

# 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, 2018

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, 2018

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, 2018**

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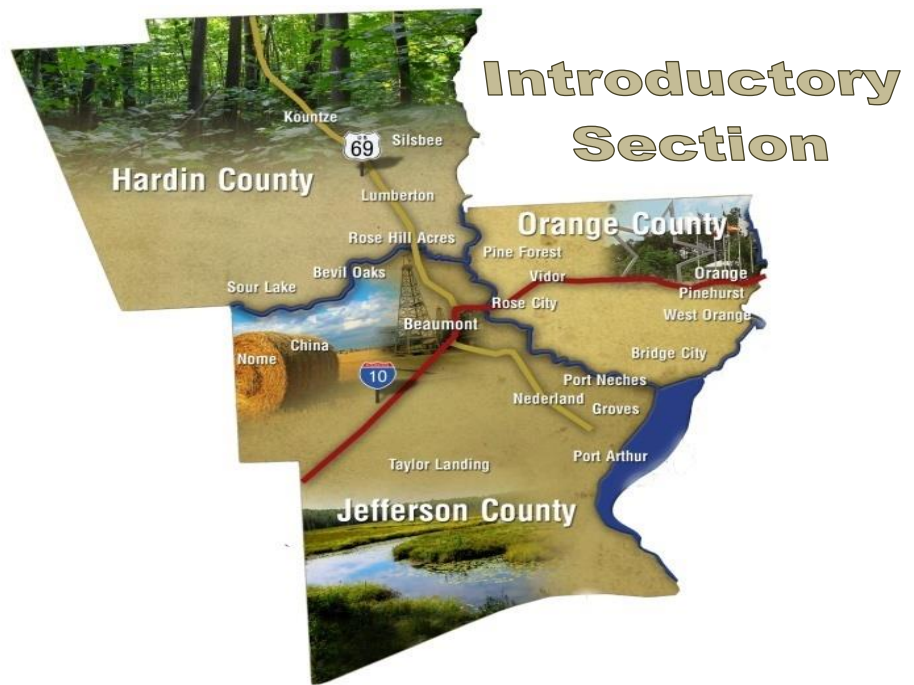
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July 2, 2019

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, 2018. 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, 2018, 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 unmodified opinion that the SETRPC's financial statements for the fiscal year ended September 30, 2018, 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 – John Gothia, Orange County | 1<sup>st</sup> VP – Rebecca Ford, Bevil Oaks | 2<sup>nd</sup> VP – Mary Adams, Kountze  
3<sup>rd</sup> VP – Kirk Roccaforte, Bridge City | Treasurer – Michael Sinegal, Jefferson County |  
Secretary – Judge Wayne McDaniel, Hardin County

Executive Director – Shanna Burke  
2210 Eastex Freeway Beaumont, Texas 77703-4929  
(409) 899-8444 | (409) 347-0138 fax  
[setrpc@setrpc.org](mailto: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 February 2019, the areas unemployment rate was at 5.9%.

## **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, 2018. 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, ...



Shanna Burke  
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**

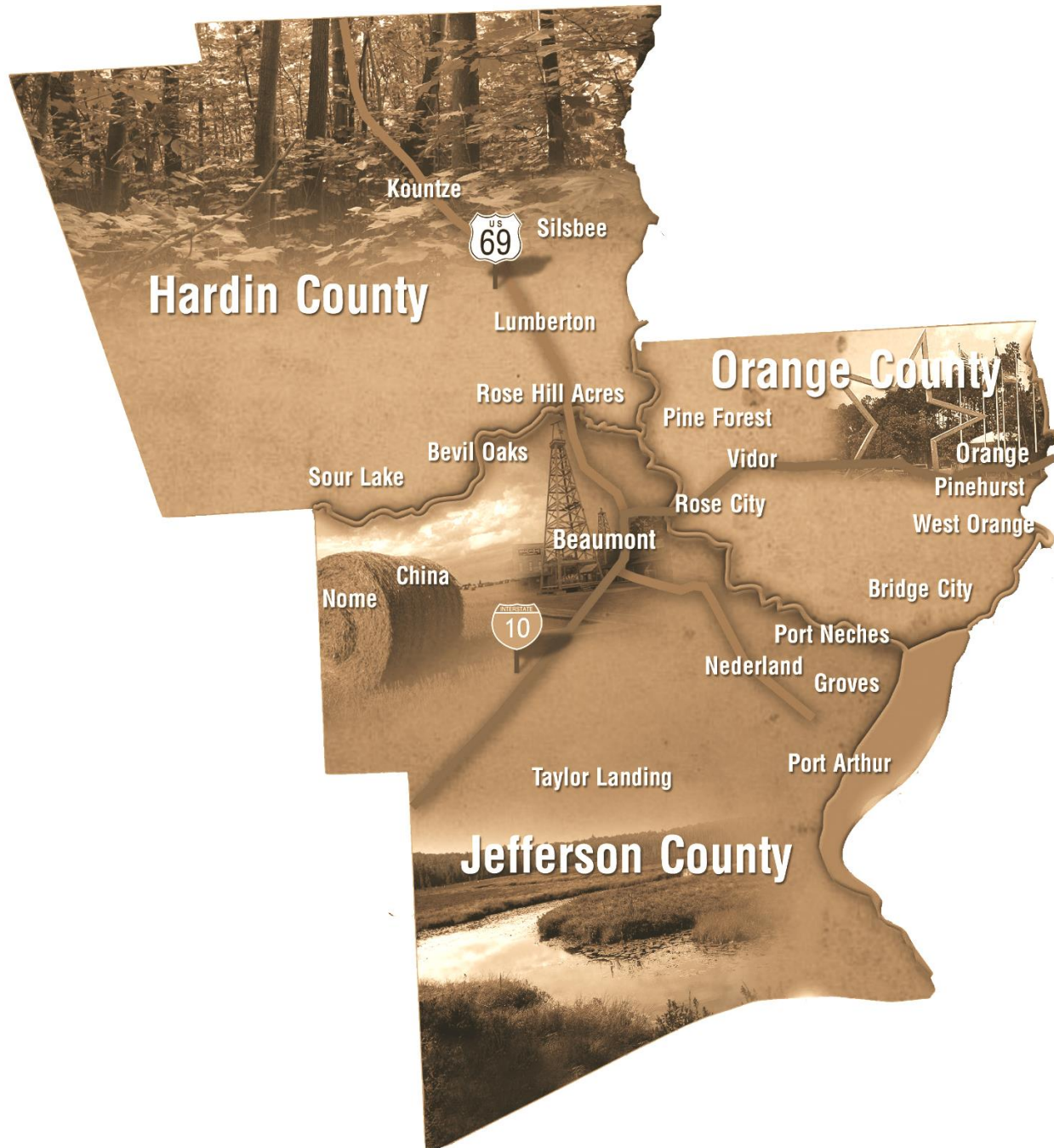
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

## SOUTH EAST TEXAS REGION



## 2018 EXECUTIVE COMMITTEE OFFICERS



Commissioner  
Chris Kirkendall  
Hardin County  
President



Commissioner  
Barry Burton  
Orange County  
1<sup>st</sup> Vice-President  
Jan 2018 – June 2018



Commissioner  
John Gothia  
Orange County  
1<sup>st</sup> Vice-President  
June 2018 – Dec 2018



Mayor  
Rebecca Ford  
City of Bevil Oaks  
2<sup>nd</sup> Vice-President



Alder Member  
Mary Adams  
City of Kountze  
3<sup>rd</sup> Vice-President



Council Member  
Kirk Roccaforte  
City of Bridge City  
Treasurer



Commissioner  
Michael Sinegal  
Jefferson County  
Secretary

## 2018 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 (19)		
Jefferson County Emergency Services District #1		Mauriceville Municipal Utility District
Jefferson County Emergency Services District #3		Orange County Drainage District
Hardin County Emergency Services District #2		Orange County Water Control & Improvement Dist. #1
Orange County Emergency Services District #3		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		

## EXECUTIVE STAFF

Executive Director/Human Resource..... Shanna Burke

Executive Assistant.....Suzanne Carver

Director, Finance .....Jim Borel

Director, Community Services Division ..... Colleen Halliburton

Director, Disaster Recovery Division ..... Glenda Lacy

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

Director, AARP Experience Corps Southeast Texas ..... Stephanie Lartigue

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

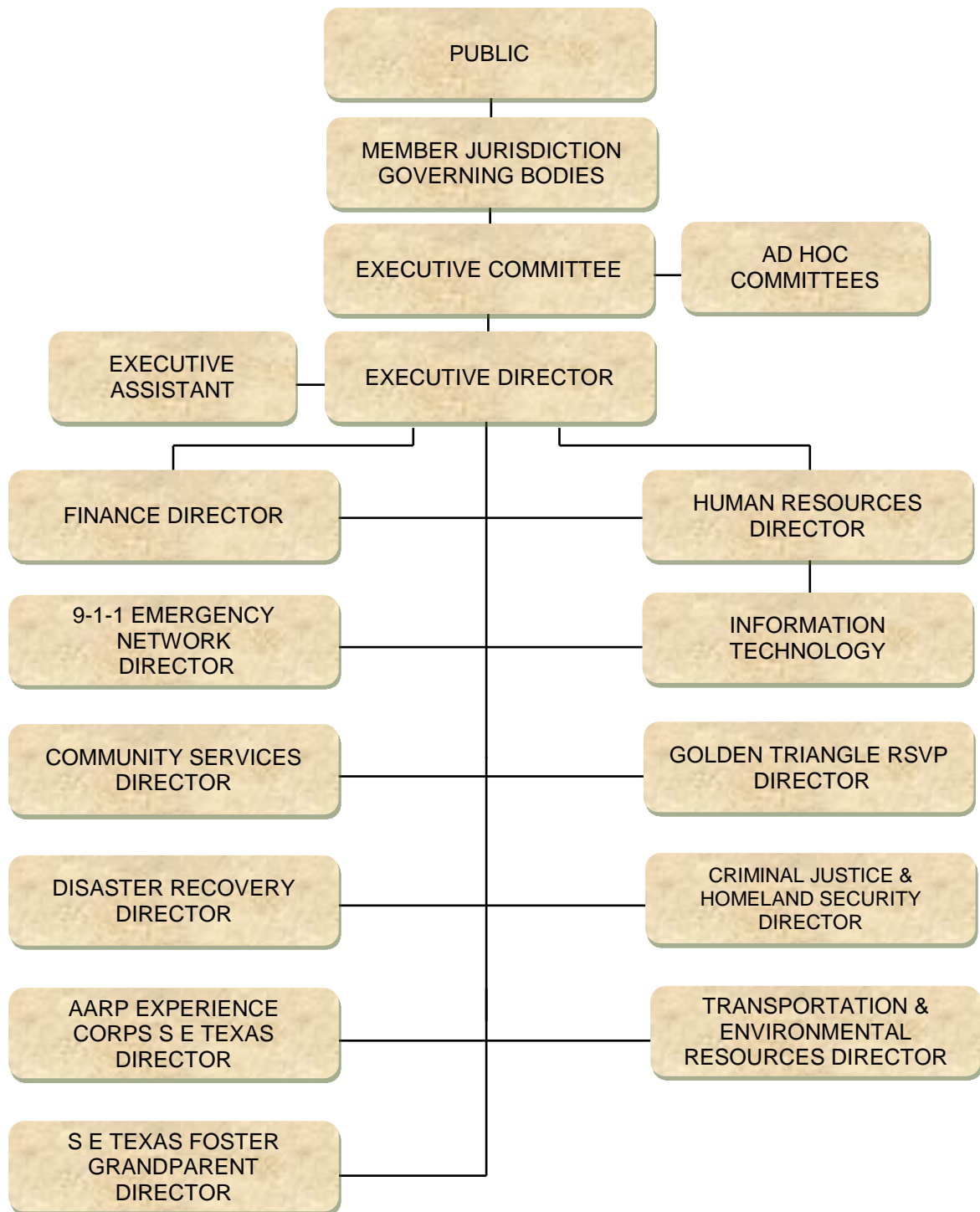
Director, Southeast Texas Foster Grandparent Program .....Tyronna McKenzie

Director, Criminal Justice and Homeland Security Division ..... Sue Landry

Director, Transportation & Environmental Resources .....Bob 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, 2018, 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, 2018, 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 14-20 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 on pages 2-10, the combining and individual non-major fund financial statements on pages 43-48, the final indirect cost rate on page 49, and the final employee benefit rate on page 50, 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 on pages 66-75 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 July 2, 2019, 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 & Associates, P.C.*

Charles E. Reed and Associates, P.C.  
Certified Public Accountants and Consultants  
Port Arthur, Texas  
July 2, 2019

## 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, 2018. 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 49 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 2018 by \$8,473,185. Of this amount \$3,035,132 is considered unrestricted and may be used to meet ongoing financial obligations. The balance of net position, \$5,438,054, is the net amount invested in capital assets.
- b. The SETRPC's total net position decreased by \$128,872 in 2018.
- c. As of the close of the current fiscal year, the SETRPC's governmental funds reported a combined ending fund balance of \$3,218,235 at September 30, 2018.
- d. At the end of the current fiscal year, unassigned fund balance for the general fund was \$563,455 or 2.40% 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 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 2018	Governmental Activities 2017	% Change
Current and other assets	\$ 8,454,289	\$ 6,717,902	25.8%
Capital assets, net	5,877,368	5,933,027	-0.9%
Total assets	<u>14,331,657</u>	<u>12,650,929</u>	<u>13.3%</u>
Long-term liabilities outstanding	363,151	578,170	-37.2%
Other liabilities	5,495,321	3,470,700	58.3%
Total liabilities	<u>5,858,472</u>	<u>4,048,870</u>	<u>44.7%</u>
Net position:			
Net investment in capital assets	5,438,054	5,375,405	1.2%
Unrestricted	3,035,132	3,226,653	-5.9%
	<u>\$ 8,473,185</u>	<u>\$ 8,602,058</u>	<u>-1.5%</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 decreased between fiscal years 2017 and 2018 by \$128,872 – a decrease of 1.5% from fiscal year 2017.

A large portion of the SETRPC's net position (\$3,035,132) reflects its unrestricted assets which may be used to meet ongoing financial obligations. SETRPC's unrestricted assets decreased between fiscal years 2017 and 2018 by \$191,521 or 5.94%. The remainder of SETRPC's net position increased by \$62,649 or 1.17%. 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 increased by \$4,450,178 (21.4%) in the current year. Following are details of the significant changes for the programs administered by the SETRPC.

- a. General government decreased by \$20,911 (34.4%) primarily due to an decrease in local support of community services, community development, 9-1-1 emergency network, and foster grandparent programs.
- b. 9-1-1 Emergency Communications shows an increase of \$533,982 (24.3%) In 2018 the program completed installing microwave towers throughout the region to serve as a closed loop for all 13 Public Safety Answering Points (PSAP). Also, efforts have begun to install new software at each of the PSAP'
- c. Community Development had an increase of \$3,409,222 (33.6%). While disaster relief assistance for residents following hurricane Ike were wrapping up Southeast Texas sustained another direct hit from a hurricane, this one from hurricane Harvey. SETRPC began administering a contract with the Federal Emergency Management Agency to provide short term housing assistance for affected residents of Southeast Texas.
- d. Community Services had an increase in activity of \$492,243 (78.4%). As with the community development division the community services division saw an increase in contracts to help support the short term needs of residents affected by hurricane Harvey. SETRPC contracted with the Texas Department of Housing and Community Affairs (TDHCA) to provide client assistance to residents impacted by Hurricane Harvey. Those services included but were not limited to cost to transport return home or to relocate, blankets, fans, Utility assistance which may include shutoff assistance, payment for arrears, deposits at new homes, and gift cards to cover numerous items such as infant formula, diapers, consumable medical supplies, prescriptions, durable medical equipment (i.e. wheelchair, walker), personal hygiene items, fuel for transportation, household goods such as dishes, bedding, cleaning supplies, tools, uniforms, supplies necessary to return to work, school supplies, books, clothing, and food/water. Another contract was executed with the AARP Foundation to provide services to eligible individuals 50 years or old with household annual income at or below 200% of federal poverty guidelines. The services provided were in line with AARP's core areas of food security, income security, and housing security.
- e. Homeland Security program saw an increase in activities of \$137,480 (35.5%) The primary reason for the increase is due to a new contract signed with the Federal Emergency Management Agency (FEMA) for \$1,076,336. The Complex Coordinated Terrorist Attack (CCTA) grant funded by the Department of Homeland Security and administered by FEMA is designed to provide planning, training and exercise initiatives to prepare the whole community were a CCTA incident to occur in Southeast Texas. A CCTA incident is defined as a complex and coordinated multi-modal terrorist incident such as one involving the use of a firearm, fire as a weapon and explosives. Examples of preparedness efforts that will emerge as a result of this grant include a CCTA Unified Regional Response Plan, a CCTA Action Plan, Emerging Terrorist Trends research, workshops and tabletop drills for tactical, medical, and public information officers and many other deliverables. The CCTA grant will culminate in a full scale exercise on May 21, 2020. SETRPC was one of 26 projects funded in the nation of the 141 applicants.

**South East Texas Regional Planning Commission**  
**Changes in Net Position**

	Governmental Activities 2018	Governmental Activities 2017	Difference	Percent Change from Prior Year
REVENUES:				
Program revenues:				
Operating Grants and contributions	\$ 25,079,855	\$ 23,502,447	\$ 1,577,408	6.7%
General revenues:				
Investment earnings	2,482	3,173	(691)	-21.8%
	<u>25,082,337</u>	<u>23,505,620</u>	<u>\$ 1,576,717</u>	<u>6.7%</u>
EXPENSES:				
General government	39,828	60,739	(20,911)	-34.4%
Air Quality	1,006,560	1,169,673	(163,113)	-13.9%
9-1-1 Emergency Network	2,732,817	2,198,835	533,982	24.3%
Substance Abuse	9,637	7,400	2,238	30.2%
Area Agency on Aging	2,421,960	2,291,848	130,113	5.7%
Community Development	13,564,357	10,155,136	3,409,222	33.6%
Community Services	1,119,801	627,558	492,243	78.4%
Public Safety	204,443	180,903	23,540	13.0%
Foster Grandparent	467,506	469,838	(2,332)	-0.5%
RSVP	363,874	367,369	(3,495)	-1.0%
Solid Waste Management Planning	142,639	126,872	15,768	12.4%
Transportation Planning	2,273,491	2,372,797	(99,307)	-4.2%
Homeless	54,300	57,210	(2,910)	-5.1%
AARP Experience Corps	266,010	264,030	1,980	0.8%
Homeland Security	525,165	387,685	137,480	35.5%
Interest	18,819	23,139	(4,319)	-18.7%
Total governmental activities	<u>25,211,209</u>	<u>20,761,031</u>	<u>4,450,178</u>	<u>21.4%</u>
Change in net position	(128,872)	2,744,590		
Net position, beginning	<u>\$ 8,602,058</u>	<u>\$ 5,857,468</u>		
Net position, ending	<u>\$ 8,473,186</u>	<u>\$ 8,602,058</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, 2018, the SETRPC's governmental fund reported ending fund balances of \$3,218,235 a decrease of \$39,966 in comparison with the prior year.

**General Fund.** The unassigned fund balance of the SETRPC's general fund increased by \$29,643. 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 \$69,610 during fiscal year 2018. For the second year in a row SETRPC saw a reduction of Supplemental Environmental Project (SEP) funding. Therefore, it was necessary to utilize Air Quality monitoring dues during fiscal year 2018. 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 \$5,877,368 (net of accumulated depreciation) as of September 30, 2018. 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 completed installing microwave towers throughout the region to serve as a closed loop for Public Safety Answering Points (PSAP). Purchases for this program totaled \$415,462.
- b. Our Transportation division purchased additional buses to assist with service for the rural communities of Jefferson and Hardin counties. These purchases totaled \$133,562.

### CAPITAL ASSETS Net of Depreciation

	Governmental Activities	
	2018	2017
Land	\$ 136,130	\$ 136,130
Building	878,701	808,820
Furniture and equipment	4,862,537	4,988,077
	<u>\$ 5,877,368</u>	<u>\$ 5,933,027</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, 2018, the SETRPC had \$316,493 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). The congressional budget office (CBO) is required to report on whether appropriations enacted for a fiscal year have exceeded the statutory caps on discretionary funding. The CBO estimated caps had not been exceeded and a sequestration was not required for 2018. Finally, in August and September of 2017 the Southeast Texas region took a direct hit from Hurricane Harvey. SETRPC received disaster relief funding through the Federal Emergency Management Agency during this fiscal year and expects to receive additional funding in fiscal year 2019.

### **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, 2018**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 539,757
Investments	2,403,050
Accounts Receivable	77,267
Due from grantor agencies	4,767,588
Prepaid items	666,626
Capital Assets:	
Land	136,130
Building	2,098,400
Equipment	7,665,175
Less: accumulated depreciation	<u>(4,022,337)</u>
Total Assets	<u>\$ 14,331,657</u>
<b>LIABILITIES</b>	
Accounts Payable	3,696,602
Unearned Revenue	1,539,357
Noncurrent liabilities:	
Due within on year	259,361
Due in more than one year	<u>363,151</u>
Total Liabilities	<u>\$ 5,858,472</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 5,438,054
Unrestricted net assets	<u>3,035,132</u>
Total net assets	<u>\$ 8,473,185</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, 2018**

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Government activities:						
General government	\$ 39,828	\$ -	\$ 39,828	\$ -	\$ 84,878	\$ 45,049
Air Quality	1,003,911	2,649	1,006,560	-	913,690	(92,870)
9-1-1 Emergency Network	2,557,274	175,543	2,732,817	-	2,588,879	(143,938)
Substance Abuse	9,637	-	9,637	-	-	(9,637)
Area Agency on Aging	2,208,564	213,396	2,421,960	-	2,446,657	24,697
Community Development	13,339,393	224,965	13,564,357	-	13,570,284	5,927
Community Services	1,044,639	75,161	1,119,801	-	1,118,688	(1,113)
Public Safety	192,123	12,321	204,443	-	210,568	6,124
Foster Grandparent	432,654	34,852	467,506	-	489,903	22,397
RSVP	302,699	61,174	363,874	-	317,756	(46,118)
Solid Waste Management Planning	142,529	111	142,639	-	138,841	(3,798)
Transportation Planning	2,156,276	117,215	2,273,491	-	2,314,082	40,591
Homeless	42,950	11,350	54,300	-	43,059	(11,241)
AARP Experience Corps	236,264	29,746	266,010	-	317,108	51,098
Homeland Security Planning	478,533	46,632	525,165	-	525,463	298
Interest	18,819	-	18,819	-	-	(18,819)
Total government activities	24,206,092	1,005,117	25,211,209	-	25,079,855	(131,354)
Total primary government	\$24,206,092	\$1,005,117	\$ 25,211,209	\$ -	\$ 25,079,855	(131,354)
General revenues:						
Investment earnings						2,482
Total general revenues, special items, and transfers						2,482
Change in net position						(128,872)
Net Position, beginning						8,602,058
Net Position , ending						\$8,473,186

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

**South East Texas Regional Planning Commission  
Balance Sheet  
Governmental Funds  
September 30, 2018**

	General Fund	Air Quality	Area Agency on Aging	Community Development	Community Services	9-1-1 Emergency Network	Transportation Planning Program	Other Government Programs	Total Governmental Funds
<b>Assets</b>									
Cash	\$ 530,989	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 531,189
Investments	1,313	1,538,927	-	-	238,399	617,361	-	3,194	2,399,193
Accounts receivable	-	34,300	1,080	-	-	739	-	40,996	77,115
Due from grantor agencies	-	5,917	625,766	3,314,119	67,089	54,001	394,826	305,870	4,767,588
Due from other funds	998,375	240	-	-	37,537	-	-	298,800	1,334,952
Prepaid items	-	5,604	6,561	4,099	4,800	531,221	3,931	84,190	640,406
<b>Total Assets</b>	<b>1,530,677</b>	<b>1,584,987</b>	<b>633,407</b>	<b>3,318,219</b>	<b>347,824</b>	<b>1,203,522</b>	<b>398,758</b>	<b>733,050</b>	<b>9,750,443</b>
<b>Liabilities</b>									
Accounts payable	50,451	76,113	140,856	2,928,091	30,181	207,938	132,133	107,816	3,673,580
Unearned Revenue	-	-	-	-	316,981	983,435	92,897	139,719	1,533,032
Due to other funds	341,876	20	404,799	390,129	-	12,148	169,859	6,765	1,325,595
<b>Total Liabilities</b>	<b>392,328</b>	<b>76,133</b>	<b>545,655</b>	<b>3,318,219</b>	<b>347,162</b>	<b>1,203,521</b>	<b>394,889</b>	<b>254,300</b>	<b>6,532,207</b>
<b>Fund balances</b>									
Nonspendable	-	5,604	6,561	4,099	4,800	531,221	3,931	84,190	640,406
Assigned to:									
Air Quality	-	1,503,249	-	-	-	-	-	-	1,503,249
Substance Abuse Program	2,453	-	-	-	-	-	-	(2,453)	-
Area Agency on Aging	-	-	81,191	-	-	-	-	-	81,191
Public Safety	-	-	-	-	-	-	-	136,187	136,187
Foster Grandparent Program	-	-	-	-	-	-	-	26,513	26,513
RSVP	-	-	-	-	-	-	-	57,896	57,896
Solid Waste Management Planning	-	-	-	-	-	-	-	21,690	21,690
Transportation Planning	63	-	-	-	-	-	(63)	-	(0)
Homeless Coalition	-	-	-	-	-	-	-	7,808	7,808
AARP Experience Corps	-	-	-	-	-	-	-	179,841	179,841
Homeland Security Planning	32,920	-	-	-	-	-	-	(32,920)	-
Community Development	4,099	-	-	(4,099)	-	-	-	-	-
Community Services	4,138	-	-	-	(4,138)	-	-	-	-
9-1-1 Emergency Network	531,222	-	-	-	-	(531,222)	-	-	-
Unassigned	563,455	-	-	-	-	-	-	-	563,455
<b>Total Fund balances</b>	<b>1,138,350</b>	<b>1,508,853</b>	<b>87,752</b>	<b>-</b>	<b>662</b>	<b>(1)</b>	<b>3,868</b>	<b>478,750</b>	<b>3,218,235</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,530,677</b>	<b>\$ 1,584,987</b>	<b>\$ 633,407</b>	<b>\$ 3,318,219</b>	<b>\$ 347,824</b>	<b>\$ 1,203,521</b>	<b>\$ 398,758</b>	<b>\$ 733,050</b>	

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.

4,930,360

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.

507,787

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

(183,197)

Net position of governmental activities (page 23)

\$ 8,473,186

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, 2018

	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	\$ -	\$ 2,242,856	\$ 99,017	\$ 647,441	\$ 13,474,011	\$ 2,588,804	\$ 2,314,082	\$ 1,403,597	\$ 22,769,807
Membership Dues & Assessments	84,878	61,687		-	-			129,710	276,274
Miscellaneous		142,115	814,673	471,247	96,274	75	-	509,391	2,033,774
Investment Income	631	-	1,197	279		355	-	21	2,482
Total Revenues	85,509	2,446,657	914,887	1,118,967	13,570,284	2,589,234	2,314,082	2,042,718	25,082,337
Expenditures									
Current:									
General Fund	34,654				-		-	-	34,654
Community Development	-				13,577,256		-	-	13,577,256
Community Services	-			1,123,544	-		-	-	1,123,544
Substance Abuse	-				-		-	8,947	8,947
9-1-1 Emergency Network	-				-	2,173,771	-	-	2,173,771
Air Quality	-		1,006,684		-		-	-	1,006,684
Area Agency on Aging	-	2,434,234			-		-	-	2,434,234
Public Safety	-				-		-	204,912	204,912
Foster Grandparent Program	-				-		-	469,263	469,263
RSVP	-				-		-	366,469	366,469
Solid Waste Management Planning	-				-		-	142,640	142,640
Transportation Planning	-				-		2,181,323	-	2,181,323
Homeless Coalition	-				-		-	55,085	55,085
AARP Experience Corps	-				-		-	267,866	267,866
Homeland Security Planning	-				-		-	526,633	526,633
Capital Outlay	-		-		-	415,462	133,562	-	549,024
Total Expenditures	34,654	2,434,234	1,006,684	1,123,544	13,577,256	2,589,233	2,314,885	2,041,814	25,122,304
Excess (deficiency) of Revenues Over Expenditures	50,855	12,423	(91,797)	(4,577)	(6,972)	1	(804)	905	(39,966)
Other Financing Sources									
Transfers in	-	5,000	43,417	4,577	6,972	-	356,686	9,663	426,314
Transfers out	(21,211)	(5,000)	(43,417)	-	-	-	(356,686)	-	(426,314)
Total Other Financing Sources	(21,211)	-	-	4,577	6,972	-	-	9,663	-
Net change in fund balances	29,643	12,423	(91,797)	(1)	(0)	1	(804)	10,568	(39,966)
Fund Balances - Beginning	1,108,708	75,328	1,600,650	663	(1)	0	4,672	468,184	3,258,205
Fund Balances - Ending	\$ 1,138,351	\$ 87,752	\$ 1,508,853	\$ 662	\$ (1)	\$ 1	\$ 3,868	\$ 478,751	\$ 3,218,237

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, 2018**

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

Net change in fund balances - total governmental funds (page 25)	\$ (39,966)
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.	(34,439)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports only the gain or loss on the sale or disposal of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold or disposed.	(95,940)
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.	46,648
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.	<u>(5,174)</u>
Change in net position of governmental activities (page 23)	<u><u>\$ (128,872)</u></u>

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, 2018**

	<u><b>Internal Service Fund</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 12,425
Prepaid items	26,372
Total current Assets	<u>38,798</u>
Noncurrent Assests:	
Capital assets -	
Land	136,130
Buildings	1,930,318
Less: accumulated depreciation	<u>(1,119,440)</u>
Capital assets - net of depreciation	<u>947,009</u>
Total Assets	<u>985,806</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	29,328
Due To Other Funds	9,377
Current portion of note payable	<u>122,823</u>
Total current liabilities	<u>161,527</u>
Noncurrent liabilities:	
Advances from Other Funds	-
Note payable	<u>316,492</u>
Total noncurrent liabilities	<u>316,492</u>
Total Liabilities	<u>478,019</u>
<b>NET POSITION</b>	
Net investment in capital assets	507,694
Unrestricted	<u>94</u>
Total net position	<u><u>\$ 507,787</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, 2018**

	<b>Internal Service Fund</b>
Operating Revenues	
Regional Planning Commission Support Services	\$1,332,914
Total Operating Revenues	<u>1,332,914</u>
Operating Expenses	
Personnel	790,823
Supplies Expense	26,144
Printing & Publications Expense	883
Dues & Subscriptions	34,666
Subcontractor Services Expense	44,425
Telecommunications Expense	25,836
Postage Expense	4,996
Conferences & Seminars	15,604
Auto Allowances	9,120
Local Travel	509
Rent Expense	61,025
Utilities Expense	44,379
Audit & Other Professional Services	38,841
Equip - Lease/Rental Expense	24,653
Equipment - Maintenance Expense	11,468
Licenses Expense	50
Building Repairs & Maintenance	35,942
Depreciation and Amortization	71,660
Other Insurance Expense	30,876
Indirect Costs	14,031
Total Operating Expenses	<u>1,285,930</u>
Operating Income (Loss)	<u>46,984</u>
Nonoperating Revenues (expenses)	
Miscellaneous	18,483
Interest Expense	<u>(18,819)</u>
Change in net position	46,648
Net Position - October 1	<u>461,139</u>
Net Position - September 30	<u>\$ 507,787</u>

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

**South East Texas Regional Planning Commission**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2018**

	<b>Internal Service Fund</b>
Cash flows from operating activities	
Cash received from other funds for services	\$ 1,332,914
Cash payments to suppliers for goods and services	(374,192)
Cash payments to employees for services	(523,923)
Cash payments to other funds for services	(280,932)
Net cash provided (used) by operating activities	<u>153,867</u>
Cash flows from noncapital financing activities	
Received (due) from non-operating grants	18,329
Cash payments to/from other funds	(25,603)
Net cash provided (used) by noncapital and related financing activities	<u>(672)</u>
Cash flows from capital and related financing activities	
Retirement of debt	(118,307)
Payment of interest	(18,819)
Net cash provided (used) by capital and related financing activities	<u>(283,506)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(130,311)
Cash and Cash Equivalents - Beginning of Year	<u>142,736</u>
Cash and Cash Equivalents - End of Year	<u><u>12,424.79</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	<u>46,984</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	71,660
Change in assets and liabilities:	
(Increase) decrease in prepaid items	53,779
Increase (decrease) in accounts payable	(18,555)
Total adjustments	<u>106,883</u>
Net cash provided by operating activities	<u><u>\$ 153,867</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, 2018**

	<u>Agency Funds</u>
ASSETS	
Accounts Receivable	<u>\$ 47,912</u>
Total Assets	<u>\$ 47,912</u>
LIABILITIES	
Accounts Payable	\$ 4,584
Due To Economic Development District	43,328
Due To Employees	<u>-</u>
Total Liabilities	<u>\$ 47,912</u>
NET POSITION	<u>\$ -</u>

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

**South East Texas Regional Planning Commission**  
**Notes to Financial Statements**  
**September 30, 2018**

**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. The government-wide financial statements do not report internal balances and transfers between funds that are incorporated into the same activities column. Thus, interfund balances and transfers between two governmental funds are not reported in the government-wide financial 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 60 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, 2018.

#### ***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. Unearned Revenue***

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2018.

#### ***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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair market value. 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 31<sup>st</sup> 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 (\$34,439) difference are as follows:

Capital outlay	\$	549,024
Depreciation expense		<u>(583,463)</u>
<i>Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities</i>		
	\$	<u><u>(34,439)</u></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, 2018 were \$539,457 and the bank balances were \$1,113,893. 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, 2018 was \$2,395,025. 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, 2018 was \$8,025 with a weighted average maturity of 28 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, 2018 for SETRPC's governmental funds were as follows:

Due from grantor agencies	\$ 4,767,588
Other receivables	<u>77,267</u>
Total receivables	<u>\$ 4,844,855</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, 2018:

# **DETAILED NOTES ON ALL FUNDS (continued)**

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 998,375	\$ 341,876
Air Quality Program	240	
Area Agency on Aging Program		404,799
Community Services Program	37,537	
Community / Economic Development Program		390,129
Criminal Justice Program	110,567	
9-1-1 Emergency Network		12,148
Foster Grandparent Program	23,379	
RSVP	4,988	
Solid Waste Management Planning Program		3,023
Substance Abuse Program		3,742
Transportation Planning Program		169,859
Homeless Coalition	7,878	
AARP Experience Corps Program	148,202	
Homeland Security Program	3,786	
Agency Funds		
Internal Service Funds	<u>5,300</u>	<u>14,676</u>
	<u>\$ 1,340,252</u>	<u>\$ 1,340,252</u>

## **Capital Assets**

Primary government capital asset activity for the year ended September 30, 2018 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	146,380	-	2,098,400
Furniture and equipment	<u>7,581,735</u>	<u>549,024</u>	<u>465,584</u>	<u>7,665,175</u>
Total	<u>9,533,755</u>	<u>695,404</u>	<u>465,584</u>	<u>9,763,575</u>

### Less Accumulated Depreciation for:

Buildings	1,143,200	76,499	-	1,219,698
Furniture and equipment	<u>2,593,658</u>	<u>578,623</u>	<u>369,643</u>	<u>2,802,638</u>
Total	<u>3,736,858</u>	<u>655,122</u>	<u>369,643</u>	<u>4,022,337</u>
	<u>\$ 5,933,027</u>	<u>\$ 40,282</u>	<u>\$ 95,940</u>	<u>\$ 5,877,368</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	502,884
Transportation & Environmental Resources	75,253
Community/Economic Development	1,913
Homeless	807
Internal Service Fund	<u>71,660</u>
Total Depreciation Expense - government Activities	<u>\$ 655,122</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%. The maturity date is March 07, 2022.

Maturities by year are as follows:

Fiscal Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
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>\$ 439,315</u>	<u>\$ 29,469</u>	<u>\$ 468,784</u>

Long-term activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Note payable	\$ 557,622	\$ -	\$ 118,307	\$ 439,315	\$ 122,823
Compensated absences	<u>178,023</u>	<u>33,023</u>	<u>27,849</u>	<u>183,197</u>	<u>136,539</u>
Governmental activity long-term liabilities	<u>\$ 735,645</u>	<u>\$ 33,023</u>	<u>\$ 146,156</u>	<u>\$ 622,512</u>	<u>\$ 259,362</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, 2018, various interfund transfers are summarized as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 21,211
Air Quality	43,417	43,417
Area Agency on Aging	5,000	5,000
Community Development	6,972	-
Community Services	4,577	-
9-1-1 Emergency Network	-	-
Foster Grandparent	-	-
Substance Abuse	9,663	-
Transportation Planning	356,686	356,686
	<u>\$ 426,314</u>	<u>\$ 426,314</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, 2018, was \$251,068. Forfeitures amounted to \$16,311. Covered annual salaries for the same period totaled \$3,225,440 with total payroll being \$3,324,239. There were no unfunded past service costs at September 30, 2018. Employees made contributions of \$267,379. The number of Plan Participants at September 30, 2018 was 57.

### ***Subsequent Events***

Events occurring subsequent to September 30, 2018 were evaluated by management and reviewed through July 2, 2019, the date the financial statements were available to be issued, with no significant items reported.

### ***Other***

After Hurricane Harvey hit the Texas coast in August 2017 the South East Texas Regional Planning Commission (SETRPC) contracted with the General Land Office – Community Development and Revitalization division (GLO-CDR) to provide emergency housing assistance to the residents of Jefferson, Orange, and Hardin counties. On December 8, 2017 the SETRPC entered into a contract with AECOM for program management services. This agreement was executed to assist with administering the contract between SETRPC and the (GLO-CDR). In September 2018 the (GLO-CDR) performed a review of the contract and administration of the emergency housing program. During that review GLO-CDR identified several findings which questioned the reasonableness of the project management services contract, procurement documentation and procedures, subcontractor oversight procedures, and security of applicant information. As a result of the monitoring the SETRPC has implemented certain procedures to strengthen its oversight responsibilities and renegotiated the contract with AECOM. The new procedures implemented have resulted in a much more efficient and secure program. Also, contract negotiations with AECOM resulted in an amendment to the original contract for substantial savings.

# 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, 2018**

	Public Safety	Foster Grandparent	RSVP	Solid Waste Management Planning	Substance Abuse Program	Homeless	AARP Experience Corps	Homeland Security Planning	Total
<b>Assets</b>									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	1,906	1,288	-	-	-	3,194
Accounts receivable	-	-	-	-	-	-	40,996	-	40,996
Due from grantor agencies	66,128	14,593	53,895	23,121	-	-	-	148,134	305,870
Due from other funds	110,567	23,379	4,988	-	-	7,878	148,202	3,786	298,800
Prepaid items	-	-	3,000	-	3,190	-	-	78,000	84,190
<b>Total Assets</b>	<b>176,694</b>	<b>37,971</b>	<b>61,883</b>	<b>25,027</b>	<b>4,478</b>	<b>7,878</b>	<b>189,198</b>	<b>229,921</b>	<b>733,050</b>
<b>Liabilities</b>									
Accounts payable	40,508	11,458	987	17	-	70	9,358	45,418	107,816
Unearned Revenue	-	-	-	296	-	-	-	139,422	139,719
Due to other funds	-	-	-	3,023	3,742	-	-	-	6,765
<b>Total Liabilities</b>	<b>40,508</b>	<b>11,458</b>	<b>987</b>	<b>3,337</b>	<b>3,742</b>	<b>70</b>	<b>9,358</b>	<b>184,840</b>	<b>254,300</b>
<b>Fund balances:</b>									
Nonspendable	-	-	3,000	-	3,190	-	-	78,000	84,190
Assigned to:									
Area Agency on Aging	-	-	-	-	-	-	-	-	-
Public Safety	136,187	-	-	-	-	-	-	-	136,187
Foster Grandparent	-	26,513	-	-	-	-	-	-	26,513
RSVP	-	-	57,896	-	-	-	-	-	57,896
Solid Waste Management Planning	-	-	-	21,690	-	-	-	-	21,690
Substance Abuse Program	-	-	-	-	(2,453)	-	-	-	(2,453)
Homeless	-	-	-	-	-	7,808	-	-	7,808
AARP Experience Corps	-	-	-	-	-	-	179,841	-	179,841
Homeland Security Planning	-	-	-	-	-	-	-	(32,920)	(32,920)
Community Services	-	-	-	-	-	-	-	-	-
9-1-1 Emergency Network	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total Fund balances</b>	<b>136,187</b>	<b>26,513</b>	<b>60,896</b>	<b>21,690</b>	<b>736</b>	<b>7,808</b>	<b>179,841</b>	<b>45,080</b>	<b>478,750</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 176,694</b>	<b>\$ 37,971</b>	<b>\$ 61,883</b>	<b>\$ 25,027</b>	<b>\$ 4,478</b>	<b>\$ 7,878</b>	<b>\$ 189,198</b>	<b>\$ 229,921</b>	<b>\$ 733,050</b>

**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, 2018**

	Public Safety	Foster Grandparent Program	RSVP	Solid Waste Management Planning	Substance Abuse Program	Homeless	Experience Corps	Homeland Security Planning	Total
<b>Revenues</b>									
Intergovernmental	\$ 199,963	\$ 400,865	\$ 236,225	\$ 137,771	\$ -	\$ -	\$ -	\$ 428,773	1,403,597
Member Dues & Assessments	10,605	34,967	41,079	-	-	43,059	-	-	129,710
Miscellaneous	-	54,070	40,452	1,071	-	-	317,108	96,690	509,391
Investment Income	-	-	-	-	20	-	-	0	21
<b>Total Revenues</b>	<b>210,568</b>	<b>489,903</b>	<b>317,756</b>	<b>138,841</b>	<b>20</b>	<b>43,059</b>	<b>317,108</b>	<b>525,464</b>	<b>2,042,718</b>
<b>Expenses</b>									
Current:									
Area Agency on Aging	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Public Safety	204,912	-	-	-	-	-	-	-	204,912
Foster Grandparent Program	-	469,263	-	-	-	-	-	-	469,263
RSVP	-	-	366,469	-	-	-	-	-	366,469
Solid Waste Mangement Planning	-	-	-	142,640	-	-	-	-	142,640
Transportation Planning	-	-	-	-	8,947	-	-	-	8,947
Homeless Coalition	-	-	-	-	-	55,085	-	-	55,085
AARP Experience Corps	-	-	-	-	-	-	267,866	-	267,866
Homeland Security Planning	-	-	-	-	-	-	-	526,633	526,633
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>204,912</b>	<b>469,263</b>	<b>366,469</b>	<b>142,640</b>	<b>8,947</b>	<b>55,085</b>	<b>267,866</b>	<b>526,633</b>	<b>2,041,814</b>
Excess (deficiency) of revenues Over expenditures	5,656	20,640	(48,713)	(3,799)	(8,927)	(12,026)	49,242	(1,169)	904
<b>Other Financing Sources</b>									
Transfers in	-	-	-	-	9,663	-	-	-	9,663
Transfers out	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,663</b>
<b>Net change in fund balances</b>	<b>5,656</b>	<b>20,640</b>	<b>(48,713)</b>	<b>(3,799)</b>	<b>736</b>	<b>(12,026)</b>	<b>49,242</b>	<b>(1,169)</b>	<b>10,567</b>
<b>Fund Balances - Beginning</b>	<b>130,530</b>	<b>5,874</b>	<b>109,609</b>	<b>25,489</b>	<b>-</b>	<b>19,833</b>	<b>130,599</b>	<b>46,250</b>	<b>468,184</b>
<b>Fund Balances - Ending</b>	<b>\$ 136,187</b>	<b>\$ 26,513</b>	<b>\$ 60,896</b>	<b>\$ 21,690</b>	<b>\$ 736</b>	<b>\$ 7,808</b>	<b>\$ 179,841</b>	<b>\$ 45,081</b>	<b>\$ 478,750</b>

**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, 2018**

	<u>Economic Development District</u>	<u>Employee Flow Thru</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Accounts Receivable	\$ 47,588	\$ 323	\$ 47,912
Total Assets	<u>\$ 47,588</u>	<u>\$ 323</u>	<u>\$ 47,912</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 4,583	\$ -	\$ 4,583
Due To Economic Development District	43,005	323	43,328
Due To Employees	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 47,588</u>	<u>\$ 324</u>	<u>\$ 47,912</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, 2018**

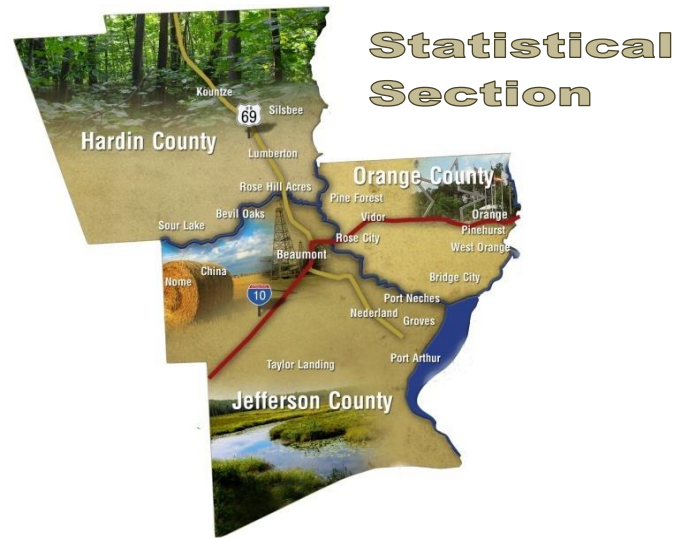
	<u>Economic Development District</u>	<u>Employee Flow Thru</u>	<u>Total Agency Funds</u>
<u>Assets - October 1, 2017</u>			
Accounts Receivable	\$ 20,686	\$ 510	\$ 5,885
Total	20,686	510	21,196
<u>Additions</u>			
Accounts Receivable	145,179	1,483	146,662
Total	145,179	1,483	146,662
<u>Deletions</u>			
Accounts Receivable	118,276	1,670	119,947
Total	118,276	1,670	119,947
<u>Assets - September 30, 2018</u>			
Accounts Receivable	47,588	323	47,911
Total Assets	47,588	323	47,911
<u>Liabilities - October 1, 2017</u>			
Accounts Payable	\$ 4,583	130	4,713
Due To Economic Development District	20,686		20,686
Due To Employees	-	-	-
Total	25,269	130	25,399
<u>Additions</u>			
Accounts Payable	48,875	1,723	50,598
Due To Economic Development District	140,595	-	140,595
Due To Employees	-	1,670	1,670
Total	189,470	3,393	192,864
<u>Deletions</u>			
Accounts Payable	48,875	1,853	50,728
Due To Economic Development District	118,276	-	118,276
Due To Employees		1,347	1,347
Total	167,151	3,200	170,351
<u>Liabilities - September 30, 2018</u>			
Accounts Payable	4,583	-	4,583
Due To Economic Development District	43,005	-	43,005
Due To Employees	-	323	323
Total Liabilities	\$ 47,588	\$ 323	\$47,912

South East Texas Regional Planning Commission  
Schedule of Final Indirect Cost Rate  
For the Year Ended September 30, 2018

	Actual Indirect Costs Year Ended September 30, 2018	FY 2018 Approved Rate	FY 2019 Proposed Rate
Employee Salaries	\$ 492,419	\$ 469,916	\$ 481,578
Employee Benefits	<u>250,851</u>	<u>239,832</u>	<u>251,727</u>
Total Personnel Cost	743,270	709,748	733,305
Office Space	61,025	55,675	63,904
Equipment/Rent, Lease	24,653	23,433	23,433
Equipment/Maintenance	11,468	12,108	12,108
Subcontractor Services	27,948	67,378	31,500
Telecommunications	25,836	27,566	27,566
Postage	4,996	4,600	4,600
Consumable Supplies	16,260	28,775	28,755
Insurance	10,161	7,200	7,200
Travel and Allowances	25,233	57,759	58,210
Dues and Subscriptions	34,666	34,804	34,297
Printing and Publications	883	2,655	2,655
Audit/Professional Services	38,841	35,000	35,000
Charges to outside Agencies for Services	<u>(4,585)</u>		
	1,020,653	1,066,701	1,062,533
Total Indirect Costs (A)	<u><u>1,020,653</u></u>	<u><u>1,066,701</u></u>	<u><u>1,062,533</u></u>
Basis for Allocation of Indirect Costs (Note 4 page 41):			
Direct Salary Cost	2,291,627	2,462,268	2,613,130
Direct Benefits Cost	<u>1,167,417</u>	<u>1,256,673</u>	<u>1,365,917</u>
Total Direct Personnel Costs (B)	<u><u>\$ 3,459,044</u></u>	<u><u>\$ 3,718,941</u></u>	<u><u>\$ 3,979,047</u></u>
Indirect Cost Rate (A/B)	<u><u>29.5%</u></u>	<u><u>28.7%</u></u>	<u><u>26.7%</u></u>

South East Texas Regional Planning Commission  
Schedule of Final Employee Benefit Rate  
For the Year Ended September 30, 2018

	Actual Employee Benefit Costs Year Ended Sept. 30, 2018	FY 2018 Approved Rate	FY 2019 Proposed Rate
<b><u>Released Time:</u></b>	\$ 609,514	\$ 609,101	\$ 642,862
<b><u>Benefits Program:</u></b>			
Payroll Taxes	44,046	68,565	59,195
Retirement Plan	250,908	266,524	294,294
Insurance	512,728	551,501	620,783
Other Benefits	1,074	814	510
	<u>808,755</u>	<u>887,404</u>	<u>974,782</u>
Total Employee Benefits (A)	<u>1,418,269</u>	<u>1,496,505</u>	<u>1,617,644</u>
Basis for Allocation of Employee Benefits:			
Gross Salaries	3,393,560	3,541,285	3,737,570
Less release time	<u>609,514</u>	<u>609,101</u>	<u>642,862</u>
Chargeable Salaries (B)	<u>\$ 2,784,046</u>	<u>\$ 2,932,184</u>	<u>\$ 3,094,708</u>
Employee Benefit Rate (A/B)	<u>50.9%</u>	<u>51.0%</u>	<u>52.3%</u>





**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.

<b>Contents</b>	<b>Page</b>
<b><i>Financial Trends</i> .....</b>	<b>53</b>
These schedules contain trend information to help the reader understand how the SETRPC's financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i> .....</b>	<b>58</b>
These schedules contain trend information to help the reader assess the SETRPC's most significant local revenue resource.	
<b><i>Debt Capacity</i> .....</b>	<b>60</b>
These schedules contain trend information to help the reader assess the SETRPC's current levels of outstanding debt.	
<b><i>Demographic and Economic Information</i> .....</b>	<b>61</b>
These schedules contain economic and demographic information to help the reader understand the environment within which the SETRPC's financial activities take place.	
<b><i>Operating Information</i> .....</b>	<b>63</b>
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>2018</u>	<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>
Net investment in capital assets	\$ 5,438,054	\$ 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
Unrestricted	<u>\$ 3,035,132</u>	<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>
Total governmental activities net position	<u>\$ 8,473,185</u>	<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>

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities:										
General Government	\$ 39,828	\$ 60,739	\$ 13,783	\$ 41,967	\$ 51,313	\$ 21,778	\$ 50,055	\$ 23,875	\$ 51,367	\$ 59,705
Air Quality	1,006,560	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
9-1-1 Emergency Network	2,732,817	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
Substance Abuse	9,637	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
Area Agency on Aging	2,421,960	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
Community Development	11,947,359	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
Community Services	1,119,801	627,558	870,317	694,254	510,237	714,019	804,091	2,113,648	15,649,707	10,221,122
Public Safety	204,443	180,903	249,050	188,548	182,342	194,102	165,555	256,795	345,297	264,042
Foster Grandparents	467,506	469,838	477,427	494,575	551,593	525,584	502,877	520,319	493,622	473,724
RSVP	363,874	367,369	339,507	313,723	302,186	311,241	335,224	377,459	397,599	405,440
Solid Waste Management Planning	142,639	126,872	108,972	132,688	100,274	188,650	97,907	134,496	233,691	257,506
Transportation Planning	2,273,491	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
Homeless	54,300	57,210	51,135	89,798	101,832	132,139	178,593	182,102	168,080	133,559
AARP Experienced Corps	266,010	264,030	255,166	236,429	235,697	329,176	296,592	254,342	218,446	244,158
Homeland Security	525,165	387,685	514,726	489,900	420,783	289,749	682,360	525,688	281,005	207,704
Interest	18,819	23,139	27,451	31,381	35,165	38,615	55,562	56,787	62,709	68,320
Total Governmental Activities Expenses	\$ 23,594,211	\$ 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
Program Revenues										
Governmental Activities:										
Operating Grants & Contributions	23,462,857	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
Total Governmental Activities Program Revenues	23,462,857	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
Net (Expense) Revenues	(131,354)	2,741,417	1,645,747	(84,776)	(326,298)	(258,289)	(674,709)	(827,514)	2,304,865	682,028
General Revenues:										
Government Activities:										
Investment earnings	2,482	3173	1714	2099	2,424	1,768	2,084	2,407	4,932	24,458
Transfers - net	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities General Revenues	2,482	3,173	1,714	2,099	2,424	1,768	2,084	2,407	4,932	24,458
Change in Fund Net Position										
Governmental Activities	\$ (128,872)	\$ 2,744,590	\$ 1,647,462	\$ (82,677)	\$ (323,873)	\$ (256,520)	\$ (672,625)	\$ (825,108)	\$ 2,309,798	\$ 706,487

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,810	\$ 77,436
Unreserved	-	-	-	-	-	-	-	-	823,350	751,841
Assigned	574,895	747,294	1,053,350	170,935	396,732	24,799	327,490	-	-	-
Unassigned	563,455	361,413	36,180	877,964	626,836	975,881	623,630	913,147	-	-
Total General Fund	<u>1,138,350</u>	<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>
All other governmental funds										
Special Revenue Funds										
Reserved							-	-	24,051	20,689
Unreserved							-	-	1,516,873	1,033,193
Nonspendable	640,406	748,269	1,056,377	170,936	398,044	26,364	333,386	179	-	-
Assigned	1,439,479	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>2,079,885</u>	<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>
Total Governmental Funds	<u>\$ 3,218,235</u>	<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>

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				
	2018	2017	2016	2015	2014
<b>Revenues</b>					
Intergovernmental	\$ 21,152,809	\$ 21,623,823	\$ 50,611,295	\$ 84,826,740	\$ 51,269,968
Membership Dues & Assessments	276,274	275,824	275,886	275,974	275,815
Miscellaneous	2,033,774	1,602,800	2,010,860	2,028,929	2,089,710
Investment Income	2,482	3,173	1,714	2,099	2,424
<b>Total Revenues</b>	<b>23,465,339</b>	<b>23,505,620</b>	<b>52,899,756</b>	<b>87,133,742</b>	<b>53,637,917</b>
<b>Expenditures</b>					
Current:					
General Fund	34,654	32,304	33,167	40,288	42,120
Area Agency on Aging	2,434,234	10,163,800	2,284,602	2,395,439	1,992,536
Air Quality	1,006,684	630,346	1,272,369	1,373,494	1,266,872
9-1-1 Emergency Network	2,173,771	6,709	2,256,507	1,901,485	1,789,169
Substance Abuse Division	8,947	1,856,027	29,790	3,069,693	3,759,689
Community Development	11,960,258	1,170,614	39,444,706	73,175,028	39,952,467
Community Services	1,123,544	2,300,876	872,426	695,473	510,990
Public Safety	204,912	181,325	249,056	188,635	182,334
Foster Grandparent Program	469,263	471,151	478,949	496,198	552,968
RSVP	366,469	369,258	341,550	315,867	304,013
Solid Waste Management	142,640	127,065	108,971	132,677	100,274
Transportation Planning	2,181,323	2,337,288	2,648,549	2,073,198	1,967,666
Homeless Coalition	55,085	57,649	51,293	90,475	102,732
AARP Experience Corps	267,866	265,304	256,357	237,537	236,145
Homeland Security Planning	526,633	388,612	515,951	491,077	421,877
Capital Outlays	549,024	3,318,657	1,861,421	212,105	116,078
<b>Total Expenditures</b>	<b>23,505,305</b>	<b>23,676,985</b>	<b>52,705,665</b>	<b>86,888,667</b>	<b>53,297,931</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(39,966)</b>	<b>(171,365)</b>	<b>194,091</b>	<b>245,075</b>	<b>339,987</b>
<b>Other Financing Sources and Uses</b>					
Transfers in	426,314	485,759	456,033	552,521	588,488
Transfers out	(426,314)	(485,759)	(456,033)	(552,521)	(588,488)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ (39,966)</b>	<b>\$ (171,365)</b>	<b>\$ 194,091</b>	<b>\$ 245,074</b>	<b>\$ 339,986</b>

Source: Comprehensive Annual Financial Report

Fiscal Year				
2013	2012	2011	2010	2009
\$ 18,595,856	\$ 75,454,251	\$ 39,618,058	\$ 36,366,851	\$ 39,142,124
275,974	275,328	272,406	275,530	275,530
1,911,530	1,882,033	2,529,009	3,190,937	3,367,869
1,768	2,084	2,407	4,932	24,458
20,785,128	77,613,696	42,421,880	39,838,250	42,809,981
34,326	45,300	41,706	37,362	32,866
2,029,916	2,471,698	2,440,617	2,556,141	2,515,205
1,410,690	1,018,793	1,464,319	1,274,852	1,433,090
1,676,692	1,527,098	1,918,665	2,157,370	2,007,547
3,607,463	3,814,892	6,454,117	7,191,316	7,701,847
6,955,526	63,678,871	23,722,146	3,669,228	12,821,981
714,634	806,256	2,120,335	15,665,598	10,227,737
194,121	166,321	258,558	346,885	264,799
527,099	505,491	523,749	497,440	477,251
313,576	339,734	383,297	404,012	409,084
188,693	97,917	134,957	234,445	258,234
1,665,465	1,593,564	1,872,190	2,187,616	2,879,971
133,448	181,434	185,786	171,241	135,138
329,679	297,962	255,501	218,931	245,376
290,870	684,633	528,703	284,218	209,859
329,173	538,471	108,801	2,411,672	794,760
20,401,371	77,768,434	42,413,447	39,308,325	42,414,746
383,759	(154,738)	8,433	529,926	395,235
646,012	597,132	189,783	783,562	1,277,975
(646,012)	(597,132)	(189,783)	(783,562)	(1,277,975)
-	-	-	-	-
\$ 383,759	\$ (154,738)	\$ 8,433	\$ 529,926	\$ 395,235

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

	<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>	<u>2018</u>
Hardin County	\$ 14,783	\$ 14,783	\$ 14,783	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571
Jefferson County	115,275	115,275	115,275	115,302	115,302	115,302	115,302	115,302	115,302	115,302
Orange County	34,688	34,688	34,688	34,312	34,312	34,312	34,312	34,312	34,312	34,312
City of Beaumont	42,702	42,702	42,702	43,234	43,234	43,234	43,234	43,234	43,234	43,234
City of Bevil Oaks	395	395	395	386	386	386	386	386	386	386
City of Bridge City	2,425	2,425	2,425	2,328	2,328	2,328	2,328	2,328	2,328	2,328
City of China	331	331	331	337	337	337	337	337	337	337
City of Groves	4,779	4,779	4,779	4,829	4,829	4,829	4,829	4,829	4,829	4,829
City of Kountze	609	609	609	610	610	610	610	610	610	610
City of Lumberton	2,194	2,194	2,194	2,580	2,580	2,580	2,580	2,580	2,580	2,580
City of Nederland	4,886	4,886	4,886	4,901	4,901	4,901	4,901	4,901	4,901	4,901
City of Nome	139	139	139	148	148	148	148	148	148	148
City of Orange	7,106	7,106	7,106	7,100	7,100	7,100	7,100	7,100	7,100	7,100
City of Pine Forest	198	198	198	181	181	181	181	181	181	181
City of Pinehurst	736	736	736	715	715	715	715	715	715	715
City of Port Arthur	29,757	29,757	29,757	29,284	29,284	29,284	29,284	29,284	29,284	29,284
City of Port Neches	3,872	3,872	3,872	3,805	3,805	3,805	3,805	3,805	3,805	3,805
City of Rose City	161	161	161	159	159	159	159	159	159	159
City of Rose Hill Acres	138	138	138	134	134	134	134	134	134	134
City of Silsbee	1,867	1,867	1,867	1,893	1,893	1,893	1,893	1,893	1,893	1,893
City of Sour Lake	467	467	467	485	485	485	485	485	485	485
City of Taylor Landing	93	93	93	88	88	88	88	88	88	88
City of Vidor	3,261	3,261	3,261	3,158	3,158	3,158	3,158	3,158	3,158	3,158
City West Orange	1,216	1,216	1,216	1,136	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	150
Jefferson County Emergency Services District #3	-	-	-	-	-	150	-	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	150
Bevil Oaks Municipal Utility District	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	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	150
Vidor Independent School District	150	150	150	150	150	150	150	150	150	150
Total Member Dues & Assesments	<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>	<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>
2009	1,039,333	7.80%	2.72
2010	947,316	6.77%	2.44
2011	849,377	5.81%	2.18
2012	1,086,963	7.07%	2.78
2013	988,859	6.57%	2.52
2014	887,010	5.43%	2.25
2015	781,273	4.59%	1.98
2016	671,580	3.83%	1.69
2017	557,622	3.18%	1.40
2018	439,315	2.39%	1.10

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	
2009	381,938	4.)	\$ 13,329,500	2.)	\$ 33,192	2.)	171,825	3.)	9.5%	3.)
2010	388,745	4.)	\$ 14,003,100	2.)	\$ 34,687	2.)	162,820	3.)	11.4%	3.)
2011	390,207	4.)	\$ 14,631,300	2.)	\$ 36,095	2.)	166,017	3.)	11.2%	3.)
2012	391,324	4.)	\$ 15,367,700	2.)	\$ 38,049	2.)	164,736	3.)	10.6%	3.)
2013	392,551	4.)	\$ 15,052,600	2.)	\$ 37,124	2.)	161,466	3.)	10.4%	3.)
2014	393,802	4.)	\$ 16,348,000	2.)	\$ 40,290	2.)	164,981	3.)	7.9%	3.)
2015	395,073	4.)	\$ 17,034,700	2.)	\$ 41,676	2.)	163,884	3.)	6.7%	3.)
2016	396,362	4.)	\$ 17,520,300	2.)	\$ 41,695	2.)	163,453	3.)	6.8%	3.)
2017	397,615	4.)	\$ 17,520,300	2.)	\$ 42,480	2.)	163,024	3.)	7.1%	3.)
2018	398,895	4.)	\$ 18,403,769	5.)	\$ 42,972	5.)	165,553	3.)	6.1%	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	
	2018	2009
* Architecture and Engineering	4,460	5,940
* Arts, Design, Entertainment, Sports and Media	1,140	1,170
* Building and Grounds Cleaning and Maintenance	4,200	4,480
* Business and Financial	5,370	4,170
* Community and Social Service	1,630	1,750
* Computer and Mathematical	1,740	1,760
* Construction and Extraction	14,380	12,900
* Education, Training and Library	9,140	9,510
* Farming, Fishing, and Forestry	190	50
* Food Preparation and Serving Related Occupations	14,590	13,750
* Healthcare Practitioners and Technical Occupations	9,250	7,760
* Healthcare Support	3,040	5,710
* Installation, Maintenance, and Repair	8,320	7,850
* Legal	960	870
* Life, Physical and Social Science	1,610	1,700
* Management	6,780	6,040
* Office and Administrative Support	22,240	23,450
* Personal Care and Service	5,770	3,800
* Production Occupations	14,250	16,070
* Protective Service Occupations	4,930	4,970
* Sales and Related Occupations	15,320	15,820
* Transportaion and Material Moving	10,240	10,430

**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>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>	<u>2018</u>
Administration	8	8	8	9	9	9	9	7.5	7.5	7.5
Area Agency on Aging	16	20	20	17	14	16	17	16	15.5	16
Air Quality	1	1	1	1	1	1	1	1	1	1
9-1-1 Emergency Network	7	7	7	6	7	7	9	8	8	8
Substance Abuse Division	15	13	8	7	8	10	1	0	0	0
Community Development	16	18	18	21	18	14	15	10	9	10
Community Services	6	8	-	-	-	-	2	2	2	3
Public Safety	1	1	1	1	1	1	1	1	1	1.5
Foster Grandparent Program	3	3	2	2	3	3	2	2	2	2
RSVP	4	4	3	3	2	2	2	2	3	3
Solid Waste Management Planning	1	1	1	1	1	1	1	1	1	1
Transportation Planning	4	5	3	4	4	3	3	4	4	3
Homeless Coalition	2	2	1	1	1	1	1	1	1	1
AARP Experience Corps	1	1	1	2	2	2	2	2	1	1
Homeland Security Planning	2	2	2	2	1	1	1	1	1	1
Total	<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>	<u>59</u>

Source: South East Texas Regional Planning Commission records.

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

<b><u>Function/Program</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Criminal Justice</b>										
Peace Officers Trained	1,386	2128	2193	1971	4123	2771	4063	3055	2583	2613
<b>Area Agency on Aging</b>										
Congregate Meals	77,975	86,340	77,345	76,878	74,637	67,595	77,928	76,895	74,900	67,733
Home Delivered Meals	44,688	51,710	45,994	48,657	42,500	33,973	37,090	39,463	44,427	43,123
<b>Disaster Recovery</b>										
CDBG Rita Disaster - Families Served	86	28	N/A	N/A	N/A	N/A	25	N/A	N/A	N/A
CDBG Ike Disaster - Families Served	N/A	N/A	191	553	64	271	294	99	45	26
<b>Community Services</b>										
PAIG Weatherization - Families Served	39	15	N/A	15	9	8	7	12	15	11
SSA HOPE Individuals Served	18	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Money Management Volunteers Trained	26	24	10	10	7	0	0	0	N/A	N/A
Money Management Individuals Served	44	46	24	28	26	25	24	13	13	10
<b>911/Homeland Security</b>										
Number of Calls	348,139	335,203	340,306	375,869	376,349	391,989	452,183	532,142	531,841	436,838
<b>Transportation</b>										
Number of Trips	59,667	59,554	61,214	62,213	63,701	64,095	64,164	59,751	56,557	51,149
<b>Solid Waste</b>										
Total Dollars for Annual Projects	236,468	103,686	115,225	91,454	158,320	99,558	108,188	105,154	208,199	135,617
<b>Substance Abuse</b>										
Number of Individuals Served	2,079	2,212	1,965	1,684	1,654	3,527	1,157	N/A	N/A	N/A
<b>Foster Grandparents Program</b>										
Number of Children Served	1,243	1,451	1,340	1,109	1,055	800	803	928	875	975
<b>RSVP</b>										
Number of Volunteer Hours	145,459	148,924	153,000	155,940	141,979	97,264	88,345	89,334	90,316	74,923
<b>AARP Experience Corps Program</b>										
Number of Students Tutored	499	485	531	541	485	493	430	434	391	304

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, 2018, 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 July 2, 2019.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001.

### **South East Texas Regional Planning Commission's Response to Findings**

The South East Texas Regional Planning Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The South East Texas Regional Planning Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 & Associates, P.C.*

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

July 2, 2019



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, 2018. 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, 2018.

### **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 & Associates, P.C.*

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

July 2, 2019

South East Texas Regional Planning Commission  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended September 30, 2018

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Total Federal Expenditures	Passed through to Subrecipient Expenditures
<u>Corporation for National and Community Service</u>				
Direct Programs				
Retired Senior Volunteer Program	94.002	17SRWTX006	\$ 134,554	\$ -
Retired Senior Volunteer Program	94.002	17SRWTX006-1	63,454	-
Retired Senior Volunteer Program	94.002	17SRWTX036	38,218	-
Subtotal	94.002		\$ 236,225	\$ -
Foster Grandparent Program	94.011	17SFWTX002	217,136	-
Foster Grandparent Program	94.011	17SFWTX002(1)	176,963	-
Foster Grandparent Program	94.011	17SFWTX012	6,766	-
Subtotal	94.011		\$ 400,865	\$ -
Total Corporation for National and Community Service			\$ 637,091	\$ -
<u>Department of Homeland Security:</u>				
Federal Emergency Management Agency				
Port Security Grant Program	97.056	EMW-2015-PU-00055-S01	\$ 102,185	\$ -
Port Security Grant Program	97.056	EMW-2017-PU-APP-00001	4,532	-
Subtotal	97.056		\$ 106,717	\$ -
Preparing for Emerging Treats and Hazards	97.133	EMW-2016-GR-00090-S01	197,335	-
Total Department of Homeland Security			\$ 304,052	\$ -
<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	\$ 4,171,280	\$ -
Community Development Block Grants/State's Program	14.228	18-497-008-B237	94,545	-
Passed Through Texas Department of Agriculture				
Community Development Block Grants/State's Program	14.228	C717209	6,911	-
Total Department of Housing and Urban Development	14.228		\$ 4,272,736	\$ -
<u>Federal Emergency Management Agency</u>				
Community Development Block Grants/State's Program	97.048	18-210-009	9,196,445	-
Total Federal Emergency Management Agency			\$ 9,196,445	\$ -
<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	3306001	\$ 7,763	\$ -
Total Department of Education			\$ 7,763	\$ -
<u>Department of Health and Human Services</u>				
Passed Through Texas Department of Housing and Community Affairs:				
Community Services Block Grant	93.569	61170002642	\$ 216,701	\$ 14,661
Community Services Block Grant	93.569	61170002750	182,248	-
Community Services Block Grant	93.569	61180002867	247,564	30,111
Community Services Block Grant	93.569	61180002916	928	-
			\$ 647,441	\$ 44,772

South East Texas Regional Planning Commission  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended September 30, 2018

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Total Federal Expenditures	Passed through to Subrecipient 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	539-16-0005-00001-18	\$ 4,568	\$ -
Special Programs for the Aging- Title VII, Chapter 2-				
Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0005-00001-18	24,656	-
Special Programs for the Aging- Title III,				
Part D- Disease Prevention and Health Promotion	93.043	539-16-0005-00001-18	17,033	-
Special Programs for the Aging- Title III,				
Part E- National Family Caregiver Support Program	93.052	539-16-0005-00001-18	167,554	-
Special Programs for the Aging Part IV, and Title II Discretionary Projects	93.048	539-16-0005-00001-18	21,000	-
Special Programs for the Aging- Title III, Part C- Nutrition Services	93.045	539-16-0005-00001-18	745,379	553,669
Special Programs Programs for the Aging- Title III				
Part B- Grants for Supportive services for Older Individuals	93.044	539-16-0005-00001-18	409,810	64,305
Special Programs for the Aging- Title III Nutrition Services Incentives Program	93.053	539-16-0005-00001-18	123,249	123,249
Subtotal			\$ 1,278,438	\$ 741,223
Medical Enrollment Assistance Program				
Medicare Improvements for Patients and Providers	93.071	539-16-0005-00001-18	10,777	-
Medicare Improvements for Patients and Providers	93.071	539-14-0475-00005	17,103	-
Subtotal	93.071		\$ 27,880	\$ -
Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	57,067	-
Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	7,800	-
Subtotal	93.791		\$ 64,867	\$ -
State Health Insurance Assistance Program	93.324	539-16-0005-00001-18	40,036	-
Total Department of Health and Human Services			\$ 2,293,472	\$ 785,995
Department of Transportation				
Passed Through Texas Department of Transportation:				
Highway Planning and Construction	20.205	0920-00-114	\$ 251,208	\$ -
Highway Planning and Construction	20.205	50-18XXF0002	710,582	-
Subtotal	20.205		\$ 961,791	\$ -
Public Transportation for Nonurbanized Areas	20.509	51018012016	3,139	-
Public Transportation for Nonurbanized Areas	20.509	51018012017	495,886	368,410
Public Transportation for Nonurbanized Areas	20.509	51018012018	101,067	83,872
Subtotal	20.509		\$ 600,092	\$ 452,282
Capital Assistance for Ederly Persons and Persons with Disabilities	20.513	51016012017	43,628	43,628
Capital Assistance for Ederly Persons and Persons with Disabilities	20.513	51016012018	326,951	277,890
Subtotal	20.513		\$ 370,579	\$ 321,518
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	51R08022018	24,934	-
Total Department of Transportation			\$ 1,957,396	773,800
TOTAL FEDERAL ASSISTANCE			\$ 18,668,955	\$ 1,559,794

South East Texas Regional Planning Commission  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended September 30, 2018

Agency/Program Grant Title	Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Total Federal Expenditures	Passed through to Subrecipient Expenditures
STATE OF TEXAS ASSISTANCE				
<u>Office of the Governor</u>				
Criminal Justice Division				
Regional Criminal Justice Coordination	--	30080279	\$ 40,185	\$ -
Regional Criminal Justice Coordination	--	30090202	3,653	-
Regional Juvenile Alternatives	--	3287601	48,313	-
Regional Juvenile Alternatives	--	3554601	891	-
Regional Police Academy	--	1465516	99,157	-
Homeland Security Division				
Homeland Security Grant Program	--	30080192	27,951	-
Homeland Security Grant Program	--	2959603	81,672	-
Homeland Security Grant Program	--	2959604	12,558	-
Homeland Security Grant Program	--	30090227	2,541	-
Total Office of Governor			<u>\$ 316,922</u>	<u>\$ -</u>
<u>Texas Health and Human Services Commission</u>				
Implementation of 2-1-1	--	529-16-0006-00012E	\$ 268,763	\$ -
Implementation of 2-1-1	--	529-16-0006-00012F	12,528	-
Implementation of 2-1-1	--	529-16-0006-00012G	27,710	-
Implementation of 2-1-1	--	529-16-0006-00012G	2,022	-
Special Programs for the Aging - Title III				
Part B - Grants for Supportive services for Older Individuals	--	539-16-0005-00001-18	79,351	-
Part B - Grants for Supportive services for Older Individuals	--	539-14-0475-00005	165,432	-
Part B - Grants for Supportive services for Older Individuals	--	539-16-0005-00001-19	1,019	-
Special Programs for the Aging - Title III				
Part E - National; Family Caregiver Support Program	--	539-16-0005-00001-18	40,000	-
Total Department of Aging and Disabilities			<u>\$ 596,824</u>	<u>\$ -</u>
<u>Texas Department of Transportation</u>				
State/Local Public Transportation	--	51218012018	\$ 352,009	227,419
State/Local Public Transportation	--	51218012019	4,677	-
Total Department of Transportation			<u>\$ 356,686</u>	<u>\$ 227,419</u>
<u>Texas Commission on Environmental Quality</u>				
Regional Solid Waste Planning/Implementation	--	582-18-80547	\$ 137,770	\$ -
Rider 8 Air Quality Planning	--	582-16-60187	51,434	-
Air Quality Real - time Access	--	582-17-70021	47,583	-
Total Texas Commission on Environmental Quality			<u>\$ 236,787</u>	<u>\$ -</u>
<u>Texas Department of Agriculture</u>				
Passed Through Texas Association of Regional Councils:				
Hurricane Harvey Technical Assistance Grant	--	DR-009A1	\$ 4,829	\$ -
Total Texas Department of Agriculture			<u>\$ 4,829</u>	<u>\$ -</u>
<u>Commission on State Emergency Communications</u>				
9-1-1 Communications - FY 2015	--	9-1-1 SFY15	\$ 187,127	\$ -
9-1-1 Communications - FY 2016	--	9-1-1 SFY16	28,658	-
9-1-1 Communications - FY 2017	--	9-1-1 SFY17	289,584	-
9-1-1 Communications - FY 2018	--	9-1-1 SFY18	1,817,653	-
9-1-1 Communications - FY 2019	--	9-1-1 SFY19	265,782	-
Total Commission on State Emergency Communications			<u>\$ 2,588,804</u>	<u>\$ -</u>
TOTAL STATE OF TEXAS ASSISTANCE			<u>\$ 4,100,853</u>	<u>\$ 227,419</u>
TOTAL ASSISTANCE			<u>\$ 22,769,807</u>	<u>\$ 1,787,213</u>

South East Texas Regional Planning Commission  
Notes to Expenditures of Federal and State Awards Schedule  
For the Year Ended September 30, 2018

**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. The information in this schedule is presented in accordance with 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). Because the schedule presents only a selected portion of the operations of South East Texas Regional Planning Commission, it is not intended to and does not present the financial position, or changes in net position, or each cash flows of South East Texas Regional Planning Commission.

**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.

**OTHER**

The accompanying Schedule of Expenditures of Federal and State Financial Awards was filed late due to unforeseeable issues related to the Hurricane Harvey Disaster Recovery Program.

South East Texas Regional Planning Commission  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2018

**Summary of Auditors' Results**

Type of report on financial statements	Unmodified
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 basic Financial statements	Yes
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 Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas, 97.048 Highway Planning and Construction Program 20.205* Special Programs for the Aging, Title III, Part C, Nutrition Services, 93.045* Special Programs for the Aging, Title III, Part B- Grants for Supportive Services for Older Individuals, 93.044* Special Programs for the Aging, Title III, Nutrition Services Incentive Program, 93.053*

## 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

#### 2018-001 – Financial Reporting – Internal Controls - Service Providers – Contract #18-210-009

**Criteria:** The Organization (SETRPC) is required to follow the required guidelines as stipulated in an executed contract with the Texas General Land Office.

**Condition Found:** In September 2018, the Texas General Land Office conducted an on-site review of SETRPC's functional areas. The objective of the review was to evaluate whether necessary controls are in place over procurement recertification, personally identifiable information and sensitive personally identifiable information in support of the Federal Emergency Management Agency program. The on-site review identified 8 findings and 3 concerns regarding the approval and documentation support for operational matters with service provider, AECOM. In May 2019, the Texas General Land Office conducted a desk review of the SETRPC's cost reimbursed to its service provider AECOM. The objective was to determine if a program credit is owed to the FEMA program based upon actual invoices paid. The desk review identified 2 findings. It is noted that the SETRPC filed an approved corrective action plan and has corrected the findings contained in the reports.

**Effect:** The SETRPC's financial statements were misstated by the difference between invoices reimbursed on original unit pricing rates and modified unit pricing based upon the resolution of the Texas General Land Office on-site monitoring visit in September, 2018. In addition, the financial statements were also misstated by the differences between previous and recently modified unit pricing due to the lack of support and no support for the charge or other errors such as duplicate charges and FEMA ID's that do not have a match in Carbon.

**Cause:** The SETRPC contract procurement for program management services including case management, project costs for direct temporary housing – RV's and MHU's and administration, did not document the cost reasonableness analysis; and did not document the Executive Committee approval and SETRPC did not have an oversight plan in place for its contract with AECOM.

**Recommendation:** In order to strengthen internal controls, we recommend management review the requirements of the contract with the Texas General Land Office and closely monitor its reimbursement to its service provider AECOM to insure proper documentation exist for each financial transaction. It is noted the SETRPC filed an approved corrective action plan and corrections to financial statements were made before the issuance of these financial statements.

### 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



**South East Texas Regional Planning Commission  
Corrective Action Plan  
For the Year Ended September 30, 2018**

**Finding 2018-001**

On December 8, 2017 the South East Texas Regional Planning Commission (SETRPC) entered into a contract with AECOM for program management services. This agreement was executed to assist with administering a contract between SETRPC and the Texas General Land Office (GLO). In September 2018 the Texas General Land Office Community Development and Revitalization division (GLO-CDR) performed a review of the contract and the administration of the FEMA program. During that review GLO-CDR identified several findings.

Finding # 1 – Determine the Reasonableness of the Project Management Services Contract.

SETRPC's Response – The SETRPC worked closely with AECOM and the GLO to evaluate the project management services of the contract and costs associated with such. The SETRPC met with both parties to discuss the tasks, descriptions and costs pursuant to the RFP and initial contract. AECOM agreed to the contract with noting the tasks and costs associated with each task. The original contract was for \$20,676,239 and the final amended contract is for \$16,667,370. It's important to note that due to the widespread effects of Hurricane Harvey it was necessary to immediately implement a temporary housing program. At the time the Request For Services (RFS) was released, specific program requirements were unknown. Since the inception of the program, frequently changing program requirements and tasks were identified, and the task list adapted accordingly.

Finding # 2 – Ensure Contract is Approved According to Procurement Policy

SETRPC's Response – The original contract with AECOM was presented to the Executive Committee for retroactive approval on March 27, 2019 and the final agreed upon amendment was approved on April 17, 2019.

Finding # 3 – Ensure Oversight Meets Federal Requirements

SETRPC's Response – The SETRPC worked with GLO to establish guidelines and procedures for compliance and oversight of the emergency housing program and to monitor performance according to the terms, conditions and specifications of its contract with AECOM. The SETRPC conducts monthly of tasks to ensure AECOM is operating in compliance with guidelines set forth by the GFO and FEMA. Additionally, the SETRPC inspects each invoice submitted by AECOM to ensure tasks and costs are monitored and documented correctly throughout the program.

Finding # 4 – Ensure Contract Includes Necessary Provisions

SETRPC's Response – The final amended contract included following the provisions: Clean Air Act and the Federal Water Pollution Control Act; Suspension and Debarment; and the Anti-Lobby Amendment.

Finding # 5 – Ensure Procurement Actions Are Documented

SETRPC's Response – The SETRPC developed a checklist and process to ensure all required documentation is received and maintained.

Finding # 6 – Ensure Compliance with Procurement Policies and Procedures

SETRPC's Response – A memo has been placed in the procurement file that includes the Proclamation from Governor Abbott following Harvey and a justification for departures from policy. The SETRPC staff will develop additional policies that address emergency or exigent circumstances in federally declared disaster situations.

Finding # 7 – Ensure Recertifications Are Performed According to State Guidelines

SETRPC's Response – The SETRPC has worked with AECOM to ensure recertifications are done in a timely manner. GLO worked with the Commission staff to develop specific monitoring guidelines.

Finding # 8 – Strengthen Security of Applicant Information

SETRPC's Response – AECOM was made aware of the PII issues during the monitoring visit from GLO and has strengthened its internal controls to protect PII. Also, the GLO acknowledged AECOM acted on recommendations made during the monitoring visit to require case managers to return to the office with their files at day's end to prevent any unauthorized access to PII. Additional measures were also taken to safeguard applicant PII.

