

# South East Texas Regional Planning Commission

Hardin County

Kountze



Silsbee

## Comprehensive Annual Financial Report

Lumberton

Rose Hill Acres

Orange County

Fine Forest

Bevil Oaks

Vidor

Sour Lake

Rose City

Orange

Pinehurst

West Orange

Beaumont

China

Nome



Bridge City

Port Neches

Nederland

Groves

Fiscal Year Ended September 30, 2019

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, 2019

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, 2019**

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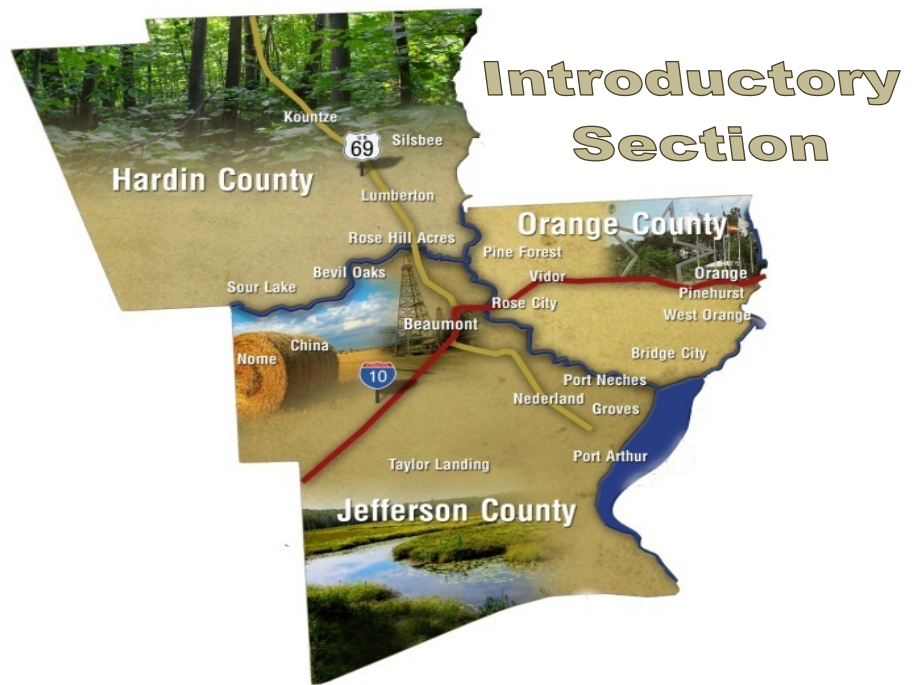
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May 8, 2020

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, 2019. 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, 2019, 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, 2019, are fairly presented in conformity with Generally Accepted Accounting Principles (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 – Rebecca Ford, Bevil Oaks | 1<sup>st</sup> VP – Mary Adams, Kountze | 2<sup>nd</sup> VP – Terri Gauthier, Bridge City  
3<sup>rd</sup> VP – Michael Sinegal, Jefferson County | Treasurer – Wayne McDaniel, Hardin County | Secretary – Johnny Trahan, Orange 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.

## **ECONOMIC OUTLOOK**

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 2020, the areas unemployment rate was at 5.5%. Our region, along with the rest of the nation, has been impacted greatly by the current COVID-19 pandemic. We anticipate unemployment will rise and additional funds will be distributed to assist our residents and businesses in our quest to reopen our economy.

## **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 for 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 ensures 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**

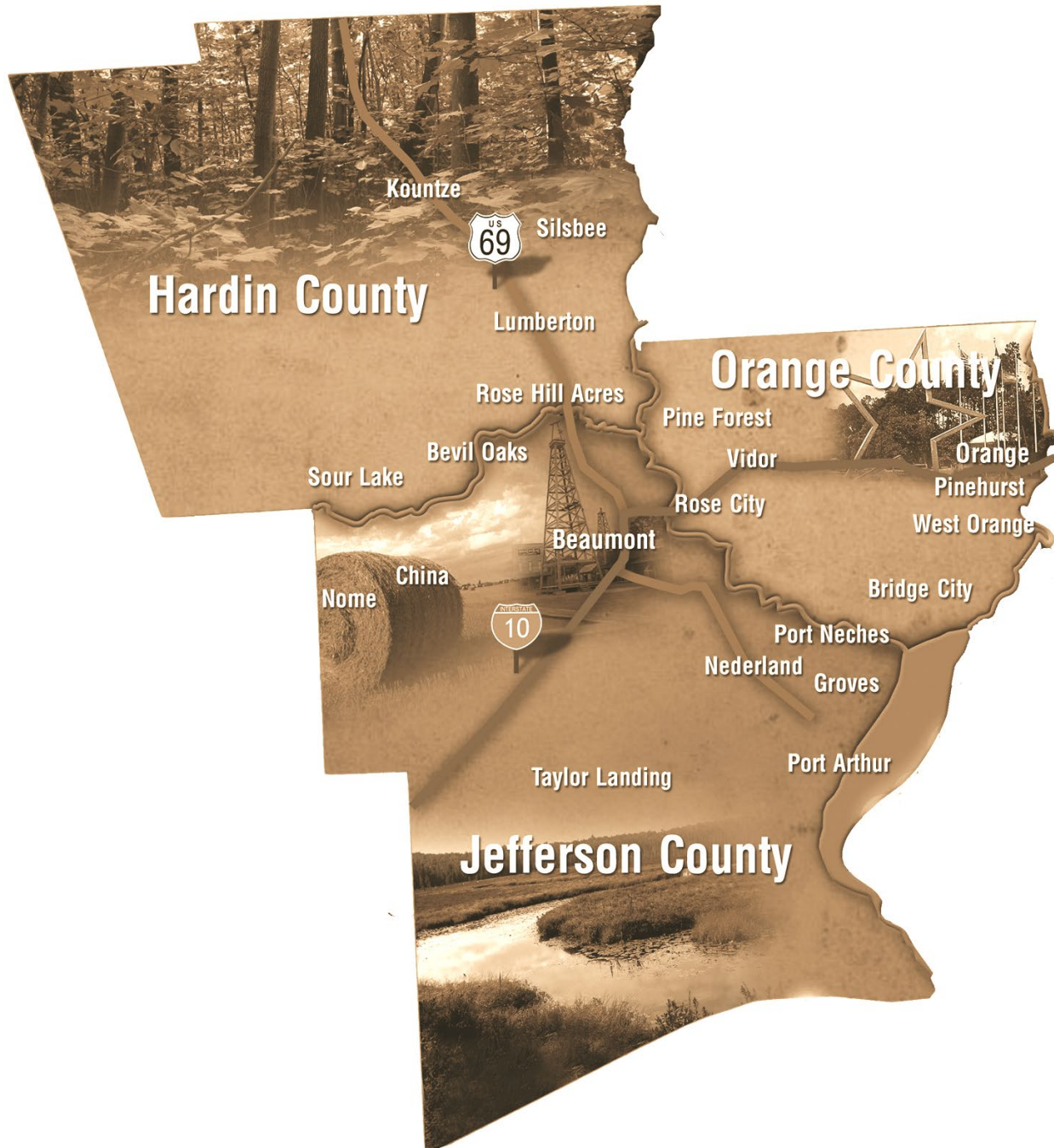
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

## SOUTH EAST TEXAS REGION



## 2019 EXECUTIVE COMMITTEE OFFICERS



Commissioner  
John Gothia  
Orange County  
President



Mayor  
Rebecca Ford  
City of Bevil Oaks  
1<sup>st</sup> Vice-President



Alder Member  
Mary Adams  
City of Kountze  
2<sup>nd</sup> Vice-President



Mayor  
Kirk Roccaforte  
City of Bridge city  
3<sup>rd</sup> Vice-President



Mayor Pro Tem  
Terri Gauthier  
Orange County  
3<sup>rd</sup> Vice President



Commissioner  
Michael Senegal  
Jefferson County  
Treasurer



Judge  
Wayne McDaniel  
Hardin County  
Secretary

## 2019 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/Human Resources Manager..... Glenda Lacy

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

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

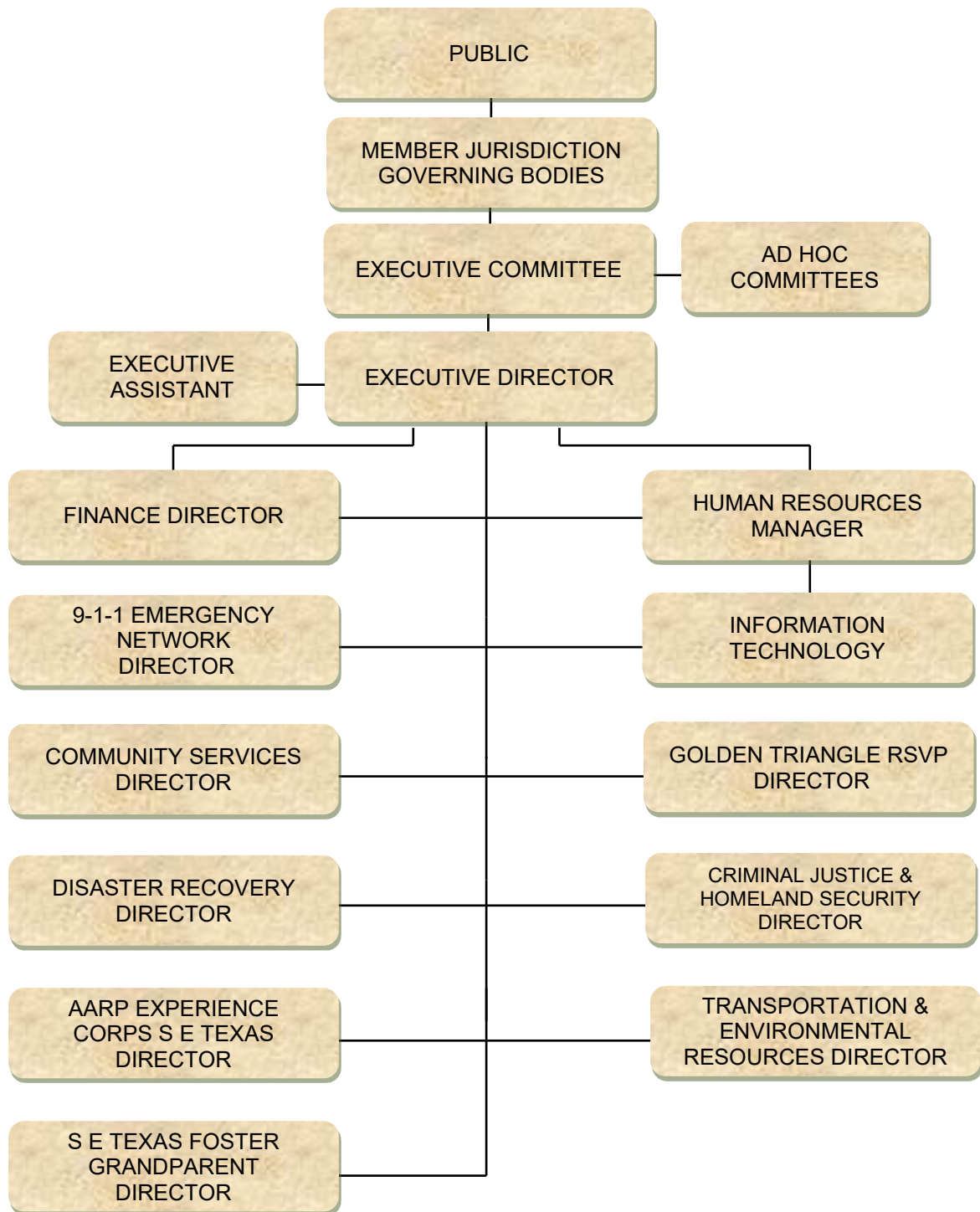
Director, Golden Triangle RSVP.....Crystal Petry

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  
Beaumont, Texas

### 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, 2019, 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, 2019, 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 financial statements in 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, combining and individual nonmajor fund financial statements 43-48, the supplementary information on pages 49-50, and statistical section on pages 52-64, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis on pages 70-72 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South East Texas Regional Planning Commission's 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 & Associates, P.C.  
Certified Public Accountants and Consultants  
Port Arthur, Texas  
May 8, 2020

## 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, 2019. 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 2019 by \$7,804,762. Of this amount \$2,768,727 is considered unrestricted and may be used to meet ongoing financial obligations. The balance of net position, \$5,036,035, is the net amount invested in capital assets.
- b. The SETRPC's total net position decreased by \$668,423 in 2019.
- c. As of the close of the current fiscal year, the SETRPC's governmental funds reported a combined ending fund balance of \$2,997,599 at September 30, 2019.
- d. At the end of the current fiscal year, unassigned fund balance for the general fund was \$473,523 or 2.44% 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 Fund, 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 2019	Governmental Activities 2018	% Change
Current and other assets	\$ 9,991,095	\$ 8,454,289	18.2%
Capital assets, net	<u>5,352,527</u>	<u>5,877,368</u>	<u>-8.9%</u>
Total assets	<u>15,343,622</u>	<u>14,331,657</u>	<u>7.1%</u>
Long-term liabilities outstanding	241,820	363,151	-33.4%
Other liabilities	<u>7,297,041</u>	<u>5,495,321</u>	<u>32.8%</u>
Total liabilities	<u>7,538,860</u>	<u>5,858,472</u>	<u>28.7%</u>
Net position:			
Net investment in capital assets	5,036,035	5,438,054	-7.4%
Unrestricted	<u>2,768,727</u>	<u>3,035,132</u>	<u>-8.8%</u>
	<u>\$ 7,804,762</u>	<u>\$ 8,473,185</u>	<u>-7.9%</u>

**Government-wide Financial Analysis**

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. SETRPC's net position decreased between fiscal years 2018 and 2019 by \$668,423 – a decrease of 7.9% from fiscal year 2018.

A large portion of the SETRPC's net position (\$2,768,727) reflects its unrestricted assets which may be used to meet ongoing financial obligations. SETRPC's unrestricted assets decreased between fiscal years 2018 and 2019 by \$266,405 or 8.8%. The remainder of SETRPC's net position decreased by \$402,019 or 7.4%. This amount represents SETRPC's investment in capital assets (e.g. land, building, leasehold improvements, equipment, and furniture and fixtures). These assets are not available for future spending.

Significant components of the net position activity are as follows:

Governmental activities total expenses decreased by \$5,381,412 (21.3%) in the current year. Following are details of the significant changes for the programs administered by the SETRPC.

- a. General government increased by \$9,689 (24.3%) primarily due to an increase in the earned but unused vacation (i.e. vacation accrual).
- b. Community Development had a decrease of \$5,247,983 (38.7%). In the previous fiscal year, SETRPC began administering a contract with the Federal Emergency Management Agency to provide short term housing assistance for Hurricane Harvey affected residents of Southeast Texas. The bulk of the upfront work related to the disaster assistance was performed in the previous year causing this fluctuation.
- c. Community Services had a decrease in activity of \$336,522 (30.1%). As with the community development division, the community services division saw a decrease in contracts to help support the short-term needs of residents affected by Hurricane Harvey. The decrease directly relates to a combination of contracts administered in the previous year that provided temporary assistance to residents of our hurricane affected area.
- d. Solid Waste had a decrease of \$46,456 (32.6%) from 2018 to 2019. The Solid Waste Program funds an annual Household Hazardous Waste event in a different county within our region. The event pays for the removal of hazardous waste from the community. In 2019, the event was actually larger and more costly than the one in 2018, however, SETRPC was able to utilize local funds to offset the overall cost and resulted in decrease to the Solid Waste Program costs. This cost sharing contributed to the decrease noted between 2018 to 2019.

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

	Governmental Activities 2019	Governmental Activities 2018	Difference	Percent Change from Prior Year
REVENUES:				
Program revenues:				
Operating Grants and contributions	\$ 19,155,236	\$ 25,079,855	\$ (5,924,619)	-23.6%
General revenues:				
Investment earnings	6,139	2,482	3,656	147.3%
	<u>19,161,374</u>	<u>25,082,337</u>	<u>\$ (5,920,963)</u>	<u>-23.6%</u>
EXPENSES:				
General government	49,517	39,828	9,689	24.3%
Air Quality	1,034,572	1,006,560	28,012	2.8%
9-1-1 Emergency Network	2,848,105	2,732,817	115,288	4.2%
Substance Abuse	3,580	9,637	(6,057)	-62.9%
Area Agency on Aging	2,693,070	2,421,960	271,110	11.2%
Community Development	8,316,375	13,564,357	(5,247,983)	-38.7%
Community Services	783,278	1,119,801	(336,522)	-30.1%
Public Safety	211,264	204,443	6,820	3.3%
Foster Grandparent	451,435	467,506	(16,071)	-3.4%
RSVP	368,146	363,874	4,273	1.2%
Solid Waste Management Planning	96,183	142,639	(46,456)	-32.6%
Transportation Planning	2,094,568	2,273,491	(178,923)	-7.9%
Homeless	42,251	54,300	(12,050)	-22.2%
AARP Experience Corps	274,337	266,010	8,327	3.1%
Homeland Security	548,741	525,165	23,576	4.5%
Interest	14,375	18,819	(4,444)	-23.6%
Total governmental activities	<u>19,829,797</u>	<u>25,211,209</u>	<u>(5,381,412)</u>	<u>-21.3%</u>
Change in net position	(668,423)	(128,872)		
Net position, beginning	<u>\$ 8,473,186</u>	<u>\$ 8,602,058</u>		
Net position, ending	<u>\$ 7,804,763</u>	<u>\$ 8,473,186</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, 2019, the SETRPC's governmental fund reported ending fund balances of \$2,997,600 a decrease of \$220,637 in comparison with the prior year.

**General Fund.** The fund balance of the SETRPC's general fund increased by \$42,186. 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 \$262,823 during fiscal year 2019. For the third 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 2019. 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 Federal and State 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 \$5,352,527 (net of accumulated depreciation) as of September 30, 2019. 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 updated aerial photography in 2019. The updated aerial imagery assists the 9-1-1 program with rural addressing and allows the call takers to view real-time graphic location of the callers. The costs of this imagery were \$71,959.
- b. Our Transportation division purchased additional buses to assist with service for the rural communities of Jefferson and Hardin counties. These purchases totaled \$233,115.

#### CAPITAL ASSETS Net of Depreciation

	Governmental Activities	
	2019	2018
Land	\$ 136,130	\$ 136,130
Building	822,168	878,701
Furniture and equipment	4,394,229	4,862,537
	<u>\$ 5,352,527</u>	<u>\$ 5,877,368</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, 2019, the SETRPC had \$189,011 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 2019.

In August/September of 2017 Hurricane Harvey hit South East Texas. Many of our residents were impacted and are still being impacted by the damages caused from this storm. In addition, Tropical Storm Imelda hit our area in September 2019. This storm caused further damage to certain areas of South East Texas which were already struggling to overcome the effects of Hurricane Harvey. Additional funds are expected to provide relief to the residents of our area for both Hurricane Harvey, as well as, Tropical Storm Imelda.

In addition to both Hurricane Harvey and Tropical Storm Imelda, the worldwide COVID-19 pandemic occurred in the beginning of 2020 causing a significant impact to our region. Many of our residents and local businesses will need assistance to return to normalcy. Due to this pandemic, we anticipate additional funds will be allocated to our region to facilitate the economic recovery from the unprecedented Presidential shutdown that affected both our nation and region.

## **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, 2019**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 878,618
Investments	1,545,472
Accounts Receivable	34,582
Due from grantor agencies	6,743,077
Prepaid items	789,347
Capital Assets:	
Land	136,130
Building	2,128,160
Equipment	7,969,870
Less: accumulated depreciation	<u>(4,881,633)</u>
Total Assets	<u>\$ 15,343,622</u>
<b>LIABILITIES</b>	
Accounts Payable	5,983,934
Unearned Revenue	1,039,230
Noncurrent liabilities:	
Due within on year	273,877
Due in more than one year	<u>241,820</u>
Total Liabilities	<u>\$ 7,538,860</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 5,036,035
Unrestricted net assets	<u>2,768,727</u>
Total net assets	<u>\$ 7,804,762</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, 2019**

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government Governmental Activities
				Charges for Services	Operating Grants and Contributions	
Government activities:						
General government	\$ 49,517	\$ -	\$ 49,517	\$ -	\$ 84,728	\$ 35,211
Air Quality	1,034,572	-	1,034,572	-	788,186	(246,386)
9-1-1 Emergency Network	2,673,737	174,369	2,848,105	-	2,256,080	(592,026)
Substance Abuse	3,580	-	3,580	-	-	(3,580)
Area Agency on Aging	2,459,148	233,922	2,693,070	-	2,696,410	3,340
Community Development	8,140,459	175,916	8,316,375	-	8,325,217	8,842
Community Services	708,428	74,850	783,278	-	779,591	(3,687)
Public Safety	198,143	13,121	211,264	-	201,023	(10,241)
Foster Grandparent	418,764	32,671	451,435	-	501,545	50,110
RSVP	308,768	59,379	368,146	-	392,751	24,604
Solid Waste Management Planning	96,183	-	96,183	-	95,902	(282)
Transportation Planning	1,968,859	125,709	2,094,568	-	2,236,041	141,473
Homeless	33,731	8,520	42,251	-	43,059	808
AARP Experience Corps	237,413	36,924	274,337	-	190,501	(83,836)
Homeland Security Planning	502,931	45,810	548,741	-	564,203	15,462
Interest	14,375	-	14,375	-	-	(14,375)
Total government activities	<u>18,848,607</u>	<u>981,190</u>	<u>19,829,797</u>	<u>-</u>	<u>19,155,236</u>	<u>(674,562)</u>
Total primary government	<u>\$ 18,848,607</u>	<u>\$ 981,190</u>	<u>\$ 19,829,797</u>	<u>\$ -</u>	<u>\$ 19,155,236</u>	<u>(674,562)</u>
General revenues:						
Investment earnings						<u>6,139</u>
Total general revenues, special items, and transfers						<u>6,139</u>
Change in net position						<u>(668,423)</u>
Net Position, beginning						<u>8,473,186</u>
Net Position , ending						<u>\$ 7,804,762</u>

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

**South East Texas Regional Planning Commission  
Balance Sheet  
Governmental Funds  
September 30, 2019**

	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	\$ 870,151	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 870,351
Investments	2,664	1,303,227	-	-	69,545	115,076	-	51,096	1,541,608
Accounts receivable	-	34,300	-	282	-	-	-	-	34,582
Due from grantor agencies	-	3,500	484,842	5,547,507	51,587	118,617	422,974	114,051	6,743,077
Due from other funds	764,408	1,650	-	-	59,145	3,116	-	353,308	1,181,627
Prepaid items	-	-	336	-	-	655,551	-	102,536	758,423
<b>Total Assets</b>	<b>1,637,223</b>	<b>1,342,677</b>	<b>485,178</b>	<b>5,547,788</b>	<b>180,277</b>	<b>892,560</b>	<b>422,974</b>	<b>620,990</b>	<b>11,129,666</b>
<b>Liabilities</b>									
Accounts payable	28,935	77,036	66,253	5,363,503	4,535	162,232	213,242	28,978	5,944,716
Deferred Revenue	-	28	95	4,223	175,080	730,326	4,933	124,544	1,039,227
Due to other funds	427,751	-	338,618	180,063	-	-	201,690	-	1,148,122
<b>Total Liabilities</b>	<b>456,687</b>	<b>77,064</b>	<b>404,966</b>	<b>5,547,789</b>	<b>179,615</b>	<b>892,558</b>	<b>419,865</b>	<b>153,522</b>	<b>8,132,065</b>
<b>Fund balances</b>									
Nonspendable	-	-	336	-	-	655,551	-	102,536	758,423
Assigned to:									
Air Quality	-	1,265,610	-	-	-	-	-	-	1,265,610
Substance Abuse Program	-	-	-	-	-	-	-	-	-
Area Agency on Aging	-	-	79,876	-	-	-	-	-	79,876
Public Safety	-	-	-	-	-	-	-	125,297	125,297
Foster Grandparent Program	-	-	-	-	-	-	-	75,025	75,025
RSVP	-	-	-	-	-	-	-	83,227	83,227
Solid Waste Management Planning	-	-	-	-	-	-	-	21,408	21,408
Transportation Planning	-	-	-	-	-	-	3,109	-	3,109
Homeless Coalition	-	-	-	-	-	-	-	7,936	7,936
AARP Experience Corps	-	-	-	-	-	-	-	95,264	95,264
Homeland Security Planning	43,226	-	-	-	-	-	-	(43,226)	0
Community Development	4,100	-	-	(1)	-	-	-	-	4,099
Community Services	4,138	-	-	-	662	-	-	-	4,800
9-1-1 Emergency Network	655,549	-	-	-	-	(655,549)	-	-	(0)
Unassigned	473,523	-	-	-	-	-	-	-	473,523
<b>Total Fund balances</b>	<b>1,180,536</b>	<b>1,265,610</b>	<b>80,212</b>	<b>(1)</b>	<b>662</b>	<b>2</b>	<b>3,109</b>	<b>467,468</b>	<b>2,997,598</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 1,637,223</b>	<b>\$ 1,342,677</b>	<b>\$ 485,178</b>	<b>\$ 5,547,788</b>	<b>\$ 180,277</b>	<b>\$ 892,560</b>	<b>\$ 422,974</b>	<b>\$ 620,990</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.

4,457,212

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.

549,155

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

(199,204)

Net position of governmental activities (page 23)

\$ 7,804,762

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, 2019

	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	\$ -	\$ 2,473,465	\$ 21,000	\$ 517,120	\$ 8,220,501	\$ 2,255,780	\$ 2,236,041	\$ 1,505,629	\$ 17,229,535
Membership Dues & Assessments	84,728	61,687		-	-			129,710	276,124
Miscellaneous		161,259	767,186	262,472	104,716	300	-	353,644	1,649,576
Investment Income	1,813	66	3,143	278	-	808	-	31	6,139
Total Revenues	86,540	2,696,476	791,329	779,869	8,325,217	2,256,888	2,236,041	1,989,015	19,161,374
Expenditures									
Current:									
General Fund	33,510				-		-	-	33,510
Community Development	-				8,327,343		-	-	8,327,343
Community Services	-			786,464			-	-	786,464
Substance Abuse	-				-		-	2,890	2,890
9-1-1 Emergency Network	-				-	2,185,308	-	-	2,185,308
Air Quality	-		1,034,572		-		-	-	1,034,572
Area Agency on Aging	-	2,704,015			-		-	-	2,704,015
Public Safety	-				-		-	211,913	211,913
Foster Grandparent Program	-				-		-	453,033	453,033
RSVP	-				-		-	370,419	370,419
Solid Waste Management Planning	-				-		-	96,183	96,183
Transportation Planning	-				-		2,003,685	-	2,003,685
Homeless Coalition	-				-		-	42,931	42,931
AARP Experience Corps	-				-		-	275,078	275,078
Homeland Security Planning	-				-		-	549,974	549,974
Capital Outlay	-		-		-	71,579	233,115	-	304,694
Total Expenditures	33,510	2,704,015	1,034,572	786,464	8,327,343	2,256,887	2,236,801	2,002,420	19,382,011
Excess (deficiency) of Revenues Over Expenditures	53,030	(7,539)	(243,243)	(6,595)	(2,127)	1	(760)	(13,405)	(220,637)
Other Financing Sources									
Transfers in	1,679	1,396	21,000	6,595	2,500	-	420,489	3,190	456,848
Transfers out	(12,523)	(1,396)	(21,000)	-	(373)	-	(420,489)	(1,067)	(456,848)
Total Other Financing Sources	(10,844)	-	-	6,595	2,127	-	-	2,123	-
Net change in fund balances	42,186	(7,539)	(243,243)	0	0	1	(760)	(11,282)	(220,637)
Fund Balances - Beginning	1,138,351	87,752	1,508,853	662	-53	1	3,868	478,750	3,218,238
Fund Balances - Ending	\$ 1,180,537	\$ 80,212	\$ 1,265,610	\$ 662	\$ 0	\$ 2	\$ 3,109	\$ 467,468	\$ 2,997,598

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, 2019**

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

Net change in fund balances - total governmental funds (page 25)	\$ (220,637)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(473,147)
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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.	-
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An Internal Service Fund is used by management to charge certain costs to individual funds. The change in net position of the Internal Service Fund are included in the governmental activities in the Statement of Net Position, however they are not reported on the governmental fund balance sheet.	41,368
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Some expenses (i.e. compensated absences) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(16,007)
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Change in net position of governmental activities (page 23)	\$ (668,423)
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The accompanying notes are an integral part of this financial statement.

**South East Texas Regional Planning Commission**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2019**

	<u><b>Internal Service Fund</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 12,132
Prepaid items	30,924
Total current Assets	<u>43,056</u>
Noncurrent Assests:	
Capital assets -	
Land	136,130
Buildings	1,960,078
Less: accumulated depreciation	<u>(1,200,894)</u>
Capital assets - net of depreciation	<u>895,314</u>
Total Assets	<u>938,370</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	39,218
Due To Other Funds	33,505
Current portion of note payable	<u>127,481</u>
Total current liabilities	<u>200,205</u>
Noncurrent liabilities:	
Advances from Other Funds	-
Note payable	<u>189,011</u>
Total noncurrent liabilities	<u>189,011</u>
Total Liabilities	<u>389,215</u>
<b>NET POSITION</b>	
Net investment in capital assets	549,155
Unrestricted	<u>-</u>
Total net position	<u><u>\$ 549,155</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, 2019**

	<b>Internal Service Fund</b>
Operating Revenues	
Regional Planning Commission Support Services	\$ 1,304,391
Total Operating Revenues	<u>1,304,391</u>
Operating Expenses	
Personnel	750,914
Supplies Expense	36,984
Printing & Publications Expense	1,051
Dues & Subscriptions	36,060
Subcontractor Services Expense	36,643
Telecommunications Expense	25,278
Postage Expense	3,769
Conferences & Seminars	19,011
Auto Allowances	8,820
Local Travel	524
Rent Expense	63,878
Utilities Expense	34,170
Audit & Other Professional Services	50,299
Equip - Lease/Rental Expense	23,357
Equipment - Maintenance Expense	12,924
Licenses Expense	-
Building Repairs & Maintenance	29,065
Depreciation and Amortization	81,454
Other Insurance Expense	31,997
Indirect Costs	16,286
Total Operating Expenses	<u>1,262,485</u>
Operating Income (Loss)	<u>41,906</u>
Nonoperating Revenues (expenses)	
Miscellaneous	13,837
Interest Expense	<u>(14,375)</u>
Change in net position	41,368
Net Position - October 1	<u>507,787</u>
Net Position - September 30	<u><u>\$ 549,155</u></u>

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

**South East Texas Regional Planning Commission**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<b>Internal Service Fund</b>
Cash flows from operating activities	
Cash received from other funds for services	\$ 1,304,391
Cash payments to suppliers for goods and services	(402,043)
Cash payments to employees for services	(501,124)
Cash payments to other funds for services	(266,076)
Net cash provided (used) by operating activities	<u>135,148</u>
Cash flows from noncapital financing activities	
Received (due) from non-operating grants	13,989
Cash payments to/from other funds	24,128
Net cash provided (used) by noncapital and related financing activities	<u>31,516</u>
Cash flows from capital and related financing activities	
Retirement of debt	(122,823)
Payment of interest	(14,375)
Net cash provided (used) by capital and related financing activities	<u>(166,957)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(294)
Cash and Cash Equivalents - Beginning of Year	<u>12,425</u>
Cash and Cash Equivalents - End of Year	<u><u>12,132</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	<u>41,906</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	81,454
Change in assets and liabilities:	
(Increase) decrease in prepaid items	(4,705)
Increase (decrease) in accounts payable	16,492
Total adjustments	<u>93,242</u>
Net cash provided by operating activities	<u><u>\$ 135,148</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, 2019**

	<u><b>Agency Funds</b></u>
<b>ASSETS</b>	
Accounts Receivable	\$ 26,562
Total Assets	<u>\$ 26,562</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ -
Due To Economic Development District	26,562
Due To Employees	<u>-</u>
Total Liabilities	<u>\$ 26,562</u>
 <b>NET POSITION</b>	 <u><u>\$ -</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, 2019**

**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 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 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 service 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 service 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, 2019.

#### ***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, 2019.

#### ***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 are 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 (\$473,147) difference are as follows:

Capital outlay	\$	304,694
Depreciation expense		<u>(777,842)</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>(473,147)</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 Federal and State 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, 2019 were \$777,735 and the bank balances were \$1,320,224. 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, 2019 was \$1,537,257. 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, 2019 was \$8,215 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, 2019 for SETRPC's governmental funds were as follows:

Due from grantor agencies	\$ 6,743,077
Other receivables	<u>34,582</u>
Total receivables	<u>\$ 6,777,658</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, 2019:

## DETAILED NOTES ON ALL FUNDS (continued)

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General Fund	\$ 764,408	\$ 427,751
Air Quality Program	1,650	
Area Agency on Aging Program		338,618
Community Services Program	59,145	
Community / Economic Development Program		180,063
Criminal Justice Program	113,439	
9-1-1 Emergency Network	3,116	
Foster Grandparent Program	51,669	
RSVP	64,371	
Solid Waste Management Planning Program		
Substance Abuse Program		
Transportation Planning Program		201,690
Homeless Coalition	7,939	
AARP Experience Corps Program	104,791	
Homeland Security Program	11,099	
Agency Funds		
Internal Service Funds	<u>7,794</u>	<u>41,299</u>
	<u>\$ 1,189,421</u>	<u>\$ 1,189,421</u>

### **Capital Assets**

Primary government capital asset activity for the year ended September 30, 2019 is as follows:

#### **Governmental activities:**

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>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	2,098,400	29,760	-	2,128,160
Furniture and equipment	7,665,175	304,694	-	7,969,870
Total	<u>9,763,575</u>	<u>334,454</u>	<u>-</u>	<u>10,098,029</u>

#### Less Accumulated Depreciation for:

Buildings	1,219,698	86,294	-	1,305,992
Furniture and equipment	2,802,638	773,002	-	3,575,641
Total	<u>4,022,337</u>	<u>859,296</u>	<u>-</u>	<u>4,881,633</u>
	<u>\$ 5,877,368</u>	<u>\$ (524,842)</u>	<u>\$ -</u>	<u>\$ 5,352,527</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	672,373
Transportation & Environmental Resources	100,143
Community/Economic Development	1,913
Homeless	807
Internal Service Fund	<u>81,454</u>
Total Depreciation Expense - government Activities	<u><u>\$ 859,296</u></u>

### Long-term Debt

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

Maturities by year are as follows:

Fiscal Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
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>\$ 316,492</u>	<u>\$ 15,087</u>	<u>\$ 331,579</u>

Long-term activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Note payable	\$ 439,315	\$ -	\$ 122,823	\$ 316,492	\$ 127,481
Compensated absences	<u>183,197</u>	<u>29,533</u>	<u>13,527</u>	<u>199,204</u>	<u>146,395</u>
Governmental activity long-term liabilities	<u>\$ 622,512</u>	<u>\$ 29,533</u>	<u>\$ 136,349</u>	<u>\$ 515,696</u>	<u>\$ 273,878</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, 2019, various interfund transfers are summarized as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,679	\$ 12,523
Air Quality	21,000	21,000
Area Agency on Aging	1,396	1,396
Community Development	2,500	373
Community Services	6,595	-
9-1-1 Emergency Network	-	-
Foster Grandparent	-	-
Substance Abuse	3,190	1,067
Transportation Planning	420,489	420,489
	<u>\$ 456,848</u>	<u>\$ 456,848</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, 2019, was \$243,003. Forfeitures amounted to \$20,479. Covered annual salaries for the same period totaled \$3,293,525 with total payroll being \$3,404,038. There were no unfunded past service costs at September 30, 2019. Employees made contributions of \$262,482. The number of Plan Participants at September 30, 2019 was 54.

### ***Subsequent Events***

Events occurring subsequent to September 30, 2019 were evaluated by management and reviewed through May 8, 2020, the date the financial statements were available to be issued. In March 2020 all Counties in the Region issued a Public Health Disaster Order which encompasses SETRPC's operations. During this time all Counties in the Region have amended their Public Health Disaster Orders to include a "Stay at Home / Shelter in Place" order limiting business to essential services only. The social and economic impact of this public disaster is unknown as of the date of this report.

# 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.

***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, 2019**

	<b>Public Safety</b>	<b>Foster Grandparent</b>	<b>RSVP</b>	<b>Solid Waste Management Planning</b>	<b>Substance Abuse Program</b>	<b>Homeless</b>	<b>AARP Experience Corps</b>	<b>Homeland Security Planning</b>	<b>Total</b>
<b>Assets</b>									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	51,096	-	-	-	-	51,096
Accounts receivable	-	-	-	-	-	-	-	-	-
Due from grantor agencies	13,514	38,488	19,831	-	-	-	-	42,218	114,051
Due from other funds	113,439	51,669	64,371	-	-	7,939	104,791	11,099	353,308
Prepaid items	-	-	-	-	-	-	-	102,536	102,536
<b>Total Assets</b>	<b>126,953</b>	<b>90,157</b>	<b>84,202</b>	<b>51,096</b>	<b>-</b>	<b>7,939</b>	<b>104,791</b>	<b>155,852</b>	<b>620,990</b>
<b>Liabilities</b>									
Accounts payable	1,656	15,132	975	938	-	3	9,527	748	28,978
Deferred Revenue	-	-	-	28,750	-	-	-	95,794	124,544
Due to other funds	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,656</b>	<b>15,132</b>	<b>975</b>	<b>29,688</b>	<b>-</b>	<b>3</b>	<b>9,527</b>	<b>96,542</b>	<b>153,522</b>
<b>Fund balances:</b>									
Nonspendable	-	-	-	-	-	-	-	102,536	102,536
Assigned to:									
Area Agency on Aging	-	-	-	-	-	-	-	-	-
Public Safety	125,297	-	-	-	-	-	-	-	125,297
Foster Grandparent	-	75,025	-	-	-	-	-	-	75,025
RSVP	-	-	83,227	-	-	-	-	-	83,227
Solid Waste Management Planning	-	-	-	21,408	-	-	-	-	21,408
Substance Abuse Program	-	-	-	-	-	-	-	-	-
Homeless	-	-	-	-	-	7,936	-	-	7,936
AARP Experience Corps	-	-	-	-	-	-	95,264	-	95,264
Homeland Security Planning	-	-	-	-	-	-	-	(43,226)	(43,226)
Community Services	-	-	-	-	-	-	-	-	-
9-1-1 Emergency Network	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total Fund balances</b>	<b>125,297</b>	<b>75,025</b>	<b>83,227</b>	<b>21,408</b>	<b>-</b>	<b>7,936</b>	<b>95,264</b>	<b>59,310</b>	<b>467,467</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 126,953</b>	<b>\$ 90,157</b>	<b>\$ 84,202</b>	<b>\$ 51,096</b>	<b>\$ -</b>	<b>\$ 7,939</b>	<b>\$ 104,791</b>	<b>\$ 155,852</b>	<b>\$ 620,989</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, 2019**

	Public Safety	Foster Grandparent Program	RSVP	Solid Waste Management Planning	Substance Abuse Program	Homeless	Experience Corps	Homeland Security Planning	Total
<b>Revenues</b>									
Intergovernmental	\$ 190,418	\$ 414,610	\$ 299,702	\$ 91,879	\$ -	\$ -	\$ -	\$ 509,021	1,505,629
Member Dues & Assessments	10,605	34,967	41,079	-	-	43,059	-	-	129,710
Miscellaneous	-	51,968	51,971	4,023	-	-	190,501	55,183	353,644
Investment Income	-	-	-	-	31	-	-	0	31
<b>Total Revenues</b>	<b>201,023</b>	<b>501,545</b>	<b>392,751</b>	<b>95,902</b>	<b>31</b>	<b>43,059</b>	<b>190,501</b>	<b>564,204</b>	<b>1,989,015</b>
<b>Expenses</b>									
Current:									
Area Agency on Aging	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Public Safety	211,913	-	-	-	-	-	-	-	211,913
Foster Grandparent Program	-	453,033	-	-	-	-	-	-	453,033
RSVP	-	-	370,419	-	-	-	-	-	370,419
Solid Waste Mangement Planning	-	-	-	96,183	-	-	-	-	96,183
Transportation Planning	-	-	-	-	2,890	-	-	-	2,890
Homeless Coalition	-	-	-	-	-	42,931	-	-	42,931
AARP Experience Corps	-	-	-	-	-	-	275,078	-	275,078
Homeland Security Planning	-	-	-	-	-	-	-	549,974	549,974
Capital Outlay	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>211,913</b>	<b>453,033</b>	<b>370,419</b>	<b>96,183</b>	<b>2,890</b>	<b>42,931</b>	<b>275,078</b>	<b>549,974</b>	<b>2,002,420</b>
<b>Excess (deficiency) of revenues Over expenditures</b>	<b>(10,890)</b>	<b>48,512</b>	<b>22,331</b>	<b>(282)</b>	<b>(2,859)</b>	<b>128</b>	<b>(84,576)</b>	<b>14,230</b>	<b>(13,406)</b>
<b>Other Financing Sources</b>									
Transfers in	-	-	-	-	3,190	-	-	-	3,190
Transfers out	-	-	-	-	(1,067)	-	-	-	(1,067)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,123</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,123</b>
<b>Net change in fund balances</b>	<b>(10,890)</b>	<b>48,512</b>	<b>22,331</b>	<b>(282)</b>	<b>(736)</b>	<b>128</b>	<b>(84,576)</b>	<b>14,230</b>	<b>(11,283)</b>
<b>Fund Balances - Beginning</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>Fund Balances - Ending</b>	<b>\$ 125,297</b>	<b>\$ 75,025</b>	<b>\$ 83,227</b>	<b>\$ 21,408</b>	<b>\$ -</b>	<b>\$ 7,936</b>	<b>\$ 95,264</b>	<b>\$ 59,310</b>	<b>\$ 467,467</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, 2019**

	<u>Economic Development District</u>	<u>Employee Flow Thru</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Accounts Receivable	\$ 26,283	\$ 279	\$ 26,562
Total Assets	<u>\$ 26,283</u>	<u>\$ 279</u>	<u>\$ 26,562</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due To Economic Development District	26,283	279	26,562
Due To Employees	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 26,283</u>	<u>\$ 279</u>	<u>\$ 26,562</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, 2019**

	<u>Economic Development District</u>	<u>Employee Flow Thru</u>	<u>Total Agency Funds</u>
<u>Assets - October 1, 2018</u>			
Accounts Receivable	\$ 47,588	\$ 323	\$ 5,885
Total	47,588	323	47,911
<u>Additions</u>			
Accounts Receivable	102,193	1,387	103,580
Total	102,193	1,387	103,580
<u>Deletions</u>			
Accounts Receivable	123,498	1,431	124,930
Total	123,498	1,431	124,930
<u>Assets - September 30, 2019</u>			
Accounts Receivable	26,283	278	26,561
Total Assets	26,283	279	26,562
<u>Liabilities - October 1, 2018</u>			
Accounts Payable	\$ 4,583	-	4,583
Due To Economic Development District	43,005		43,005
Due To Employees	-	323	323
Total	47,588	323	47,912
<u>Additions</u>			
Accounts Payable	35,625	-	35,625
Due To Economic Development District		-	-
Due To Employees	-	-	-
Total	35,625	-	35,625
<u>Deletions</u>			
Accounts Payable	40,208	-	40,208
Due To Economic Development District	16,722	-	16,722
Due To Employees		44	44
Total	56,931	44	56,975
<u>Liabilities - September 30, 2019</u>			
Accounts Payable	-	-	-
Due To Economic Development District	26,283	-	26,283
Due To Employees	-	279	279
Total Liabilities	\$ 26,283	\$ 279	\$ 26,562

South East Texas Regional Planning Commission  
Schedule of Final Indirect Cost Rate  
For the Year Ended September 30, 2019

	Actual Indirect Costs Year Ended September 30, 2019	FY 2019 Approved Rate	FY 2020 Proposed Rate
Employee Salaries	\$ 462,289	\$ 481,578	\$ 539,014
Employee Benefits	230,432	251,727	281,997
Total Personnel Cost	692,721	733,305	821,011
Office Space	63,878	63,904	63,904
Equipment/Rent, Lease	23,357	23,433	17,500
Equipment/Maintenance	12,924	12,108	12,108
Subcontractor Services	23,377	31,500	14,800
Telecommunications	25,278	27,566	27,566
Postage	3,769	4,600	4,600
Consumable Supplies	29,832	28,775	31,275
Insurance	9,801	7,200	9,800
Travel and Allowances	28,354	58,210	58,185
Dues and Subscriptions	36,060	34,297	34,059
Printing and Publications	1,051	2,655	2,655
Audit/Professional Services	50,299	35,000	35,000
Charges to outside Agencies for Services	(4,585)		
	996,115	1,062,553	1,132,463
Total Indirect Costs (A)	996,115	1,062,553	1,132,463
Basis for Allocation of Indirect Costs (Note 4 page 41):			
Direct Salary Cost	2,375,261	2,613,130	2,609,817
Direct Benefits Cost	1,183,971	1,365,917	1,365,380
Total Direct Personnel Costs (B)	\$ 3,559,232	\$ 3,979,047	\$ 3,975,197
Indirect Cost Rate (A/B)	28.0%	26.7%	28.5%

South East Texas Regional Planning Commission  
Schedule of Final Employee Benefit Rate  
For the Year Ended September 30, 2019

	Actual Employee Benefit Costs Year Ended Sept. 30, 2019	FY 2019 Approved Rate	FY 2020 Proposed Rate
<b><u>Released Time:</u></b>	\$ 566,489	\$ 642,862	\$ 654,105
<b><u>Benefits Program:</u></b>			
Payroll Taxes	44,554	59,195	60,143
Retirement Plan	259,315	294,294	292,584
Insurance	544,046	620,783	640,546
Other Benefits	-	510	-
	<u>847,914</u>	<u>974,782</u>	<u>993,273</u>
 Total Employee Benefits (A)	 <u>1,414,403</u>	 <u>1,617,644</u>	 <u>1,647,378</u>
 Basis for Allocation of Employee Benefits:			
Gross Salaries	3,404,038	3,737,570	3,802,937
Less release time	<u>566,489</u>	<u>642,862</u>	<u>654,105</u>
 Chargeable Salaries (B)	 <u>\$ 2,837,549</u>	 <u>\$ 3,094,708</u>	 <u>\$ 3,148,832</u>
 Employee Benefit Rate (A/B)	 <u>49.8%</u>	 <u>52.3%</u>	 <u>52.3%</u>

## Statistical Section



## Statistical Section (Unaudited)

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

<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>2019</u>	<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>
Net investment in capital assets	\$ 5,036,035	\$ 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
Unrestricted	<u>\$ 2,768,727</u>	<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>
Total governmental activities net position	<u>\$ 7,804,762</u>	<u>\$ 8,473,186</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>

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities:										
General Government	49,517	\$ 39,828	\$ 60,739	\$ 13,783	\$ 41,967	\$ 51,313	\$ 21,778	\$ 50,055	\$ 23,875	\$ 51,367
Air Quality	1,034,572	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
9-1-1 Emergency Network	2,848,105	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
Substance Abuse	3,580	9,637	7,400	30,280	3,068,737	3,759,894	3,607,943	3,814,736	6,457,169	7,195,421
Area Agency on Aging	2,693,070	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
Community Development	8,316,375	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
Community Services	783,278	1,119,801	627,558	870,317	694,254	510,237	714,019	804,091	2,113,648	15,649,707
Public Safety	211,264	204,443	180,903	249,050	188,548	182,342	194,102	165,555	256,795	345,297
Foster Grandparents	451,435	467,506	469,838	477,427	494,575	551,593	525,584	502,877	520,319	493,622
RSVP	368,146	363,874	367,369	339,507	313,723	302,186	311,241	335,224	377,459	397,599
Solid Waste Management Planning	96,183	142,639	126,872	108,972	132,688	100,274	188,650	97,907	134,496	233,691
Transportation Planning	2,094,568	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
Homeless	42,251	54,300	57,210	51,135	89,798	101,832	132,139	178,593	182,102	168,080
AARP Experienced Corps	274,337	266,010	264,030	255,166	236,429	235,697	329,176	296,592	254,342	218,446
Homeland Security	548,741	525,165	387,685	514,726	489,900	420,783	289,749	682,360	525,688	281,005
Interest	14,375	18,819	23,139	27,451	31,381	35,165	38,615	55,562	56,787	62,709
Total Governmental Activities Expenses	\$ 19,829,797	\$ 23,594,209	\$ 20,761,031	\$ 51,252,294	\$ 87,216,419	\$ 53,961,791	\$ 21,041,649	\$ 78,286,321	43,246,986	37,528,454
Program Revenues										
Governmental Activities:										
Operating Grants & Contributions	\$ 19,155,236	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
Total Governmental Activities Program Revenues	19,155,236	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
Net (Expense) Revenues	(674,562)	(131,352)	2,741,417	1,645,747	(84,776)	(326,298)	(258,289)	(674,709)	(827,514)	2,304,865
General Revenues:										
Government Activities:										
Investment earnings	6,139	2,482	3,173	1,714	2,099	2,424	1,768	2,084	2,407	4,932
Transfers - net	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities General Revenues	6,139	2,482	3,173	1,714	2,099	2,424	1,768	2,084	2,407	4,932
Change in Fund Net Position										
Governmental Activities	\$ (668,423)	\$ (128,870)	\$ 2,744,590	\$ 1,647,462	\$ (82,677)	\$ (323,873)	\$ (256,520)	\$ (672,625)	\$ (825,108)	\$ 2,309,798

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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Reserved		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,810
Unreserved		-	-	-	-	-	-	-	-	823,350
Assigned	707,013	574,895	747,294	1,053,350	170,935	396,732	24,799	327,490	-	-
Unassigned	473,523	563,455	361,413	36,180	877,964	626,836	975,881	623,630	913,147	-
Total General Fund	<u>1,180,536</u>	<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>
All other governmental funds										
Special Revenue Funds										
Reserved								-	-	24,051
Unreserved								-	-	1,516,873
Nonspendable	758,423	640,406	748,269	1,056,377	170,936	398,044	26,364	333,386	179	-
Assigned	<u>1,765,653</u>	<u>1,439,479</u>	<u>1,401,228</u>	<u>1,283,662</u>	<u>2,015,643</u>	<u>1,568,913</u>	<u>1,623,495</u>	<u>982,275</u>	<u>1,508,192</u>	<u>-</u>
Total all other governmental funds	<u>2,524,075</u>	<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>
Total Governmental Funds	<u>\$ 3,704,611</u>	<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>

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 in 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				
	2019	2018	2017	2016	2015
Revenues					
Intergovernmental	\$ 17,229,535	\$ 21,152,809	\$ 21,623,823	\$ 50,611,295	\$ 84,826,740
Membership Dues & Assessments	276,124	276,274	275,824	275,886	275,974
Miscellaneous	1,649,576	2,033,774	1,602,800	2,010,860	2,028,929
Investment Income	6,139	2,482	3,173	1,714	2,099
Total Revenues	19,161,374	23,465,339	23,505,620	52,899,756	87,133,742
Expenditures					
Current:					
General Fund	33,510	34,654	32,304	33,167	40,288
Area Agency on Aging	2,704,015	2,434,234	10,163,800	2,284,602	2,395,439
Air Quality	1,034,572	1,006,684	630,346	1,272,369	1,373,494
9-1-1 Emergency Network	2,185,308	2,173,771	6,709	2,256,507	1,901,485
Substance Abuse Division	2,890	8,947	1,856,027	29,790	3,069,693
Community Development	8,327,343	11,960,258	1,170,614	39,444,706	73,175,028
Community Services	786,464	1,123,544	2,300,876	872,426	695,473
Public Safety	211,913	204,912	181,325	249,056	188,635
Foster Grandparent Program	453,033	469,263	471,151	478,949	496,198
RSVP	370,419	366,469	369,258	341,550	315,867
Solid Waste Management	96,183	142,640	127,065	108,971	132,677
Transportation Planning	2,003,685	2,181,323	2,337,288	2,648,549	2,073,198
Homeless Coalition	42,931	55,085	57,649	51,293	90,475
AARP Experience Corps	275,078	267,866	265,304	256,357	237,537
Homeland Security Planning	549,974	526,633	388,612	515,951	491,077
Capital Outlays	304,694	549,024	3,318,657	1,861,421	212,105
Total Expenditures	19,382,011	23,505,307	23,676,985	52,705,665	86,888,667
Excess of Revenues Over (Under) Expenditures	(220,637)	(39,968)	(171,365)	194,091	245,075
Other Financing Sources and Uses					
Transfers in	456,848	426,314	485,759	456,033	552,521
Transfers out	(456,848)	(426,314)	(485,759)	(456,033)	(552,521)
Total other financing sources (uses)	-	1	-	-	-
Net Change in Fund Balances	\$ (220,637)	\$ (39,967)	\$ (171,365)	\$ 194,091	\$ 245,074

Source: Comprehensive Annual Financial Report

Fiscal Year				
2014	2013	2012	2011	2010
\$ 51,269,968	\$ 18,595,856	\$ 75,454,251	\$ 39,618,058	\$ 36,366,851
275,815	275,974	275,328	272,406	275,530
2,089,710	1,911,530	1,882,033	2,529,009	3,190,937
2,424	1,768	2,084	2,407	4,932
53,637,917	20,785,128	77,613,696	42,421,880	39,838,250
42,120	34,326	45,300	41,706	37,362
1,992,536	2,029,916	2,471,698	2,440,617	2,556,141
1,266,872	1,410,690	1,018,793	1,464,319	1,274,852
1,789,169	1,676,692	1,527,098	1,918,665	2,157,370
3,759,689	3,607,463	3,814,892	6,454,117	7,191,316
39,952,467	6,955,526	63,678,871	23,722,146	3,669,228
510,990	714,634	806,256	2,120,335	15,665,598
182,334	194,121	166,321	258,558	346,885
552,968	527,099	505,491	523,749	497,440
304,013	313,576	339,734	383,297	404,012
100,274	188,693	97,917	134,957	234,445
1,967,666	1,665,465	1,593,564	1,872,190	2,187,616
102,732	133,448	181,434	185,786	171,241
236,145	329,679	297,962	255,501	218,931
421,877	290,870	684,633	528,703	284,218
116,078	329,173	538,471	108,801	2,411,672
53,297,931	20,401,371	77,768,434	42,413,447	39,308,325
339,987	383,759	(154,738)	8,433	529,926
588,488	646,012	597,132	189,783	783,562
(588,488)	(646,012)	(597,132)	(189,783)	(783,562)
-	-	-	-	-
\$ 339,986	\$ 383,759	\$ (154,738)	\$ 8,433	\$ 529,926

**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>	<u>2019</u>
Hardin County	\$ 14,783	\$ 14,783	\$ 14,783	\$ 15,571	\$ 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	115,302
Orange County	34,688	34,688	34,688	34,312	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	43,234
City of Bevil Oaks	395	395	395	386	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	2,328
City of China	331	331	331	337	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	4,829
City of Kountze	609	609	609	610	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	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	4,901
City of Nome	139	139	139	148	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	7,100
City of Pine Forest	198	198	198	181	181	181	181	181	181	181	181
City of Pinehurst	736	736	736	715	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	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	3,805
City of Rose City	161	161	161	159	159	159	159	159	159	159	159
City of Rose Hill Acres	138	138	138	134	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	1,893
City of Sour Lake	467	467	467	485	485	485	485	485	485	485	485
City of Taylor Landing	93	93	93	88	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	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	1,136

Port of Beaumont	150	150	150	150	150	150	150	150	150	150	150
Orange County Navigation District	150	150	150	150	150	150	150	150	150	150	150
Port of Port Arthur	150	150	150	150	150	150	150	150	150	150	150
Lower Neches Valley Authority	150	150	150	150	150	150	150	150	150	150	150
Sabine River Authority	150	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	150
Jefferson County Emergency Services District #3	-	-	-	-	-	150	-	150	150	150	150
Jefferson County Drainage District #3	150	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	150
Jefferson County Drainage District #7	150	150	150	150	150	150	150	150	150	150	150
Orange County Drainage District	-	-	150	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	150
Mauriceville Municipal Utility District	150	150	150	150	150	150	150	150	150	150	150
Sabine -Neches Navigation District	150	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	150
Orange County Water Control & Improvement District #1	150	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	150
Orange County Emergency Services District #3	-	-	-	-	-	150	-	150	150	150	150
Hardin County Rural Fire Protection District #2	150	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	150
Port Neches-Groves Independent School District	150	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	150
Hardin-Jefferson Independent School District	-	-	-	-	-	-	-	-	-	-	-
Bridge City Independent School District	-	-	150	150	150	150	150	150	150	150	150
Vidor Independent School District	150	150	150	150	150	150	150	150	150	150	150
Total Member Dues & Assessments	<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>	<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>
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
2019	316,492	1.67%	0.79

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	
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.)
2019	400,114	4.)	\$ 18,922,167	5.)	\$ 44,783	5.)	167,747	3.)	5.3%	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  
Previous Year and Nine Years Prior**

Occupational Group	Employment	
	2019	2010
* Architecture and Engineering	4,080	3,870
* Arts, Design, Entertainment, Sports and Media	1,170	1,210
* Building and Grounds Cleaning and Maintenance	4,310	4,660
* Business and Financial	5,420	3,880
* Community and Social Service	1,610	1,810
* Computer and Mathematical	1,610	1,170
* Construction and Extraction	14,520	14,490
* Education, Training and Library	9,250	10,220
* Farming, Fishing, and Forestry	190	80
* Food Preparation and Serving Related Occupations	14,940	13,500
* Healthcare Practitioners and Technical Occupations	8,210	7,950
* Healthcare Support	6,800	6,000
* Installation, Maintenance, and Repair	8,750	7,320
* Legal	870	920
* Life, Physical and Social Science	2,120	1,430
* Management	7,270	6,010
* Office and Administrative Support	19,650	22,600
* Personal Care and Service	2,530	4,020
* Production Occupations	14,140	14,230
* Protective Service Occupations	4,950	4,830
* Sales and Related Occupations	15,790	15,170
* Transportaion and Material Moving	12,670	9,760

**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>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>	<u>2019</u>
Administration	8	8	9	9	9	9	7.5	7.5	7.5	7.5
Area Agency on Aging	20	20	17	14	16	17	16	15.5	16	15.5
Air Quality	1	1	1	1	1	1	1	1	1	1
9-1-1 Emergency Network	7	7	6	7	7	9	8	8	8	8
Substance Abuse Division	13	8	7	8	10	1	0	0	0	0
Community Development	18	18	21	18	14	15	10	9	10	6
Community Services	8	-	-	-	-	2	2	2	3	3
Public Safety	1	1	1	1	1	1	1	1	1.5	1.5
Foster Grandparent Program	3	2	2	3	3	2	2	2	2	2
RSVP	4	3	3	2	2	2	2	3	3	3
Solid Waste Management Planning	1	1	1	1	1	1	1	1	1	1
Transportation Planning	5	3	4	4	3	3	4	4	3	3.5
Homeless Coalition	2	1	1	1	1	1	1	1	1	1
AARP Experience Corps	1	1	2	2	2	2	2	1	1	2
Homeland Security Planning	2	2	2	1	1	1	1	1	1	1
Total	<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>	<u>56</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>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><u>2019</u></b>
<b>Criminal Justice</b>										
Peace Officers Trained	2,128	2,193	1,971	4,123	2,771	4,063	3,055	2,583	2,613	4,040
<b>Area Agency on Aging</b>										
Congregate Meals	86,340	77,345	76,878	74,637	67,595	77,928	76,895	74,900	67,733	71,437
Home Delivered Meals	51,710	45,994	48,657	42,500	33,973	37,090	39,463	44,427	43,123	56,928
<b>Disaster Recovery</b>										
CDBG Rita Disaster - Families Served	28	N/A	N/A	N/A	N/A	25	N/A	N/A	N/A	N/A
CDBG Ike Disaster - Families Served	N/A	191	553	64	271	294	99	45	26	N/A
<b>Community Services</b>										
PAIG Weatherization - Families Served	15	N/A	15	9	8	7	12	15	11	11
SSA HOPE Individuals Served	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Money Management Volunteers Trained	24	10	10	7	0	0	0	N/A	N/A	N/A
Money Management Individuals Served	46	24	28	26	25	24	13	13	10	10
<b>911/Homeland Security</b>										
Number of Calls	335,203	340,306	375,869	376,349	391,989	452,183	532,142	531,841	436,838	290,235
<b>Transportation</b>										
Number of Trips	59,554	61,214	62,213	63,701	64,095	64,164	59,751	56,557	51,149	53,436
<b>Solid Waste</b>										
Total Dollars for Annual Projects	103,686	115,225	91,454	158,320	99,558	108,188	105,154	208,199	135,617	186,998
<b>Substance Abuse</b>										
Number of Individuals Served	2,212	1,965	1,684	1,654	3,527	1,157	N/A	N/A	N/A	N/A
<b>Foster Grandparents Program</b>										
Number of Children Served	1,451	1,340	1,109	1,055	800	803	928	875	975	1,023
<b>RSVP</b>										
Number of Volunteer Hours	148,924	153,000	155,940	141,979	97,264	88,345	89,334	90,316	74,923	52,095
<b>AARP Experience Corps Program</b>										
Number of Students Tutored	485	531	541	485	493	430	434	391	304	319

Source: South East Texas Regional Planning Commission records.

# Single Audit 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 Committee  
South East Texas Regional Planning Commission  
Beaumont, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2019, 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 May 8, 2020.

**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 opinions 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 South East Texas Regional Planning Commission's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Charles E. Reed & Associates, P.C.*

Charles E. Reed & Associates, P.C.  
Certified Public Accountants and Consultants  
Port Arthur, Texas  
May 8, 2020

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 Committee  
South East Texas Regional Planning Commission  
Beaumont, Texas

**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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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, 2019.

**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 a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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  
May 8, 2020

South East Texas Regional Planning Commission  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended September 30, 2019

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	17SRWTX006-1	\$ 149,194	\$ -
Retired Senior Volunteer Program	94.002	17SRWTX036	\$ 26,844	\$ -
Retired Senior Volunteer Program	94.002	17SRWTX006-2	\$ 123,663	\$ -
Subtotal	94.002		\$ 299,702	\$ -
Foster Grandparent Program	94.011	17SFWTX002 (2)	\$ 211,205	\$ -
Foster Grandparent Program	94.011	17SFWTX012 (2)	\$ 6,766	\$ -
Foster Grandparent Program	94.011	17SFWTX002(3)	\$ 196,639	\$ -
Subtotal- Foster Grandparent/Senior Companion Cluster	94.011		\$ 414,610	\$ -
Total Corporation for National and Community Service			\$ 714,312	\$ -
<u>Department of Homeland Security:</u>				
Federal Emergency Management Agency				
Preparing for Emerging Treats and Hazards	97.133	EMW-2016-GR-00090-S01	\$ 267,603	\$ -
Port Security Grant Program	97.056	EMW-2017-PU-APP-00001	\$ 59,319	\$ -
Port Security Grant Program	97.056	EMW-2015-PU-00055-S01	\$ 45,806	\$ -
Subtotal	97.056		\$ 105,125	\$ -
Passed Through Office of Governor Homeland Security Division				
Homeland Security Grant Program	97.067	2959604	\$ 97,443	\$ -
Homeland Security Grant Program	97.067	2959605	\$ 8,358	\$ -
Subtotal	97.067		\$ 105,801	\$ -
Passed Through General Land Office				
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048	18-210-009	\$ 6,374,009	\$ -
Subtotal				
Passed Through Texas Department of Public Safety				
Disaster Grants - Public Assistance (Presidential Declared Disaster Areas)	97.036	FEMA-DR-4332-TX	\$ 6,602	\$ -
Total Department of Homeland Security			\$ 6,859,140	\$ -
<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	\$ 1,534,018	\$ -
Community Development Block Grants/State's Program	14.228	18-497-008-B237	\$ 28,530	\$ -
Community Development Block Grants/State's Program	14.228	19-209-000-B608	\$ 276,385	\$ -
Passed Through Texas Department of Agriculture				
Community Development Block Grants/State's Program	14.228	C717209(1)	\$ 7,559	\$ -
Total Department of Housing and Urban Development	14.228		\$ 1,846,491	\$ -
<u>Department of Health and Human Services</u>				
Passed Through Texas Department of Housing and Community Affairs:				
Community Services Block Grant	93.569	61180002867	\$ 219,883	\$ 17,885
Community Services Block Grant	93.569	61180002916	\$ 13,092	\$ -
Community Services Block Grant	93.569	61190003059	\$ 284,145	\$ 33,841
Subtotal - 477 Cluster Programs	93.569		\$ 517,120	\$ 51,726

South East Texas Regional Planning Commission  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended September 30, 2019

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 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0005-00001-19	\$ 27,528	\$ -
Subtotal	93.042		\$ 27,528	\$ -
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion	93.043	539-16-0005-00001-19	\$ 11,463	\$ -
Subtotal	93.043		\$ 11,463	\$ -
Part E - National Family Caregiver Support Program	93.052	539-16-0005-00001-19	\$ 208,766	\$ -
Subtotal	93.052		\$ 208,766	\$ -
Special Programs for the Aging - Title III, Part B - Grants for Supportive services for Older Individuals	93.044	539-16-0005-00001-19	\$ 583,841	\$ 85,719
Part C - Nutrition Services	93.045	539-16-0005-00001-19	\$ 789,691	\$ 637,977
Special Programs for the Aging - Title III Nutrition Services Incentive Program	93.053	539-16-0005-00001-19	\$ 113,781	\$ 113,781
Subtotal Aging Cluster			\$ 1,487,313	\$ 837,477
Medical Enrollment Assistance Program				
Medicare Improvements for Patients and Providers	93.071	539-14-0475-00005	\$ 13,870	\$ -
Medicare Improvements for Patients and Providers	93.071	539-16-0005-00001-19	\$ 11,361	\$ -
Subtotal	93.071		\$ 25,231	\$ -
Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	\$ 43,588	\$ -
Subtotal	93.791		\$ 43,588	\$ -
State Health Insurance Program	93.324	539-16-0005-00001-19	\$ 43,945	\$ -
Subtotal	93.324		\$ 43,945	\$ -
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	539-16-0005-00001-19	\$ 4,529	\$ -
Total Department of Health and Human Services			\$ 2,369,482	\$ 889,203
<u>Department of Transportation</u>				
Passed Through Texas Department of Transportation:				
Highway Planning and Construction	20.205	CSJ-0920-00-114	\$ 3,202	\$ -
Highway Planning and Construction	20.205	50-18XF0002	\$ (7)	\$ -
Highway Planning and Construction	20.205	50-19XF0002	\$ 754,571	\$ -
Subtotal - Highway Planning and Construction Cluster	20.205		\$ 757,766	\$ -
Formula Grants for Rural Areas	20.509	51018012018	\$ 443,020	\$ 210,156
Formula Grants for Rural Areas	20.509	51019012019	\$ 161,474	\$ -
Formula Grants for Rural Areas	20.509	51018021719	\$ 33,176	\$ 33,176
Subtotal	20.509		\$ 637,670	\$ 243,332
Capital Assistance for Ederly Persons and Persons with Disabilities	20.513	51016012019	\$ 309,514	\$ 309,513
Subtotal - Transit Services Programs Cluster	20.513		\$ 309,514	\$ 309,513
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	51R08022018	\$ 24,671	\$ -
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	51003012019	\$ 85,932	\$ -
Subtotal - Federal Transit Cluster	20.526		\$ 85,932	\$ -
Total Department of Transportation			\$ 1,815,552	\$ 552,845
<u>Environmental Protection Agency</u>				
Passed Through Texas Commission on Environmental Quality: Performance Partnership Grants	66.605	582-17-70021	\$ 21,000	\$ -
Total Environmental Protection Agency			\$ 21,000	\$ -
TOTAL FEDERAL ASSISTANCE			\$ 13,625,977	\$ 1,442,048

South East Texas Regional Planning Commission  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended September 30, 2019

Agency/Program Grant Title	Catalog of 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 Divison				
Regional Criminal Justice Coordination	--	30090202	\$ 40,185	\$ -
Regional Criminal Justice Coordination	--	30001927	\$ 3,653	\$ -
Regional Juvenile Alternatives	--	3554601	\$ 47,423	\$ -
Regional Police Academy	--	1465516	\$ 99,157	\$ -
Homeland Security Division				
Homeland Security Grant Program	--	30090227	\$ 27,951	\$ -
Homeland Security Grant Program	--	30001927	\$ 2,541	\$ -
Total Office of Governor			\$ 220,910	\$ -
<u>Texas Health and Human Services Commission</u>				
Implementation of 2-1-1	--	529-16-0006-00012E	\$ 6,000	\$ -
Implementation of 2-1-1	--	529-16-0006-00012G	\$ 289,308	\$ -
Implementation of 2-1-1	--	529-16-0006-00012G	\$ 10,431	\$ -
Implementation of 2-1-1	--	529-16-0006-00012H	\$ 31,953	\$ -
Implementation of 2-1-1	--	529-16-0006-00012H	\$ 187	\$ -
Special Programs for the Aging - Title III				
Part B - Grants for Supportive services for Older Individuals	--	539-14-0475-00005	\$ 163,678	\$ -
Part B - Grants for Supportive services for Older Individuals	--	539-16-0005-00001-19	\$ 70,725	\$ -
Part B - Grants for Supportive services for Older Individuals	--	529-16-0005-00001-20	\$ 801	\$ -
Special Programs for the Aging - Title III				
Part E - National; Family Caregiver Support Program	--	539-16-0005-00001-19	\$ 48,019	\$ -
Total Department of Aging and Disabilities			\$ 621,102	\$ -
<u>Texas Department of Transportation</u>				
State/Local Public Transportation	--	51218012019	\$ 378,238	\$ 378,238
State/Local Public Transportation	--	5128021720	\$ 42,251	\$ 42,251
Total Department of Transportation			\$ 420,489	\$ 420,489
<u>Texas Commission on Environmental Quality</u>				
Regional Solid Waste Planning/Implementation	--	582-18-80547	\$ 91,879	\$ -
Total Texas Commission on Environmental Quality			\$ 91,879	\$ -
<u>Commission on State Emergency Communications</u>				
9-1-1 Communications - FY 2015	--	9-1-1 SFY15	\$ 174,820	\$ -
9-1-1 Communications - FY 2016	--	9-1-1 SFY16	\$ 14,645	\$ -
9-1-1 Communications - FY 2017	--	9-1-1 SFY17	\$ 15,472	\$ -
9-1-1 Communications - FY 2018	--	9-1-1 SFY18	\$ 9,988	\$ -
9-1-1 Communications - FY 2019	--	9-1-1 SFY19	\$ 1,922,240	\$ -
9-1-1 Communications - FY 2020	--	9-1-1 SFY20	\$ 118,616	\$ -
Total Commission on State Emergency Communications			\$ 2,255,780	\$ -
TOTAL STATE OF TEXAS ASSISTANCE			\$ 3,610,160	\$ 420,489
TOTAL ASSISTANCE			\$ 17,236,137	\$ 1,862,537

South East Texas Regional Planning Commission  
Notes to Expenditures of Federal and State Awards Schedule  
For the Year Ended September 30, 2019

**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 Federal and State awards passed through state agencies are included on the Schedule.

**BASIS OF ACCOUNTING**

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

**INDIRECT COSTS**

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

South East Texas Regional Planning Commission  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2019

<b>Type of report on financial statements</b>	Unmodified
<b>Internal Control over financial reporting: Material weakness(es) identified</b>	No
<b>Reportable condition(s) identified that are not considered to be material weakness(es)?</b>	None reported
<b>Internal control over major programs: material weakness(es) identified?</b>	No
<b>Reportable condition(s) identified that are not considered to be material weakness(es)?</b>	None reported
<b>Noncompliance which is material to the Basic Financial statements</b>	No
<b>Type of report on compliance with major Programs</b>	Unmodified
<b>Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a)</b>	None reported
<b>Dollar threshold considered between Type A and Type B federal and state programs</b>	Federal - \$750,000 State - \$300,000
<b>Auditee qualified as low risk auditee.</b>	No
<b>Major federal program</b>	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 B, Grants for Supportive Services for Older Individuals 93.044*  Part C, Nutrition Services 93.045*  Nutrition Services Incentive Program 93.053* Formula Grants for Rural Areas 20.509
<b>Major State Program</b>	State/Local Public Transportation Programs  911 Communications

**\*Cluster Programs**

South East Texas Regional Planning Commission  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2019

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

None Reported

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

None Reported

**Follow up on Prior Year Findings and Questioned Costs**

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 SETXRPC 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 ensure 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.

**ACTION:** Implemented

