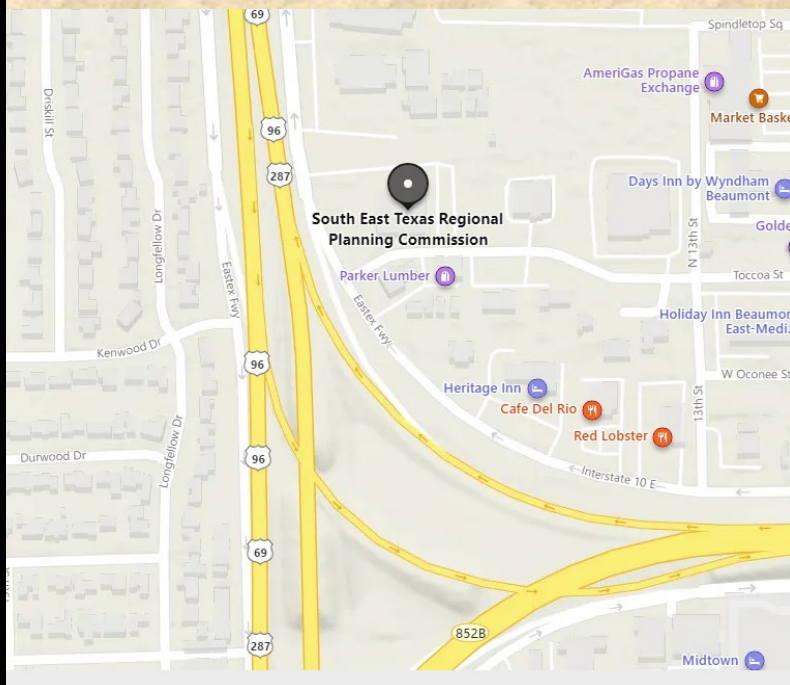


South East Texas Regional Planning Commission



Annual Comprehensive Financial Report

Fiscal Year Ended September 30, 2022

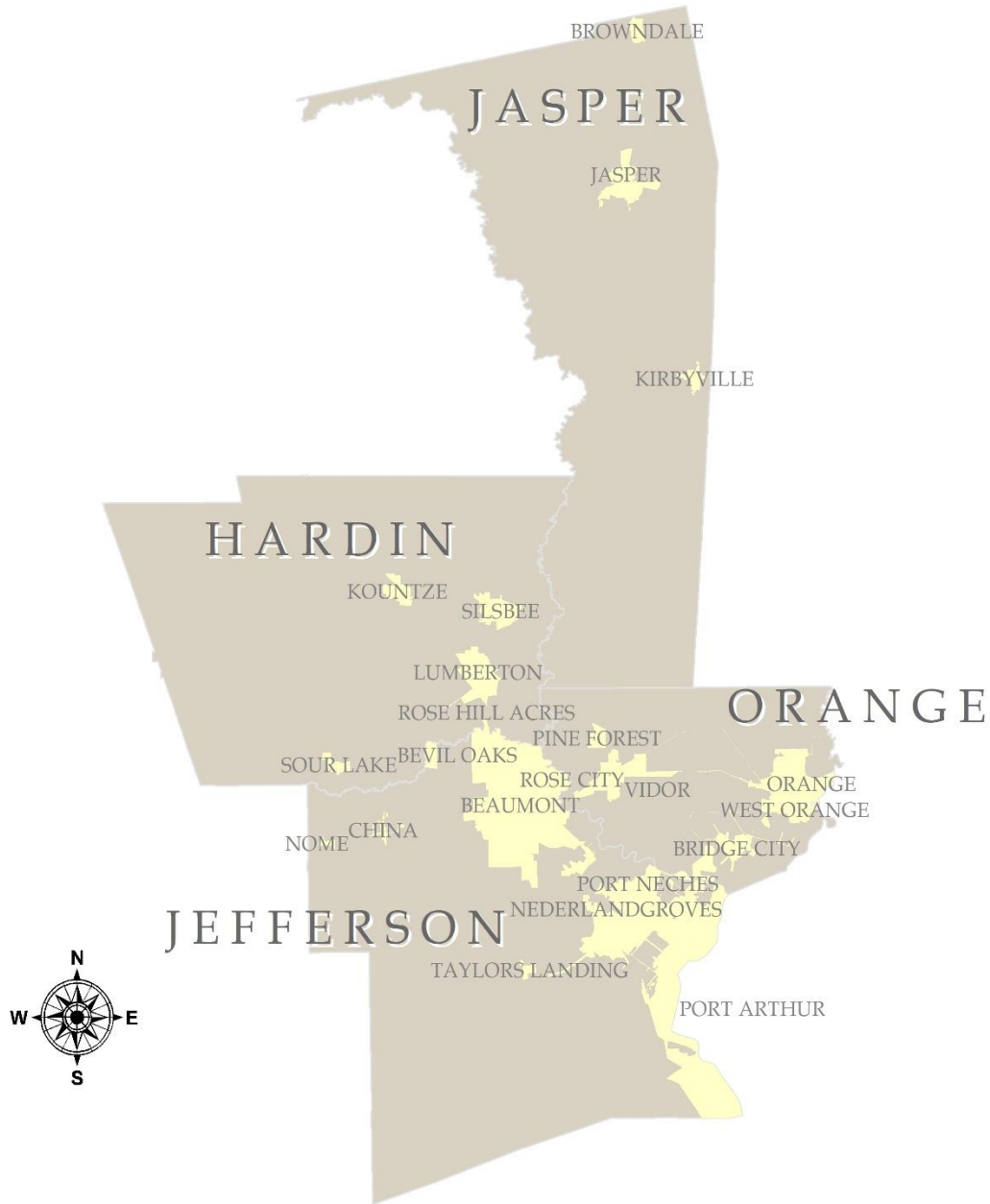


2210 Eastex Freeway

Beaumont, Texas 77703

409.899.8444/409.347.0138 fax

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



For the Fiscal Year Ended
September 30, 2022

Prepared by:
Department of Finance and Administration

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**South East Texas Regional Planning Commission
Annual Comprehensive Financial Report
For the Fiscal Year Ended September 30, 2022**

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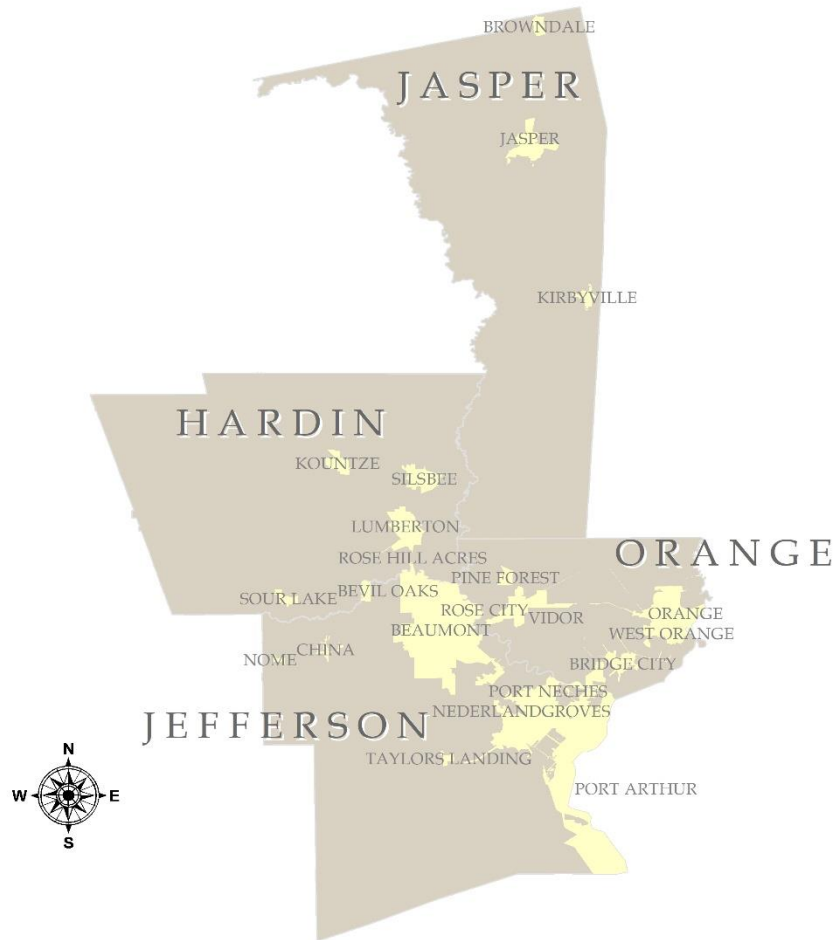
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Introductory Section





June 21, 2023

Members of the Executive Committee and Citizens of Southeast Texas

We are pleased to present the Annual Comprehensive Financial Report of the South East Texas Regional Planning Commission (SETRPC) for the year ended September 30, 2022. 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 2 CFR Part 200, 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 Mitchell T. Fontenote, CPA, 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, 2022, 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, 2022, 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 – Terri Gauthier, Bridge City | 1st VP – Michael Sinegal, Jefferson County | 2nd VP – Wayne McDaniel, Hardin County
3rd VP – Johnny Trahan, Orange County | 4th VP – Mark Allen, Jasper County | 5th VP – Glenn Johnson, Port Neches
Treasurer – Kimberly Cline, Lumberton | Secretary – Amanda Gates, Kirbyville

Executive Director – Shanna Burke
2210 Eastex Freeway Beaumont, Texas 77703-4929
(409) 899-8444 | (409) 347-0138 fax
setrpc@setrpc.org | <http://www.setrpc.org>

ORGANIZATIONAL PROFILE

The South East Texas Regional Planning Commission was formed in June 1970, as a voluntary association of local governments pursuant to Texas law, Local Government Code, Chapter 391, Regional Planning Commissions (V.A.C.S. Article 1011m). As one of 24 planning councils in Texas, the South East Texas Regional Planning Commission works with its member governments to solve area wide problems by promoting intergovernmental cooperation and coordination by means of conducting comprehensive regional planning and by providing a forum for the discussion and study of area issues. SETRPC's mission is to compliment local government without infringing on local home rule, with the goal of making our local jurisdictions better able to respond to the needs of their citizens. The Region's population was represented on our Executive Committee by virtue of all four of the counties that make up Planning Region 15 (Hardin, Jasper, Jefferson and Orange) being members of the South East Texas Regional Planning Commission. 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 430,545 citizens. The SETRPC's planning region 15 encompasses 3,361 total square miles. Some of the major occupational employment groups serving the South East Texas region are Office and Administrative support, Sales and related operations, Production Occupations, and Construction and Extraction. As of March 2023, the areas unemployment rate was at 6.3%. Our region, along with the rest of the nation, is slowly recovering from the COVID-19 pandemic. The unemployment rate is slightly higher than before the pandemic, but the annual growth rate remains high. As expansion projects that stalled during the pandemic slowly start up, we anticipate that the economy will continue to recover. We will continue to utilize additional funds to assist our residents and businesses in our quest to regain full capacity in 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 Part 200 (formerly OMB A-87) and the Uniform Grants Management Standards (UGMS) and free from material misstatement. The Investment Policy ensures 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 annual comprehensive financial report for the fiscal year ended September 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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 SETRPC's independent auditors, Mitchell T. Fontenote, CPA, 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**

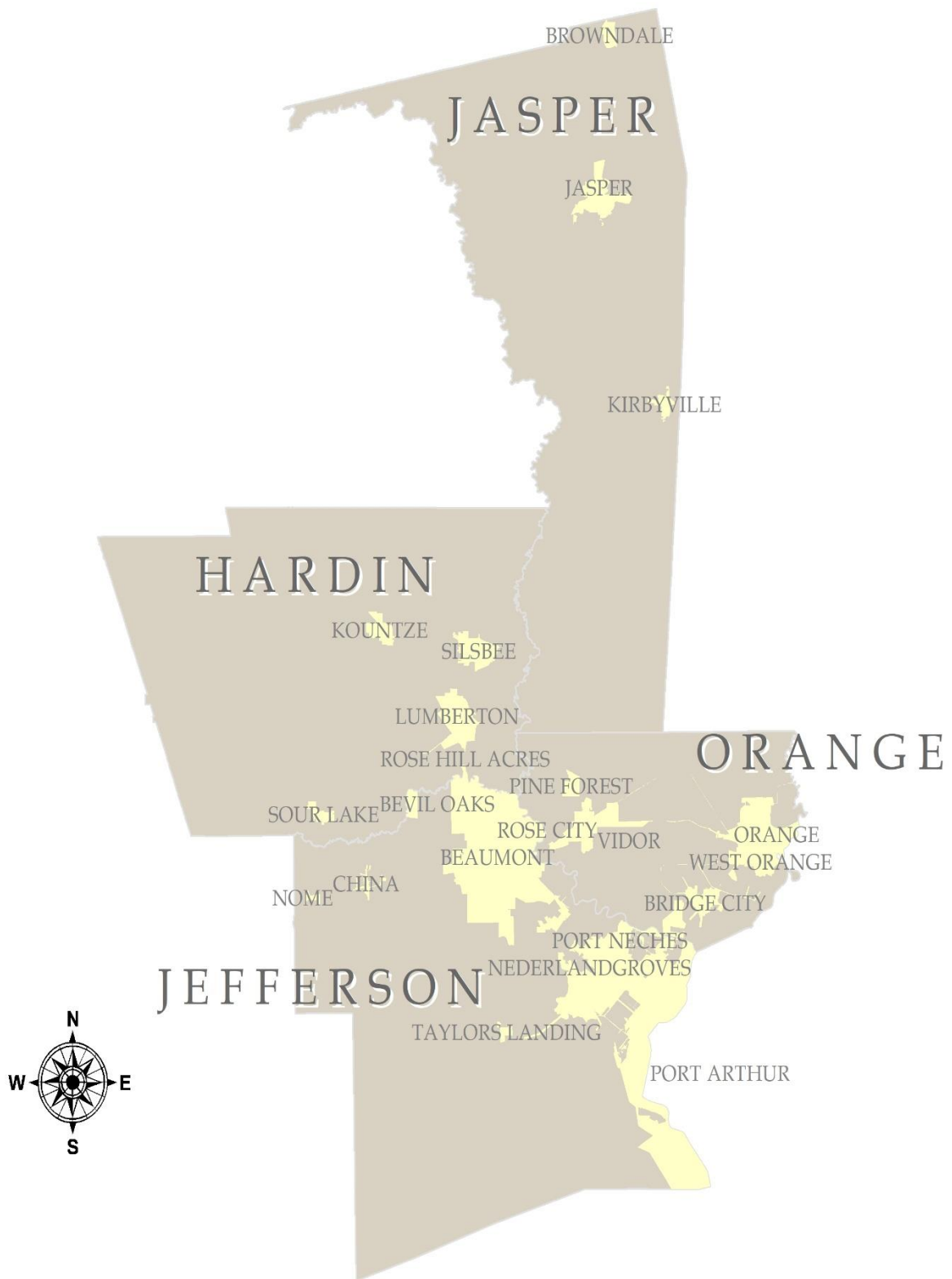
For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

September 30, 2021

Christopher P. Morrell

Executive Director/CEO

SOUTH EAST TEXAS REGION



2022 EXECUTIVE COMMITTEE OFFICERS



Mayor Pro Tem
Terri Gauthier
Orange County
President



Commissioner
Michael Senegal
Jefferson County
1st Vice-President



Judge
Wayne McDaniel
Hardin County
2nd Vice-President



Commissioner
Johnny Trahan
Orange County
3rd Vice-President



Judge
Mark Allen
Jasper County
4th Vice-President



Mayor
John Durkay
Taylor Landing
5th Vice President
Through 4/22



Mayor
Glenn Johnson
Port Neches
5th Vice-President
Effective 4/22



Mayor Pro Tem
Mary Adams
Kountze
Treasurer
Through 4/22



Councilmember
Kimberly Cline
Lumberton
Treasurer
Effective 4/22



Councilmember
Amanda Gates
Kirbyville
Secretary

2022 MEMBERSHIP

COUNTIES (4)			
HARDIN COUNTY	JEFFERSON COUNTY	ORANGE COUNTY	JASPER COUNTY
CITIES (23)			
Kountze	Beaumont	Bridge City	Jasper
Lumberton	Bevil Oaks	Orange	Kirbyville
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 (5)			
	Beaumont ISD	Port Arthur ISD	
	Bridge City ISD	Port Neches-Groves ISD	
	Hamshire-Fannett ISD		
SPECIAL DISTRICTS (23)			
Jefferson County Emergency Services District #1		Orange County Drainage District	
Jefferson County Emergency Services District #3		Orange County Water Control & Improvement Dist. #1	
Hardin County Emergency Services District #2		Orange County Water Control & Improvement Dist. #2	
Orange County Emergency Services District #3		Orange County Navigation & Port District	
Jefferson County Drainage District #3		Port of Beaumont	
Jefferson County Drainage District #6		Port of Port Arthur	
Jefferson County Drainage District #7		Sabine-Neches Navigation District	
Jefferson County Water Control & Improvement Dist., #10		Sabine River Authority of Texas	
Lower Neches Valley Authority		Jasper County Emergency Services District #1	
Lumberton Municipal Utility District		Jasper County Emergency Services District #4	
Mauriceville Municipal Utility District		Jasper Hospital District	
		Southeast Texas Groundwater Conservation District	

EXECUTIVE STAFF

Executive Director..... Shanna Burke

Executive Assistant.....Suzanne Carver

Director, FinanceJim 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 Pearson

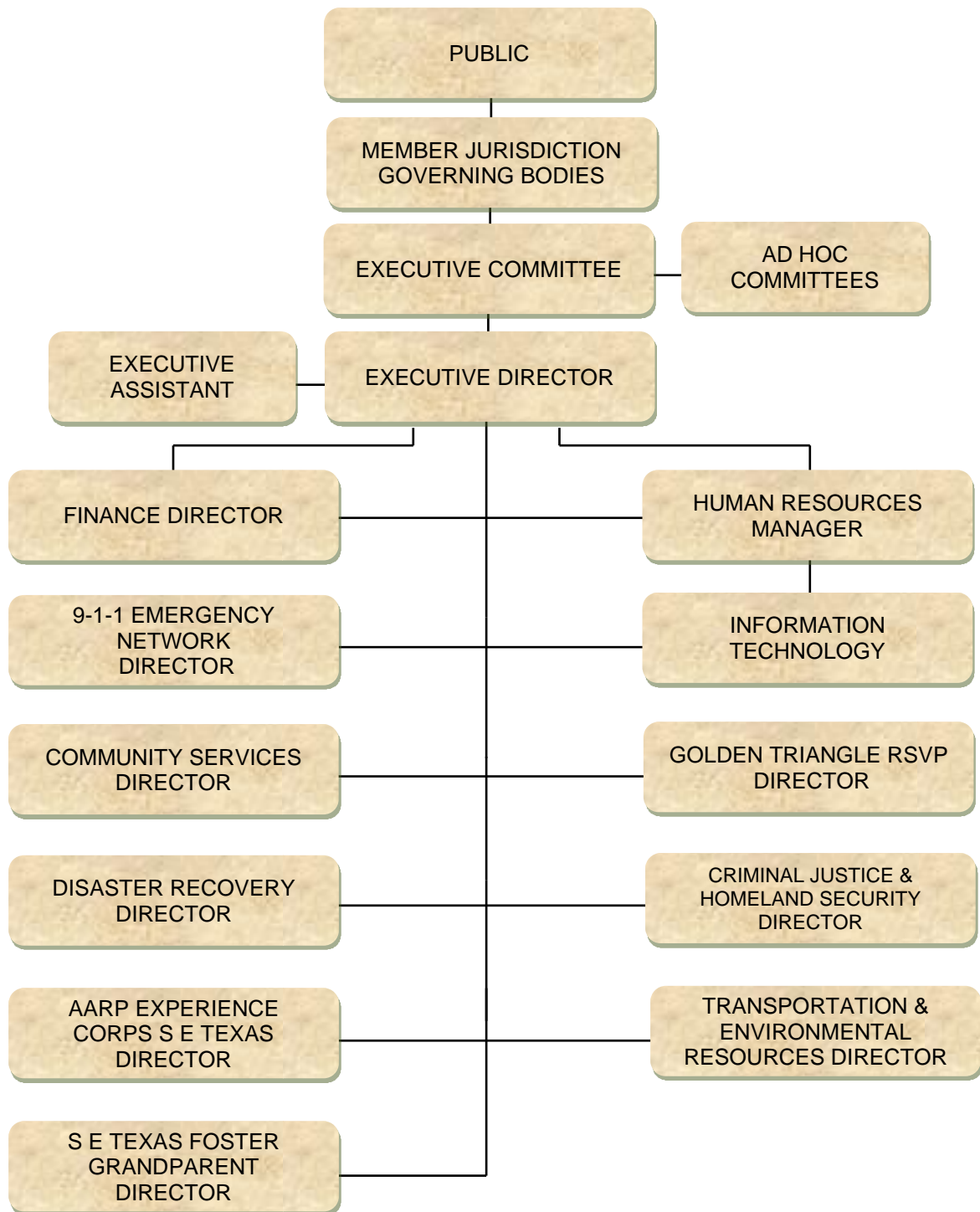
Director, Golden Triangle RSVP.....Crystal Petry

Director, Southeast Texas Foster Grandparent ProgramTyronna McKenzie

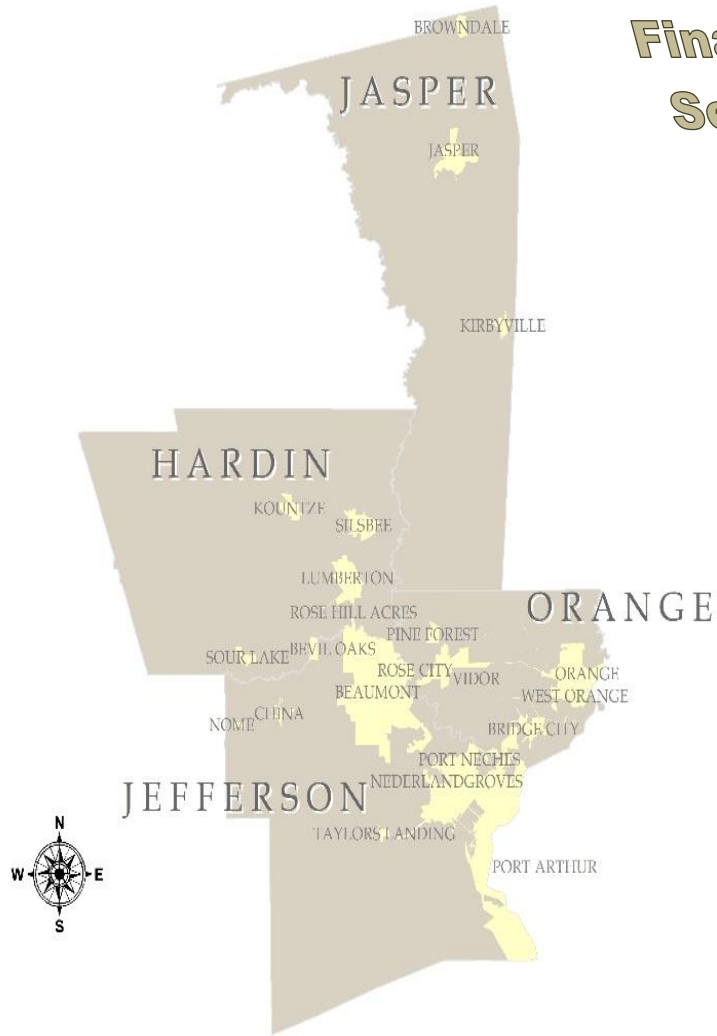
Director, Criminal Justice and Homeland Security Division Steve Curran

Director, Transportation & Environmental ResourcesBob Dickinson

ORGANIZATIONAL CHART



Financial Section





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South East Texas Regional Planning Commission

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the South East Texas Regional Planning Commission, as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the South East Texas Regional Planning Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South East Texas Regional Planning Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South East Texas Regional Planning Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the South East Texas Regional Planning Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal and state awards* and State of Texas *Uniform Grant Management Standards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2023, 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 South East Texas Regional Planning Commission's internal control over financial reporting and compliance.

Mitchell T Fontenote CPA, Inc.

Port Neches, Texas
June 14, 2023

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, 2022. 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 55 local governmental units in the four county (Hardin, Jasper, 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 3,361 total square miles with a 2020 population of 430,545. Since Jasper County joined the SETRPC in June 2021 based on a new directive from the Governor's Office, a total of 6 member governments from Jasper County have joined the SETRPC. As a result of the new directive, any Jasper County entity is eligible to join SETRPC at any time of their choosing upon passing a resolution. 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 2022 by \$7,036,751. Of this amount \$1,865,881 is considered unrestricted and may be used to meet ongoing financial obligations. The balance of net position, \$5,170,870, is the net amount invested in capital assets.
- b. The SETRPC's total net position decreased by \$1,505,324 in 2022.
- c. As of the close of the current fiscal year, the SETRPC's governmental funds reported a combined ending fund balance of \$2,202,169 at September 30, 2022.
- d. At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,010,457 or 5.5% 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 (custodial funds). Fiduciary funds are used to account for assets held by SETRPC as a custodian. The funds are custodial in nature and involve the economic measurement of results of operations. The basic fiduciary fund (custodial fund) financial statements can be found on page 30-31 of this report.

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 32 through 43 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 - 44 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 2022	Governmental Activities 2021	% Change
Current and other assets	\$ 4,944,145	\$ 5,754,230	-14.1%
Capital assets, net	5,171,543	6,268,103	-17.5%
Right To Use Leased Assets, net	35,058	-	100.0%
Total assets	<u>10,150,746</u>	<u>12,022,333</u>	<u>-15.6%</u>
Long-term liabilities outstanding	86,849	80,162	8.3%
Lease Payable	35,731	-	100.0%
Other liabilities	2,991,416	3,400,096	-12.0%
Total liabilities	<u>3,113,996</u>	<u>3,480,258</u>	<u>-10.5%</u>
Net position:			
Net investment in capital assets	5,170,870	6,211,469	-16.8%
Unrestricted	1,865,881	2,330,606	-19.9%
	<u>\$ 7,036,751</u>	<u>\$ 8,542,075</u>	<u>-17.6%</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 2021 and 2022 by \$1,505,324 – a decrease of 17.6% from fiscal year 2021.

A large portion of the SETRPC's net position (\$1,865,881) reflects its unrestricted assets which may be used to meet ongoing financial obligations. SETRPC's unrestricted assets decreased between fiscal years 2021 and 2022 by \$464,725 or 19.9%. The remainder of SETRPC's net position decreased by \$1,040,599 or 16.8%. This amount represents SETRPC's investment in capital assets (e.g. land, building, leasehold improvements, equipment, and furniture and fixtures). These assets are not available for future spending.

Significant components of the net position activity are as follows:

Governmental activities total expenses increased by \$4,750,756 (31.8%) in the current year. Following are details of the significant changes for the programs administered by the SETRPC.

- a. General government expenses increased by \$320,209 (\$22,307+\$297,902), \$297,902 of this increase relates to an extraordinary event, specifically a cybersecurity fraud intrusion of our network resulting in a payment made to an erroneous payee (See Contingent Liabilities page 43 for additional details) .
- b. Community Services had an increase of \$3,156,967 (131.0%). This increase was the result of additional emergency rental assistance funds administered on behalf of Jefferson County to help residents with rental/utility assistance due to COVID inflicted hardships.
- c. The Homeland Security Program had an increase of \$494,965 (74.4%). This increase relates to the construction of a communications tower in our region which resulted in a significant increase in expenditures.
- d. The Solid Waste Program, by administering Household Hazardous Waste (HHW) events, had a decrease of \$124,672 in expenditures after hosting only 1 event this fiscal year. The previous fiscal year had 2 events to make up for the lack of an HHW event in the previous year due to the pandemic.

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South East Texas Regional Planning Commission
Changes in Net Position

	Governmental Activities 2022	Governmental Activities 2021	Difference	Percent Change from Prior Year
REVENUES:				
Program revenues:				
Operating Grants and contributions	\$ 18,458,552	\$ 15,420,413	\$ 3,038,140	19.7%
General revenues:				
Investment earnings	6,102	5,970	132	2.2%
	<u>18,464,654</u>	<u>15,426,383</u>	<u>\$ 3,038,271</u>	<u>19.7%</u>
EXPENSES:				
General government	22,307	17,781	4,526	25.5%
Air Quality	1,089,084	1,073,430	15,654	1.5%
9-1-1 Emergency Network	3,635,398	3,263,172	372,226	11.4%
Substance Abuse	691	691	-	0.0%
Area Agency on Aging	3,180,918	3,019,221	161,697	5.4%
Community Development	1,056,361	766,052	290,309	37.9%
Community Services	5,567,031	2,410,064	3,156,967	131.0%
Public Safety	151,254	196,607	(45,353)	-23.1%
Foster Grandparent	414,486	496,401	(81,916)	-16.5%
RSVP	235,282	297,843	(62,561)	-21.0%
Solid Waste Management Planning	113,976	238,648	(124,672)	-52.2%
Transportation Planning	2,841,717	2,284,587	557,131	24.4%
Homeless	52,562	37,931	14,631	38.6%
AARP Experience Corps	150,866	149,194	1,671	1.1%
Homeland Security	1,159,840	664,875	494,965	74.4%
Interest	303	4,823	(4,520)	-93.7%
Total governmental activities	<u>19,672,077</u>	<u>14,921,321</u>	<u>4,750,756</u>	<u>31.8%</u>
Extraordinary Item	(297,902)			
Change in net position	(1,505,324)	505,062		
Net position, beginning	<u>\$ 8,542,076</u>	<u>\$ 8,037,015</u>		
Net position, ending	<u>\$ 7,036,752</u>	<u>\$ 8,542,076</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. 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, 2022, the SETRPC's governmental fund reported ending fund balances of \$2,202,168, a decrease of \$429,544 in comparison with the prior year. This was primarily due to both an increased focus on using consultants to address air quality in our region coupled with reduced program funding, along with the cybersecurity fraud intrusion resulting in an erroneous payment of \$297,902 (See Contingent Liabilities page 43 for details).

General Fund. The fund balance of the SETRPC's general fund decreased by \$258,003. 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. As mentioned, the decrease in the General Fund balance was due to a cybersecurity network intrusion which resulted in an erroneous payment of \$297,902 (See Contingent Liabilities page 43 for details).

Special Revenue Funds. The fund balance of SETRPC's special revenue funds decreased by \$171,542 during fiscal year 2022. This was mainly due to the following fund balance changes:

The Area Agency on Aging fund balance increased \$74,632 from the prior year due to increased local funds to assist in ramping up program services in our newly added region Jasper County.

The Air Quality fund balance decreased \$373,469 from the prior year. This was primarily due to an increased focus using consultants to address air quality in our region, along with the reduction of grant and industry fine monies.

Both the FGP and RSVP programs had positive fund balance increases (\$44,336 & \$48,862 respectively) which makes up the majority of the remaining increase. These increases were the result of reduced program related expenditures due to the lingering effects that the COVID pandemic placed on volunteers' participation in the program.

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 \$5,206,601 (net of accumulated depreciation) as of September 30, 2022. This investment in capital assets includes land, building, leasehold improvements, equipment and furniture and fixtures. No significant capital asset additions were made during this fiscal year, however, the net asset reductions during the FY 2022 fiscal year included the following:

- a. The 9-1-1 Emergency Network Program incurred \$657,008 in depreciation expenditures during the fiscal year.
- b. The Transportation division incurred \$424,599 in depreciation expenditures during the fiscal year.

CAPITAL ASSETS Net of Depreciation

	Governmental Activities	
	2022	2021
Land	\$ 136,130	\$ 136,130
Building	645,055	660,471
Furniture and equipment	4,390,359	5,471,502
Right To Use Leased Assets	\$35,058	-
	<u>\$ 5,206,601</u>	<u>\$ 6,268,103</u>

Additional information on the SETRPC's capital assets can be found in Note 1 (f) on page 35 and in Note 4 on page 40 of this report.

LONG-TERM DEBT

During the fiscal year, the SETRPC paid principal payments equal to \$56,635 to retire the long-term debt balance from the beginning of the year. This debt represented the remaining 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.

Also, SETRPC reports a long-term liability for unused vacation in the amount of \$86,849. Additional information on these compensated absences can also be found in Note 4 on page 41 of this report.

In addition to the compensated absences liability, SETRPC leases equipment to use (right to use leased assets) in the form of a postage machine, copier, and printers. Various lease agreements provide the framework to outline the terms of these leases which can be found on page 42. A long-term liability in the amount of \$28,258 has been recorded as of September 30, 2022.

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. On March 28, 2022, the President issued in a statement that in "accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act (the "Act"), as amended, 2 U.S.C. 901a, I hereby order that, on October 1, 2022, direct spending budgetary resources for fiscal year 2023 in each non-exempt budget account be reduced by the amount calculated by the Office of Management and Budget in its report to the Congress of March 28, 2022." Based on our current information, we do not currently anticipate a material reduction in the future funding of our existing programs at this time.

Now that the pandemic has started to ease, our community is beginning to regain its footing. Services are beginning to move towards pre-pandemic levels for most of our programs. The challenge surrounds programs that work more with our elderly population, such as our volunteer programs. The struggle still exists for our elderly volunteers to reintegrate back into the communities that they serve, and their health fears continue to be very real causing the volunteer's numbers to remain very low.

The phase out of the COVID-19 assistance from the federal government will cause funding reductions. Offsetting this possible reduction in COVID-19 assistance will be an increase in services and program-related expenditures as we fully integrate our newest member, Jasper County, and their residents into our existing programs.

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, 2022

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 260,065
Investments	1,063,996
Accounts Receivable	13,048
Due from grantor agencies	2,419,383
Prepaid items	1,187,653
Capital Assets:	
Land	136,130
Building, net	645,055
Equipment, net	4,390,359
Right To Use Leased Asset, net	35,058
Total Assets	<u>\$ 10,150,748</u>
LIABILITIES	
Accounts Payable	1,299,142
Unearned Revenue	1,536,214
Current Liabilities	
Due within one year	156,060
Current Portion of Lease Payable	\$7,473
Noncurrent liabilities:	
Due in more than one year	86,849
Non-Current Portion of Lease Payable	28,258
Total Liabilities	<u>\$ 3,113,996</u>
NET POSITION	
Net investment in capital assets	\$ 5,170,870
Unrestricted	1,865,881
Total net position	<u><u>\$ 7,036,752</u></u>

South East Texas Regional Planning Commission
Statement of Activities
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Government activities:						
General government	\$ 22,307	\$ -	\$ 22,307	\$ -	\$ 90,232	\$ 67,925
Air Quality	1,086,357	2,727	1,089,084	-	713,865	(375,219)
9-1-1 Emergency Network	3,413,232	222,166	3,635,398	-	2,977,720	(657,678)
Substance Abuse	691	-	691	-	-	(691)
Area Agency on Aging	2,929,115	251,803	3,180,918	-	3,253,682	72,764
Community Development	878,701	177,660	1,056,361	-	1,070,324	13,963
Community Services	5,400,060	166,971	5,567,031	-	5,525,481	(41,550)
Public Safety	141,313	9,942	151,254	-	159,060	7,805
Foster Grandparent	373,171	41,315	414,486	-	458,728	44,242
RSVP	189,594	45,689	235,282	-	284,208	48,926
Solid Waste Management Planning	113,328	647	113,976	-	110,637	(3,339)
Transportation Planning	2,706,133	135,585	2,841,717	-	2,417,533	(424,184)
Homeless	40,770	11,793	52,562	-	44,259	(8,303)
AARP Experience Corps	125,014	25,851	150,866	-	205,147	54,281
Homeland Security Planning	1,096,943	62,897	1,159,840	-	1,147,677	(12,163)
Indirect Costs	1,155,046	(1,155,046)	-	-	-	-
Interest	303	-	303	-	-	(303)
Total government activities	<u>19,672,077</u>	<u>0</u>	<u>19,672,077</u>	<u>-</u>	<u>18,458,552</u>	<u>(1,213,524)</u>
Total primary government	<u>\$ 19,672,077</u>	<u>\$ 0</u>	<u>\$ 19,672,077</u>	<u>\$ -</u>	<u>\$ 18,458,552</u>	<u>(1,213,524)</u>
General revenues:						
Investment earnings						6,102
Total general revenues, special items, and transfers						6,102
Extraordinary Item						(297,902)
Change in net position						(1,505,324)
Net position, beginning						\$ 8,542,076
Net Position, ending						<u>\$ 7,036,752</u>

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

**South East Texas Regional Planning Commission
Balance Sheet
Governmental Funds
September 30, 2022**

	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
Assets									
Cash	\$ 253,527	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ 253,727
Investments	2,707	517,439	-	-	1,340	395,425	-	143,199	1,060,111
Accounts receivable	10,161	-	523	174	2,190	-	-	-	13,048
Due from grantor agencies	-	88,245	691,764	204,787	88,324	22,654	670,419	653,189	2,419,383
Due from other funds	1,449,293	-	-	-	-	-	-	371,579	1,820,873
Prepaid items	-	-	788	1,825	-	1,146,771	9,881	-	1,159,265
Total Assets	1,715,690	605,684	693,075	206,786	91,854	1,565,050	680,300	1,167,968	6,726,406
Liabilities									
Accounts payable	1,003	80,263	46,332	809	9,577	194,287	223,970	406,684	962,925
Unearned Revenue	297,902	108	-	-	52,116	1,318,808	30,945	134,236	1,834,115
Due to other funds	406,328	19,702	523,989	197,009	29,498	51,953	423,088	75,630	1,727,197
Total Liabilities	705,233	100,072	570,321	197,818	91,191	1,565,049	678,004	616,550	4,524,237
Fund balances									
Nonspendable	-	-	788	1,825	-	1,146,771	9,881	-	1,159,265
Assigned to:									
Air Quality	-	505,611	-	-	-	-	-	-	505,611
Area Agency on Aging	-	-	121,965	-	-	-	-	-	121,965
Public Safety	-	-	-	-	-	-	-	146,216	146,216
Foster Grandparent Program	-	-	-	-	-	-	-	161,905	161,905
RSVP	-	-	-	-	-	-	-	129,497	129,497
Solid Waste Management Planning	-	-	-	-	-	-	-	15,071	15,071
Transportation Planning	-	-	-	-	-	-	-	-	-
Homeless Coalition	-	-	-	-	-	-	-	-	-
AARP Experience Corps	-	-	-	-	-	-	-	62,442	62,442
Homeland Security Planning	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	7,143	-	-	-	-	7,143
Community Services	-	-	-	-	663	-	-	36,288	36,951
9-1-1 Emergency Network	-	-	-	-	-	-	-	-	-
Unassigned	1,010,457	-	-	-	-	(1,146,769)	(7,585)	-	(143,897)
Total Fund balances	1,010,457	505,611	122,753	8,968	663	2	2,296	551,418	2,202,169
Total Liabilities and Fund Equity	\$ 1,715,690	\$ 605,684	\$ 693,075	\$ 206,786	\$ 91,854	\$ 1,565,050	\$ 680,300	\$ 1,167,968	

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.

4,438,334

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.

639,159

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

(242,909)

Net position of governmental activities (page 23)

\$ 7,036,752

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, 2022

	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	\$ -	\$ 2,830,500	\$ 185,340	\$ 5,444,474	\$ 650,767	\$ 2,977,695	\$ 2,417,533	\$ 1,920,723	\$ 16,427,032
Membership Dues & Assessments	90,232	131,687		-	-			130,409	352,327
Miscellaneous		291,495	528,525	81,007	419,557	25	-	358,584	1,679,193
Investment Income	2,170	66	1,704	1,140	-	620	-	402	6,102
Total Revenues	92,402	3,253,747	715,569	5,526,621	1,070,324	2,978,340	2,417,533	2,410,118	18,464,654
Expenditures									
Current:									
General Fund	33,000						-	-	33,000
Community Development	-				1,056,200		-	-	1,056,200
Community Services	-			5,563,868			-	-	5,563,868
9-1-1 Emergency Network	-					2,978,340	-	-	2,978,340
Air Quality	-		1,089,038				-	-	1,089,038
Area Agency on Aging	-	\$3,178,703					-	-	3,178,703
Public Safety	-						-	151,317	151,317
Foster Grandparent Program	-						-	414,392	414,392
RSVP	-						-	235,346	235,346
Solid Waste Management Planning	-						-	113,965	113,965
Transportation Planning	-						2,418,130	-	2,418,130
Homeless Coalition	-						-	52,365	52,365
AARP Experience Corps	-						-	149,931	149,931
Homeland Security Planning	-						-	1,159,457	1,159,457
Debt Service									
Principal		\$127		\$610			\$41		778
Interest		\$285		\$1,007			\$174		1,466
Capital Outlay	-		-			-	-	-	-
Total Expenditures	33,000	3,179,115	1,089,038	5,565,485	1,056,200	2,978,340	2,418,345	2,276,774	18,596,297
Excess (deficiency) of Revenues Over Expenditures	59,402	74,632	(373,469)	(38,864)	14,124	-	(812)	133,344	(131,643)
Other Financing Sources (Uses)									
Extraordinary Item	(297,902)								(297,902)
Transfers in	527	5,000	19,250	60,375	166	-	-	111,683	197,001
Transfers out	(20,030)	(5,000)	(19,250)	(21,511)	(5,321)	-	-	(125,888)	(197,001)
Total Other Financing Sources	(317,404)	-	-	38,864	(5,156)	-	-	(14,206)	(297,902)
Net change in fund balances	(258,003)	74,632	(373,469)	-	8,968	-	(812)	119,139	(429,544)
Fund Balances - Beginning	\$ 1,268,459	48,121	879,081	663	-	2	3,108	432,280	2,631,713
Fund Balances - Ending	\$ 1,010,457	\$ 122,753	\$ 505,611	\$ 663	\$ 8,968	\$ 2	\$ 2,296	\$ 551,418	\$ 2,202,168

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, 2022**

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

Net change in fund balances - total governmental funds (page 25)	\$ (429,544)
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Governmental funds report capital outlays and leased equipment as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays/leased assets exceeded depreciation/amortization in the current period.	(1,086,473)
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Some expenses (i.e. compensated absences) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">10,693</div>
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Change in net position of governmental activities (page 23)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (1,505,324)</div>
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The accompanying notes are an integral part of this financial statement.

South East Texas Regional Planning Commission
Statement of Net Position
Proprietary Funds
September 30, 2022

	Internal Service Fund
ASSETS	
Current Assets:	
Cash	\$ 10,224
Prepaid items	28,388
Total current assets	<u>38,613</u>
Noncurrent Assests:	
Capital assets -	
Land	136,130
Buildings	2,047,179
Right to use leased assets	\$22,818
Less: accumulated depreciation	(1,450,590)
Less: accumulated amortization	<u>(6,845)</u>
Capital assets - net of depreciation/amortization	<u>748,692</u>
Total Assets	<u>787,304</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	38,315
Due to other funds	93,675
Current portion of lease payable	4,528
Total current liabilities	<u>136,518</u>
Noncurrent liabilities:	
Advances from other funds	-
Lease payable	<u>11,627</u>
Total noncurrent liabilities	<u>11,627</u>
Total Liabilities	<u>148,145</u>
NET POSITION	
Net investment in capital assets	732,537
Unrestricted	<u>(93,378)</u>
Total net position	<u>\$ 639,159</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, 2022

	<u>Internal Service Fund</u>
Operating Revenues	
Regional Planning Commission Support Services	\$ 1,480,362
Total Operating Revenues	<u>1,480,362</u>
Operating Expenses	
Personnel	920,755
Supplies Expense	51,912
Printing & Publications Expense	1,893
Dues & Subscriptions	43,326
Subcontractor Services Expense	46,384
Telecommunications Expense	30,003
Postage Expense	3,742
Conferences & Seminars	21,762
Auto Allowances	8,820
Local Travel	101
Rent Expense	64,691
Utilities Expense	31,120
Audit & Other Professional Services	37,267
Equip - Lease/Rental Expense	9,811
Equipment - Maintenance Expense	6,302
Licenses Expense	-
Building Repairs & Maintenance	49,827
Depreciation and Amortization	94,928
Other Insurance Expense	34,524
Indirect Costs	24,291
Total Operating Expenses	<u>1,481,459</u>
Operating Income (Loss)	<u>(1,096)</u>
Nonoperating Revenues (expenses)	
Miscellaneous	6,671
Loss on Asset Disposed	(4,810)
Interest Expense	<u>(764)</u>
Change in net position	(0)
Net Position - October 1	<u>639,159</u>
Net Position - September 30	<u>\$ 639,159</u>

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

South East Texas Regional Planning Commission
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2022

	Internal Service Fund
Cash flows from operating activities	
Cash received from other funds for services	\$ 1,480,362
Cash payments to suppliers for goods and services	(436,236)
Cash payments to employees for services	(580,568)
Cash payments to other funds for services	(364,479)
Net cash provided (used) by operating activities	<u>99,080</u>
Cash flows from noncapital financing activities	
Received (due) from non-operating grants	6,671
Cash payments to/from other funds	39,814
Net cash provided (used) by noncapital and related financing activities	<u>46,485</u>
Cash flows from capital and related financing activities	
Acquisition of Capital Assets	(105,134)
Retirement of debt	(40,480)
Payment of interest	(764)
Net cash provided (used) by capital and related financing activities	<u>(146,379)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(813)
Cash and Cash Equivalents - Beginning of Year	<u>11,037</u>
Cash and Cash Equivalents - End of Year	<u><u>10,224</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	<u>(1,096)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	94,928
Change in assets and liabilities:	
(Increase) decrease in prepaid items	10,859
Increase (decrease) in accounts payable	(5,611)
Total adjustments	<u>100,176</u>
Net cash provided by operating activities	<u><u>\$ 99,080</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, 2022

	<u>Custodial Funds</u>
ASSETS	
Accounts Receivable	\$ 11,100
Due From Other Funds	<u>\$ 495</u>
Total Assets	<u>\$ 11,595</u>
LIABILITIES	
Due To Other Funds	\$ 10,161
Advances From Grantors	<u>\$ 938</u>
Total Liabilities	<u>\$ 11,100</u>
NET POSITION	<u>\$ 495</u>

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

South East Texas Regional Planning Commission
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2022

	<u>Total Custodial Funds</u>
ADDITIONS	
Partnership Assistance Award	\$ 411,629
Cash Contributions	\$ 2
Beverage Sales	<u>\$ 950</u>
Total Assets	<u><u>\$ 412,580</u></u>
DEDUCTIONS	
Planning Service Acquisition	\$ 11,000
Administrative Service Acquisition	419,557
Beverage Costs	<u>510</u>
Total Liabilities	<u><u>\$ 431,067</u></u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u><u>\$ (18,487)</u></u>
NET POSITION, BEGINNING	\$ -
PRIOR PERIOD ADJUSTMENT	<u>\$ 18,982</u>
NET POSITION, ENDING	<u><u>\$ 495</u></u>

South East Texas Regional Planning Commission
Notes to Financial Statements
September 30, 2022

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 50 local governmental units in the four county (Hardin, Jasper, 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 3,361 square miles with a 2020 population of some 430,545. 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 fiduciary 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 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. SETRPC implemented GASB 84 during the reporting period, which provides the framework for how fiduciary activities should be reported. The intent of this Statement is to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. Under this Statement, the activities associated with the custodial funds are required to be reported under schedules Statement of Fiduciary Net Position as well as a Statement of Changes in Fiduciary Net Position (pages 30 & 31). A prior period adjustment was used on these schedules for comparative purposes. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government reports the following Fiduciary Funds (Custodial Funds), which are used to account for assets held by SETRPC. These funds are custodial in nature and use the economic measurement focus to measure 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.

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 receivables 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, 2022.

c. Interfund Receivables and Payables

During 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, 2022.

f. Capital Assets

Capital assets, which include buildings, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Leased Assets

Leased assets are assets used as outlined in agreements in which SETRPC conveys the right to control and right to use another entity's nonfinancial assets as specified in the contract for a period of time in an exchange like transaction. The leased asset is measured at the amount of the initial measurement of the lease liability, plus any payments made at the commencement of the lease term. Examples of the leased assets are for a postage machine, copiers, and printers.

h. 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.

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 the length of employment.

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

i. 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.

In addition, the liability associated with leased assets is measured and reported at the present value of the payments expected to be made during the lease term. The lease liability reduces the leased (right to use) asset in reporting the government-wide net position.

j. 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 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.

As a part of the proprietary fund balance, SETRPC established a working capital reserve included in the unrestricted balance to help operations from one billing cycle to the next. Charges by the internal service fund established a working capital reserve up to 60 calendar days to help meet operational needs and maintain adequate funds to address immediate needs between billing cycles.

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 (\$1,086,473) difference are as follows:

Capital outlay	\$ -
Depreciation expense	<u>(1,086,473)</u>
<i>Net adjustment to increase net changes in fund balances-</i>	
<i>total governmental funds to arrive at changes in net</i>	
<i>position of governmental activities</i>	<u>\$ (1,086,473)</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, 2022 were \$259,465 and the bank balances were \$661,885. 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, 2022 was \$1,055,647. 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, 2022 was \$8,349 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

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.

DETAILED NOTES ON ALL FUNDS (continued)

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, 2022 for SETRPC's governmental funds were as follows:

Due from grantor agencies	\$ 2,419,383
Other receivables	<u>13,048</u>
Total receivables	<u>\$ 2,432,431</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, 2022:

DETAILED NOTES ON ALL FUNDS (continued)

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,449,293	\$ 406,328
Air Quality Program		19,702
Area Agency on Aging Program		523,989
Community Services Program		29,498
Community / Economic Development Program		197,009
Criminal Justice Program	128,516	
9-1-1 Emergency Network		51,953
Foster Grandparent Program	89,965	
RSVP	90,525	
Solid Waste Management Planning Program		976
Substance Abuse Program		
Transportation Planning Program		423,088
Homeless Coalition	131	
AARP Experience Corps Program	62,442	
Homeland Security Program	-	74,654
Internal Service Funds		<u>93,675</u>
	<u>\$ 1,820,873</u>	<u>\$ 1,820,873</u>

Capital Assets

Primary government capital asset activity for the year ended September 30, 2022 is as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets not being depreciated:				
Land	\$ 136,130	\$ -	\$ -	\$ 136,130
Total	<u>136,130</u>	<u>-</u>	<u>-</u>	<u>136,130</u>
Capital Assets being depreciated:				
Buildings and improvements	2,145,996	82,316	13,051	2,215,261
Furniture and equipment	8,460,287	-	20,696	8,439,591
Right to use lease assets	-	43,172	-	43,172
Total	<u>10,606,283</u>	<u>125,488</u>	<u>33,748</u>	<u>10,698,023</u>
Less Accumulated Depreciation for:				
Buildings	1,485,524	92,922	8,241	1,570,206
Furniture and equipment	2,988,785	1,081,144	20,696	4,049,232
Right to use lease assets	-	8,114	-	8,114
Total	<u>4,474,309</u>	<u>1,182,180</u>	<u>28,937</u>	<u>5,627,552</u>
	<u>\$ 6,268,103</u>	<u>\$ (1,056,692)</u>	<u>\$ 4,811</u>	<u>\$ 5,206,601</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	\$ 2,154
Substance Abuse	691
9-1-1 Emergency Network	657,008
Transportation & Environmental Resources	424,599
Community Services	\$926
Community/Economic Development	1,066
Homeless	807
Internal Service Fund	<u>94,928</u>
Total Depreciation Expense - Government Activities	<u>\$ 1,182,180</u>

Long-term Liabilities

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, 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%. In March 2022, SETRPC retired this loan and paid off the remaining principal balance of \$56,635.

Long-term activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Note payable	\$ 56,635	\$ -	\$ 56,635	\$ -	\$ -
Lease payable	\$ -	\$ 43,172	\$ 7,441	\$ 35,731	\$ 7,473
Compensated absences	<u>\$ 253,602</u>	<u>\$ 30,982</u>	<u>\$ 41,675</u>	<u>\$ 242,909</u>	<u>\$ 156,060</u>
Governmental activity long-term liabilities	<u>\$ 310,237</u>	<u>\$ 74,154</u>	<u>\$ 105,751</u>	<u>\$ 278,640</u>	<u>\$ 163,533</u>

Compensated absences are generally liquidated by the General Fund.

DETAILED NOTES ON ALL FUNDS (continued)

Lease Payable

SETRPC implemented GASB No. 87 – Leases of the Government Accounting Standards Board, effective October 1, 2022. The objective of the Statement is to better meet the needs of the financial statement reader by improving accounting and financial reporting for leases by governments. This standard governs the right to use assets associated with leases as well as the liabilities associated with the lease transactions. As a part of the transition to this new standard, SETRPC determined that retroactively restating the financial statements was not practical and by not doing so would not mislead the reader. Additionally, the cumulative effect of the prior period activity was minimal and, therefore, negated the need to restate the beginning net position balance for the prior period.

SETRPC leases assets that fall into the equipment asset class, specifically a postage machine, a copier and several printers as referenced below, being utilized by various individual programs. Each agreement for the leased asset contains different terms but under each lease agreement fixed payments are made according to the payment agreement.

Asset Class	Description	Start Date	End Date	Variable Payments	Renewal Option	Borrowing Rate	Asset Amt	Acc Amort	9/30/22 RTU Asset Value
Equipment	Postage Machine	6/30/2021	3/29/2026	No	Yes	1.5%	\$ 22,818	\$ 6,845	\$ 15,972
Equipment	Printers	9/20/2022	9/20/2027	No	Yes	29.8%	\$ 11,483	\$ 239	\$ 11,244
Equipment	Printers	3/1/2021	3/1/2025	No	Yes	30.7%	\$ 2,339	\$ 926	\$ 1,413
Equipment	Copier	9/20/2022	9/20/2027	Yes	Yes	32.0%	\$ 6,532	\$ 104	\$ 6,429
Total							<u>\$ 43,172</u>	<u>\$ 8,114</u>	<u>\$ 35,058</u>

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$7,473	\$5,828	\$13,301
2023	\$8,575	\$4,726	\$13,301
2024	\$9,396	\$3,309	\$12,705
2025	\$7,798	\$1,695	\$9,493
2026	\$2,488	\$527	\$3,015
	<u>\$35,731</u>	<u>\$16,085</u>	<u>\$51,816</u>

DETAILED NOTES ON ALL FUNDS (continued)

Transfers In/Out

The following is a summary of interfund transfers for the year ended September 30, 2022:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 19,503
Air Quality	19,250	19,250
Area Agency on Aging	5,000	5,000
Community Development	-	5,156
Community Services	38,864	-
Retired Seniors Volunteer Program	-	-
Homeless	-	14,206
	<u>\$ 63,114</u>	<u>\$ 63,114</u>

The balances recorded as transfers result from local matching funds provided in accordance with the terms and provisions of various grant contracts or to close out grant-related activities by utilizing local funds.

5. OTHER INFORMATION

Contingent Liabilities

In 2022, SETRPC experienced a network intrusion when one of our employees' email accounts was compromised resulting in an erroneous payment made to a fraudulent account in the amount of \$297,902. A liability for this loss has been recognized as an expenditure in the General Fund. This event qualifies as an extraordinary item for the purposes of this report as it is unusual in nature, not related to ordinary activity nor is it likely to recur in the foreseeable future.

In addition to the initial loss, another set of transactions were made in December 2022 to the same fraudulent account before the fraud was discovered. Once the fraud was detected, SETRPC began work with the US Secret Service to identify the person who perpetrated this crime. On June 12, 2023 an arraignment was held in the Jefferson County Federal Courthouse for the perpetrator pursuant to criminal charges. In 2023, after the recoverable funds are received from the US Secret Service and from our insurance coverage, SETRPC expects to incur an additional net loss of approximately \$35,000 in uncovered costs related to this event.

In the normal course of business, any 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.

OTHER INFORMATION (continued)

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.

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 Part 200, Appendix III, as costs "(a) incurred for a common or joint objective and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity." 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, 2022, was \$264,009. Forfeitures amounted to \$9,411. Covered annual salaries for the same period totaled \$3,417,744 with total payroll being \$3,559,861. There were no unfunded past service costs at September 30, 2022. Employees made contributions of \$273,420. The number of Plan Participants at September 30, 2022 was 63.

Subsequent Events

As referenced in the Contingent Liabilities, as a result of the cybersecurity network intrusion, there is an ongoing investigation into the crime and the results of that investigation have yet to be determined. There is still the possibility that SETRPC can recover some amount of the lost funds. However, at this time, the recoverable amount is not yet determinable.

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.

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, 2022**

	Public Safety	Foster Grandparent	RSVP	Solid Waste Management Planning	Homeless	AARP Experience Corps	Homeland Security Planning	Total
Assets								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	143,199	-	-	-	143,199
Accounts receivable	-	-	-	-	-	-	-	-
Due from grantor agencies	79,410	89,368	39,607	-	-	-	444,804	653,189
Due from other funds	128,516	89,965	90,525	-	131	62,442	-	371,579
Prepaid items	-	-	-	-	-	-	-	-
Total Assets	207,927	179,333	130,132	143,199	131	62,442	444,804	1,167,968
Liabilities								
Accounts payable	61,711	10,346	635	-	131	-	333,861	406,684
Deferred Revenue	-	7,082	-	127,153	-	-	-	134,236
Due to other funds	-	-	-	976	-	-	74,654	75,630
Total Liabilities	61,711	17,428	635	128,129	131	-	408,516	616,550
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	-
Assigned to:								
Area Agency on Aging	-	-	-	-	-	-	-	-
Public Safety	146,216	-	-	-	-	-	-	146,216
Foster Grandparent	-	161,905	-	-	-	-	-	161,905
RSVP	-	-	129,497	-	-	-	-	129,497
Solid Waste Management Planning	-	-	-	15,071	-	-	-	15,071
Substance Abuse Program	-	-	-	-	-	-	-	-
Homeless	-	-	-	-	-	-	-	-
AARP Experience Corps	-	-	-	-	-	62,442	-	62,442
Homeland Security Planning	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	36,288	36,288
9-1-1 Emergency Network	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund balances	146,216	161,905	129,497	15,071	-	62,442	36,288	551,418
Total Liabilities and Fund Equity	\$ 207,927	\$ 179,333	\$ 130,132	\$ 143,199	\$ 131	\$ 62,442	\$ 444,804	\$ 1,167,968

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, 2022

	Public Safety	Foster Grandparent Program	RSVP	Solid Waste Management Planning	Homeless	Experience Corps	Homeland Security Planning	Total
Revenues								
Intergovernmental	\$ 147,756	\$ 404,155	\$ 204,547	\$ 102,306	\$ -	\$ -	\$ 1,061,960	1,920,723
Member Dues & Assessments	11,304	34,967	41,079	-	43,059	-	-	130,409
Miscellaneous	-	19,606	38,582	8,331	1,200	205,147	85,717	358,584
Investment Income	1	-	-	401	-	-	0	402
Total Revenues	159,061	458,728	284,208	111,037	44,259	205,147	1,147,678	2,410,118
Expenses								
Current:								
Area Agency on Aging	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-
Public Safety	151,317	-	-	-	-	-	-	151,317
Foster Grandparent Program	-	414,392	-	-	-	-	-	414,392
RSVP	-	-	235,346	-	-	-	-	235,346
Solid Waste Mangement Planning	-	-	-	113,965	-	-	-	113,965
Transportation Planning	-	-	-	-	-	-	-	-
Homeless Coalition	-	-	-	-	52,365	-	-	52,365
AARP Experience Corps	-	-	-	-	-	149,931	-	149,931
Homeland Security Planning	-	-	-	-	-	-	1,159,457	1,159,457
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	151,317	414,392	235,346	113,965	52,365	149,931	1,159,457	2,276,774
Excess (deficiency) of revenues Over expenditures	7,743	44,336	48,862	(2,928)	(8,106)	55,216	(11,779)	133,344
Other Financing Sources								
Transfers in	-	-	-	-	111,683	-	-	111,683
Transfers out	-	-	-	-	(125,888)	-	-	(125,888)
Total Other Financing Sources	-	-	-	-	(14,206)	-	-	(14,206)
Net change in fund balances	7,743	44,336	48,862	(2,928)	(22,312)	55,216	(11,779)	119,139
Fund Balances - Beginning	138,473	117,569	80,635	17,998	22,312	7,226	48,067	432,280
Fund Balances - Ending	\$ 146,216	\$ 161,905	\$ 129,497	\$ 15,071	\$ -	\$ 62,442	\$ 36,288	\$ 551,418

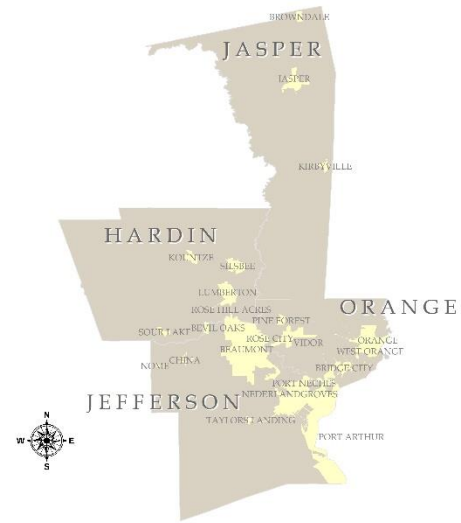
South East Texas Regional Planning Commission
Schedule of Final Indirect Cost Rate
For the Year Ended September 30, 2022

	Actual Indirect Costs Year Ended September 30, 2022	FY 2022 Approved Rate	FY 2023 Proposed Rate
Employee Salaries	\$ 531,229	\$ 563,611	\$ 590,337
Employee Benefits	311,278	309,353	321,278
 Total Personnel Cost	 842,507	 872,964	 911,615
 Office Space	 64,691	 64,214	 64,214
Equipment/Rent, Lease	9,811	12,000	16,935
Equipment/Maintenance	6,302	6,000	9,309
Subcontractor Services	34,694	28,321	15,900
Telecommunications	30,003	27,095	30,216
Postage	3,742	4,000	4,000
Consumable Supplies	41,342	21,000	41,000
Insurance	10,475	8,941	10,475
Travel and Allowances	30,683	60,449	60,829
Dues and Subscriptions	43,326	34,838	43,261
Printing and Publications	1,893	1,500	1,500
Audit/Professional Services	37,267	35,000	35,000
Charges to outside Agencies for Services	3,277		
	<u>1,160,012</u>	<u>1,176,322</u>	<u>1,244,254</u>
 Total Indirect Costs (A)	 <u>1,160,012</u>	 <u>1,176,322</u>	 <u>1,244,254</u>
 Basis for Allocation of Indirect Costs (Note 4 page 41):			
 Direct Salary Cost	 2,356,135	 2,713,725	 2,727,644
Direct Benefits Cost	1,380,595	1,489,503	1,484,461
 Total Direct Personnel Costs (B)	 <u>\$ 3,736,730</u>	 <u>\$ 4,203,228</u>	 <u>\$ 4,212,105</u>
 Indirect Cost Rate (A/B)	 <u>31.0%</u>	 <u>28.0%</u>	 <u>29.5%</u>

South East Texas Regional Planning Commission
Schedule of Final Employee Benefit Rate
For the Year Ended September 30, 2022

	Actual Employee Benefit Costs Year Ended Sept. 30, 2022	FY 2022 Approved Rate	FY 2023 Proposed Rate
<u>Released Time:</u>	\$ 672,503	\$ 680,799	\$ 689,243
<u>Benefits Program:</u>			
Payroll Taxes	45,788	62,393	63,105
Retirement Plan	264,009	298,357	283,703
Insurance	707,809	752,307	765,065
Other Benefits	1,765	5,000	4,623
	<u>1,019,370</u>	<u>1,118,057</u>	<u>1,116,496</u>
 Total Employee Benefits (A)	 <u><u>1,691,873</u></u>	 <u><u>1,798,856</u></u>	 <u><u>1,805,739</u></u>
 Basis for Allocation of Employee Benefits:			
Gross Salaries	3,559,867	3,958,135	4,007,224
Less release time	<u>672,503</u>	<u>680,799</u>	<u>689,243</u>
 Chargeable Salaries (B)	 <u><u>\$ 2,887,364</u></u>	 <u><u>\$ 3,277,336</u></u>	 <u><u>\$ 3,317,981</u></u>
 Employee Benefit Rate (A/B)	 <u>58.6%</u>	 <u>54.9%</u>	 <u>54.4%</u>

Statistical Section



**Statistical Section
(Unaudited)**

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

Contents	Page
<i>Financial Trends</i>.....	53
These schedules contain trend information to help the reader understand how the SETRPC's financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	58
These schedules contain trend information to help the reader assess the SETRPC's most significant local revenue resource.	
<i>Debt Capacity</i>	60
These schedules contain trend information to help the reader assess the SETRPC's current levels of outstanding debt.	
<i>Demographic and Economic Information</i>.....	61
These schedules contain economic and demographic information to help the reader understand the environment within which the SETRPC's financial activities take place.	
<i>Operating Information</i>	63
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net investment in capital assets	\$ 5,170,870	6,211,469	\$ 5,594,036	\$ 5,036,035	\$ 5,438,054	\$ 5,375,405	\$ 2,431,015	\$ 997,028	\$ 1,323,101	\$ 1,966,519
Unrestricted	<u>\$ 1,865,881</u>	<u>\$ 2,330,607</u>	<u>\$ 2,442,978</u>	<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>
Total governmental activities net position	<u>\$ 7,036,751</u>	<u>\$ 8,542,075</u>	<u>\$ 8,037,014</u>	<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>

Source: Annual Comprehensive Financial Report

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

Expenses	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental Activities:										
General Government	320,209	17,781	91,761	49,517	\$ 39,828	\$ 60,739	\$ 13,783	\$ 41,967	\$ 51,313	\$ 21,778
Air Quality	1,089,084	1,073,430	948,124	1,034,572	1,006,560	1,169,673	1,270,638	1,371,388	1,265,268	1,410,575
9-1-1 Emergency Network	3,635,398	3,263,172	2,868,048	2,848,105	2,732,817	2,198,835	2,667,365	2,158,394	2,164,922	2,234,518
Substance Abuse	691	691	691	3,580	9,637	7,400	30,280	3,068,737	3,759,894	3,607,943
Area Agency on Aging	3,180,918	3,019,221	2,599,860	2,693,070	2,421,960	2,291,848	2,276,512	2,387,484	1,986,317	2,021,643
Community Development	1,056,361	766,052	744,536	8,316,375	11,947,359	10,155,136	39,433,163	73,163,611	39,942,338	6,945,455
Community Services	5,567,031	2,410,064	883,081	783,278	1,119,801	627,558	870,317	694,254	510,237	714,019
Public Safety	151,254	196,607	230,978	211,264	204,443	180,903	249,050	188,548	182,342	194,102
Foster Grandparents	414,486	496,401	475,101	451,435	467,506	469,838	477,427	494,575	551,593	525,584
RSVP	235,282	297,843	333,191	368,146	363,874	367,369	339,507	313,723	302,186	311,241
Solid Waste Management Planning	113,976	238,648	1,559	96,183	142,639	126,872	108,972	132,688	100,274	188,650
Transportation Planning	2,841,717	2,284,587	2,182,360	2,094,568	2,273,491	2,372,797	2,666,802	2,353,543	2,351,627	2,076,463
Homeless	52,562	37,931	34,204	42,251	54,300	57,210	51,135	89,798	101,832	132,139
AARP Experienced Corps	150,866	149,194	259,850	274,337	266,010	264,030	255,166	236,429	235,697	329,176
Homeland Security	1,159,840	664,875	732,293	548,741	525,165	387,685	514,726	489,900	420,783	289,749
Interest	303	4,823	9,717	14,375	18,819	23,139	27,451	31,381	35,165	38,615
Total Governmental Activities Expenses	\$ 19,969,978	\$ 14,921,320	\$ 12,395,354	\$ 19,829,797	\$ 23,594,209	\$ 20,761,031	\$ 51,252,294	\$ 87,216,419	\$ 53,961,791	\$ 21,041,649
Program Revenues										
Governmental Activities:										
Operating Grants & Contributions	\$ 18,458,552	15,420,413	\$ 12,547,809	\$ 19,155,236	23,462,857	23,502,447	52,898,041	87,131,643	53,635,493	20,783,360
Total Governmental Activities Program Revenues	18,458,552	15,420,413	12,547,809	19,155,236	23,462,857	23,502,447	52,898,041	87,131,643	53,635,493	20,783,360
Net (Expense) Revenues	(1,511,426)	499,093	152,455	(674,562)	(131,352)	2,741,417	1,645,747	(84,776)	(326,298)	(258,289)
General Revenues:										
Government Activities:										
Investment earnings	6,102	5970	4,635	6,139	2,482	3173	1714	2099	2,424	1,768
Transfers - net	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities General Revenues	6,102	5,970	4,635	6,139	2,482	3,173	1,714	2,099	2,424	1,768
Change in Fund Net Position										
Governmental Activities	\$ (1,505,324)	\$ 505,063	\$ 157,090	\$ (668,423)	\$ (128,870)	\$ 2,744,590	\$ 1,647,462	\$ (82,677)	\$ (323,873)	\$ (256,520)

Source: Annual Comprehensive 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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	707,013	574,895	747,294	1,053,350	170,935	396,732	24,799
Unassigned	1,010,457	1,268,458	1,226,304	473,523	563,455	361,413	36,180	877,964	626,836	975,881
Total General Fund	<u>1,010,457</u>	<u>1,268,458</u>	<u>1,226,304</u>	<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>
All other governmental funds										
Special Revenue Funds										
Reserved										
Unreserved										
Nonspendable	1,159,265	1,531,543	703,703	758,423	640,406	748,269	1,056,377	170,936	398,044	26,364
Assigned	32,447	(168,289)	832,349	1,058,639	1,439,479	1,401,228	1,283,662	2,015,643	1,568,913	1,623,495
Total all other governmental funds	<u>1,191,712</u>	<u>1,363,254</u>	<u>1,536,051</u>	<u>1,817,062</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>
Total Governmental Funds	<u>\$ 2,202,169</u>	<u>\$ 2,631,712</u>	<u>\$ 2,762,356</u>	<u>\$ 2,997,597</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>

Source: Annual Comprehensive Financial Report

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

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues					
Intergovernmental	\$ 16,427,032	13,808,232	\$ 10,851,523	\$ 17,229,535	\$ 21,152,809
Membership Dues & Assessments	\$ 352,327	277,348	276,274	276,124	276,274
Miscellaneous	\$ 1,679,193	1,334,832	1,420,011	1,649,576	2,033,774
Investment Income	\$ 6,102	5,970	5,594,036	6,139	2,482
Total Revenues	<u>18,464,654</u>	<u>15,426,383</u>	<u>12,552,444</u>	<u>19,161,374</u>	<u>23,465,339</u>
Expenditures					
Current:					
General Fund	330,902	36,054	19,091	33,510	34,654
Area Agency on Aging	3,179,115	3,028,841	2,609,796	2,704,015	2,434,234
Air Quality	1,089,038	1,073,428	948,124	1,034,572	1,006,684
9-1-1 Emergency Network	2,978,340	2,709,047	2,353,497	2,185,308	2,173,771
Substance Abuse Division	-	-	-	2,890	8,947
Community Development	1,056,200	774,378	755,169	8,327,343	11,960,258
Community Services	5,565,485	2,413,890	886,696	786,464	1,123,544
Public Safety	151,317	197,161	231,368	211,913	204,912
Foster Grandparent Program	414,392	497,920	476,632	453,033	469,263
RSVP	235,346	300,016	335,354	370,419	366,469
Solid Waste Management	113,965	238,647	1,559	96,183	142,640
Transportation Planning	2,418,345	1,905,596	1,853,975	2,003,685	2,181,323
Homeless Coalition	52,365	37,947	34,272	42,931	55,085
AARP Experience Corps	149,931	149,336	260,378	275,078	267,866
Homeland Security Planning	1,159,457	666,789	734,070	549,974	526,633
Capital Outlays	<u>-</u>	<u>1,527,975</u>	<u>1,287,705</u>	<u>304,694</u>	<u>549,024</u>
Total Expenditures	<u>18,894,199</u>	<u>15,557,026</u>	<u>12,787,685</u>	<u>19,382,011</u>	<u>23,505,307</u>
Excess of Revenues Over (Under) Expenditures	<u>(429,544)</u>	<u>(130,644)</u>	<u>(235,241)</u>	<u>(220,637)</u>	<u>(39,968)</u>
Other Financing Sources and Uses					
Transfers in	197,001	108,159	318,130	456,848	426,314
Transfers out	<u>(197,001)</u>	<u>(108,159)</u>	<u>(318,130)</u>	<u>(456,848)</u>	<u>(426,314)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Net Change in Fund Balances	<u>\$ (429,544)</u>	<u>(130,644)</u>	<u>\$ (235,241)</u>	<u>\$ (220,637)</u>	<u>\$ (39,967)</u>

Source: Annual Comprehensive Financial Report

Fiscal Year				
2017	2016	2015	2014	2013
\$ 21,623,823	\$ 50,611,295	\$ 84,826,740	\$ 51,269,968	\$ 18,595,856
275,824	275,886	275,974	275,815	275,974
1,602,800	2,010,860	2,028,929	2,089,710	1,911,530
3,173	1,714	2,099	2,424	1,768
23,505,620	52,899,756	87,133,742	53,637,917	20,785,128
32,304	33,167	40,288	42,120	34,326
10,163,800	2,284,602	2,395,439	1,992,536	2,029,916
630,346	1,272,369	1,373,494	1,266,872	1,410,690
6,709	2,256,507	1,901,485	1,789,169	1,676,692
1,856,027	29,790	3,069,693	3,759,689	3,607,463
1,170,614	39,444,706	73,175,028	39,952,467	6,955,526
2,300,876	872,426	695,473	510,990	714,634
181,325	249,056	188,635	182,334	194,121
471,151	478,949	496,198	552,968	527,099
369,258	341,550	315,867	304,013	313,576
127,065	108,971	132,677	100,274	188,693
2,337,288	2,648,549	2,073,198	1,967,666	1,665,465
57,649	51,293	90,475	102,732	133,448
265,304	256,357	237,537	236,145	329,679
388,612	515,951	491,077	421,877	290,870
3,318,657	1,861,421	212,105	116,078	329,173
23,676,985	52,705,665	86,888,667	53,297,931	20,401,371
(171,365)	194,091	245,075	339,987	383,759
485,759	456,033	552,521	588,488	646,012
(485,759)	(456,033)	(552,521)	(588,488)	(646,012)
-	-	-	-	-
\$ (171,365)	\$ 194,091	\$ 245,074	\$ 339,986	\$ 383,759

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Hardin County	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571	\$ 15,571
Jefferson County	115,302	115,302	115,302	115,302	115,302	115,302	115,302	115,302	115,302	115,302
Orange County	34,312	34,312	34,312	34,312	34,312	34,312	34,312	34,312	34,312	34,312
Jasper County	-	-	-	-	-	-	-	-	1,200	74,843
City of Beaumont	43,234	43,234	43,234	43,234	43,234	43,234	43,234	43,234	43,234	43,234
City of Bevil Oaks	386	386	386	386	386	386	386	386	386	386
City of Bridge City	2,328	2,328	2,328	2,328	2,328	2,328	2,328	2,328	2,328	2,328
City of China	337	337	337	337	337	337	337	337	337	337
City of Groves	4,829	4,829	4,829	4,829	4,829	4,829	4,829	4,829	4,829	4,829
City of Jasper	-	-	-	-	-	-	-	-	-	934
City of Kirbyville	-	-	-	-	-	-	-	-	-	273
City of Kountze	610	610	610	610	610	610	610	610	610	610
City of Lumberton	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580
City of Nederland	4,901	4,901	4,901	4,901	4,901	4,901	4,901	4,901	4,901	4,901
City of Nome	148	148	148	148	148	148	148	148	148	148
City of Orange	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100
City of Pine Forest	181	181	181	181	181	181	181	181	181	181
City of Pinehurst	715	715	715	715	715	715	715	715	715	715
City of Port Arthur	29,284	29,284	29,284	29,284	29,284	29,284	29,284	29,284	29,284	29,284
City of Port Neches	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805	3,805
City of Rose City	159	159	159	159	159	159	159	159	159	159
City of Rose Hill Acres	134	134	134	134	134	134	134	134	134	134
City of Silsbee	1,893	1,893	1,893	1,893	1,893	1,893	1,893	1,893	1,893	1,893
City of Sour Lake	485	485	485	485	485	485	485	485	485	485
City of Taylor Landing	88	88	88	88	88	88	88	88	88	88
City of Vidor	3,158	3,158	3,158	3,158	3,158	3,158	3,158	3,158	3,158	3,158
City West Orange	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136	1,136

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Port of Beaumont	150	150	150	150	150	150	150	150	150	150
Orange County Navigation District	150	150	150	150	150	150	150	150	150	150
Port of Port Arthur	150	150	150	150	150	150	150	150	150	150
Lower Neches Valley Authority	150	150	150	150	150	150	150	150	150	150
Sabine River Authority	150	150	150	150	150	150	150	150	150	150
Lower Sabine Neches Soil & Water Conservation District #446	-	-	-	-	-	-	-	-	-	-
Jefferson County Emergency Services District #1	150	150	150	150	150	150	150	150	150	150
Jefferson County Emergency Services District #3	-	150	-	150	150	150	150	150	150	150
Jefferson County Drainage District #3	150	150	150	150	150	150	150	150	150	150
Jefferson County Drainage District #6	150	150	150	150	150	150	150	150	150	150
Jefferson County Drainage District #7	150	150	150	150	150	150	150	150	150	150
Jasper County Emergency Services District #1	-	-	-	-	-	-	-	-	150	150
Jasper County Emergency Services District #4	-	-	-	-	-	-	-	-	-	150
Orange County Drainage District	150	150	150	150	150	150	150	150	150	150
Lumberton Municipal Utility District	150	150	150	150	150	150	150	150	150	150
Mauriceville Municipal Utility District	150	150	150	150	150	150	150	150	150	150
Sabine -Neches Navigation District	150	150	150	150	150	150	150	150	150	150
Jefferson County Water Control & Improvement District # 10	150	150	150	150	150	150	150	150	150	150
Orange County Water Control & Improvement District #1	150	150	150	150	150	150	150	150	150	150
Orange County Water Control & Improvement District #2	150	150	150	150	150	150	150	150	150	-
Orange County Emergency Services District #3	-	150	-	150	150	150	150	150	150	150
Hardin County ESD #2	150	150	150	150	150	150	150	150	150	150
South East Texas Groundwater Conservation District	-	-	-	-	-	-	-	-	-	150
Beaumont Independent School District	-	150	-	-	-	-	-	-	-	150
Port Arthur Independent School District	150	150	150	150	150	150	150	150	-	-
Port Neches-Groves Independent School District	150	150	150	150	150	150	150	150	150	150
Hamshire-Fannett Independent School District	150	150	150	150	150	150	150	150	150	150
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	-	-
Total Member Dues & Assessments	<u>\$ 277,987</u>	<u>\$ 278,438</u>	<u>\$ 277,989</u>	<u>\$ 278,290</u>	<u>\$ 278,291</u>	<u>\$ 278,292</u>	<u>\$ 278,293</u>	<u>\$ 278,294</u>	<u>\$ 279,345</u>	<u>\$ 352,324</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/Lease Payable</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
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
2020	189,011	1.01%	0.48
2021	57,169	0.29%	0.14
2022	33,857	0.17%	0.08

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 \$ 5,594,036	Personal Income Per Capita	Total Employment	Unemployment Rate
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.)
2020	392,563 4.)	\$ 18,670,469 5.)	\$ 47,560 2.)	151,594 3.)	12.3% 3.)
2021	401,208 6.)	\$ 19,655,855 5.)	\$ 30,133 6.)	175,142 3.)	7.2% 3.)
2022	425,809 4.)	\$ 20,184,143 5.)	\$ 49,006 2.)	156,753 3.)	5.5% 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
- 6.) Texas HomeTown Locator

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

Occupational Group	Employment	
	2022	2013
* Architecture and Engineering	3,720	3,830
* Arts, Design, Entertainment, Sports and Media	940	870
* Building and Grounds Cleaning and Maintenance	3,940	4,230
* Business and Financial	5,930	3,770
* Community and Social Service	1,740	1,300
* Computer and Mathematical	1,500	1,370
* Construction and Extraction	12,010	14,230
* Education, Training and Library	9,400	8,730
* Farming, Fishing, and Forestry	110	60
* Food Preparation and Serving Related Occupations	14,520	14,060
* Healthcare Practitioners and Technical Occupations	8,120	8,020
* Healthcare Support	6,860	3,390
* Installation, Maintenance, and Repair	8,470	8,250
* Legal	820	850
* Life, Physical and Social Science	1,610	940
* Management	10,230	5,800
* Office and Administrative Support	17,030	22,360
* Personal Care and Service	1,760	**
* Production Occupations	12,510	15,770
* Protective Service Occupations	4,520	5,030
* Sales and Related Occupations	13,370	16,380
* Transportaion and Material Moving	12,200	10,170

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Administration	9	9	9	7.5	7.5	7.5	7.5	8	8	8
Area Agency on Aging	14	16	17	16	15.5	16	15.5	15.5	16.5	14
Air Quality	1	1	1	1	1	1	1	1	1	-
9-1-1 Emergency Network	7	7	9	8	8	8	8	7	8	8
Substance Abuse Division	8	10	1	0	0	0	0	0	0	-
Community Development	18	14	15	10	9	10	6	6.5	6.5	6.5
Community Services	-	-	2	2	2	3	3	3	7.5	4
Public Safety	1	1	1	1	1	1.5	1.5	1	1	-
Foster Grandparent Program	3	3	2	2	2	2	2	2	2	2
RSVP	2	2	2	2	3	3	3	3	2.5	3
Solid Waste Management Planning	1	1	1	1	1	1	1	1	1	-
Transportation Planning	4	3	3	4	4	3	3.5	4	4	6
Homeless Coalition	1	1	1	1	1	1	1	1	1	-
AARP Experience Corps	2	2	2	2	1	1	2	1	1	0
Homeland Security Planning	1	1	1	1	1	1	1	1	1	2
Total	<u>72</u>	<u>71</u>	<u>67</u>	<u>58.5</u>	<u>57</u>	<u>59</u>	<u>56</u>	<u>55</u>	<u>61</u>	<u>54</u>

Source: South East Texas Regional Planning Commission records.

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

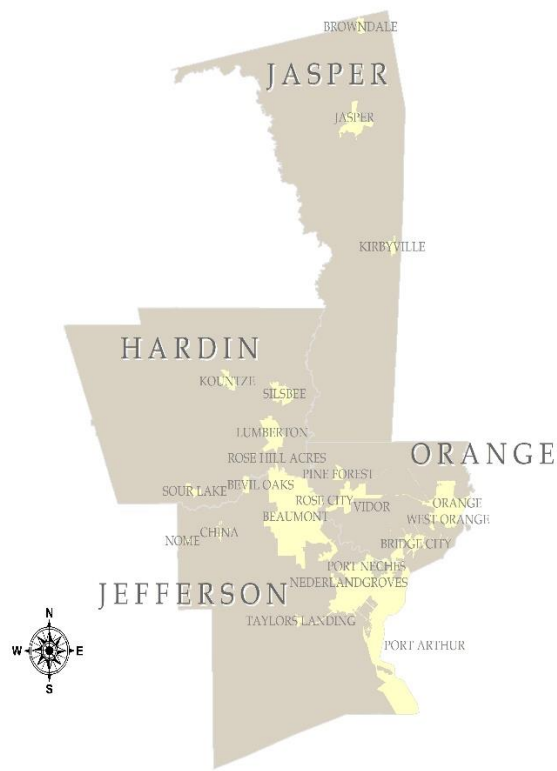
<u>Function/Program</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Criminal Justice										
Peace Officers Trained	4,123	2,771	4,063	3,055	2,583	2,613	4,040	3,580	2,873	2,130
Area Agency on Aging										
Congregate Meals	74,637	67,595	77,928	76,895	74,900	67,733	71,437	32,061 *	15,001 *	39,381
Home Delivered Meals	42,500	33,973	37,090	39,463	44,427	43,123	56,928	115,647	183,171 **	157,645
Disaster Recovery										
CDBG Rita Disaster - Families Served	N/A	N/A	25	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CDBG Ike Disaster - Families Served	64	271	294	99	45	26	N/A	N/A	N/A	N/A
Community Services										
PAIG Weatherization - Families Served	9	8	7	12	15	11	11	8 *	8 *	3*
SSA HOPE Individuals Served	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Money Management Volunteers Trained	7	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A
Money Management Individuals Served	26	25	24	13	13	10	10	N/A	N/A	N/a
911/Homeland Security										
Number of Calls	376,349	391,989	452,183	532,142	531,841	436,838	290,235	325,088	308,750	287,531
Transportation										
Number of Trips	63,701	64,095	64,164	59,751	56,557	51,149	53,436	27,948 *	32,684 *	46,935
Solid Waste										
Total Dollars for Annual Projects	158,320	99,558	108,188	105,154	208,199	135,617	186,998	- *	345,172 **	152,435
Substance Abuse										
Number of Individuals Served	1,654	3,527	1,157	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foster Grandparents Program										
Number of Children Served	1,055	800	803	928	875	975	1,023	123 *	250 *	551
RSVP										
Number of Volunteer Hours	141,979	97,264	88,345	89,334	90,316	74,923	52,095	25,324 *	24,976 *	35,188
AARP Experience Corps Program										
Number of Students Tutored	485	493	430	434	391	304	319	172 *	83 *	N/A

* Numbers are low due to Covid related issues

** Numbers are high due to Covid related issues

Source: South East Texas Regional Planning Commission records.

Single Audit Section





MITCHELL T FONTENOTE CPA, INC.

Certified Public Accountants

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

To the Board of Directors
South East Texas Regional Planning Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South East Texas Regional Planning Commission, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise South East Texas Regional Planning Commission's basic financial statements and have issued our report thereon dated June 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South East Texas Regional Planning Commission's internal control over financial reporting (internal control) as a basis for designing 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 South East Texas Regional Planning Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001.

South East Texas Regional Planning Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the South East Texas Regional Planning Commission's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. South East Texas Regional Planning Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Mitchell T Fontenote CPA, Inc.

Port Neches, Texas
June 14, 2023



MITCHELL T FONTENOTE CPA, INC.

Certified Public Accountants

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

To the Board of Directors
South East Texas Regional Planning Commission

Report on Compliance for Each Major Federal and State program

Opinion on Each Major Federal and State program

We have audited South East Texas Regional Planning Commission's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Uniform Grant Management Standards* that could have a direct and material effect on each of South East Texas Regional Planning Commission's major federal and state programs for the year ended September 30, 2022. South East Texas Regional Planning Commission's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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 and state programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal and State Program

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 *Uniform Grant Management Standards* (UGMS). Our responsibilities under those standards and the Uniform Guidance and UGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South East Texas Regional Planning Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of South East Texas Regional Planning Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to South East Texas Regional Planning Commission's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South East Texas Regional Planning Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and UGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South East Texas Regional Planning Commission's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and UGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South East Texas Regional Planning Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South East Texas Regional Planning Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of South East Texas Regional Planning Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 and state 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 and state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mitchell T Fontenote CPA, Inc.

Port Neches, Texas
June 14, 2023

South East Texas Regional Planning Commission
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2022

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Total Expenditures	Passed through to Subrecipient Expenditures
<u>Corporation for National and Community Service/AmeriCorps</u>				
Direct Programs				
Retired and Senior Volunteer Program	94.002	20SRWTX016(2)	\$ 81,162	\$ -
Retired and Senior Volunteer Program	94.002	20SRWTX016(2)	\$ 90,537	\$ -
Subtotal	94.002		\$ 171,700	\$ -
Foster Grandparent Program	94.011	20SFWTX009(2)	\$ 210,054	\$ -
Foster Grandparent Program	94.011	20SFWTX009(3)	\$ 187,018	\$ -
Subtotal - Cluster Program	94.011		397,073	-
Total Corporation for National and Community Service/AmeriCorps			\$ 568,772	\$ -
<u>Federal Emergency Management Agency</u>				
Direct Program				
Preparing for Emerging Treats and Hazards	97.133	EMW-2016-GR-00090-S01	\$ 25,959	\$ -
Port Security Grant Program	97.056	EMW-2019-PU-APP-00014	\$ 134,584	\$ -
Port Security Grant Program	97.056	EMW-2021-PU-00025	\$ 40,224	\$ -
Subtotal	97.056		\$ 174,807	\$ -
Total Federal Emergency Management Agency			\$ 200,766	\$ -
Passed Through Texas Department of Emergency Management Hazard Mitigation Grant	97.039	DR-4466-0006	\$ 133,247	\$ -
Total Department of Homeland Security	97.039		\$ 133,247	\$ -
<u>Department of Housing and Urban Development</u>				
Passed Through Texas General Land Office				
Community Development Block Grants/State's Program	14.228	19-209-000-B608	\$ 604,643	\$ -
Community Development Block Grants/State's Program	14.228	22-061-009-D165	\$ 32,029	\$ -
Passed Through Texas Department of Agriculture				
Community Development Block Grants/State's Program	14.228	C719209	\$ (83)	\$ -
Community Development Block Grants/State's Program	14.228	C719209(1)	\$ 5,759	\$ -
Community Development Block Grants/State's Program	14.228	CEDAF 21-09	\$ 8,418	\$ -
Total Department of Housing and Urban Development	14.228		\$ 650,767	\$ -
<u>Department of Health and Human Services</u>				
Passed Through Texas Department of Housing and Community Affairs:				
Community Services Block Grant	93.569	61220003655	\$ 288,739	\$ -
Community Services Block Grant	93.569	61210003462	\$ 208,592	\$ -
Subtotal - Cluster Program	93.569		\$ 497,331	\$ -
Passed Through Texas Health and Human Services Commission:				
Social Services Block Grant	93.667	529-09-0099-00001	\$ 173	\$ -
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	HHS000874100023	\$ 43,121	\$ -
Subtotal	93.042		\$ 43,121	\$ -
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion	93.043	HHS000874100023	\$ 23,848	\$ -
Subtotal	93.043		\$ 23,848	\$ -
Special Programs for the Aging - Title III, Part B - Grants for Supportive services for Older Individuals	93.044	HHS000874100023	\$ 809,485	\$ 100,044
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	HHS000874100023	\$ 524,556	\$ 392,909
Part C - Nutrition Services	93.045	HHS000874100023	\$ 578,114	\$ 489,102
Special Programs for the Aging - Title III Nutrition Services Incentive Program	93.053	HHS000874100023	\$ 130,916	\$ -
Temporary Assistance for Needy Families	93.558	HHS000979200015	\$ 1,614	\$ -
Temporary Assistance for Needy Families	93.558	HHS000979200015	\$ 174	\$ -
Child Care and Development Block Grant	93.575	HHS000979200015	\$ 2,146	\$ -
Child Care and Development Block Grant	93.575	HHS000979200015	\$ 315	\$ -
Medical Assistance Program	93.778	HHS000979200015	\$ 60,383	\$ -
Medical Assistance Program	93.778	HHS000979200015	\$ 6,517	\$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HHS000979200015	\$ 57,969	\$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HHS000979200015	\$ 6,256	\$ -
Subtotal - Aging Cluster			\$ 2,178,445	\$ 982,055

South East Texas Regional Planning Commission
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2022

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Total Expenditures	Passed through to Subrecipient Expenditures
Special Programs for the Aging - Title III, Part E - National Family Caregiver Support Program	93.052	HHS000874100023	\$ 192,704	\$ -
Subtotal	93.052		\$ 192,704	\$ -
Medical Enrollment Assistance Program	93.071	HHS000874100023	\$ 10,284	\$ -
Medicare Improvements for Patients and Providers	93.071	HHS000874100023	\$ 1,147	\$ -
Subtotal	93.071		\$ 11,431	\$ -
State Health Insurance Program	93.324	HHS000874100023	\$ 37,062	\$ -
Subtotal	93.324		\$ 37,062	\$ -
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	HHS000874100023	\$ 4,110	\$ -
Subtotal	93.041		\$ 4,110	\$ -
Children's Health Insurance Program	93.767	HHS000979200015	\$ 9,141	\$ -
Children's Health Insurance Program	93.767	HHS000979200015	\$ 986	\$ -
Subtotal	93.767		\$ 10,127	\$ -
Total Department of Health and Human Services			\$ 2,998,352	\$ 982,055
<u>Department of Transportation</u>				
Passed Through Texas Department of Transportation: Highway Planning and Construction	20.205	50-22XXF0002	\$ 871,369	\$ -
Subtotal - Highway Planning and Construction Cluster	20.205		\$ 871,369	\$ -
Public Transportation for Nonurbanized Areas	20.509	51018012021	\$ 1,199,828	\$ 1,012,816
Public Transportation for Nonurbanized Areas	20.509	51018022022	\$ 52,796	\$ 38,411
Subtotal	20.509		\$ 1,252,624	\$ 1,051,227
Capital Assistance for Elderly Persons and Persons with Disabilities	20.513	51016012022	\$ 274,573	\$ 274,573
Subtotal - Transit Services Programs Cluster	20.513		\$ 274,573	\$ 274,573
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	51008021222	\$ 17,500	\$ -
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	51008021221	\$ 1,467	\$ -
Subtotal	20.505		\$ 18,967	\$ -
Total Department of Transportation			\$ 2,417,533	\$ 1,325,800
<u>Environmental Protection Agency</u>				
Passed Through Texas Commission on Environmental Quality: Performance Partnership Grants	66.605	582-21-10033	\$ 21,000	\$ -
Total Environmental Protection Agency			\$ 21,000	\$ -
<u>United States Department of the Treasury</u>				
Passed through Jefferson County, Texas: Emergency Rental Assistance Program	21.023	JC1505-0266	\$ 4,810,170	\$ -
Passed through Jefferson County, Texas: Coronavirus State and Fiscal Recovery Funds	21.027	SLT-0883	\$ 136,800	\$ -
Passed through Commission on State Emergency Communications Coronavirus State and Fiscal Recovery Funds	21.027	9-1-1 SFY24	\$ 22,653	\$ -
Subtotal	21.027		\$ 159,453	\$ -
Total United States Department of the Treasury			\$ 4,969,623	\$ -
TOTAL FEDERAL ASSISTANCE			\$ 11,960,060	\$ 2,307,855

South East Texas Regional Planning Commission
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2022

Agency/Program Grant Title	Catalog of Federal Domestic Assistance ID Number	Pass-through Grantor's Number	Total Expenditures	Passed through to Subrecipient Expenditures
STATE OF TEXAS ASSISTANCE				
<u>Office of the Governor</u>				
Criminal Justice Division				
Regional Police Academy	--	1465518	\$ 59,365	\$ -
Regional Juvenile Alternatives	--	3554604	\$ 47,711	\$ -
Regional Juvenile Alternatives	--	3554605	\$ 1,225	\$ -
Criminal Justice Planning	--	PO#22-00081	\$ 36,167	\$ -
Criminal Justice Planning		PO#22-00524	\$ 3,288	\$ -
Homeland Security Division				\$ -
Homeland Security Grant Program	--	2959607	\$ 126,213	\$ -
Homeland Security Grant Program	--	2959608	\$ 12,894	\$ -
Homeland Security Grant Program	--	4007101	\$ 536,824	\$ -
Homeland Security Grant Program	--	4356001	\$ 28,515	\$ -
Homeland Security Grant Program	--	PO #22-00081	\$ 21,542	\$ -
Homeland Security Grant Program	--	PO #22-00524	\$ 1,958	\$ -
	--			
Total Office of Governor			\$ 875,703	\$ -
<u>Texas Health and Human Services Commission</u>				
Implementation of 2-1-1	--	HHS000979200015	\$ 128,283	\$ -
Implementation of 2-1-1	--	HHS000979200015	\$ 13,844	\$ -
Special Programs for the Aging - Title III				
Part B - Grants for Supportive services for Older Individuals	--	HHS000874100023	\$ 137,524	\$ -
Special Programs for the Aging - Title III				
Part E - National; Family Caregiver Support Program	--	HHS000874100023	\$ 50,000	\$ -
Foster Grandparents Program	--	HHS00087100004(2)	\$ 7,082	\$ -
Retired Senior Volunteer Program	--	HHS000871100019(2)	\$ 32,847	\$ -
Total Texas Health and Human Services			\$ 369,582	\$ -
<u>Texas Commission on Environmental Quality</u>				
Regional Solid Waste Planning/Implementation	--	582-22-30126	\$ 102,306	\$ -
Rider 7 Local Air Quality Planning Grant	--	582-20-11976	\$ 164,340	\$ -
Total Texas Commission on Environmental Quality			\$ 266,645	\$ -
<u>Commission on State Emergency Communications</u>				
9-1-1 Communications - FY 2016	--	9-1-1 SFY16	\$ 4,456	\$ -
9-1-1 Communications - FY 2017	--	9-1-1 SFY17	\$ 29,640	\$ -
9-1-1 Communications - FY 2019	--	9-1-1 SFY19	\$ 248,647	\$ -
9-1-1 Communications - FY 2020	--	9-1-1 SFY20	\$ 9,256	\$ -
9-1-1 Communications - FY 2021	--	9-1-1 SFY21	\$ 1,176,365	\$ -
9-1-1 Communications - FY 2022	--	9-1-1 SFY22	\$ 1,306,646	\$ -
9-1-1 Communications - FY 2023	--	9-1-1 SFY23	\$ 180,031	\$ -
Total Commission on State Emergency Communications			\$ 2,955,041	\$ -
TOTAL STATE OF TEXAS ASSISTANCE			\$ 4,466,971	\$ -
TOTAL ASSISTANCE			\$ 16,427,032	\$ 2,307,855

South East Texas Regional Planning Commission
Notes to Expenditures of Federal and State Awards Schedule
For the Year Ended September 30, 2022

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. 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 is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

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, 2022

Summary of Auditor's Results

Financial Statements:

Type of auditors' report issued Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? None

Federal and State Awards:

Internal control over major programs:
Material weakness(es) identified? None

Significant deficiency(ies) identified? None Reported

Type of auditors' report on compliance with major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a) None reported

Dollar threshold considered between Type A and Type B federal and state programs
Federal - \$750,000
State - \$750,000

Auditee qualified as low risk auditee. Yes

Major federal program
Highway Planning and Construction 20.205
Community Development Block Grant/State's Program 14.228
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*

Major State Program
9-1-1 Emergency Communications
Homeland Security Grant Program

***Cluster Programs**

South East Texas Regional Planning Commission
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

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

2022-001. WIRE TRANSFERS

Type of Finding: Material Weakness

Criteria

The South East Texas Regional Planning Commission frequently uses wire transfers as a quick and effective method to pay vendors. Prior to submitting a payment via wire, it is the policy of the Commission to send a \$100 test wire to verify wiring instructions.

Condition

The Commission followed these procedures; however, the employee failed to notice that the vendor's email contact information had changed, and the employee was corresponding with an unauthorized individual. The correspondent had fraudulently gained access to the employee's email and, posing as the vendor representative, sent the Commission alternative wiring instructions before the \$100 test transaction was sent. This resulted in the vendor payment being sent to the fraudulent individual in the amount of \$297,901.77.

Cause

Internal controls were inadequate over the process of making changes to approved vendor payment procedures.

Effect

The original vendor did not receive payment for the invoiced amount and monies were sent to a fraudulent party.

Repeat Finding from Prior Year

No

Recommendation

The Commission should modify its vendor payment procedures and its process for making changes to vendor payment procedures.

View of Responsible Officials

The Commission implemented the following procedural changes for updating vendor payee information:

- 1.) No longer performing wire transfer transactions. All payments are now made with a paper check which utilizes automatic bank fraud control mechanisms to verify check payee information.
- 2.) Verbal confirmation with the vendor's official point of contact listed in the contract when payee changes are requested.
- 3.) To verify a payee change, we obtain a new W-9 directly from vendor accounting department with updated payee information before making payment.

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

None Reported

Follow up on Prior Year Findings and Questioned Costs

None Reported

