset activity for the year ended September 30, 2017 is as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets not being depreciated:				
Land	\$ 136,130	\$ -	\$ -	\$ 136,130
Total	<u>136,130</u>	<u>-</u>	<u>-</u>	<u>136,130</u>

Capital Assets being depreciated:

Buildings and improvements	1,952,020	-	-	1,952,020
Furniture and equipment	5,290,936	3,318,657	1,027,857	7,581,735
Total	<u>7,242,955</u>	<u>3,318,657</u>	<u>1,027,857</u>	<u>9,533,755</u>

Less Accumulated Depreciation for:

Buildings	1,050,975	92,225	-	1,143,200
Furniture and equipment	3,225,516	395,999	1,027,857	2,593,658
Total	<u>4,276,490</u>	<u>488,224</u>	<u>1,027,857</u>	<u>3,736,858</u>
	<u>\$ 3,102,595</u>	<u>\$ 2,830,432</u>	<u>\$ -</u>	<u>\$ 5,933,027</u>

DETAILED NOTES ON ALL FUNDS (continued)

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

Governmental activities:

Area Agency on Aging	\$ 1,915
Substance Abuse	691
9-1-1 Emergency Network	351,207
Transportation & Environmental Resources	44,306
Community/Economic Development	1,913
Homeless	807
Internal Service Fund	<u>87,386</u>
Total Depreciation Expense - government Activities	<u>\$ 488,224</u>

Long-term Debt

In May of 2003, the SETRPC purchased its office building located at 2210 Eastex Freeway in Beaumont, Texas for \$1,650,000. A portion of the purchase price was funded by a real estate loan from a local banking institution in the original amount of \$1,485,000 with an interest rate of 6.2%. In February of 2012, the SETRPC refinanced their existing loan and included additional funds to be used for building improvements. Proceeds from the loan refinancing totaled \$1,140,873 with \$806,394 used to pay off the existing loan and \$334,479 received to make improvements to the office building. The new loan is payable in 120 monthly installments of \$11,434 and is secured by the property. The interest rate on the debt is 3.70%.

Maturities by year are as follows:

Fiscal Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2018	118,307	18,898	137,205
2019	122,823	14,382	137,205
2020	127,481	9,724	137,205
2021	132,376	4,829	137,205
2022	<u>56,635</u>	<u>534</u>	<u>57,169</u>
	<u>\$ 557,622</u>	<u>\$ 48,367</u>	<u>\$ 605,989</u>

Long-term activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Note payable	\$ 671,580	\$ -	\$ 113,958	\$ 557,622	\$ 118,307
Compensated absences	<u>149,588</u>	<u>42,287</u>	<u>13,852</u>	<u>178,024</u>	<u>39,169</u>
Governmental activity long-term liabilities	<u>\$ 821,168</u>	<u>\$ 42,287</u>	<u>\$ 127,810</u>	<u>\$ 735,646</u>	<u>\$ 157,476</u>

Compensated absences are generally liquidated by the General Fund.

DETAILED NOTES ON ALL FUNDS (continued)

Transfers In/Out

Internal transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. The balances recorded as transfers result from local matching funds provided in accordance with the terms and provisions of various grant contracts. During the year ended September 30, 2017, various interfund transfers are summarized as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 33,703
Air Quality	50,000	50,000
Area Agency on Aging	23,923	23,026
Community Development	242	1
Community Services	720	-
9-1-1 Emergency Network	12,765	-
Foster Grandparent	12,378	-
Substance Abuse	6,701	-
Transportation Planning	<u>379,030</u>	<u>379,030</u>
	<u>\$ 485,759</u>	<u>\$ 485,759</u>

5. OTHER INFORMATION

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the general fund. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although SETRPC expects such amounts, if any, to be immaterial.

Risk Management

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

OTHER INFORMATION (continued)

Indirect Costs

Agency-wide central support service costs are recorded in the Internal Service Fund and charged as expenditures to the governmental and agency fund types based upon a provisional indirect cost rate. Indirect costs are defined by 2 Code of Federal Regulations (CFR) 200 (formerly U.S. Office of Management and Budget Circular No. A-87 (OMB 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 objectives specifically benefited, without effort disproportionate to the results achieved." In-kind services and costs are not included in indirect costs. SETRPC's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by a state coordinating agency. It is SETRPC's policy to negotiate with the state coordinating agency a provisional rate which is used for billing purposes during SETRPC's fiscal year. Upon completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized with the state coordinating agency.

Retirement Plan

SETRPC sponsors a defined contribution retirement program qualified under Section 401(a) of the Internal Revenue Code. The Plan, administered by the International City Management Association Retirement Corporation, requires contributions by all full-time regular employees of 8% of their annual salaries. Retirement benefits depend solely on amounts contributed to the plan and any investment earnings thereon. SETRPC's Executive Committee is responsible and has authority to amend the Plan provisions and contribution requirements. The Commission matches the employee's contribution. A qualified employee becomes a participant at the date of employment and vests at a rate of 20% a year after the completion of the first year of participation. SETRPC's contribution net of forfeitures for the year ended September 30, 2017, was \$240,385. Forfeitures amounted to \$17,651. Covered annual salaries for the same period totaled \$3,225,440 with total payroll being \$3,247,244. There were no unfunded past service costs at September 30, 2017. Employees made contributions of \$258,035. The number of Plan Participants at September 30, 2017 was 56.

Subsequent Events

Events occurring subsequent to September 30, 2017 were evaluated by management and reviewed through June 15, 2018, the date the financial statements were available to be issued, with no significant items reported.

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Combining Statements

**South East Texas Regional Planning Commission
Non-major Governmental Funds
Fund Definitions**

Special Revenue Funds

Public Safety Fund

To account for grant monies provided in support of regional criminal justice planning and law enforcement training.

Foster Grandparent Program Fund

To account for grant monies provided in support of volunteer opportunities for limited income senior citizens who give support and love to children with special needs

Retired Senior Volunteer Program Fund

To account for grant monies used to provide opportunities for retired persons aged 60 or older to participate more fully in the life of their community through significant volunteer service.

Solid Waste Management Planning Fund

To account for grant monies received to develop a regional solid waste management plan that recommends short-term and long-term action plans for the management of solid waste.

Substance Abuse Fund - Accounts for grant monies received for prevention and intervention services for children who have not developed substance problems but have a family history of chemical dependency, placing them at high-risk genetically and/or environmentally.

Homeless Continuum of Care

To account for monies received from local jurisdictions to support the Homeless Coordinator position responsible for preparing the annual Regional Homeless Grant submission to the U.S. Department of Housing and Urban Development (HUD) from several homeless provider agencies. Also accounts for grant funds received directly from HUD for the Data Online Network (DON) Computer Information System Project designed to track homeless persons and the services they receive.

AARP Experience Corps Southeast Texas

To account for grant monies provided in support of volunteer opportunities for adults 55 and over while providing one-on-one tutoring for pre-kindergarten through third grade students. The goal is to help students improve reading skills.

Homeland Security Fund

To account for grant monies received to develop an All-Hazards Regional Mitigation Action Plan for Hardin, Jefferson and Orange Counties and to assist local jurisdictions in compiling emergency management plans that meet the Texas Department of Public Safety Division of Emergency Management basic and enhanced criteria and address critical regional homeland security issues such as critical infrastructure risk assessment and interoperability.

**South East Texas Regional Planning Commission
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2017**

	Public Safety	Foster Grandparent	RSVP	Solid Waste Management Planning	Substance Abuse Program	Homeless	AARP Experience Corps	Homeland Security Planning	Total
Assets									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	25,878	1,268	-	-	-	27,146
Accounts receivable	-	-	600	-	-	-	-	-	600
Due from grantor agencies	19,450	27,875	82,732	351	-	-	-	83,986	214,394
Due from other funds	111,502	-	27,746	-	-	19,850	131,853	-	290,951
Prepaid items	-	-	-	-	7,988	-	-	-	7,988
Total Assets	130,952	27,875	111,077	26,228	9,256	19,850	131,853	83,986	541,079
Liabilities									
Accounts payable	422	12,271	1,468	325	-	17	1,254	967	16,725
Deferred Revenue	-	-	-	219	-	-	-	-	219
Due to other funds	-	9,731	-	195	9,256	-	-	36,770	55,951
Total Liabilities	422	22,002	1,468	739	9,256	17	1,254	37,737	72,896
Fund balances:									
Nonspendable	-	-	-	-	7,988	-	-	-	7,988
Assigned to:									
Area Agency on Aging	-	-	-	-	-	-	-	-	-
Public Safety	130,530	-	-	-	-	-	-	-	130,530
Foster Grandparent	-	5,874	-	-	-	-	-	-	5,874
RSVP	-	-	109,609	-	-	-	-	-	109,609
Solid Waste Management Planning	-	-	-	25,489	-	-	-	-	25,489
Substance Abuse Program	-	-	-	-	-	-	-	-	-
Homeless	-	-	-	-	-	19,833	-	-	19,833
AARP Experience Corps	-	-	-	-	-	-	130,599	-	130,599
Homeland Security Planning	-	-	-	-	-	-	-	46,250	46,250
Community Services	-	-	-	-	-	-	-	-	-
9-1-1 Emergency Network	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(7,988)	-	-	-	(7,988)
Total Fund balances	130,530	5,874	109,609	25,489	-	19,833	130,599	46,250	468,184
Total Liabilities and Fund Equity	\$ 130,952	\$ 27,875	\$ 111,077	\$ 26,228	\$ 9,256	\$ 19,850	\$ 131,853	\$ 83,986	\$ 541,079

South East Texas Regional Planning Commission
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-major Governmental Funds
For the Year Ended September 30, 2017

	Public Safety	Foster Grandparent Program	RSVP	Solid Waste Management Planning	Substance Abuse Program	Homeless	Experience Corps	Homeland Security Planning	Total
Revenues									
Intergovernmental	\$ 172,082	\$ 371,680	\$ 212,008	\$ 124,818	\$ -	\$ -	\$ -	\$ 341,493	1,222,080
Member Dues & Assessments	10,605	34,967	41,079	-	-	43,059	-	-	129,710
Miscellaneous	-	57,298	48,319	668	-	-	213,752	43,160	363,197
Investment Income	-	-	-	-	8	-	-	0	9
Total Revenues	182,687	463,945	301,406	125,486	8	43,059	213,752	384,653	1,714,996
Expenses									
Current:									
Area Agency on Aging	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Public Safety	181,325	-	-	-	-	-	-	-	181,325
Foster Grandparent Program	-	471,151	-	-	-	-	-	-	471,151
RSVP	-	-	369,258	-	-	-	-	-	369,258
Solid Waste Mangement Planning	-	-	-	127,065	-	-	-	-	127,065
Transportation Planning	-	-	-	-	6,709	-	-	-	6,709
Homeless Coalition	-	-	-	-	-	57,649	-	-	57,649
AARP Experience Corps	-	-	-	-	-	-	265,304	-	265,304
Homeland Security Planning	-	-	-	-	-	-	-	388,612	388,612
Capital Outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	181,325	471,151	369,258	127,065	6,709	57,649	265,304	388,612	1,867,073
Excess (deficiency) of revenues Over expenditures	1,362	(7,207)	(67,852)	(1,578)	(6,701)	(14,590)	(51,552)	(3,958)	(152,076)
Other Financing Sources									
Transfers in	-	12,378	-	-	6,701	-	-	-	19,079
Transfers out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources	-	12,378	-	-	6,701	-	-	-	19,079
Net change in fund balances	1,362	5,171	(67,852)	(1,578)	-	(14,590)	(51,552)	(3,958)	(132,997)
Fund Balances - Beginning	129,169	702	177,460	27,067	-	34,424	182,151	50,208	601,181
Fund Balances - Ending	\$ 130,530	\$ 5,874	\$ 109,609	\$ 25,489	\$ -	\$ 19,833	\$ 130,599	\$ 46,250	\$ 468,184

**South East Texas Regional Planning Commission
Fiduciary Funds
Fund Definitions**

Agency Funds

Economic Development District Fund

This fund is used to account for monies received from the South East Texas Economic Development District to fund activities not part of the SETRPC's operations but for which the SETRPC has agreed to accept in a custodial capacity.

Employee Flow Through Fund

This fund is used to account for monies held in a custodial capacity for employee projects.

**South East Texas Regional Planning Commission
Combining Statement of Assets and Liabilities
Agency Funds
September 30, 2017**

	<u>Economic Development District</u>	<u>Employee Flow Thru</u>	<u>Total Agency Funds</u>
ASSETS			
Accounts Receivable	<u>\$ 20,686</u>	<u>\$ 511</u>	<u>\$ 21,197</u>
Total Assets	<u><u>\$ 20,686</u></u>	<u><u>\$ 511</u></u>	<u><u>\$ 21,197</u></u>
LIABILITIES			
Accounts Payable	\$ 4,583	\$ 130	\$ 4,713
Due To Economic Development District	16,103	-	16,103
Due To Employees	<u>-</u>	<u>381</u>	<u>381</u>
Total Liabilities	<u><u>\$ 20,686</u></u>	<u><u>\$ 511</u></u>	<u><u>\$ 21,197</u></u>

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**South East Texas Regional Planning Commission
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended September 30, 2017**

	Economic Development District	Employee Flow Thru	Total Agency Funds
<u>Assets - October 1, 2016</u>			
Accounts Receivable	\$ 426	\$ 454	\$ 5,885
Total	426	454	879
<u>Additions</u>			
Accounts Receivable	67,500	1,520	69,020
Total	67,500	1,520	69,020
<u>Deletions</u>			
Accounts Receivable	47,240	1,463	48,703
Total	47,240	1,463	48,703
<u>Assets - September 30, 2017</u>			
Accounts Receivable	20,686	510	21,196
Total Assets	20,686	510	21,196
 <u>Liabilities - October 1, 2016</u>			
Accounts Payable	\$ 425	20	445
Due To Economic Development District	-	-	-
Due To Employees	-	434	434
Total	425	454	879
<u>Additions</u>			
Accounts Payable	81,825	1,573	83,398
Due To Economic Development District	67,500	-	67,500
Due To Employees	-	1,520	1,520
Total	149,325	3,093	152,418
<u>Deletions</u>			
Accounts Payable	77,667	1,463	79,130
Due To Economic Development District	51,397	-	51,397
Due To Employees	-	1,573	1,573
Total	129,064	3,037	132,100
 <u>Liabilities - September 30, 2017</u>			
Accounts Payable	4,583	130	4,713
Due To Economic Development District	16,103	-	16,103
Due To Employees	-	381	381
Total Liabilities	\$ 20,686	\$ 511	\$ 21,197

South East Texas Regional Planning Commission
Schedule of Final Indirect Cost Rate
For the Year Ended September 30, 2017

	Actual Indirect Costs Year Ended September 30, 2017	FY 2017 Approved Rate	FY 2018 Proposed Rate
Employee Salaries	\$ 467,559	\$ 445,462	\$ 469,916
Employee Benefits	238,429	227,713	239,832
Total Personnel Cost	705,988	673,175	709,748
Office Space	61,004	55,675	55,675
Equipment/Rent, Lease	24,139	23,433	23,433
Equipment/Maintenance	12,169	10,995	12,108
Subcontractor Services	40,741	30,000	67,378
Telecommunications	26,102	27,566	27,566
Postage	4,510	4,600	4,600
Consumable Supplies	16,009	33,275	28,755
Insurance	6,562	6,000	7,200
Travel and Allowances	28,721	57,285	57,759
Dues and Subscriptions	31,394	23,970	34,804
Printing and Publications	1,609	2,858	2,655
Audit/Professional Services	34,920	38,250	35,000
Charges to outside Agencies for Services	(2,675)		
	991,193	987,082	1,066,681
Total Indirect Costs (A)	991,193	987,082	1,066,681
Basis for Allocation of Indirect Costs (Note 4 page 41):			
Direct Salary Cost	2,206,844	2,333,106	2,462,268
Direct Benefits Cost	1,125,369	1,192,647	1,256,673
Total Direct Personnel Costs (B)	\$ 3,332,212	\$ 3,525,753	\$ 3,718,941
Indirect Cost Rate (A/B)	29.7%	28.0%	28.7%

South East Texas Regional Planning Commission
Schedule of Final Employee Benefit Rate
For the Year Ended September 30, 2017

	Actual Employee Benefit Costs Year Ended Sept. 30, 2017	FY 2017 Approved Rate	FY 2018 Proposed Rate
<u>Released Time:</u>	\$ 572,842	\$ 576,974	\$ 609,101
<u>Benefits Program:</u>			
Payroll Taxes	84,618	68,640	68,565
Retirement Plan	240,385	266,976	266,524
Insurance	465,431	501,738	551,501
Other Benefits	522	5,500	814
	<u>790,956</u>	<u>842,854</u>	<u>887,404</u>
 Total Employee Benefits (A)	 <u>1,363,798</u>	 <u>1,419,828</u>	 <u>1,496,505</u>
 Basis for Allocation of Employee Benefits:			
Gross Salaries	3,247,244	3,354,498	3,541,285
Less release time	<u>572,842</u>	<u>576,974</u>	<u>609,101</u>
 Chargeable Salaries (B)	 <u>\$ 2,674,403</u>	 <u>\$ 2,777,524</u>	 <u>\$ 2,932,184</u>
 Employee Benefit Rate (A/B)	 <u>51.0%</u>	 <u>51.1%</u>	 <u>51.0%</u>

Statistical Section



**Statistical Section
(Unaudited)**

This part of the South East Texas Regional Planning Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
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<i>Financial Trends</i>	<i>53</i>
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These schedules contain trend information to help the reader understand how the SETRPC's financial performance and well-being have changed over time.

<i>Revenue Capacity.....</i>	<i>58</i>
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These schedules contain trend information to help the reader assess the SETRPC's most significant local revenue resource.

<i>Debt Capacity.....</i>	<i>60</i>
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These schedules contain trend information to help the reader assess the SETRPC's current levels of outstanding debt.

<i>Demographic and Economic Information</i>	<i>61</i>
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These schedules contain economic and demographic information to help the reader understand the environment within which the SETRPC's financial activities take place.

<i>Operating Information.....</i>	<i>63</i>
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These schedules contain service data to help the reader understand how the information in the SETRPC's financial report relates to services and activities performed by the SETRPC

**South East Texas Regional Planning Commission
Net Position by Component
Last Ten Fiscal Years**

Governmental Activities	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net investment in capital assets	\$ 5,375,405	\$ 2,431,015	\$ 997,028	\$ 1,323,101	\$ 1,966,519	\$ 2,569,969	\$ 3,282,070	\$ 4,167,755	\$ 2,413,534	\$ 2,055,623
Unrestricted	<u>\$ 3,226,653</u>	<u>3,426,454</u>	<u>3,212,979</u>	<u>2,969,704</u>	<u>2,650,161</u>	<u>2,303,229</u>	<u>2,263,754</u>	<u>2,203,176</u>	<u>1,647,601</u>	<u>1,299,026</u>
Total governmental activities net position	<u>\$ 8,602,058</u>	<u>\$ 5,857,469</u>	<u>\$ 4,210,007</u>	<u>\$ 4,292,805</u>	<u>\$ 4,616,680</u>	<u>\$ 4,873,198</u>	<u>\$ 5,545,824</u>	<u>\$ 6,370,931</u>	<u>\$ 4,061,135</u>	<u>\$ 3,354,649</u>

Source: Comprehensive Annual Financial Report

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South East Texas Regional Planning Commission
Changes in Net Position
Last Ten Fiscal Years

Expenses	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities:										
General Government	\$ 60,739	\$ 13,783	\$ 41,967	\$ 51,313	\$ 21,778	\$ 50,055	\$ 23,875	\$ 51,367	\$ 59,705	\$ 45,025
Air Quality	1,169,673	1,270,638	1,371,388	1,265,268	1,410,575	1,018,690	1,464,160	1,273,375	1,432,308	1,511,934
9-1-1 Emergency Network	2,198,835	2,667,365	2,158,394	2,164,922	2,234,518	2,155,937	2,471,779	2,644,242	2,388,702	1,864,596
Substance Abuse	7,400	30,280	3,068,737	3,759,894	3,607,943	3,814,736	6,457,169	7,195,421	7,699,932	7,182,342
Area Agency on Aging	2,291,848	2,276,512	2,387,484	1,986,317	2,021,643	2,455,688	2,419,309	2,533,105	2,501,226	2,307,164
Community Development	10,155,136	39,433,163	73,163,611	39,942,338	6,945,455	63,660,778	23,699,138	3,647,996	12,816,024	10,094,405
Community Services	627,558	870,317	694,254	510,237	714,019	804,091	2,113,648	15,649,707	10,221,122	9,575,062
Public Safety	180,903	249,050	188,548	182,342	194,102	165,555	256,795	345,297	264,042	273,372
Foster Grandparents	469,838	477,427	494,575	551,593	525,584	502,877	520,319	493,622	473,724	519,069
RSVP	367,369	339,507	313,723	302,186	311,241	335,224	377,459	397,599	405,440	389,919
Solid Waste Management Planning	126,872	108,972	132,688	100,274	188,650	97,907	134,496	233,691	257,506	93,535
Transportation Planning	2,372,797	2,666,802	2,353,543	2,351,627	2,076,463	2,011,676	2,289,920	2,332,793	2,930,025	1,710,872
Homeless	57,210	51,135	89,798	101,832	132,139	178,593	182,102	168,080	133,559	124,808
AARP Experienced Corps	264,030	255,166	236,429	235,697	329,176	296,592	254,342	218,446	244,158	164,621
Homeland Security	387,685	514,726	489,900	420,783	289,749	682,360	525,688	281,005	207,704	159,154
Interest	23,139	27,451	31,381	35,165	38,615	55,562	56,787	62,709	68,320	73,711
Total Governmental Activities Expenses	\$ 20,761,031	\$ 51,252,294	\$ 87,216,419	\$ 53,961,791	\$ 21,041,649	\$ 78,286,321	43,246,986	37,528,454	42,103,495	36,089,588
Program Revenues										
Governmental Activities:										
Operating Grants & Contributions	23,502,447	52,898,041	87,131,643	53,635,493	20,783,360	77,611,612	42,419,472	39,833,319	42,785,523	37,893,287
Total Governmental Activities Program Revenues	23,502,447	52,898,041	87,131,643	53,635,493	20,783,360	77,611,612	42,419,472	39,833,319	42,785,523	37,893,287
Net (Expense) Revenues	2,741,417	1,645,747	(84,776)	(326,298)	(258,289)	(674,709)	(827,514)	2,304,865	682,028	1,803,699
General Revenues:										
Government Activities:										
Investment earnings	3173	1714	2099	2,424	1,768	2,084	2,407	4,932	24,458	89,619
Transfers - net	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities General Revenues	3,173	1,714	2,099	2,424	1,768	2,084	2,407	4,932	24,458	89,619
Change in Fund Net Position										
Governmental Activities	\$ 2,744,590	\$ 1,647,462	\$ (82,677)	\$ (323,873)	\$ (256,520)	\$ (672,625)	\$ (825,108)	\$ 2,309,798	\$ 706,487	\$ 1,893,316

Source: Comprehensive Annual Financial Report

**South East Texas Regional Planning Commission
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

	Fiscal Year									
General Fund	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,810	\$ 77,436	\$ 42,178
Unreserved	-	-	-	-	-	-	-	823,350	751,841	735,624
Assigned	747,294	1,053,350	170,935	396,732	24,799	327,490	-	-	-	-
Unassigned	361,413	36,180	877,964	626,836	975,881	623,630	913,147	-	-	-
Total General Fund	<u>1,108,707</u>	<u>1,089,530</u>	<u>1,048,899</u>	<u>1,023,568</u>	<u>1,000,680</u>	<u>951,120</u>	<u>913,147</u>	<u>872,160</u>	<u>829,277</u>	<u>777,802</u>
All other governmental funds										
Special Revenue Funds										
Reserved						-	-	24,051	20,689	5,207
Unreserved						-	-	1,516,873	1,033,193	704,915
Nonspendable	748,269	1,056,377	170,936	398,044	26,364	333,386	179	-	-	-
Assigned	1,401,228	1,283,662	2,015,643	1,568,913	1,623,495	982,275	1,508,192	-	-	-
Total all other governmental funds	<u>2,149,497</u>	<u>2,340,039</u>	<u>2,186,579</u>	<u>1,966,957</u>	<u>1,649,859</u>	<u>1,315,661</u>	<u>1,508,371</u>	<u>1,540,924</u>	<u>1,053,882</u>	<u>710,122</u>
Total Governmental Funds	<u>\$ 3,258,204</u>	<u>\$ 3,429,569</u>	<u>\$ 3,235,478</u>	<u>\$ 2,990,525</u>	<u>\$ 2,650,539</u>	<u>\$ 2,266,781</u>	<u>\$ 2,421,517</u>	<u>\$ 2,413,084</u>	<u>\$ 1,883,159</u>	<u>\$ 1,487,924</u>

Source: Comprehensive Annual Financial Report

Note: GASB Statement No. 54 established accounting and financial reporting standards for all governments that report governmental funds. It established criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. This requirement is effective for financial statements for periods beginning after June 15, 2010.

South East Texas Regional Planning Commission
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Revenues					
Intergovernmental	\$ 21,623,823	\$ 50,611,295	\$ 84,826,740	\$ 51,269,968	\$ 18,595,856
Membership Dues & Assessments	275,824	275,886	275,974	275,815	275,974
Miscellaneous	1,602,800	2,010,860	2,028,929	2,089,710	1,911,530
Investment Income	3,173	1,714	2,099	2,424	1,768
Total Revenues	23,505,620	52,899,756	87,133,742	53,637,917	20,785,128
Expenditures					
Current:					
General Fund	32,304	33,167	40,288	42,120	34,326
Area Agency on Aging	10,163,800	2,284,602	2,395,439	1,992,536	2,029,916
Air Quality	630,346	1,272,369	1,373,494	1,266,872	1,410,690
9-1-1 Emergency Network	6,709	2,256,507	1,901,485	1,789,169	1,676,692
Substance Abuse Division	1,856,027	29,790	3,069,693	3,759,689	3,607,463
Community Development	1,170,614	39,444,706	73,175,028	39,952,467	6,955,526
Community Services	2,300,876	872,426	695,473	510,990	714,634
Public Safety	181,325	249,056	188,635	182,334	194,121
Foster Grandparent Program	471,151	478,949	496,198	552,968	527,099
RSVP	369,258	341,550	315,867	304,013	313,576
Solid Waste Management	127,065	108,971	132,677	100,274	188,693
Transportation Planning	2,337,288	2,648,549	2,073,198	1,967,666	1,665,465
Homeless Coalition	57,649	51,293	90,475	102,732	133,448
AARP Experience Corps	265,304	256,357	237,537	236,145	329,679
Homeland Security Planning	388,612	515,951	491,077	421,877	290,870
Capital Outlays	3,318,657	1,861,421	212,105	116,078	329,173
Total Expenditures	23,676,985	52,705,665	86,888,667	53,297,931	20,401,371
Excess of Revenues Over (Under) Expenditures	(171,365)	194,091	245,075	339,987	383,759
Other Financing Sources and Uses					
Transfers in	485,759	456,033	552,521	588,488	646,012
Transfers out	(485,759)	(456,033)	(552,521)	(588,488)	(646,012)
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	\$ (171,365)	\$ 194,091	\$ 245,074	\$ 339,986	\$ 383,759

Source: Comprehensive Annual Financial Report

Fiscal Year				
2012	2011	2010	2009	2008
\$ 75,454,251	\$ 39,618,058	\$ 36,366,851	\$ 39,142,124	\$ 34,474,215
275,328	272,406	275,530	275,530	275,080
1,882,033	2,529,009	3,190,937	3,367,869	3,143,992
2,084	2,407	4,932	24,458	89,619
77,613,696	42,421,880	39,838,250	42,809,981	37,982,906
45,300	41,706	37,362	32,866	29,881
2,471,698	2,440,617	2,556,141	2,515,205	2,313,268
1,018,793	1,464,319	1,274,852	1,433,090	1,512,725
1,527,098	1,918,665	2,157,370	2,007,547	1,642,974
3,814,892	6,454,117	7,191,316	7,701,847	7,193,234
63,678,871	23,722,146	3,669,228	12,821,981	10,100,089
806,256	2,120,335	15,665,598	10,227,737	9,586,395
166,321	258,558	346,885	264,799	274,039
505,491	523,749	497,440	477,251	523,944
339,734	383,297	404,012	409,084	394,875
97,917	134,957	234,445	258,234	94,025
1,593,564	1,872,190	2,187,616	2,879,971	1,695,329
181,434	185,786	171,241	135,138	128,182
297,962	255,501	218,931	245,376	166,628
684,633	528,703	284,218	209,859	162,033
538,471	108,801	2,411,672	794,760	1,756,970
77,768,434	42,413,447	39,308,325	42,414,746	37,574,591
(154,738)	8,433	529,926	395,235	408,314
597,132	189,783	783,562	1,277,975	985,682
(597,132)	(189,783)	(783,562)	(1,277,975)	(985,682)
-	-	-	-	-
\$ (154,738)	\$ 8,433	\$ 529,926	\$ 395,235	\$ 408,314

**South East Texas Regional Planning Commission
Local Government Annual Membership Dues & Assessments
Last Ten Fiscal Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Hardin County	\$ 14,783	\$ 14,783	\$ 14,783	\$ 14,783	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571
Jefferson County	115,275	115,275	115,275	115,275	115,302	115,302	115,302	115,302	115,302	115,302
Orange County	34,688	34,688	34,688	34,688	34,312	34,312	34,312	34,312	34,312	34,312
City of Beaumont	42,702	42,702	42,702	42,702	43,234	43,234	43,234	43,234	43,234	43,234
City of Bevil Oaks	395	395	395	395	386	386	386	386	386	386
City of Bridge City	2,425	2,425	2,425	2,425	2,328	2,328	2,328	2,328	2,328	2,328
City of China	331	331	331	331	337	337	337	337	337	337
City of Groves	4,779	4,779	4,779	4,779	4,829	4,829	4,829	4,829	4,829	4,829
City of Kountze	609	609	609	609	610	610	610	610	610	610
City of Lumberton	2,194	2,194	2,194	2,194	2,580	2,580	2,580	2,580	2,580	2,580
City of Nederland	4,886	4,886	4,886	4,886	4,901	4,901	4,901	4,901	4,901	4,901
City of Nome	139	139	139	139	148	148	148	148	148	148
City of Orange	7,106	7,106	7,106	7,106	7,100	7,100	7,100	7,100	7,100	7,100
City of Pine Forest	198	198	198	198	181	181	181	181	181	181
City of Pinehurst	736	736	736	736	715	715	715	715	715	715
City of Port Arthur	29,757	29,757	29,757	29,757	29,284	29,284	29,284	29,284	29,284	29,284
City of Port Neches	3,872	3,872	3,872	3,872	3,805	3,805	3,805	3,805	3,805	3,805
City of Rose City	161	161	161	161	159	159	159	159	159	159
City of Rose Hill Acres	138	138	138	138	134	134	134	134	134	134
City of Silsbee	1,867	1,867	1,867	1,867	1,893	1,893	1,893	1,893	1,893	1,893
City of Sour Lake	467	467	467	467	485	485	485	485	485	485
City of Taylor Landing	93	93	93	93	88	88	88	88	88	88
City of Vidor	3,261	3,261	3,261	3,261	3,158	3,158	3,158	3,158	3,158	3,158
City West Orange	1,216	1,216	1,216	1,216	1,136	1,136	1,136	1,136	1,136	1,136

Port of Beaumont	150	150	150	150	150	150	150	150	150	150
Orange County Navigation District	150	150	150	150	150	150	150	150	150	150
Port of Port Arthur	150	150	150	150	150	150	150	150	150	150
Lower Neches Valley Authority	150	150	150	150	150	150	150	150	150	150
Sabine River Authority	150	150	150	150	150	150	150	150	150	150
Lower Sabine Neches Soil & Water Conservation District #446	-	-	-	-	-	-	-	-	-	-
Jefferson County Emergency Services District #1	-	-	-	150	150	150	150	150	150	150
Jefferson County Emergency Services District #3	-	-	-	-	-	-	150	-	150	150
Jefferson County Drainage District #3	150	150	150	150	150	150	150	150	150	150
Jefferson County Drainage District #6	150	150	150	150	150	150	150	150	150	150
Jefferson County Drainage District #7	150	150	150	150	150	150	150	150	150	150
Orange County Drainage District	-	-	-	150	150	150	150	150	150	150
Bevil Oaks Municipal Utility District	150	150	150	150	-	-	-	-	-	-
Lumberton Municipal Utility District	150	150	150	150	150	150	150	150	150	150
Mauriceville Municipal Utility District	150	150	150	150	150	150	150	150	150	150
Sabine -Neches Navigation District	150	150	150	150	150	150	150	150	150	150
Jefferson County Water Control & Improvement District # 10	150	150	150	150	150	150	150	150	150	150
Orange County Water Control & Improvement District #1	150	150	150	150	150	150	150	150	150	150
Orange County Water Control & Improvement District #2	150	150	150	150	150	150	150	150	150	150
Orange County Emergency Services District #3	-	-	-	-	-	-	150	-	150	150
Hardin County Rural Fire Protection District #2	150	150	150	150	150	150	150	150	150	150
Beaumont Independent School District	-	-	-	150	150	-	150	-	-	-
Port Arthur Independent School District	150	150	150	150	150	150	150	150	150	150
Port Neches-Groves Independent School District	150	150	150	150	150	150	150	150	150	150
Hamshire-Fannett Independent School District	150	150	150	150	150	150	150	150	150	150
Hardin-Jefferson Independent School District	-	-	-	-	-	-	-	-	-	-
Bridge City Independent School District	-	-	-	150	150	150	150	150	150	150
Vidor Independent School District	150	150	150	150	150	150	150	150	150	150
Total Member Dues & Assessments	<u>\$ 275,080</u>	<u>\$ 275,080</u>	<u>\$ 275,080</u>	<u>\$ 275,680</u>	<u>\$ 276,126</u>	<u>\$ 275,974</u>	<u>\$ 276,424</u>	<u>\$ 275,974</u>	<u>\$ 276,274</u>	<u>\$ 276,274</u>

Source: South East Texas Regional Planning Commission records.

**South East Texas Regional Planning Commission
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Notes Payable</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2008	1,125,739	8.36%	2.95
2009	1,039,333	7.81%	2.72
2010	947,316	6.82%	2.44
2011	849,377	5.85%	2.17
2012	1,086,963	7.12%	2.77
2013	988,859	6.62%	2.51
2014	887,010	5.48%	2.24
2015	781,273	4.64%	1.96
2016	671,580	3.95%	1.68
2017	557,622	3.18%	1.39

Source: South East Texas Regional Planning Commission records.

**South East Texas Regional Planning Commission
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Year	Population		Personal Income		Personal Income Per Capita		Total Employment		Unemployment Rate	
2008	381,808	4.)	\$ 13,459,638	2.)	\$ 37,060	3.)	174,959	3.)	6.4%	3.)
2009	381,938	4.)	\$ 13,304,673	2.)	\$ 38,800	3.)	171,825	3.)	9.5%	3.)
2010	388,745	1.)	\$ 13,882,082	2.)	\$ 39,740	3.)	162,820	3.)	11.2%	3.)
2011	390,915	4.)	\$ 14,517,136	2.)	\$ 40,820	3.)	166,017	3.)	11.2%	3.)
2012	392,711	4.)	\$ 15,267,127	2.)	\$ 41,830	3.)	164,736	3.)	10.6%	3.)
2013	394,547	4.)	\$ 14,938,816	2.)	\$ 42,310	3.)	161,466	3.)	10.4%	3.)
2014	396,343	4.)	\$ 16,195,239	2.)	\$ 43,240	3.)	164,798	3.)	7.9%	3.)
2015	398,121	4.)	\$ 16,839,517	2.)	\$ 44,730	3.)	163,616	3.)	6.7%	3.)
2016	399,887	4.)	\$ 17,012,320	2.)	\$ 47,030	3.)	163,080	3.)	6.8%	3.)
2017	401,662	4.)	\$ 17,534,888	5.)	\$ 47,900	3.)	162,564	3.)	7.1%	3.)

- 1.) U. S. Census Bureau
- 2.) Bureau of Economic Analysis (Beaumont-Port Arthur, TX Metropolitan Statistical Area)
- 3.) U. S. Department of Labor - Bureau of Labor Statistics
- 4.) Texas Demographic Center
- 5.) Data unavailable, based on 9-year trend

**South East Texas Regional Planning Commission
Employment by Occupational Group
Current Year and Nine Years Prior**

Occupational Group	Employment	
	2017	2008
* Architecture and Engineering	4,650	5,400
* Arts, Design, Entertainment, Sports and Media	1,110	1,000
* Building and Grounds Cleaning and Maintenance	4,160	4,730
* Business and Financial	4,850	3,890
* Community and Social Service	1,620	1,470
* Computer and Mathematical	1,480	1,650
* Construction and Extraction	13,200	11,520
* Education, Training and Library	9,260	9,400
* Farming, Fishing, and Forestry	200	100
* Food Preparation and Serving Related Occupations	14,810	13,810
* Healthcare Practitioners and Technical Occupations	10,220	7,910
* Healthcare Support	3,240	4,890
* Installation, Maintenance, and Repair	9,020	8,540
* Legal	910	1,220
* Life, Physical and Social Science	1,750	1,620
* Management	5,600	5,850
* Office and Administrative Support	23,250	23,800
* Personal Care and Service	5,370	4,760
* Production Occupations	15,240	16,920
* Protective Service Occupations	5,040	4,940
* Sales and Related Occupations	15,600	15,030
* Transportaion and Material Moving	9,680	11,900

Sources and Notes

Listed in alphabetical order, not in order of size

- * U.S. Department of Labor - Bureau of Labor Statistics - Occupational Employment Services

South East Texas Regional Planning Commission
Fulltime Equivalent Employees
By Program/Department
Last Ten Fiscal Years

<u>Program/Department</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Administration	8	8	8	8	9	9	9	9	7.5	7.5
Area Agency on Aging	13	16	20	20	17	14	16	17	16	15.5
Air Quality	1	1	1	1	1	1	1	1	1	1
9-1-1 Emergency Network	6	7	7	7	6	7	7	9	8	8
Substance Abuse Division	9	15	13	8	7	8	10	1	0	0
Community Development	15	16	18	18	21	18	14	15	10	9
Community Services	3	6	8	-	-	-	-	2	2	2
Public Safety	1	1	1	1	1	1	1	1	1	1
Foster Grandparent Program	3	3	3	2	2	3	3	2	2	2
RSVP	4	4	4	3	3	2	2	2	2	3
Solid Waste Management Planning	1	1	1	1	1	1	1	1	1	1
Transportation Planning	3	4	5	3	4	4	3	3	4	4
Homeless Coalition	2	2	2	1	1	1	1	1	1	1
AARP Experience Corps	1	1	1	1	2	2	2	2	2	1
Homeland Security Planning	2	2	2	2	2	1	1	1	1	1
Total	<u>72</u>	<u>87</u>	<u>94</u>	<u>76</u>	<u>77</u>	<u>72</u>	<u>71</u>	<u>67</u>	<u>58.5</u>	<u>57</u>

Source: South East Texas Regional Planning Commission records.

**South East Texas Regional Planning Commission
Program and Function Indicators
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Criminal Justice										
Peace Officers Trained	1,758	1,386	2128	2193	1971	4123	2771	4063	3055	2583
Area Agency on Aging										
Congregate Meals	106,858	77,975	86,340	77,345	76,878	74,637	67,595	77,928	76,895	74,900
Home Delivered Meals	49,191	44,688	51,710	45,994	48,657	42,500	33,973	37,090	39,463	44,427
Disaster Recovery										
CDBG Rita Disaster - Families Served	92	86	28	N/A	N/A	N/A	N/A	25	N/A	N/A
CDBG Ike Disaster - Families Served	N/A	N/A	N/A	191	553	64	271	294	99	45
Community Services										
PAIG Weatherization - Families Served	38	39	15	N/A	15	9	8	7	12	15
SSA HOPE Individuals Served	26	18	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Money Management Volunteers Trained	15	26	24	10	10	7	0	0	0	N/A
Money Management Individuals Served	38	44	46	24	28	26	25	24	13	13
911/Homeland Security										
Number of Calls	347,251	348,139	335,203	340,306	375,869	376,349	391,989	452,183	532,142	531,841
Transportation										
Number of Trips	61,825	59,667	59,554	61,214	62,213	63,701	64,095	64,164	59,751	56,557
Solid Waste										
Total Dollars for Annual Projects	64,176	236,468	103,686	115,225	91,454	158,320	99,558	108,188	105,154	208,199
Substance Abuse										
Number of Individuals Served	2,315	2,079	2,212	1,965	1,684	1,654	3,527	1,157	N/A	N/A
Foster Grandparents Program										
Number of Children Served	1452	1,243	1,451	1,340	1,109	1,055	800	803	928	875
RSVP										
Number of Volunteer Hours	135,758	145,459	148,924	153,000	155,940	141,979	97,264	88,345	89,334	90,316
AARP Experience Corps Program										
Number of Students Tutored	406	499	485	531	541	485	493	430	434	391

Source: South East Texas Regional Planning Commission records.

Single Audit Section





Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

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Texas Society of
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AICPA Private
Companies Practice Section

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 Executive Board
South East Texas Regional Planning Commission

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, the business-type activities, each major fund, and the aggregate remaining fund information of the South East Texas Regional Planning Commission, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the South East Texas Regional Planning Commission's basic financial statements, and have issued our report thereon dated June 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the South East Texas Regional Planning Commission'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South East Texas Regional Planning Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the internal control was for the 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. Given these limitations, during our audit we did not identify and deficiencies in internal control 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 South East Texas Regional Planning Commission'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles E. Reed and Associates, P.C.

Charles E. Reed & Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

June 15, 2018

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

To the Executive Board
South East Texas Regional Planning Commission

Report on Compliance for Each Major Federal Program

We have audited the South East Texas Regional Planning Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the South East Texas Regional Planning Commission's major federal programs for the year ended September 30, 2017. South East Texas Regional Planning Commission's major federal 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the South East Texas Regional Planning Commission's major federal 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 and the Uniform Guidance and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South East Texas Regional Planning Commission'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 program. However, our audit does not provide a legal determination of the South East Texas Regional Planning Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the South East Texas Regional Planning Commission 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 programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the South East Texas Regional Planning Commission 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 South East Texas Regional Planning Commission's internal control over compliance with the types of requirements that could have a direct and

material effect on each major federal 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 program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 South East Texas Regional Planning Commission'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 federal and state programs on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of federal and state programs will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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. Accordingly, this report is not suitable for any other purpose.

Charles E. Reed and Associates, P.C.

Charles E. Reed & Associates, P.C.
Certified Public Accountants and Consultants
Port Arthur, Texas

June 15, 2018

South East Texas Regional Planning Commission
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2017

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Expenditures
<u>Corporation for National and Community Service</u>			
Direct Programs			
Retired Senior Volunteer Program	94.002	14SRWTX002-5	\$ 105,270
Retired Senior Volunteer Program	94.002	14SRWTX002-3	77,594
Foster Grandparent Program	94.011	17SFWTX002	165,508
Foster Grandparent Program	94.011	14SFWTX001 (3)	<u>199,405</u>
Total Corporation for National and Community Service			<u>\$ 547,778</u>
<u>Department of Homeland Security:</u>			
Federal Emergency Management Agency			
Port Security Grant Program	97.056	EMW-2015-PU-00055-S01	\$ 181,589
Preparing for Emerging Treats and Hazards	97.133	EMW-2016-GR-00090-S01	7,853
Passed Through Texas Department of Public Safety			
Pre-Disaster Mitigation	97.047	EMT-2016-PC-002(1)	28,125
Passed Through Texas General Land Office			
Federal Disaster Assistance to Individuals & Households in Presidential Declared Disaster Areas	97.048	18-210-009	<u>8,409</u>
Total Department of Homeland Security			<u>\$ 225,976</u>
<u>Department of Housing and Urban Development</u>			
Passed Through Texas General Land Office			
Community Development Block Grants/State's Program	14.228	12-496-000-6694/72120004	\$ 6,767,757
Community Development Block Grants/State's Program	14.228	12-495-000-6693/72121004	3,344,545
Passed Through Texas Department of Agriculture			
Community Development Block Grants/State's Program	14.228	C716209	<u>6,609</u>
Total Department of Housing and Urban Development			<u>\$ 10,118,911</u>
<u>Department of Education</u>			
Passed Through Office of the Governor Criminal Justice Division:			
Safe and Drug-Free Schools and Communities_National Programs	16.540	2586005	<u>\$ 22,380</u>
Total Department of Education			<u>\$ 22,380</u>
<u>Department of Health and Human Services</u>			
Passed Through Texas Department of Housing and Community Affairs:			
Community Services Block Grant	93.569	61160002392	\$ 227,963
Community Services Block Grant	93.569	61170002642	246,611
Community Services Block Grant	93.569	61170002750	602
			<u>\$ 475,175</u>
Passed Through Texas Health and Human Services Commission:			
Social Services Block Grant	93.667	529-09-0099-00001	<u>1,188</u>
			<u>\$ 1,188</u>

South East Texas Regional Planning Commission
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2017

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Expenditures
Passed Through Health and Human Services Commission			
Special Programs for the Aging - Title VII, Chapter 3 - Prevention of Elder Abuse, Neglect and Exploitation	93.041	539-11-0016-00001	\$ 4,662
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	539-11-0016-00001	23,091
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion	93.043	539-11-0016-00001	24,608
Special Programs for the Aging - Title III, Part B - Grants for Supportive services for Older Individuals	93.044	539-11-0016-00001	326,981
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	539-11-0016-00001	798,840
Special Programs for the Aging, Title IV, and Title II Discretionary Projects	93.048	539-14-0475-00005	1,893
Special Programs for the Aging - Title III, Part E - National Family Caregiver Support Program	93.052	539-11-0016-00001	116,186
Special Progras for the Aging - Titls III Nutrition Services Incentive Program	93.053	539-11-0016-00001	99,604
Medical Enrollment Assistance Program			
Medicare Improvements for Patients and Providers	93.071	539-11-0016-00001	14,653
Medicare Improvements for Patients and Providers	93.071	539-14-0475-00005	16,384
Lifespan Respit Care Program	93.072	539-14-0475-00005	10,937
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations & Evaluations	93.779	539-11-0016-00001	34,469
Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	55,504
Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	3,001
			<u>\$ 1,530,813</u>
Total Department of Health and Human Services			<u>\$ 2,007,176</u>
<u>Department of Transportation</u>			
Passed Through Texas Department of Transportation:			
Highway Planning and Construction	20.205	33-1XXF0005	\$ 3,758
Highway Planning and Construction	20.205	0920-00-114	366,313
Highway Planning and Construction	20.205	50-17XXF0002	717,437
Public Transportation for Nonurbanized Areas	20.509	51018012016	425,725
Capital Assistance for Ederly Persons and Persons with Disabilities	20.513	7637	74,984
Capital Assistance for Ederly Persons and Persons with Disabilities	20.513	51016012017	322,371
Regional Coordination	20.515	51R08012017	61,368
Regional Coordination	20.515	7765	19,599
Bus and Bus Facilities Formula Program	20.526	51003012017	<u>34,743</u>
Total Department of Transportation			<u>\$ 2,026,298</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 14,948,518</u>

South East Texas Regional Planning Commission
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2017

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Expenditures
STATE OF TEXAS ASSISTANCE			
<u>Office of the Governor</u>			
Criminal Justice Division			
Regional Criminal Justice Coordination	--	30071043	\$ 40,185
Regional Criminal Justice Coordination	--	30080279	3,653
Regional Juvenile Alternatives	--	3066601	48,313
Regional Police Academy	--	1465515	57,550
Homeland Security Division			
Homeland Security Grant Program	--	30070156	24,302
Homeland Security Grant Program	--	2959602	86,480
Homeland Security Grant Program	--	3142101	3,000
Homeland Security Grant Program	--	30080192	2,541
Homeland Security Grant Program	--	2959603	7,602
Total Office of Governor			<u>\$ 273,628</u>
<u>Texas Health and Human Services Commission</u>			
Implementation of 2-1-1	--	529-16-0006-00012B	\$ 300,022
Implementation of 2-1-1	--	529-16-0006-00012C	11,026
Implementation of 2-1-1	--	529-16-0006-00012E	32,417
Special Programs for the Aging - Title III			
Part B - Grants for Supportive services for Older Individuals	--	539-11-0016-00001	75,334
Part B - Grants for Supportive services for Older Individuals	--	539-14-0475-00005	125,057
Special Programs for the Aging - Title III			
Part E - National; Family Caregiver Support Program	--	539-11-0016-00001	68,475
Special Programs for the Aging - Title III			
Passed Through Corporation for National and Community Service:			
Retired Senior Volunteer Program	--	15SRWTX010-3	29,144
Foster Grandparent Program	--	15SFZWTX004-02	6,766
Total Department of Aging and Disabilities			<u>\$ 648,241</u>
<u>Texas Department of Transportation</u>			
State/Local Public Transportation	--	51218012017	\$ 379,030
State/Local Public Transportation	--	51218012017	103,521
Total Department of Transportation			<u>\$ 482,551</u>
<u>Texas Commission on Environmental Quality</u>			
Regional Solid Waste Planning/Implementation	--	582-16-60663	\$ 124,468
Regional Solid Waste Planning/Implementation	--	582-18-80547	351
Rider 8 Air Quality Planning	--	582-16-60187	102,600
Air Quality Real - time Access	--	582-17-70021	50,000
Total Texas Commission on Environmental Quality			<u>\$ 277,418</u>
<u>Commission on State Emergency Communications</u>			
9-1-1 Communications - FY 2015	--	9-1-1 SFY15	\$ 204,416
9-1-1 Communications - FY 2016	--	9-1-1 SFY16	148,580
9-1-1 Communications - FY 2017	--	9-1-1 SFY17	4,512,328
9-1-1 Communications - FY 2018	--	9-1-1 SFY18	128,143
Total Commission on State Emergency Communications			<u>\$ 4,993,467</u>
TOTAL STATE OF TEXAS ASSISTANCE			<u>\$ 6,675,306</u>
TOTAL ASSISTANCE			<u>\$ 21,623,824</u>

South East Texas Regional Planning Commission
Notes to Expenditures of Federal and State Awards Schedule
For the Year Ended September 30, 2017

GENERAL

The accompanying Schedule of Expenditures of Federal and State Financial Awards presents the activity of all Federal and State financial assistance programs of the South East Texas Regional Planning Commission (the "SETRPC"). All federal awards received directly from Federal agencies and state and federal awards passed through state agencies are included on the Schedule.

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Financial Awards are presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

INDIRECT COSTS

The South East Texas Regional Planning Commission has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

South East Texas Regional Planning Commission
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal Control over financial reporting: Material weakness(es) identified	No
Reportable condition(s) identified that are not Considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Reportable condition(s) identified that are not Considered to be material weakness(es)?	None reported
Noncompliance which is material to the basis Financial statements	No
Type of report on compliance with major Programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a)	None reported
Dollar threshold considered between Type A and Type B federal and state programs	Federal - \$750,000 State - \$300,000
Auditee qualified as low-risk auditee?	Yes
Major federal program	Community Development Block Grants/States Program, 14.228 Highway Planning and Construction Program 20.205* Special Programs for the Aging, Title III, Part C, Nutrition Services, 93.045*

Summary of Auditors' Results (continued)

Major State Program

9-1-1 Communications

Findings Relating to the Financial Statements Which Are required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None were reported

Findings and Questioned Costs for Federal and State Awards

None were reported

Follow up on Prior Year Findings and Questioned Costs

None were reported

***Cluster Programs**

