

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE
YEAR
ENDED
DECEMBER 31
2017

HOUSTON-GALVESTON AREA COUNCIL

HOUSTON, TEXAS

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**
of the
HOUSTON-GALVESTON AREA COUNCIL
Houston, Texas

For the year ended
December 31, 2017

Nancy Haussler, CPA
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Member of the Government Finance Officers Association
of the United States and Canada

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**HOUSTON-GALVESTON AREA COUNCIL
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended December 31, 2016**

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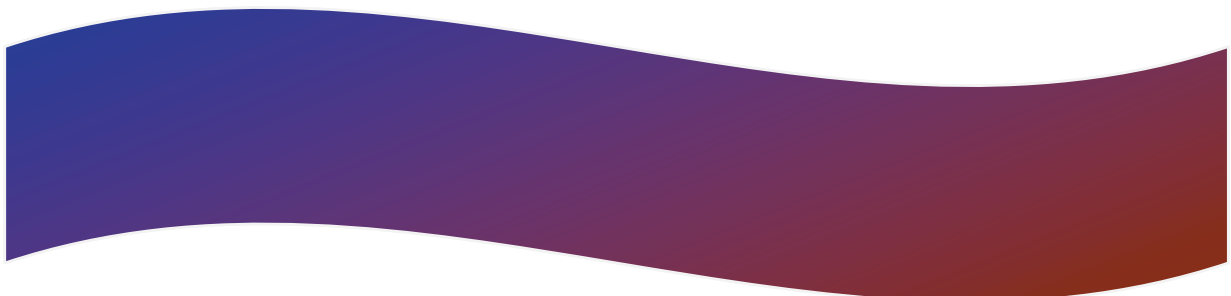
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Introductory Section





Houston-Galveston Area Council

June 1, 2018

The Honorable Floyd Emery and Members
of the Board of Directors
Houston-Galveston Area Council
Houston, TX

Dear Councilman Emery and Members of the Board of Directors:

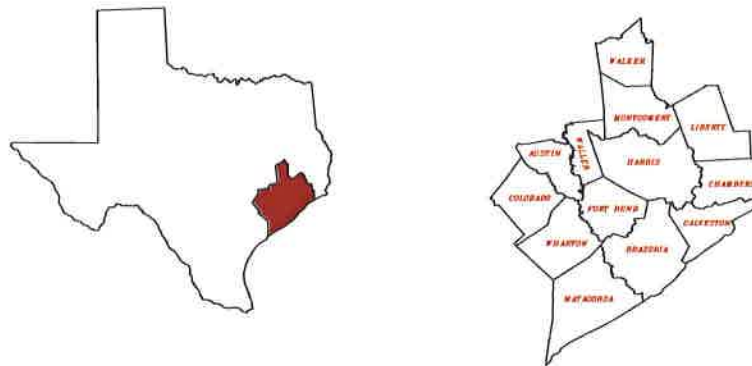
The Comprehensive Annual Financial Report (CAFR) of the Houston-Galveston Area Council, (the “Council” or “H-GAC”) for the fiscal year ended December 31, 2017 is hereby submitted. This report was prepared by the Department of Finance, which accepts responsibility for the accuracy, completeness, and fairness of the data presented. To provide a reasonable basis for making these representations, management of the Houston-Galveston Area Council has established a comprehensive framework of internal controls that is designed to protect H-GAC from loss and allow the compilation of reliable information to prepare the attached financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”). It should be noted that reasonable internal control measures weigh the cost of those procedures against their benefits and H-GAC’s internal control measures provide reasonable but not absolute assurance that the financial statements are free of material misstatement. We believe the data, as presented, is accurate in all material respects, that it properly reflects the financial position and the results of operation of the Council, and that all disclosures have been made to enable the reader to acquire the maximum understanding of financial affairs concerning the Council. These financial statements are presented annually in compliance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Uniform Grant Management Standards* as well as Section 2 of the Council’s Bylaws. WhitleyPenn Certified Public Accountants have issued an unmodified opinion, sometimes referred to as a “clean” opinion on the H-GAC financial statements included herein. This report is located on page 13 at the front of the financial section of the report.

The Council has prepared Management’s discussion and analysis (MD&A) which immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. This MD&A is intended to complement this letter of transmittal and should be read in conjunction with it.

Profile of the Houston-Galveston Area Council

On September 9, 1966, a regional planning commission known as the Houston-Galveston Area Council was created under authority of State Law now recodified as Local Government Code, Chapter 391. The Council is a voluntary membership organization of local governments in a thirteen-county region of Southeast Texas. The organization is one of 24 regional councils in Texas. Local governments created H-GAC to develop a systematic method of evaluating and addressing common concerns that affect several governmental jurisdictions. Cooperative efforts to resolve regional issues such as employment, water and air pollution, crime, traffic and mobility, drainage and flooding, care of the elderly, and waste disposal have received collective action through H-GAC. The Council continues to be dedicated to improving the quality of life of the citizens of the region through cooperative efforts to enhance the physical, social, and economic environment.

H-GAC is governed by a General Assembly of 131 delegates from member local governments. A Board of Directors composed of 36 locally elected officials, members representing county governments, cities, school districts and soil and water conservation districts provide more specific guidance and policy-making through its regular monthly meetings. During 2016, H-GAC's membership was comprised of the 13 county governments, 107 cities, and 11 school districts, including all major general-purpose local governments in the region. According to 2010 estimates from the U.S. Bureau of Census, these member governments represented approximately 6.1 million citizens and covered an area of 12,500 square miles. Below is a graphic representation of the H-GAC region and its location in the state of Texas.



Economic Condition and Outlook

2017 was a year of triumph and tragedy. the year in virtually every sector. levels and unemployment levels the national average despite that average reaching levels not achieved in twenty years. According to the State Comptroller, Texas added more new jobs during fiscal year 2017 than any other state. However, on August 25, 2017 Hurricane Harvey landed on the southeast coast of the state. The heaviest impact was in the Houston-Galveston region which saw unprecedented 52”



The state economy soared early in Housing starts reached record high continued to be better than the

rainfalls in some communities.¹ The hurricane damaged over 41,000 square miles and left the state facing billions of dollars in repairs that will take years to complete.²

The State and its citizens showed their resiliency in the aftermath of the storm. In spite of the devastation, the State and the region continue to look forward to economic growth and improvements. The Comptroller's office reports that the Texas population is growing. Texas is now the second most populous state in the country with a forecast population of over 29 million citizens by 2019. As the 4th largest city in the United States, Houston and the surrounding area are forecasted to grow and prosper in the years ahead.

On a regional basis, the Houston-Galveston Area Council had a productive year of service to the citizens of our communities. Some highlights follow:

Major Initiatives

9-1-1



H-GAC provides support services to eight of the thirteen counties in our region for 9-1-1 operations. In 2017 H-GAC's 9-1-1 system was tested by the hurricane in September. The ability of citizens to call and receive assistance during the disaster was uninterrupted in the eight counties served by the Gulf Coast Regional Emergency Communications District. The District is moving forward with plans to improve cell phone service for 9-1-1 calls including text messages from citizens needing help.

Workforce Services

Economic growth brings jobs to the region, and the Gulf Coast Workforce Board, staffed by H-GAC, assists individuals seeking employment or those wishing to change jobs or careers. During 2017, the program provided services to more than 350,000 people in job placement, career planning and financial aid.

Cooperative Purchasing

H-GAC provides a government-to-government procurement service nationwide to assist local governments in their procurement needs. The purpose of the program is to have a more efficient and effective procurement process for local governments when buying goods and services by providing standardized procurements and volume discounting. During 2017, HGACBuy passed the \$1 Billion threshold for nationwide sales. This results in significant savings to local governments not just in our region but nationwide.

¹ Washingtonpost.com, *60 Inches of Rain fell from Hurricane Harvey*, September 2017

² Texas Comptroller of Public Accounts, *Report to the Citizens of Texas*, 2018.

Transportation Improvement

The Houston-Galveston region will add more than 4 million people and nearly 2 million jobs by 2045. Updated every 4 years, the Regional Transportation Plan identifies highway, transit and other transportation investments needed to keep up with such explosive growth. Current studies and plan development are underway for the 2045 Regional Transportation Plan. Serving today and planning for tomorrow is the mission statement of H-GAC and continues to be the focus of the transportation program.



Financial Planning and Policies

The Board of Directors approves a government-wide financial plan for revenues and expenditures each year at its December meeting. This plan includes both restricted and unrestricted revenue sources. The restricted revenue sources (contracts and grants) often span more than one fiscal year. Estimates are made by management on the timing of these revenues and are reflected in the appropriate fiscal year financial plan. H-GAC recognizes that the financial plan must be flexible enough to adjust for revenues that do not materialize and capitalize on unforeseen opportunities as they occur. Therefore, throughout the year, the Board of Directors approves amendments to the financial plan when funding changes become known. The financial plan adopted is on a basis consistent with generally accepted accounting principles. Control of the financial plan is maintained at the project level with management authorized to make transfers of budgeted amounts between object class levels within a project as allowed by grantor agencies.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Houston-Galveston Area Council for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2016. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied 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 CAFR 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 Council's Financial, Administrative, and Program management staff. Special acknowledgement should also be given to the Council's auditors, WhitleyPenn whose expertise lent greatly this report's completion. Finally, we would like to thank the members of the Board

of Directors for their interest and support in planning and conducting the financial operations of the Council in a responsible and progressive manner.

Respectfully submitted,



Chuck Wemple
Executive Director



Nancy Haussler
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Houston-Galveston Area Council
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

**HOUSTON-GALVESTON AREA COUNCIL
PRINCIPAL OFFICIALS**

OFFICERS OF THE BOARD OF DIRECTORS
2017

CHAIR
Commissioner Gary Nelson
Chambers County

VICE CHAIR
Commissioner Stacy Adams
Brazoria County

CHAIR ELECT
Council Member Floyd Emery
City of Missouri City

ADMINISTRATIVE STAFF

Executive Director	Jack Steele
Chief Operating Officer	Chuck Wemple
Chief Financial Officer	Nancy Haussler
Manager of Internal Audit	Charles Hill
Manager of Intergovernmental Relations	Rick Guerrero

H-GAC MEMBER GOVERNMENTS

Counties

Austin	Galveston	Walker
Brazoria	Harris	Waller
Chambers	Liberty	Wharton
Colorado	Matagorda	
Fort Bend	Montgomery	

Cities over 25,000 Population

Baytown	Huntsville	Pearland
Conroe	La Porte	Rosenberg
Deer Park	Lake Jackson	Sugar Land
Friendswood	League City	Texas City
Galveston	Missouri City	
Houston	Pasadena	

Home Rule Cities

Alvin	Hitchcock	Santa Fe
Angleton	Humble	Seabrook
Bay City	Jacinto City	Sealy
Bellaire	Jersey Village	Stafford
Cleveland	Katy	Sweeny
Clute	La Marque	Tomball
Dayton	Liberty	Webster
Dickinson	Manvel	West University Place
El Campo	Nassau Bay	Wharton
Freeport	Palacios	Willis
Galena Park	Richmond	Fulshear
Hempstead	Richwood	Prairie View

General Law Cities

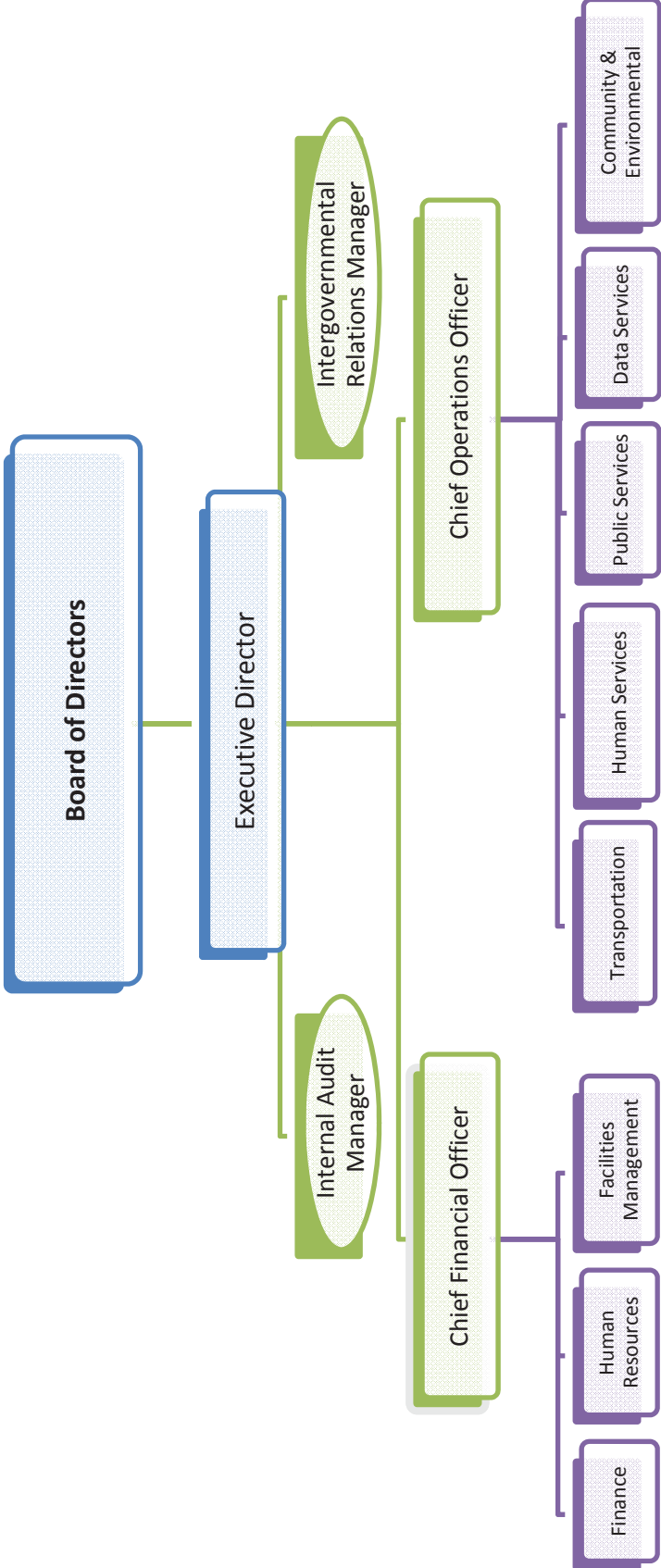
Ahanuac	Eagle Lake	Kendleton
Arcola	East Bernard	Magnolia
Bayou Vista	El Lago	Meadows Place
Beach City		Mont Belvieu
Bellville	Hedwig Village	Morgan's Point
Brazoria	Hillcrest Village	Needville
Brookshire		New Waverly

Brookside Village	Holiday Lakes	Oak Ridge North
Bunker Hill Village	Hunters Creek Village	Old River Winfree
Clear Lake Shores	Iowa Colony	Oyster Creek
Columbus	Jamaica Beach	Panorama Village
Daisetta	Jones Creek	Pattison
Danbury	Kemah	Tiki Island
Piney Point Village	South Houston	Waller
	Southside place	Wallis
Riverside	Splendora	Weimar
San Felipe	Spring Valley	West Columbia
Shenandoah	Stagecoach	Weston Lakes
Shoreacres	Surfside Beach	
	Taylor Lake Village	
	Thompsons	

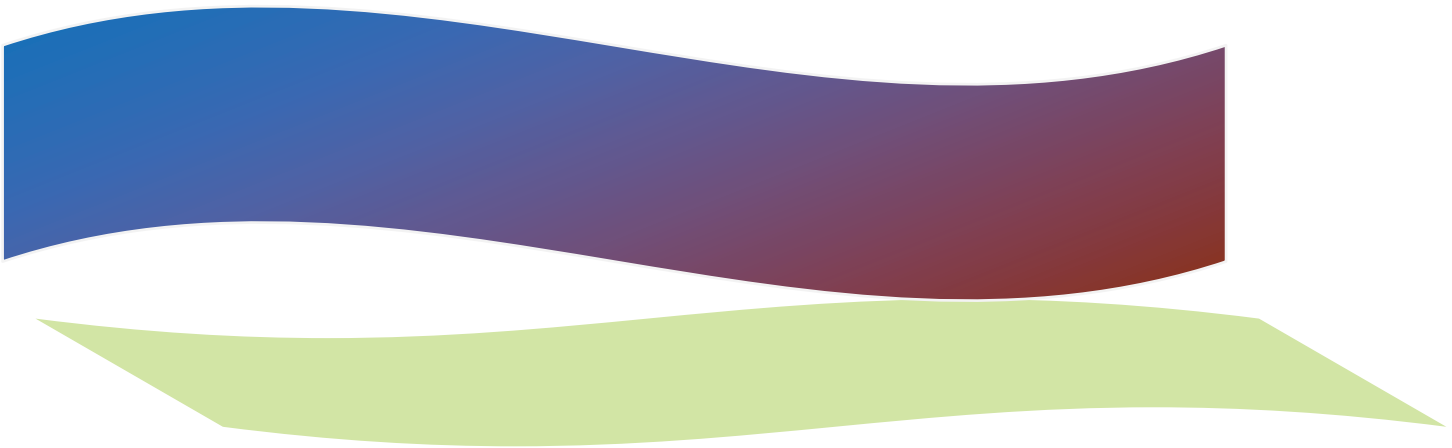
Independent School Districts

Alief ISD	Hempstead ISD	Needville ISD
Columbia-Brazoria ISD	Hitchcock ISD	Pearland ISD
Deer Park ISD	Huntsville ISD	Waller ISD
Fort Bend ISD	Magnolia ISD	

Houston-Galveston Area Council



Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston-Galveston Area Council

Report on the Financial Statements

We have audited the accompanying financial statements 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 Houston-Galveston Area Council (the "Council"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Houston-Galveston Area Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Council, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 to 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section, the Supplemental Information as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State awards is also presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Uniform Grant Management Standards* and is also not a required part of the basic financial statements.

The Supplemental Information and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information and the Schedules of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
Houston-Galveston Area Council

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date May 31, 2018 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
May 31, 2018

HOUSTON-GALVESTON AREA COUNCIL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the Houston-Galveston Area Council ("H-GAC" or "the Council") for the year ended December 31, 2017. This analysis is prepared by the Finance department of the H-GAC and is intended to expand the reader's understanding of the attached financial statements and the effect of certain events on those financial statements.

1. FINANCIAL HIGHLIGHTS

- The assets of H-GAC exceed its liabilities by \$25,055,211 all of which is available to meet the Council's ongoing obligations to local governments and creditors.
- H-GAC's net position increased by \$2,621,310 during the year ended December 31, 2017.
- At the end of the year, the unassigned fund balance for the general fund was \$9,928,283.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

The H-GAC financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional supplementary information that is not a required part of the financial statements themselves.

Government-wide financial statements. Included in this report are the Statement of Net Position and the Statement of Activities. These statements present the results of operation on a comprehensive basis utilizing the full accrual accounting methodology. This methodology requires that changes in net position be reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the H-GAC that are principally supported by grants (governmental activities) from other functions such as the Cooperative Purchasing, the Energy Purchasing Corporation, and the Local Development Corporation activities that are supported by user fees (business-type activities). The governmental activities include the activities of the general government, general government overhead, and all grant related activities. The business-type activities include the Cooperative Purchasing program. The Energy Purchasing Corporation, Gulf Coast Economic Development Corporation and the Local Development Corporation are presented as separate component units to the H-GAC because their governing bodies consist of members of H-GAC's Board of Directors or appointed by H-GAC's Board of Directors.

The statement of net position presents information on all of H-GAC'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 H-GAC is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year.

Fund financial statements. A fund is a grouping of related accounts that have been segregated to maintain control over resources and achieve specific objectives. H-GAC uses fund accounting to identify resources that have specific compliance requirements, such as grant programs, and demonstrate adherence to finance-related legal requirements. H-GAC maintains three fund types: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds. Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements, except that they are presented on the modified accrual basis of accounting which requires that revenues be recorded when measurable and available. Expenditures are recorded when the services or goods are received and the liabilities incurred. Thus, the focus of these statements is on the near-term inflows and outflows of spendable resources and the balances of spendable resources available at the end of the year.

Comparison between the governmental activities in the government-wide financial statements and the information presented in the governmental funds statements allows the reader to 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.

H-GAC maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the grant fund, the Regional Excellence Corporation, and the Gulf Coast Regional Emergency Communications District. Both the Regional Excellence Corporation and the Gulf Coast Regional Emergency Communications District are blended component units presented as governmental funds.

H-GAC adopts an annual budget for its general fund and component units in December of each year. Grant fund budgets are reviewed and approved by the Board of Directors within the context of the annual budget. Throughout the year the budget is amended as grant funds become available or lapse. Although the budgets are reviewed and approved by H-GAC's Board, they are not considered legally adopted budgets or appropriations.

Proprietary Funds. H-GAC had only one type of proprietary fund during fiscal year 2017. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Unlike governmental funds, enterprise funds are maintained on the full accrual basis of accounting as are the government-wide financial statements, therefore, no reconciliation between the statements is necessary. H-GAC records the activities of its Cooperative Purchasing program in the enterprise fund.

Fiduciary Funds. The fiduciary funds administered by H-GAC consist of the 401K pension trust fund for H-GAC's employee retirement plan and an agency fund for the Air Emission Reduction Credit Organization ("AERCO"). AERCO was created to promote the coexistence of air quality improvement and economic development within the region. H-GAC serves as the custodian of funds received due to air emission credits and uses those funds to offset new emission requirements for major industrial modifications, economic development, or to reduce emissions to meet federal reduction requirements. This fund, like the proprietary funds, is presented on the full accrual basis of accounting. Fiduciary funds are not presented in the government-wide financial statements as these funds are restricted and are not available to support the programs of H-GAC. The pension plan is audited separately and a copy of this report is available by requesting the same from H-GAC, P.O. Box 22777, Houston, TX 77227-2777.

Notes to the financial statements. The notes to the financial statements are an integral part of understanding both the government-wide financial statements and the fund financial statements.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

H-GAC's assets exceed liabilities by \$33,631,395 at the close of the most recent year, 2017 which is an increase over 2016. Approximately 3.3% of the Council's net position is invested in capital investments. These capital investments are within the office facilities of H-GAC to provide service and do not represent funds available for future spending. Most of the increases to net position came from increased revenues over expenses in the business-type activities from the prior year. There was restricted net position of \$7,475,100 at the end of the year. The balance of unrestricted net position in 2017 of \$25,055,211 may be used to meet H-GAC's ongoing obligations.

HOUSTON-GALVESTON AREA COUNCIL CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 75,106,948	\$ 72,063,892	\$ 15,300,640	\$ 12,970,376	\$ 90,407,588	\$ 85,034,268
Capital Assets, Net	1,170,253	1,549,651	-	-	1,170,253	1,549,651
Total Assets	<u>76,277,201</u>	<u>73,613,543</u>	<u>15,300,640</u>	<u>12,970,376</u>	<u>91,577,841</u>	<u>86,583,919</u>
Liabilities						
Current and Other Liabilities	57,662,135	55,398,818	255,261	136,235	57,917,396	55,535,053
Long-Term Liabilities	29,050	38,781			29,050	38,781
Total Liabilities	<u>57,691,185</u>	<u>55,437,599</u>	<u>255,261</u>	<u>136,235</u>	<u>57,946,446</u>	<u>55,573,834</u>
Net Position						
Net Investment in Capital Assets	1,101,084	1,487,231	-	-	1,101,084	1,487,231
Restricted for:						
EPA RLF Program	7,121,000	7,486,709			7,121,000	7,486,709
Regional Excellence Corp	354,100	421,018			354,100	421,018
Gulf Coast 911 Reg District	1,007,662	-	-	-	1,007,662	-
Unrestricted	<u>9,002,170</u>	<u>8,780,986</u>	<u>15,045,379</u>	<u>12,834,141</u>	<u>24,047,549</u>	<u>21,615,127</u>
Total Net Position	<u>\$ 18,586,016</u>	<u>\$ 18,175,944</u>	<u>\$ 15,045,379</u>	<u>\$ 12,834,141</u>	<u>\$ 33,631,395</u>	<u>31,010,085</u>

Statement of Activities

H-GAC's net position was increased by \$2,621,310 for the year. This reflects an increase in net position for governmental activities of \$410,072 and an increase in net position in business-type activities of \$2,211,238. The change in net position in governmental activities represents a 2.3% increase of net position for governmental activities and the change in net position in the business-type activities represents a 17.2% increase in net position for this activity. Overall, H-GAC increased net position by 8.5%. Key elements of the increase along with percentage analysis are as follows:

HOUSTON-GALVESTON AREA COUNCIL CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total		Percent	
	2017	2016	2017	2016	2017	2016	2017	2016
Program Revenues								
Charges for Services	2,079,158	1,830,855	5,801,768	4,269,735	7,880,926	6,100,590	2.65%	2.16%
Operating Grants and Contr	288,363,857	275,703,821			288,363,857	275,703,821	97.07%	97.77%
General Revenues								
Interest Income	58,491	14,189			58,491	14,189	0.02%	0.01%
Other Income	751,573	165,314			751,573	165,314	0.25%	0.06%
Transfer In	100,000	-	(100,000)		-	-	0.00%	0.00%
Total Revenues	291,353,079	277,714,179	5,701,768	4,269,735	297,054,847	281,983,914	100.00%	100.00%
Expenses								
General Government	2,615,725	1,921,283			2,615,725	1,921,283	0.89%	0.68%
Workforce Programs	232,028,757	206,009,100			232,028,757	209,009,100	78.81%	74.29%
Transportation	28,150,854	40,668,632			28,150,854	40,668,632	9.56%	14.46%
Community and Environ	13,305,656	10,732,671			13,305,656	10,732,671	4.52%	3.81%
Criminal Justice	1,356,078	847,184			1,356,078	847,184	0.46%	0.30%
Emergency Communications	-	931,365			-	931,365	0.00%	0.33%
Aging Services	10,521,725	11,124,787			10,521,725	11,124,787	3.57%	3.95%
Reg Excellence Corp	122,317	62,842			122,317	62,842	0.04%	0.02%
Gulf Coast 911 Reg Dist	2,841,896	2,503,579			2,841,896	2,503,579	0.97%	0.89%
Cooperative Purchasing			3,490,530	3,540,827	3,490,530	3,540,827	1.19%	1.26%
Total Expenses	290,943,008	277,801,443	3,490,530	3,540,827	294,433,538	281,342,270	100.00%	100.00%
Change in Net Position	410,072	(87,264)	2,211,238	728,908	2,621,310	641,644		
Net Position-Beginning of Yr	18,175,944	18,263,209	12,834,141	12,105,233	31,010,085	30,368,442		
Net Position-End of Yr	18,586,016	18,175,944	15,045,379	12,834,141	33,631,395	31,010,085		

The H-GAC operates primarily from grant and contract revenues; therefore, increases in expenses closely parallel increases in grant and contract funding for services.

Business-type activities

The Cooperative Purchasing program was established in 1973 to assist local governments in their purchasing and procurement needs. Through aggregation of individual purchases into a single procurement, volume discounts can be achieved.

The program is influenced by market conditions. The Cooperative Purchasing program deals primarily in the acquisition of capital assets. In 2016 and 2017, revenue in this program was \$4,269,735 and \$5,801,768 respectively. During the year, operating expenses for the program decreased 1.42% and revenues increased 36.0%. The combined result was reflected in an increase to net position of \$2,211,238 or 17.2%. By comparison, the increase in 2016 was \$728,908 or 6%.

Business-Type Expenses	2017 Amount	2016 Amount	Increase (Decrease) from 2016	(Decrease)
Personnel and Benefits	\$ 2,654,397	\$ 2,722,809	\$ (68,412)	(1.93%)
Consultant and Contract Svcs	139,895	160,811	(20,916)	(0.59%)
Equipment Rental and Leases	21,229	15,502	5,727	0.16%
Lease of Office Space	211,371	199,278	12,093	0.34%
Travel	59,930	58,749	1,181	0.03%
Depreciation	0	860	(860)	(0.02%)
Other	403,708	382,818	20,890	0.59%
Total Expenses	<u>\$ 3,490,530</u>	<u>\$ 3,540,827</u>	<u>\$ (50,297)</u>	<u>(1.42%)</u>

4. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As stated previously, H-GAC uses fund accounting to ensure and demonstrate compliance with legal requirements imposed by grantors. The following is a discussion of the funds used at H-GAC and key elements in each fund.

Governmental Funds

Governmental funds are presented on the modified accrual basis of accounting. This measurement focus emphasizes the inflows, outflows and available resources in the near term. This information is desirable in evaluating H-GAC's financing requirements. Specifically, the unassigned balance represents H-GAC's available resources at the end of the year.

H-GAC's general fund balance for year 2017 is \$9,928,283. Included in this fund balance is \$184,145 which has been identified for prepaid items and is nonspendable. The balance of \$9,744,138 is available for use at H-GAC's discretion.

The general fund balance of H-GAC increased by \$556,225. The general fund is the primary operating fund for H-GAC. The grant fund, used to account for all grant programs and other revenues whose use is restricted for a specific purpose had a fund balance of \$7,121,000 at the end of the year.

Also included in the governmental funds is the Regional Excellence Corporation, a blended component unit of the H-GAC established in 2004 to support programs and initiatives of the organization through private sector contributions. All board members of the Corporation serve in a dual capacity as both a board member of H-GAC and a board member of the corporation. In 2017 the corporation had cash and pledged contributions of \$55,399 and expenditures of \$122,317. The corporation's bylaws restrict the use of these funds.

Additionally, in February 2016, the H-GAC Board of Directors established the Gulf Coast Regional Emergency Communications District, a blended component unit of H-GAC, to provide administrative support and coordination of emergency communications in Brazoria, Chambers, Colorado, Liberty, Matagorda, Walker, Waller, and Wharton counties including all cities therein. All board members of the District serve in a dual capacity as both a board member of the H-GAC and a board member of the District. In 2017, the District had income of \$3,549,140 and expenditures of \$2,841,896. The District's bylaws restrict the use of these funds.

Proprietary Funds

The proprietary fund of H-GAC is composed of the Cooperative Purchasing enterprise fund. As mentioned previously, the measurement focus for the fund statements is identical to the government-wide statements. It is the policy of H-GAC to associate net

position to the activities generating the net position. The remaining net position is available to meet future needs as directed by the Board of Directors.

5. CAPITAL ASSET ADMINISTRATION

H-GAC’s investment in capital assets for both governmental and business-type activities amount to \$1,549,651 and \$1,170,253 (net of depreciation) for the fiscal years ended December 31, 2016 and 2017 respectively. This investment in capital assets includes equipment, furniture, and fixtures. Additional information on H-GAC’s capital assets and capital leases can be found in footnote 6 and 8, respectively, of this report. H-GAC does not own any real property.

During 2017, H-GAC acquired a variety of assets. The Council has a capitalization threshold of \$5,000, in accordance with federal requirements. The following table identifies the additions and retirements of depreciable assets for both the governmental and business-type activities. Beginning balances are net of depreciation. The accumulated depreciation column below reflects the net effect of depreciation expense for the year and the recovery of depreciation upon retirement of assets.

**HOUSTON-GALVESTON AREA COUNCIL
CAPITAL ASSET ANALYSIS**

	Beginning Balance	Additions	Retirements	Accumulated Depreciation	Ending Balance
Governmental Activities					
Equipment, furniture and fixtures	\$1,549,651	\$41,746	\$0	\$(421,144)	\$1,170,253
Business-type Activities					
Equipment, furniture and fixtures	\$0	\$0	\$0	\$0	\$0
Totals	<u>\$1,549,651</u>	<u>\$41,746</u>	<u>\$0</u>	<u>\$(421,144)</u>	<u>\$1,170,253</u>

6. DEBT ADMINISTRATION

Debt considered a liability of governmental activities consists of capital lease obligations and compensated absences. Debt balances related to capital leases in 2017 were \$69,169. Compensated absences increased by \$34,626 in 2017, finishing the year with

an ending balance of \$926,113. Further information on the Council's debt can be found in Capital Lease Note 8 to the financial statements.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- H-GAC membership dues are based on the federal 10-year census and are calculated on population. For FY2018 the per-capita membership revenue is estimated at \$395,538. This is the same as the budget for 2017.
- H-GAC increased estimated revenues and corresponding expenses by \$66,216,671 for 2018. The budget reflects increases mainly in Workforce, Community & Environmental programs, Data Services and Transportation programs of \$10,798,938, \$53,168,333, \$1,705,735 and \$1,544,189 respectively. The increase in Workforce programs is attributable primarily to the additional funding in Hurricane Harvey Dislocated Worker Services (\$7,290,692), the AirCheck program (\$2,979,166), Aging program (\$1,035,676), and Adult Literacy (\$1,078,282). These programs help area workers who lost employment after Harvey to seek new employment; assist residents to compete for higher incomes; provide low-income families with financial assistance to repair failing vehicles; and assist older persons with an array of services from meals to health care. The increase in the Community & Environmental program is attributable to the funds received for housing and disaster recovery due to Harvey. The increase in Transportation programs is attributable to the new funding cycle of planning funds to study and develop sustainable plans for mobility in the region.

These factors were considered in preparing the budget for the 2018 fiscal year.

8. REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the H-GAC's finances for those with an interest in the Council's finances. Questions or comments regarding this report should be directed to Nancy Haussler, Chief Financial Officer, Houston-Galveston Area Council, P.O. Box 22777, Houston, TX 77227-2777.

HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		Component Units				
	Governmental Activities	Business-type Activities	Total	Energy Purchasing Corporation	Economic Development Corporation	Local Development Corporation	Total
ASSETS							
Cash and cash equivalents	\$ 50,364,414		\$ 50,364,414	\$ 110,431	\$ 508,561	\$ 2,392,820	\$ 3,011,812
Investments	5,128,948		5,128,948			306,034	306,034
Receivables, net	32,876,557	\$ 1,668,671	34,545,228		117,949	33,974	151,923
Notes Receivable	-		-		1,045,233		1,045,233
Due from Component Units	184,853		184,853				
Internal balances	(13,631,969)	13,631,969					
Prepaid expenses	184,145		184,145				
Capital assets, net	1,170,253		1,170,253				
Total Assets	<u>76,277,201</u>	<u>15,300,640</u>	<u>91,577,841</u>	<u>110,431</u>	<u>1,671,743</u>	<u>2,732,828</u>	<u>4,515,002</u>
LIABILITIES							
Accounts payable and accrued expenses	4,406,307	85,905	4,492,212				
Unearned revenues	28,634,981	169,356	28,804,337				
Due to grantee agencies	23,654,615		23,654,615				
Due to primary government				11,948		78,545	184,853
Long Term Liabilities							
Due within one year	926,113		926,113				
Due more than one year							
Obligation of capital leases:							
Due within one year	40,119		40,119				
Due more than one year	29,050		29,050				
Total Liabilities	<u>57,691,185</u>	<u>255,261</u>	<u>57,946,446</u>	<u>11,948</u>	<u>94,360</u>	<u>78,545</u>	<u>184,853</u>
NET POSITION							
Net investment in capital assets	1,101,084		1,101,084				
Restricted for:							
EPA RLF Program	7,121,000		7,121,000				
Regional Excellence Corporation	354,100		354,100				
Gulf Coast 911 Regional District	1,007,662		1,007,662				
EDA RLF Program					1,577,383		1,577,383
Local Development Corporation						2,654,283	2,654,283
Unrestricted	9,002,170	15,045,379	24,047,549	98,483			98,483
Total Net Position	<u>\$ 18,586,016</u>	<u>\$ 15,045,379</u>	<u>\$ 33,631,395</u>	<u>\$ 98,483</u>	<u>\$ 1,577,383</u>	<u>\$ 2,654,283</u>	<u>\$ 4,330,149</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit			
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Energy Purchasing Corporation	Economic Development Corporation	Local Development Corporation
Primary government:										
Governmental activities:										
General government	\$ 4,662,275	\$ (2,046,550)	\$ 2,079,158	\$ 231,987,961	\$ (536,566)	\$	\$ (536,566)			
Workforce programs	231,494,082	534,675		27,931,720	(40,796)		(40,796)			
Transportation	27,404,335	746,519		13,197,395	(219,134)		(219,134)			
Community and environmental	13,077,408	228,248		1,331,542	(108,261)		(108,261)			
Criminal justice	1,301,702	54,376		10,310,700	(24,536)		(24,536)			
Aging services	10,320,396	201,329		55,399	(211,025)		(211,025)			
Regional Excellence Corporation	122,317			3,549,140	(66,918)		(66,918)			
Gulf Coast 911 Regional District	2,841,896	(281,403)	2,079,158	288,363,857	707,244		707,244			
Total governmental activities	291,224,411				(499,992)		(499,992)			
Business-type activities:										
Cooperative purchasing	3,209,127	281,403	5,801,768			\$ 2,311,238	2,311,238			
Total business-type activities	3,209,127	281,403	5,801,768			2,311,238	2,311,238			
Total primary government	\$ 294,433,538	\$ -	\$ 7,880,926	\$ 288,363,857	(499,992)	\$ 2,311,238	1,811,246			
Component units:										
Energy Purchasing Corporation	124,589		149,543	237,137				\$ 24,954	\$ (56,485)	\$ (151,536)
Gulf Coast Economic Development Corporation	293,622									
Local Development Corporation	693,018		541,482							
Total component units	\$ 1,111,229		\$ 691,025	\$ 237,137				\$ 24,954	\$ (56,485)	\$ (151,536)
General revenues:										
Interest income					58,491		58,491			
Miscellaneous income					751,573		751,573			
Transfers					100,000	(100,000)				
Total general revenues and transfers					910,064	(100,000)	810,064			
Change in net position					410,072	2,211,238	2,621,310	24,954	(56,485)	(151,536)
Net position - beginning					18,175,944	12,834,141	31,010,085	73,529	1,633,868	2,805,819
Net position - ending					\$ 18,586,016	\$ 15,045,379	\$ 33,631,395	\$ 98,483	\$ 1,577,383	\$ 2,654,283

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Grant Fund	Regional Excellence Corporation	Gulf Coast 911 Regional District	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 42,117,067	\$ 6,145,917	\$ 480,138	\$ 1,621,292	\$ 50,364,414
Investments	5,128,948				5,128,948
Receivables	560,017	32,293,836	22,704		32,876,557
Due from other funds	2,349,451	25,684,438			28,033,889
Due from component unit	184,853				184,853
Notes Receivable		-			-
Prepaid items	184,145				184,145
Total assets	<u>\$ 50,524,481</u>	<u>\$ 64,124,191</u>	<u>\$ 502,842</u>	<u>\$ 1,621,292</u>	<u>\$ 116,772,806</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	784,253	3,473,312	148,742		4,406,307
Unearned revenue	395,538	28,239,443			28,634,981
Due to grantee agencies		23,654,615			23,654,615
Due to other funds	39,416,407	1,635,821		613,630	41,665,858
Total liabilities	<u>40,596,198</u>	<u>57,003,191</u>	<u>148,742</u>	<u>613,630</u>	<u>98,361,761</u>
Fund balance-					
Nonspendable	184,145				184,145
Unassigned	9,744,138				9,744,138
Restricted for:					
EPA RLF Program		7,121,000			7,121,000
Regional Excellence Corporation			354,100		354,100
Gulf Coast 911 Regional District				1,007,662	1,007,662
Total fund balance	<u>9,928,283</u>	<u>7,121,000</u>	<u>354,100</u>	<u>1,007,662</u>	<u>18,411,045</u>
Total liabilities and fund balance	<u>\$ 50,524,481</u>	<u>\$ 64,124,191</u>	<u>\$ 502,842</u>	<u>\$ 1,621,292</u>	<u>\$ 116,772,806</u>
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					1,170,253
Compensated absences of governmental activities are not due and payable in the current period and, therefore, are not reported in the funds					(926,113)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds-capital leases					(69,169)
Net position of governmental activities					<u>\$ 18,586,016</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Grant Fund</u>	<u>Regional Excellence Corporation</u>	<u>Gulf Coast 911 Regional District</u>	<u>Total Governmental Funds</u>
Revenues					
Interest income	\$ 58,491				\$ 58,491
Membership dues	395,539				395,539
Interlocal contracts	1,272,045				1,272,045
Data services and imaging	411,575				411,575
Miscellaneous income	751,567				751,567
From grantor agencies		\$ 284,759,318	\$ 55,399	\$ 3,549,140	288,363,857
Total revenues	<u>2,889,217</u>	<u>284,759,318</u>	<u>55,399</u>	<u>3,549,140</u>	<u>291,253,074</u>
Expenditures					
Current:					
General government	2,537,247				2,537,247
Workforce programs		231,869,701			231,869,701
Transportation		28,064,068			28,064,068
Community and environmental		13,253,886			13,253,886
Criminal justice/Homeland security		1,319,500			1,319,500
Emergency communications		-			-
Aging services		10,477,138			10,477,138
Regional Excellence Corporation			122,317		122,317
Gulf Coast 911 Emergency District				2,841,896	2,841,896
Capital outlay:					
General government	41,746				41,746
Debt service:					
Principal	34,993				34,993
Interest	1,486				1,486
Total expenditures	<u>2,615,472</u>	<u>284,984,293</u>	<u>122,317</u>	<u>2,841,896</u>	<u>290,563,978</u>
Excess (deficiency) of revenues over expenditures	<u>273,745</u>	<u>(224,975)</u>	<u>(66,918)</u>	<u>707,244</u>	<u>689,096</u>
Other Financing Sources (Uses)					
Transfers in (out)	240,734	(140,734)			100,000
Proceeds from Capital Lease	41,746				41,746
Total other financing sources & (uses)	<u>282,480</u>	<u>(140,734)</u>	<u>-</u>	<u>-</u>	<u>141,746</u>
Change in fund balance	556,225	(365,709)	(66,918)	707,244	830,842
Fund balance - beginning	<u>9,372,058</u>	<u>7,486,709</u>	<u>421,018</u>	<u>300,418</u>	<u>17,580,203</u>
Fund balance - ending	<u>\$ 9,928,283</u>	<u>\$ 7,121,000</u>	<u>\$ 354,100</u>	<u>\$ 1,007,662</u>	<u>\$ 18,411,045</u>

See accompanying notes to the financial statements

HOUSTON-GALVESTON AREA COUNCIL
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2017

Net change in fund balances-total governmental funds \$ 830,842

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	127,504
Depreciation expense	<u>(506,901)</u>
Excess of depreciation over capital outlay expense	<u>(379,397)</u>

Some items 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.

This activity consists of -

Increase in compensated absences	(34,620)
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Principal payment for capital lease in 2017	34,993
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Capital Lease Proceeds	<u>(41,746)</u>
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Change in net position of governmental activities \$ 410,072

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	<u>Cooperative Purchasing</u>
ASSETS	
Current assets	
Accounts receivable	\$ 1,668,671
Due from general fund	13,631,969
Total current assets	<u>15,300,640</u>
Noncurrent assets	
Property & equipment	194,196
Less accumulated depreciation	<u>(194,196)</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>15,300,640</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	85,905
Unearned revenues	169,356
Total current liabilities	<u>255,261</u>
Total liabilities	<u>255,261</u>
NET POSITION	
Unrestricted	15,045,379
Total net position	<u>\$ 15,045,379</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Cooperative Purchasing</u>
REVENUES	
Charges for services	\$ 5,801,768
Total revenues	<u>5,801,768</u>
OPERATING EXPENSES	
Personnel and benefits	2,654,397
Consultant and contract services	139,895
Equipment rental and leases	21,229
Lease of office space	211,371
Travel	59,930
Depreciation	-
Other	403,708
Total expenses	<u>3,490,530</u>
Operating Income	2,311,238
Transfers	<u>(100,000)</u>
Change in net position	2,211,238
Net position - beginning	<u>12,834,141</u>
Net position - ending	<u>\$ 15,045,379</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Cooperative Purchasing</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,556,071
Cash payments to employees for services	(2,654,397)
Cash payments to suppliers for goods and services	(105,436)
Cash payments for operating expenses	(696,238)
Cash provided (used) by operating activities	<u>100,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to general fund	(100,000)
Net cash used by noncapital financing activities	<u>\$ (100,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 2,311,238
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	-
Change in assets and liabilities:	
Decrease (increase) in customer receivable	325,677
Decrease (increase) in interfund receivable	(2,655,941)
Increase (decrease) in accounts payable	34,459
Increase (decrease) in unearned revenue	84,567
Net cash provided (used) by operating activities	<u>\$ 100,000</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF NET POSITION
FIDUCIARY FUNDS**

DECEMBER 31, 2017

	<u>Pension Plan Trust</u>	<u>Agency Fund</u>
	<u>Retirement Plan 2017</u>	<u>Area Emission Reduction Credit Organization 2017</u>
ASSETS		
Cash		\$ 1,240,003
Investments- at fair value:		
Mutual funds	\$ 32,573,979	
Money market funds	3,964,457	
Total investments, at fair value	<u>36,538,436</u>	
Receivables:		
Notes receivables from participants	<u>864,485</u>	
Total receivables	<u>864,485</u>	
Total assets	<u>37,402,921</u>	<u>1,240,003</u>
LIABILITIES		
Due to Other		1,240,003
Employee forfeitures due to employer	<u>30,495</u>	
Total liabilities	<u>30,495</u>	<u>\$ 1,240,003</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 37,372,426</u>	

See accompanying notes to financial statements

**RETIREMENT PLAN FOR THE EMPLOYEES OF
HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CHANGES IN POSITION
FIDUCIARY FUNDS
YEARS ENDED DECEMBER 31, 2017**

	<u>2017</u>
ADDITIONS	
Contributions:	
Participants	\$ 1,169,633
Employer	<u>1,016,904</u>
Total contributions	<u>2,186,537</u>
Investment earnings:	
Net appreciation in the fair value of investments	4,000,721
Interest and dividends	<u>1,535,363</u>
Total net investment earnings	<u>5,536,084</u>
Total additions	<u>7,722,621</u>
DEDUCTIONS	
Benefit payments	1,529,394
Administrative expenses	<u>2,361</u>
Total deductions	<u>1,531,755</u>
Change in net position	6,190,866
Net position - beginning	<u>31,181,560</u>
Net position - ending	<u><u>\$ 37,372,426</u></u>

See accompanying notes to financial statements.

HOUSTON-GALVESTON AREA COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. REPORTING ENTITY

The Houston-Galveston Area Council (“H-GAC”) is a voluntary association of local governments that administers planning and action programs from various federal, state, and local agencies for the benefit of citizens in a 13-county region in southeast Texas. H-GAC is governed by a 35-member Board of Directors (the “Board”) which has governance responsibilities over all activities of the organization. Members of the Board are selected to serve by elected officials from the various governmental entities belonging to H-GAC. The Board has the authority to make decisions and appoint administrators and managers. H-GAC is not included in any other governmental “reporting entity” as defined by the Government of Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity.” H-GAC is a political subdivision of the State of Texas, created pursuant to state enabling legislation.

H-GAC’s financial statements include the accounts of all H-GAC functions and activities, including five component units, the H-GAC Energy Purchasing Corporation, the Houston-Galveston Local Development Corporation, the Gulf Coast Economic Development Corporation, the Corporation for Regional Excellence and the Gulf Coast 9-1-1 Regional District. Complete financial statements for each of the individual component units may be obtained at H-GAC’s administrative offices.

The accompanying financial statements present H-GAC and its component units.

Blended Component Unit: The Corporation for Regional Excellence was established by H-GAC in 2004. The purpose of the organization is to receive contributions that support the programs and services of H-GAC from entities that will only contribute to 501 (C) (3) organizations. All board members of the Corporation serve in a dual capacity as both a board member of H-GAC and a board member of the corporation. The Corporation is reported as a Special Revenue Fund.

On February 16, 2016 the Houston-Galveston Area Council Board of Directors established the Gulf Coast Regional Emergency Communications District

("GCRECD") as permitted under Chapter 772, Subchapter H, of the Texas Health and Safety Code. The District is governed by a Board of Managers consisting of at least one member from each county within the district, and each Board member serves conterminously as members of the H-GAC Board of Directors. The District is a political subdivision of the State of Texas and carries out essential governmental functions by providing high quality 9-1-1 emergency communications services to the seven participating jurisdictions within the District. Those participating counties include Brazoria, Chambers, Colorado, Liberty, Matagorda, Walker, Waller, and Wharton counties and all cities therein, except for any city served by another emergency communications district. The District is supported by mandatory fees charged and remitted from communication companies in the jurisdictions such as telephone companies and voice over internet providers, and revenues are used exclusively to provide support for the regional 9-1-1 system in the participating counties. The District is reported as a Special Revenue Fund.

Discretely Presented Component Units: The H-GAC Energy Purchasing Corporation's purpose is to serve as a licensed aggregator of electricity for local governments in the state of Texas by negotiating and administering electricity service contracts. Local governments pay an administrative fee to participate in the contracts. The Board of Directors is comprised of elected officials selected by the H-GAC Board of Directors who annually approve its budgets and obligations.

The Houston-Galveston Area Local Development Corporation ("LDC") was established to further economic development and social welfare by promoting and assisting growth and development of business concerns in the region. The Corporation is a certified development company by the U.S. Government Small Business Administration and assists small businesses in securing loans for the purpose of construction, conversion, or expansion, including the acquisition of land, existing buildings and leasehold improvements. The corporation receives a residual fee for its services on all funded loans. The twenty-seven member Board of Directors is comprised of representatives from local government, lending institutions and private business organizations selected by the H-GAC Board of Directors. The Corporation's bylaws further state that all assets of the Corporation revert to the Houston-Galveston Area Council upon dissolution. Additionally, in acknowledgment of the Council's involvement with the Corporation, the Corporation remits a management fee to the Houston-Galveston Area Council.

The H-GAC Gulf Coast Economic Development Corporation (“EDC”), a 501(C)(3) Corporation, was established in 1988 to address the regional needs of distressed economic growth areas. The EDC originally received economic development grants from the Federal Economic Development Administration to promote coordination among local economic development efforts on a region wide basis. The 28 member board is comprised of county government and city government appointees as well as private sector appointees nominated by HGAC. Developing plans that include the key strategies of promoting economic growth, increasing employment opportunities, and developing a regional Comprehensive Economic Development Strategy is the primary mission of the organization. In 2010, the EDC received a revolving loan grant from the EDA to further the economic development of the distressed areas of the region. H-GAC has primary responsibility for the Corporation’s assets including its cash assets and the use of those assets benefits the constituency that H-GAC serves. Additionally, the EDC has signed a management agreement with the H-GAC that conveys management of the EDC financial records to H-GAC. Finally, the agreement also stipulates that any financial match requirements imposed by the federal grantor will be provided by H-GAC.

Since H-GAC receives funding from local, state and federal government sources, it must comply with the requirements of these funding sources.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: Government-wide and Fund Financial Statements - The government-wide financial statements consist of the statement of net position and the statement of activities. These statements exclude inter-fund activity, and report information on all of the non-fiduciary activities of the primary government. Inter-fund services provided and used are not eliminated in the process of consolidation. The statements segregate governmental activities from business-type activities. Governmental activities are normally supported by intergovernmental revenues and grants while business-type activities are supported by service fees or sales that are intended to recover all or a significant portion of their costs.

The statement of activities compares the direct expenses of a given function with the corresponding program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers

or applicants who purchase, use or directly benefit from goods services, or privileges provided by a function or segment and 2) contracts, grants and contributions that are restricted to meeting the operational requirement of a particular function or segment. Items not classified as program revenues are reported as general revenues.

Additional financial statements are presented for governmental, proprietary and fiduciary funds, although fiduciary funds are not included in the government-wide financial statements. These statements are organized on the basis of funds that function as a separate entity with their own self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities.

The H-GAC reports the following major governmental funds:

The *General Fund* is H-GAC's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *Grant Fund* is a special revenue fund used to account for grant proceeds provided by various grantor agencies and is restricted in use by the awarding entity.

The *Regional Excellence Corporation* is a blended component unit established to support programs and initiatives of the H-GAC. The Corporation's bylaws restrict the use of these funds.

The *Gulf Coast Regional 9-1-1 District* is a blended component unit established to support 9-1-1 emergency communications services to the seven participating jurisdictions within the District. The District's bylaws restrict the use of these funds.

The H-GAC reports the following major enterprise fund:

The *Cooperative Purchasing* fund is used to account for the administrative fees derived from the assistance provided to other governments in acquiring capital assets and supplies.

Included in this report but not as part of the government-wide financial statements are the fiduciary fund statements for the Employee Retirement Plan Trust Fund and the Air Emission Reduction Credit Organization (“AERCO”) agency fund. The retirement plan trust fund accounts for the 401K pension plan for H-GAC employees. The AERCO promotes the coexistence of air quality improvement and economic development within the H-GAC region.

Basis of Accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, H-GAC considers revenues to be available if they are collected within 90 days of the end of the fiscal period. Revenues susceptible to accrual are interest income, membership dues, interlocal contracts, and revenues from grantor agencies. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due.

The cooperative purchasing enterprise fund and the retirement plan trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the funds are included on the balance sheet. The accrual basis of accounting is utilized by these funds. Under this method, revenues are recorded when earned and expenses are

recorded at the time liabilities are incurred. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Net Position Flow Assumptions - Sometimes H-GAC will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is H-GAC's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which H-GAC 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:

- **Non-spendable:** 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. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the

Board of Directors 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 Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

H-GAC's *major sources of revenues* are discussed below:

Federal and State Contracts - Revenues are recognized when program expenditures are incurred in accordance with program guidelines. Local matching may exceed budgeted amounts. Such excess would be used to further fund the applicable program, but does not represent a budget deviation.

Member Government Dues - Member governments are required to pay dues to H-GAC. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period. Dues are reported in the general fund and transferred to the special revenue funds as needed to meet matching requirements of grantor contracts.

Locally Contributed In-kind Services - Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various programs. Contributed services are, therefore, reflected as both revenues and expenditures in accordance with legal requirements of the individual contracts. Such services are recorded in the accompanying financial statements at the amount expended by the contributor in providing the matching services, which approximates the fair value of the services at the date of contribution.

Pass-Through and Administrative Fees - The Cooperative Purchasing Program, the Energy Purchasing Corporation, and the Local Development Corporation record revenues in the form of pass-through and administrative fees. H-GAC assists other governments primarily in Texas by providing expertise in acquiring capital assets and supplies and by aggregating the needs of several governments into larger purchases, providing negotiating advantages as well as assisting small businesses with financing and improving economic development.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivery of goods in connection with the fund's principal operations. The principal operating revenues of the Cooperative Purchasing enterprise fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Capital Assets - Capital assets, which include furniture, fixtures, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as

assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost, net of accumulated depreciation.

Depreciation is charged to operations over the estimated useful life (generally five years) using the straight-line method. H-GAC has no public domain assets.

Compensated Absences – It is H-GAC’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 the Council does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay up to a maximum of 240 hours is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Due to the nature of the obligation for accrued vacation, annual requirements to amortize such obligations are not determinable and have not been presented. The balance of the accrued vacation at the end of the year is due within one year since the usage of the vacation for the year exceeds the balance.

Balance			Balance	Due Within
<u>12/31/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2017</u>	<u>One Year</u>
\$ 891,488	\$ 961,055	\$ 926,430	\$ 926,113	\$ 926,113

Interfund Transfers - Interfund transfers arise from transactions between funds or the distribution of local (general fund) cash resources to grant projects requiring cash match in accordance with the terms and conditions of the grant contract. Matching funds are derived primarily from H-GAC dues paid by member governments and local in-kind contributions.

Allocation of Employee Benefits and Indirect Costs - H-GAC employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with the Office of Management and Budget (“OMB”) Circular A-87 and the Uniform Guidance (2 CFR 200). Employee benefits are allocated to grant projects as a percentage of H-GAC’s labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs and employee benefits charged to grant projects.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include highly liquid investments with an original maturity of ninety days or less.

Investments - H-GAC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments of H-GAC are Level 1 and reflect quoted prices at year end. Additionally, H-GAC follows GASB Statement No. 40 *Deposit and Investment Risk Disclosures--an amendment of GASB Statement No. 3*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such disclosures as required are reflected in Note 3 to the financial statements.

Prepaid Items - Prepaid items are accounted for under the consumption method.

3. DEPOSITS (CASH) AND INVESTMENTS

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Council.

In accordance with applicable statutes, the Council has a depository contract with a local bank (depository) providing interest rates to be earned on deposited funds and fixed fees for banking services received. The Council may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require full security for all funds in the depository institution through federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The depository must deliver the collateral securities to the Council or place them with an independent trustee institution. In accordance with Texas statutes, the safekeeping receipts are in the name of the depository with proper indication of pledge of the collateral securities by the depository to secure funds of the Council. The Council must approve all collateral securities

pledged and also must approve in writing any changes to the pledged collateral securities.

The Council has adopted a written investment policy regarding the investment of its funds as defined by the PFIA. The PFIA also requires the Council to have independent auditors perform test procedures related to investment practices as provided by the Act. The Council complies with the requirements of the Act and with local policies.

The Council's investment policy permits investment of Council funds in only the following investment types, consistent with the strategies and maturities defined in the policy:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct obligations of the State of Texas or its agencies.
3. Other obligations, the principal of which are unconditionally guaranteed or insured by the State of Texas or the United States.
4. General obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
5. Certificates of Deposit issued by State and National banks domiciled in the State of Texas the payment of which is insured in full by the Federal Deposit Insurance Corporation.
6. Fully collateralized direct Repurchase Agreements with a defined termination date purchased pursuant to a master contractual agreement which specified the rights and obligations of both parties and which requires that securities involved in the transaction be held in a safekeeping account subject to the control and custody of H-GAC.
7. No Load Money Market Mutual Funds and No Load Mutual Funds. To be an allowable investment, money market funds must adhere to a 90-day weighted average maturity. No-load mutual funds with a weighted average maturity of up to 2 years are allowable if they are registered with the Securities and Exchange Commission, invest exclusively in obligations authorized by the

Public Funds Investment Act, adhere to the requirements set forth for investment pools and are continuously rated by at least one nationally recognized investment rating firm at not less than AAA or its equivalent. A government may invest no more than 15% of its operating funds (excluding bond proceeds, reserves and debt service funds) in this type of mutual fund.

8. Time deposits in the Council's depositories.
9. Investment pools created to function as money market funds must mark-to-market daily and maintain a market value ratio between .995 and 1.005. These pools must be continuously rated no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency.
10. Banker's Acceptances 1) 270 days or fewer, 2) Liquidated in full at maturity, 3) Eligible Federal Reserve Bank collateral, 4) U.S. Bank rated not less than A-1 or P-1.
11. Any combination of the foregoing.

Retirement plan funds are invested among a selection of mutual funds at the discretion of each Plan participant.

Deposit and Investment Amounts

The following schedule presents the Council's cash and investments subject to deposit and investment risk disclosures.

	<u>Cash</u>	<u>Discount Note Money Market</u>	<u>Certificate of Deposits</u>	<u>Mutual Funds</u>	<u>Totals</u>
Governmental Funds:					
General	\$42,117,067	\$ 4,125,584	\$ 1,003,364		\$ 47,246,015
Grant Fund	6,145,917	-	-		6,145,917
Regional Excellence Corporation	480,138	-	-		480,138
Gulf Coast 9-1-1 Regional District	1,621,292	-	-	-	1,621,292
Total Governmental Funds	<u>50,364,414</u>	<u>4,125,584</u>	<u>1,003,364</u>	<u>-</u>	<u>55,493,362</u>
Fiduciary Funds	<u>\$ -</u>	<u>3,964,457</u>		<u>\$32,573,979</u>	<u>36,538,436</u>
Discretely Presented Component Units:					
Energy Purchasing Corporation	110,431	-	-		110,431
Gulf Coast Economic Dev Corp	508,561	-	-		508,561
Local Development Corporation	2,392,820	-	306,034	-	2,698,854
Total Component Units	<u>3,011,812</u>	<u>-</u>	<u>306,034</u>	<u>-</u>	<u>3,317,846</u>
Total Reporting Entity	<u>\$53,376,226</u>	<u>\$ 8,090,041</u>	<u>\$ 1,309,398</u>	<u>\$32,573,979</u>	<u>\$ 95,349,644</u>

Credit and Interest Rate Risk

At year-end, the Council had the following investments subject to credit and interest rate risk disclosure, under U.S. generally accepted accounting principles, by fund:

	<u>Amount</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
General Fund	\$5,128,948	87	AAA
Fiduciary Fund	\$36,538,436	26	AAA

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of December 31, 2017, the Council's deposit

balance was fully collateralized with securities held by the pledging financial institution in the Council's name or by FDIC insurance.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Many intra-fund transactions take place within the finance department of H-GAC, resulting in monies flowing back and forth between funds. For example, H-GAC matching shares for contracts or grants are paid from the General Fund to Special Revenue Funds, while Special Revenue Funds pay indirect charges to the General Fund.

The following is a summary of interfund receivables and payables at December 31, 2017:

	Interfund Receivables	Interfund Payables
General Fund	\$ <u>2,349,451</u>	\$ 39,316,407
Grant Fund	25,684,438	2,349,451
Enterprise Fund	13,631,969	
Total	<u>\$ 41,665,858</u>	<u>\$ 41,665,858</u>

Interfund Transfers	<u>General</u>	Transfers In <u>Total</u>
Transfer out:		
Grant Fund	\$240,734	\$240,734
Total Transfers	<u>\$240,734</u>	<u>\$240,734</u>

The grant fund transfer reflects the net transfer between the general fund and the special revenue fund for H-GAC match requirements and adjustments due to depreciation of assets which is not reflected on the government wide financial statements.

5. RECEIVABLES

Receivables as of the year end for the government's individual major funds and component units, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Grant Fund	Cooperative Purchasing Fund	Energy Purchasing Corporation	Economic Development Corporation	Local Development Corporation
Due from member government	\$ 336,936	\$ -	\$ -	\$ -	\$ -	\$ -
Advances to subrecipients	-	-	-	-	-	-
Data imagery	128,350	-	-	-	-	-
Federal grants receivable	-	4,788,143	-	-	-	-
State grants receivable	-	25,292,368	-	-	-	-
Local grants receivable	-	2,213,165	-	-	-	-
Due from customers	24,751	-	1,668,671	-	117,949	33,974
Miscellaneous services	69,980	160	-	-	-	-
Gross Accounts Receivable	560,017	32,293,836	1,668,671	-	117,949	33,974
Less: Allowance for uncollected accounts	-	-	-	-	-	-
Accounts Receivable, Net	<u>\$ 560,017</u>	<u>\$ 32,293,836</u>	<u>\$ 1,668,671</u>	<u>\$ -</u>	<u>\$ 117,949</u>	<u>\$ 33,974</u>

All receivables are expected to be collected within one year.

6. CAPITAL ASSETS

Capital Assets are reported at historical cost, except for donated capital assets, which are recorded at their estimated acquisition value at the time of acquisition.

A summary of changes in capital assets, which consist solely of office furniture and equipment, follows:

	December 31, 2016	Additions	Retirements	December 31, 2017
Governmental activities:				
Furniture, fixtures and equipment	\$4,717,476	\$ 85,758	\$ (91,316)	\$ 4,711,918
Capital leases	489,341	41,746	-	531,087
Less accumulated depreciation	<u>(3,657,166)</u>	<u>(506,902)</u>	91,316	<u>(4,072,752)</u>
	<u>\$1,549,651</u>	<u>\$(379,398)</u>	<u>\$ -</u>	<u>\$1,170,253</u>
Business-type activities:				
Furniture, fixtures and equipment	\$ 194,196	\$ -	\$ -	\$ 194,196
Less accumulated depreciation	<u>(194,196)</u>	\$ -	-	<u>(194,196)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Governmental Activities –	
General government	\$ 42,367
Workforce programs.....	159,056
Transportation	172,544
Community and Environmental	51,770
Criminal Justice & Homeland Security.....	36,578
Aging Services	<u>44,586</u>
Total Governmental Activities	506,901
Business-type activities –	
Cooperative purchasing.....	<u>0</u>
.....	<u>\$ 506,901</u>

7. UNEARNED REVENUE

As of December 31, 2017 unearned revenue was comprised of the following:

General Fund:	<u>\$ 395,538</u>
Grant Fund:	
Solid Waste.....	\$ 106,983
Low Income Repair Assistance	27,640,933
C&E/Local Contracts	77,943
Transportation/Local Contracts	370,700
Homeland Security Program	29,762
Human Services Local Program.....	<u>13,122</u>
Total Grant Funds.....	<u>\$28,239,443</u>
Enterprise Fund:	
Cooperative Purchasing.....	<u>\$ 169,356</u>

The General Fund had unearned revenue from prepaid lease and memberships.

During 2017 the cooperative purchasing enterprise fund received remittance from participants in advance of performing services. These remittances, totaling \$169,356, were classified as unearned revenue in the cooperative purchasing enterprise fund.

H-GAC receives an advance of grant funds from the Texas Commission on Environmental Quality to develop and coordinate a solid waste plan for the region. Funds received in excess of expenditures are accounted for as unearned revenue and totaled \$106,983 for this program.

H-GAC contracted with five counties to administer the Low-Income Repair Assistance Program (LIRAP) to help citizens with auto maintenance requirements resulting from increased emission standards. The counties advanced funds to the Council for the implementation of this program in 2017. At year end, the advances in excess of expenditures totaled \$27,640,933.

H-GAC set aside \$29,762 of homeland security planning money to provide assistance in developing the required Homeland Security plan for Harris County and the other surrounding jurisdictions.

8. CAPITAL LEASES

The following details the change in total obligation of capital leases:

	12/31/2016	Increase	Decrease	12/31/2017
Capital Lease	<u>\$ 62,420</u>	<u>\$ 41,746</u>	<u>\$ 34,997</u>	<u>\$ 69,169</u>

The following schedule presents future minimum lease payments as of December 31, 2017:

Fiscal Year	Amount
2018	\$40,979
2019	23,464
2020	<u>5,798</u>
Minimum lease payments	70,241
Less amount representing interest	<u>(1,072)</u>
Present value of net minimum	
Lease payments	69,169
Less current portion of capital	
Lease obligation	<u>(40,119)</u>
Long-term portion of capital lease	\$ <u>29,050</u>

The Houston-Galveston Area Council has entered into a capital lease agreement for a color copier with a lease term of thirty-six months. It originated on December 1, 2015 and ends on November 1, 2018 with principal of \$46,900 at inception.

H-GAC entered into a capital lease agreement for a high volume copier. This lease began on October 5, 2014 and will end on September 5, 2019. The lease allows H-GAC to retain ownership upon completion.

H-GAC entered into a capital lease agreement for a new color copier on June 1, 2017. This lease will end on May 31, 2020 with principal of \$41,746 at inception.

9. RETIREMENT PLAN

Retirement Plan for the Employees of Houston-Galveston Area Council, (“the Plan”), is a single employer, defined-contribution retirement plan for all employees 21 years of age or older having at least six months of service. The Plan is administered by Fidelity Management Trust Company. Retirement benefits depend solely on amounts contributed to the plan and any investment earnings thereon. The Plan requires participants to contribute an amount at least equal to 3% of gross salary. H-GAC matches the participant contribution with a 7% contribution. H-GAC has no further liability to the plan after making such contributions. Participants begin vesting in the employer’s contributions and earnings thereon after 3 years of service and become fully vested after 6 years. H-GAC’s contributions and earnings thereon which are forfeited by employees are used to reduce H-GAC’s contribution requirement. The H-GAC Board of Directors is responsible and has authority to amend the Plan provisions and contributions requirements.

H-GAC’s total payroll in 2017 was \$14,276,151. Retirement plan contributions were calculated using the gross salary amount for covered employees. H-GAC and its employees made contributions in 2017 of \$1,016,904 and \$1,169,633 respectively. Investments in the retirement plan are stated at fair value, based upon quoted market prices of the various mutual funds in which the funds are invested. Noninvested contributions are forfeited upon termination of employment and such forfeitures were used to pay a portion of H-GAC’s required contributions by \$30,495. In 2017 H-GAC had no liability to the plan at December 31, 2017.

A stand-alone retirement plan report may be obtained by request, by writing the Chief Financial Officer of H-GAC at P. O. Box 22777, Houston, Texas 77227-2777.

10. OTHER REVENUE

Other revenue consists of revenues generated from programs operated under the general fund, workshops and publication sales.

11. COMMITMENTS AND CONTINGENCIES

Leases – During December 2017, H-GAC renegotiated its lease space and acquired an additional 5,578 square feet bringing the total leased space to approximately 70,777

square feet at an annual base fee of \$1,645,731. The lease term for the new space begins in January 2018 and expires in January 2025. The 65,199 square feet already under lease was extended to January 2025 as well. Included in the lease is a 2% escalation annually over the term of the lease and two months of prorated rent which is amortized over the lease term. H-GAC also negotiated a tenant improvement allowance of \$20.00/square foot or \$1,415,540 for improvements to the leased space. A portion of these funds, \$170,000 would be available for renovation of the newly acquired space upon execution of the contract. The balance of the allowance would not be available until September 2019 with up to half of the allowance available for rent abatement. The schedule below reflects the lease terms. H-GAC has additional office space leased in satellite locations. These leases will terminate in February and April of 2020. The base amount for these leases is \$700 and \$1,736 per month.

In addition to the office leases, H-GAC leases various equipment under non-cancellable operating leases with terms ranging from one to five years. Minimum future lease commitments under all leases for office space and equipment are as follows for the years ending December 31:

2018.....	1,674,963
2019.....	1,709,334
2020.....	1,746,158
2021.....	1,814,755
2022.....	1,850,143
2023-2025.....	\$3,966,774
Total minimum rental payments due.....	<u>\$12,762,127</u>

It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other property or equipment. Total lease expense for 2017 was \$1,588,044.

Required Matching Funds – H-GAC’s management is of the opinion that local (general fund) cash on hand and funds to be received in 2017 from membership dues and other locally generated revenues will be adequate to meet commitments for matching funds required by federal and state grants.

Federal and State Grants – Use of federal, state and locally administered federal and other grant funds is subject to review and audit by fund provider agencies. Such audits could lead to requests from the grantor agency for reimbursement of expenditures disallowed under terms of the contract or grant. To the extent that such disallowances involve expenditures under subcontracted arrangements, H-GAC generally has the right of recovery from such third parties. A significant portion of the federal and state grant funds received by H-GAC are passed through to delegate agencies which administer certain parts of the grants on behalf of H-GAC. Management believes that H-GAC will not incur significant losses on possible grant disallowances.

Insurance – H-GAC purchases commercial insurance to minimize potential losses in the areas of general liability and directors’ and officers’ liability, workers’ compensation and automobile liability.

H-GAC did not experience any significant reductions in insurance coverage during fiscal year 2017 and did not have any instances in which settlements exceeded insurance coverage in any of the past three fiscal years.

Legal Contingencies – H-GAC is involved in lawsuits and other claims in the ordinary course of operations. The outcome of these lawsuits and other claims are not presently determinable, and the resolution of these matters is not expected to have a material effect on the financial condition of H-GAC.

**HOUSTON-GALVESTON AREA COUNCIL
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>
PERSONNEL			
Indirect salaries	\$ 1,132,769	\$ 1,118,350	50.62 %
Employee benefits	534,214	527,414	23.87
	<u>1,666,983</u>	<u>1,645,764</u>	<u>74.49</u>
CONSULTANT AND CONTRACT SERVICES			
Consultant	219	2,500	0.01
Accounting and auditing	11,700	18,000	0.52
Other contract services	13,035	5,700	0.59
Legal Services	1,881	2,000	0.09
	<u>26,835</u>	<u>28,200</u>	<u>1.20</u>
EQUIPMENT			
Purchase, lease, rental or maintenance office furniture, fixtures and equipment	5,995	12,500	0.27
Depreciation	433,284	450,000	19.35
	<u>439,279</u>	<u>462,500</u>	<u>19.63</u>
LEASE OF OFFICE SPACE	<u>103,018</u>	<u>85,529</u>	<u>4.60</u>
TRAVEL	<u>31,206</u>	<u>27,500</u>	<u>1.39</u>
OTHER			
Consumable supplies	10,454	9,993	0.47
Software and Database	105,598	66,700	4.72
Communications	1,000	1,000	0.04
Postage	5,949	8,600	0.27
Subscriptions & memberships	83,523	88,000	3.73
Miscellaneous	36,027	46,750	1.61
	<u>242,551</u>	<u>221,043</u>	<u>10.84</u>
Indirect Carryforward	(272,024)	50,000	-12.16
TOTAL INDIRECT COSTS (A)	<u>\$ 2,237,848</u>	<u>\$ 2,520,536</u>	<u>100.0 %</u>
BASIS FOR ALLOCATION OF INDIRECT COSTS			
Chargeable salaries	\$ 14,276,151	\$ 15,922,035	
Employee benefits	6,732,448	7,508,832	
	<u>21,008,599</u>	<u>23,430,867</u>	
Less indirect salaries and Employee benefits	<u>(1,666,983)</u>	<u>(1,645,764)</u>	
TOTAL DIRECT SALARIES AND RELATED EMPLOYEE BENEFITS (B)	<u>\$ 19,341,616</u>	<u>\$ 21,785,103</u>	
ACTUAL INDIRECT COST RATE (A/B)	<u>11.57%</u>	<u>11.57%</u>	

**HOUSTON-GALVESTON AREA COUNCIL
 SUPPLEMENTARY SCHEDULE OF H-GAC EMPLOYEE BENEFITS
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Amount</u>	<u>Percentage</u>
RELEASED TIME TAKEN AND ACCRUED:		
Vacation	\$ 885,174	13.15 %
Holidays	764,131	11.35
Sick leave	582,721	8.66
Other	400,809	5.95
	<u>2,632,835</u>	<u>39.11</u>
BENEFIT PROGRAMS:		
Payroll taxes	1,385,877	20.59
Retirement plan	1,016,923	15.10
Insurance	2,081,613	30.92
Other benefits	7,147	0.11
	<u>4,491,560</u>	<u>66.72</u>
Benefit carryforward	<u>(391,947)</u>	<u>-5.82</u>
TOTAL EMPLOYEE BENEFITS (A)	<u>\$ 6,732,448</u>	<u>100.00 %</u>
BASIS FOR ALLOCATION OF EMPLOYEE BENEFITS:		
Gross Salaries	\$ 16,908,986	
Less released time	<u>(2,632,835)</u>	
CHARGEABLE SALARIES (B)	<u>\$ 14,276,151</u>	
EMPLOYEE BENEFIT RATE (A/B)	<u>47.16 %</u>	

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2017**

	Beginning 12/31/2016	Additions	Deletions	Ending 12/31/2017
ASSETS				
Cash	\$ 1,692,132	\$ 584,821	\$(1,036,950)	\$ 1,240,003
Total Asset	\$ 1,692,132	\$ 584,821	\$(1,036,950)	\$ 1,240,003
LIABILITIES				
Due to Other	\$ 1,692,132	\$ 584,821	\$(1,036,950)	\$ 1,240,003
Total liabilities	\$ 1,692,132	\$ 584,821	\$(1,036,950)	\$ 1,240,003

Statistical Section

This part of the Houston-Galveston’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosure says about the government’s overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information that help the reader assess HGAC’s most significant revenue sources.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help readers understand the environment within which H-GAC’s financial activities take place.



Houston-Galveston Area Council
Net Position by Component,
Last Ten Fiscal Years *
 (accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 691,645	\$ 1,441,651	\$ 1,733,977	\$ 1,536,514	\$ 1,171,554	\$ 873,153	\$ 1,772,876	\$ 1,876,144	\$ 1,487,231	\$ 1,101,084
Restricted	-	-	-	2,905,476	5,411,485	7,831,657	7,714,688	8,032,742	7,907,727	8,482,762
Unrestricted	6,028,190	5,989,894	6,153,368	6,655,894	7,059,754	7,350,151	8,078,247	8,354,323	8,780,986	9,002,170
Total governmental activities net position	\$ 6,719,835	\$ 7,431,545	\$ 7,887,345	\$ 11,097,883	\$ 13,642,793	\$ 16,054,961	\$ 17,565,811	\$ 18,263,209	\$ 18,175,944	\$ 18,586,016
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 189,902	\$ 156,216	\$ 117,377	\$ 78,538	\$ 39,699	\$ 860	\$ -	\$ -
Unrestricted	2,859,776	4,221,915	4,921,302	5,564,522	7,430,101	8,441,204	9,791,095	12,104,373	12,834,141	15,045,379
Total business-type activities net assets	\$ 2,859,776	\$ 4,221,915	\$ 5,111,204	\$ 5,720,738	\$ 7,547,478	\$ 8,519,742	\$ 9,830,794	\$ 12,105,233	\$ 12,834,141	\$ 15,045,379
Primary government										
Net Investment in Capital Assets	\$ 691,645	\$ 1,441,651	\$ 1,923,879	\$ 1,692,730	\$ 1,288,931	\$ 951,691	\$ 1,812,575	\$ 1,877,004	\$ 1,487,231	\$ 1,101,084
Restricted	-	-	-	2,905,476	5,411,485	7,831,657	7,714,688	8,032,742	7,907,727	8,482,762
Unrestricted	8,887,966	10,211,809	11,074,670	12,220,416	14,489,855	15,791,355	17,869,342	20,458,696	21,615,127	24,047,549
Total primary government net assets	\$ 9,579,611	\$ 11,653,460	\$ 12,998,549	\$ 16,818,621	\$ 21,190,271	\$ 24,574,703	\$ 27,396,605	\$ 30,368,442	\$ 31,010,085	\$ 33,631,395

Houston-Galveston Area Council
Changes in Net Position, Last Ten Fiscal Years*
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 7,627,031	\$ 5,000,582	\$ 3,189,351	\$ 3,192,212	\$ 3,695,088	\$ 1,123,501	\$ 3,017,955	\$ 1,121,364	\$ 4,487,704	\$ 5,579,938
Workforce programs	208,166,797	220,604,671	303,355,993	226,221,149	180,735,826	185,089,084	183,974,199	205,095,889	209,009,097	232,028,757
Transportation	22,924,182	21,520,444	30,219,209	24,111,492	23,840,134	33,229,456	28,705,403	31,200,061	40,668,632	28,150,854
Community and environmental	8,009,836	7,902,348	4,563,591	11,156,076	8,016,851	10,310,254	22,778,574	23,021,245	10,732,671	13,305,656
Criminal justice	1,432,448	1,480,780	1,368,165	1,604,765	1,604,765	1,027,540	947,483	943,741	847,184	1,356,078
Emergency communications	2,499,410	5,918,726	2,929,196	7,290,785	3,898,273	3,242,332	4,881,827	4,632,362	931,365	-
Aging services	6,652,799	9,975,099	8,603,598	9,299,666	9,144,786	8,174,680	8,975,078	9,886,838	11,124,787	10,521,725
Total governmental activities expenses	257,312,503	272,402,650	354,229,103	282,876,145	230,178,981	242,796,847	253,280,519	275,901,500	277,801,440	290,943,008
Business-type activities:										
Cooperative purchasing	2,382,046	2,344,257	2,353,892	2,647,242	2,477,374	2,978,910	3,032,813	3,492,923	3,540,827	3,490,530
Total business-type activities expenses	2,382,046	2,344,257	2,353,892	2,647,242	2,477,374	2,978,910	3,032,813	3,492,923	3,540,827	3,490,530
Total primary government expenses	\$ 259,694,549	\$ 274,746,907	\$ 356,582,995	\$ 285,523,387	\$ 232,656,355	\$ 245,775,757	\$ 256,313,332	\$ 279,394,423	\$ 281,342,267	\$ 294,433,538
Program Revenues										
Governmental activities:										
Charges for services:										
Membership dues	304,493	327,683	335,139	323,690	332,635	395,538	402,918	388,039	394,258	395,539
Interlocal contracts	4,347,083	4,275,528	1,797,840	2,393,802	1,710,880	734,742	1,616,261	767,454	785,108	1,272,045
Data services and imaging	2,908,167	878,651	842,738	355,006	1,279,097	389,465	670,050	211,625	651,490	411,575
Operating grants and contributions	249,670,801	267,824,047	351,325,543	282,374,159	228,699,778	243,745,684	249,980,261	274,844,685	275,703,821	288,363,857
Total governmental activities program revenues	257,230,544	273,305,909	354,301,260	285,446,657	232,022,370	245,265,439	252,669,490	276,211,803	277,534,677	290,443,016
Business-type activities:										
Charges for services:										
Cooperative purchasing	2,315,885	3,882,653	3,243,181	3,256,776	4,304,114	3,951,174	4,843,865	5,767,362	4,269,735	5,801,768
Total business-type activities program revenues	2,315,885	3,882,653	3,243,181	3,256,776	4,304,114	3,951,174	4,843,865	5,767,362	4,269,735	5,801,768
Total primary government program revenues	\$ 259,546,429	\$ 277,188,562	\$ 357,544,441	\$ 288,703,433	\$ 236,326,484	\$ 249,216,613	\$ 257,513,355	\$ 281,979,165	\$ 281,804,412	\$ 296,244,784
Net (Expense)/Revenue										
Governmental activities	\$ (81,959)	\$ 903,259	\$ 72,157	\$ 2,570,512	\$ 1,843,389	\$ 2,468,592	\$ (611,030)	\$ 310,302	\$ (266,764)	\$ (499,993)
Business-type activities	(66,161)	1,538,396	889,289	609,534	1,826,740	972,264	1,811,052	2,274,439	728,908	2,311,238
Total primary government net expense	\$ (148,120)	\$ 2,441,655	\$ 961,446	\$ 3,180,046	\$ 3,670,129	\$ 3,440,856	\$ 1,200,022	\$ 2,584,741	\$ 462,144	\$ 1,811,245
General Revenues and Other Changes in Net Position										
Governmental activities:										
State financial assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	169,199	17,511	42,374	70,482	14,668	158,039	15,741	22,290	14,189	58,491
Miscellaneous	784,359	288,404	341,270	522,311	696,854	(214,461)	1,606,138	364,809	165,314	100,000
Transfers in										
Total governmental activities	\$ 953,558	\$ 305,915	\$ 383,644	\$ 592,793	\$ 711,522	\$ (56,422)	\$ 2,121,879	\$ 387,099	\$ 179,503	\$ 910,064
Business-type activities:										
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500,000)	\$ -	\$ -	\$ (100,000)
Total Business-type activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500,000)	\$ -	\$ -	\$ (100,000)
Change in Net Position										
Governmental activities	\$ 871,599	\$ 1,209,174	\$ 455,801	\$ 3,163,305	\$ 2,554,909	\$ 2,412,168	\$ 1,510,849	\$ 697,398	\$ (87,264)	\$ 410,072
Business-type activities	(66,161)	1,538,396	889,289	609,534	1,826,740	972,264	1,311,052	2,274,439	728,908	2,211,238
Total primary government	\$ 805,438	\$ 2,747,570	\$ 1,345,089	\$ 3,772,838	\$ 4,381,649	\$ 3,384,432	\$ 2,821,901	\$ 2,971,837	\$ 641,644	\$ 2,621,310

Houston-Galveston Area Council
Fund Balances, Governmental Funds,
Last Ten Fiscal Years *
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ 205,943	\$ 81,395	\$ 116,622	\$ 115,315	\$ 83,951	\$ 179,415	\$ 116,304	\$ 48,145	\$ 206,721	\$ 184,145
Unassigned	6,303,264	6,432,577	6,654,711	7,161,978	7,880,052	8,062,639	8,817,921	9,152,946	9,165,337	9,744,138
Total general fund	\$ 6,509,207	\$ 6,513,972	\$ 6,771,333	\$ 7,277,293	\$ 7,964,003	\$ 8,242,054	\$ 8,934,225	\$ 9,201,091	\$ 9,372,058	\$ 9,928,283
All Other Governmental Funds										
Restricted for:										
EPA RLF Program	\$ -	\$ -		\$ 2,790,161	\$ 5,210,480	\$ 7,749,761	\$ 7,599,714	\$ 7,833,463	\$ 7,486,709	\$ 7,121,000
Regional Excellence Corporation	\$ 246,617	\$ 192,845	\$ 228,990	\$ 266,224	\$ 201,005	\$ 81,896	\$ 114,974	\$ 199,279	\$ 421,018	\$ 354,000
Gulf Coast 911 Regional District									\$ 300,418	\$ 1,007,662
Total all other governmental funds	\$ 246,617	\$ 192,845	\$ 228,990	\$ 3,056,385	\$ 5,411,485	\$ 7,831,657	\$ 7,714,688	\$ 8,032,742	\$ 8,208,145	\$ 8,482,662

**Houston-Galveston Area Council
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years ***
(modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Interest income	\$ 169,199	\$ 17,511	\$ 42,374	\$ 70,482	\$ 14,668	\$ 11,974	\$ 15,741	\$ 22,290	\$ 14,189	\$ 58,491
Membership dues	304,493	327,684	335,139	323,690	332,635	395,538	402,917	388,039	394,258	395,539
Interlocal contracts	2,231,238	1,852,880	1,797,840	2,393,802	1,710,860	734,742	1,616,261	767,454	785,108	1,272,045
Data services and imaging	2,908,167	878,651	842,738	355,006	1,279,097	389,465	670,050	211,625	651,490	411,575
Miscellaneous income	784,359	288,410	341,270	522,311	696,854	(214,461)	1,606,138	364,809	165,314	751,567
Operating grants and contributions	249,670,801	267,824,046	351,325,543	282,374,159	228,699,778	243,891,754	249,980,261	274,844,685	275,703,821	288,363,857
Total revenues	256,068,257	271,189,182	354,684,904	286,039,450	232,733,892	245,209,012	\$ 254,291,369	\$ 276,598,902	\$ 277,714,180	\$ 291,253,074
Expenditures										
General government	5,779,279	2,754,758	2,866,929	3,111,232	3,397,292	936,046	2,955,078	1,063,628	1,838,703	2,537,247
Workforce programs	208,107,447	220,546,495	303,505,280	226,130,967	180,661,303	185,067,235	183,838,987	204,963,753	208,854,509	231,869,701
Transportation	22,846,634	21,400,894	30,067,030	23,951,444	23,672,771	33,126,845	28,568,435	31,030,647	40,491,639	28,064,068
Community and environmental	7,981,947	8,176,308	4,529,900	11,075,539	7,926,066	10,227,572	22,704,646	22,958,676	10,680,269	13,253,886
Criminal justice	1,606,226	1,454,588	1,652,330	1,544,171	773,435	958,987	957,655	909,063	815,491	1,319,500
Emergency communications	2,490,825	5,910,612	2,912,647	7,290,076	3,876,498	3,219,814	4,868,627	4,613,624	928,918	-
Aging services	6,642,238	9,962,271	8,584,279	9,330,307	9,106,269	8,750,081	8,937,602	9,839,561	11,069,901	10,477,138
Regional excellence corporation	93,394	411,101	164,759	80,259	152,719	188,720	86,941	49,271	62,842	122,317
Gulf Coast 911 Emergency District	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	-	43,329	28,106	26,762	23,732	10,767	13,206	15,880	26,286	34,993
Interest	-	9,428	6,542	4,085	1,397	380	1,125	2,727	2,079	1,486
Capital outlay	32,020	668,401	73,594	161,253	134,508	24,341	1,339,506	612,320	93,594	41,746
Total expenditures	255,515,970	271,338,187	354,391,398	282,706,095	229,725,992	242,510,790	254,271,808	276,059,150	277,367,810	290,563,978
Excess of revenues over (under) expenditures	552,287	(149,005)	293,506	3,333,355	3,007,900	2,698,222	19,561	539,752	346,371	689,097
Other Financing Sources (Uses)										
Capital leases	98,038	-	-	-	33,910	-	55,642	45,169	-	41,746
Total other financing sources (uses)	98,038	-	-	-	33,910	-	55,642	45,169	-	41,746
Transfers in	-	100,000	-	-	-	500,000	-	-	-	100,000
Net change in fund balances	\$ 650,325	\$ (49,005)	\$ 293,506	\$ 3,333,355	\$ 3,041,810	\$ 2,698,222	\$ 575,203	\$ 584,921	\$ 346,371	\$ 830,842
Debt service as a percentage of noncapital expenditures	0.00%	0.02%	0.01%	0.01%	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%

Houston-Galveston Area Council
 Full-time Equivalent Employees by Function/Program
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Function/Program	Fiscal Year													
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Executive														
Executive Director	3	3	4	4	4	4	4	4	4.5	4	4	4	4	4
Internal Audit	3	3	3	3	3	3	3	2	3.5	4	4	4	4	4
Finance Administration														
Finance	10	10	10	11	13	14	15.5	14	15	14	13	13	15	14
Office Services	8	7	6	6	4	4	4	5	5	4	7	8	7	8
Program Services														
Chief Operating Officer	2	2	3	3	2	2	2	2	1	1	2	3	3	8
Community and Environmental Planning	24	26	26.5	31.5	31	36.5	37.5	37	42.5	45.5	41	36	38.5	30
Data Services	14	13	12	11	13	13	12	12.5	15.5	16.5	20.5	20	23.5	23
Human Services	50.5	51	50	53.5	66.5	62	64	60	59	56	49	53.5	68.5	63
Public Services	23	25.5	29	32	33	35	40	38	30	32	31	28	30	29
Transportation	54	54	54	58	53	57.5	58	58	61	58	56.5	57	59	51
Total	191.5	195.5	197.5	212	222.5	231	240	232.5	237	235	228	226.5	252.5	234

Ten Largest Non-Governmental Houston Area Employers

Rank	Company	2017 Employees
1	Walmart	33,500
2	Memorial Hermann Health System	26,062
3	H-E-B	24,437
4	Houston Methodist	21,195
5	The University of Texas MD Anderson Cancer Center	20,778
6	Kroger	16,643
7	McDonald's	16,545
8	United Airlines	14,200
9	ExxonMobil Corp.	14,000
10	Texas Children's Hospital	12,545

Sources: Houston Chronicle, 2017

COUNTY PROFILES

<u>Austin County</u>		<u>Brazoria County</u>	
Land Area (sq. miles)	653	Land Area (sq. miles)	1,386
Persons per Square Mile	46	Persons per Square Mile	256
County Seat	Bellville	County Seat	Angleton
Population (2016)	29,753	Population (2016)	354,195
Race		Race	
<i>White</i>	18,692	<i>White</i>	171,672
<i>Black</i>	2,591	<i>Black</i>	46,572
<i>Asian</i>	174	<i>Asian</i>	22,884
<i>Hispanic</i>	7,893	<i>Hispanic</i>	106,243
<i>Two or More Races and Other</i>	408	<i>Two or More Races and Other</i>	6,824
Households and Families (2016)		Households and Families (2016)	
Total households	11,222	Total households	114,290
Average family size	2.57	Average family size	2.87
Average Household Size	3.08	Average Household Size	3.45
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	173	Marriages	2,043
Divorces	107	Divorces	1,261
Births	347	Births	4,939
Male	164	Male	2,579
Female	183	Female	2,360
Deaths	272	Deaths	2,155
Unemployment Rate (02/2018)	3.9	Unemployment Rate (02/2018)	5

<u>Chambers County</u>		<u>Colorado County</u>	
Land Area (sq. miles)	599	Land Area (sq. miles)	963
Persons per Square Mile	67	Persons per Square Mile	22
County Seat	Anahuac	County Seat	Columbus
Population (2016)	39,899	Population (2016)	21,019
Race		Race	
<i>White</i>	26,687	<i>White</i>	11,937
<i>Black</i>	3,226	<i>Black</i>	2,596
<i>Asian</i>	474	<i>Asian</i>	171
<i>Hispanic</i>	8,855	<i>Hispanic</i>	6,065
<i>Two or More Races and Other</i>	657	<i>Two or More Races and Other</i>	250
Households and Families (2016)		Households and Families (2016)	
Total households	12,967	Total households	7,624
Average family size	2.91	Average family size	2.68
Average Household Size	3.42	Average Household Size	3.30
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	227	Marriages	117
Divorces	160	Divorces	45
Births	512	Births	265
Male	259	Male	134
Female	253	Female	131
Deaths	290	Deaths	256
Unemployment Rate (02/2018)	6.3	Unemployment Rate (02/2018)	3.5

<u>Fort Bend County</u>		<u>Galveston County</u>	
Land Area (sq. miles)	875	Land Area (sq. miles)	398
Persons per Square Mile	847	Persons per Square Mile	828
County Seat	Richmond	County Seat	Galveston
Population (2016)	741,237	Population (2016)	329,431
Race		Race	
White	252,437	White	190,316
Black	149,746	Black	42,370
Asian	145,372	Asian	10,931
Hispanic	179,150	Hispanic	79,386
Two or More Races and Other	14,532	Two or More Races and Other	6,428
Households and Families (2016)		Households and Families (2016)	
Total households	214,126	Total households	115,685
Average family size	3.17	Average family size	2.67
Average Household Size	3.59	Average Household Size	3.30
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	3,145	Marriages	1,876
Divorces	1,670	Divorces	1,026
Births	9,887	Births	4,219
Male	5,053	Male	2,190
Female	4,834	Female	2,029
Deaths	2,984	Deaths	2,675
Unemployment Rate (02/2018)	4.4	Unemployment Rate (02/2018)	5

<u>Harris County</u>		<u>Liberty County</u>	
Land Area (sq. miles)	1,729	Land Area (sq. miles)	1,160
Persons per Square Mile	2,655	Persons per Square Mile	70
County Seat	Houston	County Seat	Liberty
Population (2016)	4,589,928	Population (2016)	81,704
Race		Race	
White	1,394,586	White	53,281
Black	854,897	Black	8,077
Asian	322,483	Asian	411
Hispanic	1,945,621	Hispanic	18,567
Two or More Races and Other	72,341	Two or More Races and Other	1,368
Households and Families (2016)		Households and Families (2016)	
Total households	1,536,259	Total households	25,611
Average family size	2.86	Average family size	2.81
Average Household Size	3.61	Average Household Size	3.41
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	27,755	Marriages	431
Divorces	11,902	Divorces	243
Births	73,427	Births	1,133
Male	37,167	Male	580
Female	36,260	Female	553
Deaths	25,342	Deaths	765
Unemployment Rate (02/2018)	4.8	Unemployment Rate (02/2018)	6.6

<u>Matagorda County</u>		<u>Montgomery County</u>	
Land Area (sq. miles)	1,114	Land Area (sq. miles)	1,044
Persons per Square Mile	33	Persons per Square Mile	533
County Seat	Bay City	County Seat	Conroe
Population (2016)	37,187	Population (2016)	556,203
Race		Race	
White	16,422	White	374,326
Black	3,891	Black	25,878
Asian	719	Asian	15,523
Hispanic	15,652	Hispanic	130,058
Two or More Races and Other	503	Two or More Races and Other	10,418
Households and Families (2016)		Households and Families (2016)	
Total households	13,666	Total households	179,587
Average family size	2.66	Average family size	2.87
Average Household Size	3.43	Average Household Size	3.42
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	266	Marriages	3,350
Divorces	114	Divorces	1,791
Births	533	Births	7,336
Male	272	Male	3,767
Female	261	Female	3,569
Deaths	407	Deaths	3,623
Unemployment Rate (02/2018)	7	Unemployment Rate (02/2018)	4.1

<u>Walker County</u>		<u>Waller County</u>	
Land Area (sq. miles)	787	Land Area (sq. miles)	514
Persons per Square Mile	91	Persons per Square Mile	98
County Seat	Huntsville	County Seat	Hempstead
Population (2016)	71,484	Population (2016)	50,115
Race		Race	
White	40,424	White	21,616
Black	16,262	Black	12,477
Asian	796	Asian	472
Hispanic	12,888	Hispanic	14,825
Two or More Races and Other	1,114	Two or More Races and Other	725
Households and Families (2016)		Households and Families (2016)	
Total households	20,695	Total households	14,082
Average family size	2.43	Average family size	2.97
Average Household Size	3.09	Average Household Size	3.56
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	418	Marriages	345
Divorces	190	Divorces	142
Births	667	Births	592
Male	336	Male	318
Female	331	Female	274
Deaths	513	Deaths	305
Unemployment Rate (02/2018)	4.5	Unemployment Rate (02/2018)	4.6

Wharton County

Land Area (sq. miles)	1,090
Persons per Square Mile	38
County Seat	Wharton
Population (2016)	41,735
Race	
<i>White</i>	18,770
<i>Black</i>	5,414
<i>Asian</i>	210
<i>Hispanic</i>	16,985
<i>Two or More Races and Other</i>	356
Households and Families (2016)	
Total households	14,979
Average family size	2.73
Average Household Size	3.48
Vital Statistics (2015)	
Marriages	242
Divorces	97
Births	595
Male	302
Female	293
Deaths	417
Unemployment Rate (02/2018)	4.2

Source: US Census Bureau, 2017
Texas Department of Health, 2015
Texas Workforce Commission, 2017
H-GAC, 2017

Note: Marriage and divorce data are from 2014

Total Population 1980-2017

Georabhv	1980	1990	2000	2010	2011	2012	2013	2014	2015	2016	2017
Austin County	17,726	19,832	23,590	28,417	28,570	28,516	28,651	28,940	29,447	29,637	29,786
Brazoria County	169,587	191,707	241,767	313,166	319,274	324,433	330,170	337,782	345,738	353,828	362,457
Chambers County	18,538	20,088	26,031	35,096	35,683	36,489	37,350	38,283	39,059	40,283	41,441
Colorado County	18,823	18,383	20,390	20,874	20,785	20,698	20,708	20,687	20,910	21,027	21,232
Fort Bend County	130,962	225,421	354,452	585,375	606,499	625,394	652,496	683,943	713,881	741,958	764,828
Galveston County	195,738	217,396	250,158	291,309	295,609	301,059	306,662	313,609	321,305	329,306	335,036
Harris County	2,409,547	2,818,101	3,400,578	4,092,459	4,180,816	4,262,689	4,353,517	4,452,695	4,551,362	4,617,041	4,652,980
Liberty County	47,088	52,726	70,154	75,643	75,970	76,340	76,827	78,014	79,542	81,377	83,658
Matagorda County	37,828	36,928	37,957	36,702	36,681	36,543	36,506	36,494	36,762	37,117	36,840
Montgomery County	127,222	182,201	293,768	455,746	471,438	484,453	498,467	516,798	535,214	554,522	570,934
Walker County	14,618	14,675	16,809	15,507	15,639	15,568	15,656	15,837	16,017	15,877	15,634
Waller County	19,798	23,374	32,663	43,205	44,088	44,353	45,413	46,798	48,639	50,058	51,307
Wharton County	40,242	39,955	41,188	41,280	41,260	41,064	41,095	41,073	41,379	41,634	41,968
H-GAC 13 County Area	3,247,717	3,860,787	4,809,505	6,034,779	6,172,312	6,297,599	6,443,518	6,610,953	6,779,255	6,913,665	7,008,101
Texas	14,225,513	16,986,335	20,851,820	25,145,561	25,644,424	26,078,327	26,479,279	26,954,436	27,454,880	27,904,862	28,304,596

Data source: Census Bureau Population and Housing Units Estimates, 2017

Texas 2017 State Expenditures by County

Rank	County	Total	Inter-governmental Payments	Labor Costs	Public Assistance	Highway Construction	Operating Expenses	Capital Outlays	Miscellaneous
1	TRAVIS	\$ 14,188,495,604	\$ 836,257,521	\$ 6,646,160,870	\$ 5,097,044,449	\$ 331,168,446	\$ 335,805,011	\$ 74,420,488	\$ 867,638,819
2	HARRIS	\$ 13,525,999,905	\$ 4,115,942,027	\$ 1,641,276,250	\$ 6,034,745,767	\$ 1,030,589,469	\$ 242,227,201	\$ 77,463,403	\$ 383,755,789
3	DALLAS	\$ 10,638,123,831	\$ 3,028,566,938	\$ 1,830,278,071	\$ 3,579,200,243	\$ 1,019,200,781	\$ 395,887,444	\$ 95,346,069	\$ 689,644,285
4	BEXAR	\$ 7,327,297,629	\$ 2,143,112,336	\$ 835,923,786	\$ 3,809,132,091	\$ 283,261,323	\$ 89,781,653	\$ 29,936,577	\$ 136,149,862
5	TARRANT	\$ 4,526,931,019	\$ 1,940,269,798	\$ 501,445,948	\$ 1,787,828,602	\$ 107,446,505	\$ 59,543,783	\$ 6,152,160	\$ 124,244,223
6	HIDALGO	\$ 3,423,619,362	\$ 2,309,251,839	\$ 342,989,586	\$ 635,902,874	\$ 92,322,185	\$ 23,300,802	\$ 333,938	\$ 19,518,139
7	FORT BEND	\$ 3,253,714,641	\$ 661,141,334	\$ 245,802,762	\$ 2,246,486,219	\$ 55,714,821	\$ 16,488,644	\$ 1,976,546	\$ 26,104,315
8	EL PASO	\$ 2,677,088,217	\$ 1,403,221,184	\$ 356,902,891	\$ 744,175,868	\$ 121,822,256	\$ 25,532,548	\$ 5,865,432	\$ 19,568,038
9	NUECES	\$ 1,794,074,863	\$ 360,592,657	\$ 195,921,785	\$ 1,027,009,433	\$ 177,820,862	\$ 12,148,286	\$ 1,709,704	\$ 18,872,136
10	WILLIAMSON	\$ 1,556,341,686	\$ 277,354,503	\$ 842,618,436	\$ 177,463,292	\$ 129,551,018	\$ 91,655,456	\$ 6,162,564	\$ 31,536,418
16	MONTGOMERY	\$ 1,171,709,504	\$ 470,485,108	\$ 136,310,257	\$ 116,722,124	\$ 416,502,352	\$ 15,938,577	\$ 1,529,336	\$ 14,221,750
19	GALVESTON	\$ 924,176,595	\$ 383,685,119	\$ 322,995,726	\$ 170,476,983	\$ 13,509,375	\$ 7,421,696	\$ 7,080,485	\$ 19,007,211
24	BRAZORIA	\$ 596,481,321	\$ 351,592,059	\$ 129,552,670	\$ 80,432,844	\$ 11,066,585	\$ 11,133,225	\$ 1,251,327	\$ 11,452,610
31	WALKER	\$ 389,491,081	\$ 59,820,826	\$ 267,245,849	\$ 16,618,205	\$ 44,573	\$ 21,673,964	\$ 25,388	\$ 24,062,277
50	LIBERTY	\$ 175,985,270	\$ 93,689,693	\$ 36,355,633	\$ 33,587,628	\$ 7,316,074	\$ 1,989,242	\$ 284,193	\$ 2,762,806
80	WHARTON	\$ 99,924,427	\$ 59,416,044	\$ 17,499,787	\$ 6,891,595	\$ 719,247	\$ 11,280,453	\$ 214,482	\$ 3,902,819
86	WALLER	\$ 86,891,461	\$ 22,972,592	\$ 48,812,462	\$ 6,836,862	\$ 1,235,137	\$ 4,942,216	\$ 43,004	\$ 2,049,188
94	MATAGORDA	\$ 72,693,931	\$ 41,471,653	\$ 9,238,819	\$ 12,173,288	\$ 2,023,491	\$ 249,509	\$ 3,609,248	\$ 3,927,923
111	AUSTIN	\$ 50,780,122	\$ 26,468,455	\$ 13,640,382	\$ 7,786,046	\$ 205,123	\$ 587,310	\$	\$ 2,092,805
113	CHAMBERS	\$ 49,860,564	\$ 33,208,006	\$ 6,893,103	\$ 7,876,538	\$	\$ 75,243	\$	\$ 1,807,675
138	COLORADO	\$ 35,249,018	\$ 15,279,448	\$ 8,117,129	\$ 7,715,179	\$ 119,784	\$ 3,355,013	\$	\$ 662,466
	Total Texas Counties	\$ 92,853,426,885	\$ 29,946,366,865	\$ 21,620,637,092	\$ 30,048,372,829	\$ 5,690,771,034	\$ 1,979,635,202	\$ 429,807,004	\$ 3,137,836,859
	Total H-GAC Counties	\$ 20,432,957,840	\$ 6,335,172,364	\$ 2,883,740,830	\$ 8,748,349,278	\$ 1,539,046,029	\$ 337,362,292	\$ 93,477,414	\$ 495,809,633
	% of Expenditures in the region	22.0%	21.2%	13.3%	29.1%	27.0%	17.0%	21.7%	15.8%

Data source: Texas Comptroller of Public Accounts, 2017

Texas 2017 State Expenditures by Council of Governments

Rank	Council of Governments	Total	Inter-governmental Payments	Labor Costs	Public Assistance	Highway Construction	Operating Expenses	Capital Outlays	Miscellaneous
1	Houston-Galveston Area	\$ 20,432,957,840	\$ 6,335,172,364	\$ 2,883,740,830	\$ 8,748,349,278	\$ 1,539,046,029	\$ 337,362,292	\$ 93,477,414	\$ 485,809,633
2	North Central Texas	\$ 19,329,563,929	\$ 7,044,037,445	\$ 3,174,730,983	\$ 6,003,967,827	\$ 1,486,755,486	\$ 532,710,595	\$ 116,927,403	\$ 970,434,190
3	Capital Area	\$ 17,080,817,417	\$ 1,478,369,727	\$ 8,062,194,816	\$ 5,363,308,808	\$ 699,031,139	\$ 453,884,757	\$ 90,003,086	\$ 934,025,084
4	Alamo Area	\$ 8,414,540,634	\$ 2,574,936,436	\$ 1,101,851,911	\$ 3,995,650,263	\$ 407,021,601	\$ 130,515,456	\$ 35,419,424	\$ 169,145,543
5	Lower Rio Grande Valley	\$ 4,836,044,949	\$ 3,264,544,722	\$ 556,346,823	\$ 855,310,960	\$ 95,502,971	\$ 29,901,221	\$ 831,041	\$ 33,207,210
6	Rio Grande	\$ 2,760,147,389	\$ 1,438,057,606	\$ 390,995,572	\$ 751,192,567	\$ 121,822,256	\$ 29,283,763	\$ 5,882,151	\$ 22,913,475
7	Coastal Bend	\$ 2,439,730,844	\$ 657,587,516	\$ 390,122,676	\$ 1,126,780,124	\$ 195,543,681	\$ 23,468,916	\$ 2,343,811	\$ 43,884,121
8	East Texas	\$ 2,027,338,984	\$ 833,573,753	\$ 535,494,426	\$ 447,964,487	\$ 131,738,048	\$ 40,661,357	\$ 1,371,975	\$ 36,534,938
9	Brazos Valley	\$ 1,751,960,098	\$ 252,472,934	\$ 952,720,118	\$ 145,600,382	\$ 205,041,512	\$ 76,444,628	\$ 7,361,062	\$ 112,319,462
10	South Plains	\$ 1,684,398,363	\$ 551,653,779	\$ 642,473,303	\$ 367,187,092	\$ 27,441,241	\$ 35,822,317	\$ 11,474,577	\$ 48,346,055
11	Central Texas	\$ 1,473,746,540	\$ 644,014,674	\$ 395,307,880	\$ 385,244,101	\$ 16,140,870	\$ 6,740,524	\$ 655,341	\$ 24,643,149
12	Heart of Texas	\$ 1,170,639,956	\$ 527,578,952	\$ 271,055,168	\$ 160,109,196	\$ 117,509,066	\$ 43,894,810	\$ 2,722,319	\$ 47,769,456
13	Deep East Texas	\$ 1,157,586,760	\$ 457,723,967	\$ 355,789,381	\$ 192,843,442	\$ 69,968,937	\$ 41,076,166	\$ 3,009,533	\$ 37,175,333
14	Panhandle	\$ 1,104,367,473	\$ 502,455,547	\$ 300,637,783	\$ 170,274,489	\$ 78,174,005	\$ 30,018,526	\$ 2,266,729	\$ 20,540,384
15	West Central Texas	\$ 1,066,997,585	\$ 411,444,071	\$ 335,889,557	\$ 187,194,126	\$ 74,871,412	\$ 20,290,184	\$ 2,948,382	\$ 34,359,855
16	Permian Texas	\$ 1,026,254,551	\$ 404,387,941	\$ 191,252,776	\$ 266,710,050	\$ 126,143,496	\$ 16,178,432	\$ 152,415	\$ 21,429,441
17	South Texas	\$ 1,017,533,242	\$ 719,487,852	\$ 119,002,284	\$ 151,721,477	\$ 1,318,827	\$ 4,413,960	\$	\$ 21,588,842
18	Ark-Tex	\$ 852,913,223	\$ 343,336,952	\$ 131,473,835	\$ 138,046,413	\$ 141,424,966	\$ 57,810,288	\$ 405,527	\$ 8,091,290
19	South East Texas	\$ 796,017,249	\$ 218,781,487	\$ 237,957,522	\$ 145,418,974	\$ 4,115,653	\$ 12,719,099	\$ 36,697,588	\$ 15,771,461
20	Nortex	\$ 639,042,007	\$ 193,699,553	\$ 232,427,386	\$ 130,865,532	\$ 21,668,793	\$ 24,553,880	\$ 1,204,835	\$ 9,540,095
21	Concho Valley	\$ 515,144,529	\$ 193,699,553	\$ 143,320,695	\$ 81,739,442	\$ 71,180,445	\$ 12,027,309	\$ 1,645,884	\$ 11,531,201
22	Middle Rio Grande	\$ 449,882,983	\$ 296,684,316	\$ 63,101,792	\$ 74,053,484	\$ 8,125,666	\$ 2,963,592	\$ 103	\$ 4,954,040
23	Golden Crescent	\$ 419,629,428	\$ 181,210,458	\$ 80,612,676	\$ 91,825,271	\$ 44,284,907	\$ 13,052,534	\$ 350,783	\$ 8,292,798
24	Texoma	\$ 406,170,908	\$ 239,493,909	\$ 71,135,889	\$ 67,015,044	\$ 6,500,047	\$ 3,840,597	\$ 12,655,622	\$ 5,529,800
	Total for Council of Governments	\$ 92,853,426,885	\$ 29,946,366,865	\$ 21,620,637,092	\$ 30,048,372,829	\$ 5,690,771,034	\$ 1,979,635,202	\$ 429,807,004	\$ 3,137,836,859

Data source: Texas Comptroller of Public Accounts, 2017

Voter Registration
2006 - 2018 Primary Elections

		Total Registered Voters																
Number of Precincts		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018				
	Austin	17,034	16,841	17,252	17,145	17,546	17,151	17,534	17,732	18,178	18,058	18,601	18,897	19,112				
	Brazoria	157,705	154,246	159,948	163,934	168,097	163,917	168,795	181,609	178,808	178,804	186,517	200,248	200,830				
	Chambers	20,450	21,164	21,053	21,930	22,707	22,862	23,316	23,729	24,338	24,481	25,479	26,688	27,299				
	Colorado	13,008	13,175	13,116	13,052	13,249	12,865	13,021	12,953	13,233	13,085	13,391	13,552	13,714				
	Fort Bend	256,461	256,537	267,583	290,019	300,777	302,223	315,207	332,199	347,188	359,046	379,254	412,810	413,446				
	Galveston	182,743	176,504	180,288	177,697	179,928	172,603	177,334	179,943	184,818	194,770	195,988	203,348	207,560				
	Harris	1,871,929	1,782,013	1,804,641	1,859,043	1,889,378	1,847,952	1,884,489	1,930,759	1,998,264	1,998,988	2,084,462	2,189,228	2,248,921				
	Liberty	44,359	43,354	43,253	42,505	42,863	41,111	41,949	41,025	41,263	40,251	41,130	43,619	43,109				
	Matagorda	20,890	20,284	20,761	20,540	20,893	20,131	20,625	20,201	20,577	20,265	20,826	20,941	21,338				
	Montgomery	215,878	214,406	224,321	235,052	243,027	238,707	246,768	257,799	268,147	273,352	290,259	306,564	318,611				
	Walker	28,190	27,658	28,343	29,119	29,507	28,356	29,169	28,983	29,578	29,044	30,179	31,334	31,835				
	Waller	24,709	25,861	27,045	28,787	29,792	27,037	27,706	27,751	28,288	28,344	29,237	30,351	30,984				
	Wharton	24,583	23,493	23,992	24,082	24,471	23,675	24,090	23,907	24,275	23,743	24,387	24,612	24,795				
	H-GAC region	2,877,939	2,775,536	2,831,596	2,922,905	2,982,235	2,918,590	2,990,003	3,078,590	3,176,955	3,202,231	3,339,710	3,522,192	3,601,554				

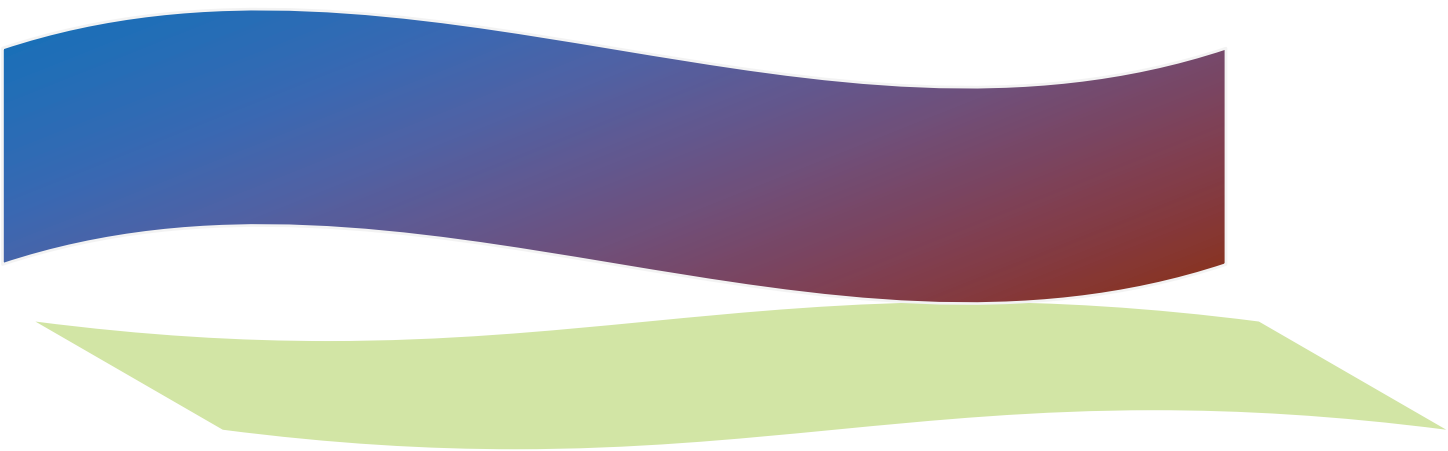
Source: Office of the Texas Secretary of State 2018

2016 General Election Results by County

	Registered Voters	Total Votes	Turn Out	Republican	Democratic	Libertarian	Other
AUSTIN	19,263	12,274	63.72%	9,637	2,320	248	69
BRAZORIA	196,507	121,181	61.67%	72,791	43,200	3768	1,422
CHAMBERS	26,930	16,786	62.33%	13,339	2,948	385	114
COLORADO	13,871	8,513	61.37%	6,325	1,987	144	57
FORT BEND	404,035	262,066	64.86%	117,291	134,686	6,907	3,182
GALVESTON	208,232	122,903	59.02%	73,757	43,658	4045	1,443
HARRIS	2,234,671	1,312,112	58.72%	545,955	707,914	39,781	18,462
LIBERTY	43,685	24,267	55.55%	18,892	4,862	364	149
MATAGORDA	21,578	12,196	56.52%	8,366	3,500	239	91
MONTGOMERY	311,880	204,632	65.61%	150,314	45,835	6,142	2,341
WALKER	32,523	19,796	60.87%	12,884	6,091	560	261
WALLER	31,132	16,784	53.91%	10,531	5,748	342	163
WHARTON	25,206	14,732	58.45%	10,149	4,238	269	76
H-GAC Region	3,569,513	2,148,242	60.18%	1,050,231	1,006,987	63,194	27,830

Source: Office of the Secretary of State 2016

Single Audit Section



FEDERAL AND STATE AWARDS SECTION

**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
Houston-Galveston Area Council

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Houston-Galveston Area Council (the "Council"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated May 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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

To the Board of Directors
Houston-Galveston Area Council

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
May 31, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Board of Directors
Houston-Galveston Area Council

Report on Compliance for Each Major Federal and State Program

We have audited Houston-Galveston Area Council's (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Uniform Grant Management Standards* that could have a direct and material effect on each of Council's major federal and state programs for the year ended December 31, 2017. The Council'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.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State of Texas Uniform Grant Management Standards*. Those standards, the Uniform Guidance and the *State of Texas Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Council's compliance.

To the Board of Directors
Houston-Galveston Area Council

Opinion on Each Major Federal and State Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

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

Whitley Penn LLP

Houston, Texas
May 31, 2018

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 2017

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
FEDERAL PROGRAMS				
PRIMARY GOVERNMENT:				
U.S. DEPARTMENT OF AGRICULTURE				
SNAP Cluster				
Passed Through the Texas Workforce Commission				
2817SNE001	SNAP E&T - 2017	10.561	2,120,515	2,120,515
2818SNE000	SNAP E&T - 2018	10.561	<u>736,235</u>	<u>703,997</u>
	Subtotal - SNAP Cluster		<u>2,856,750</u>	<u>2,824,512</u>
	Total - Texas Workforce Commission		<u>2,856,750</u>	<u>2,824,512</u>
	TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>2,856,750</u>	<u>2,824,512</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the Texas Department of Agriculture				
C716218	Community Development Block Grant - 2017	14.228	10,016	0
C717218	Community Development Block Grant - 2018	14.228	<u>1,882</u>	<u>0</u>
	Total - Texas Department of Agriculture		<u>11,898</u>	<u>0</u>
Passed Through the General Land Office				
12-506-000-6719	CDBG - Disaster Recovery Program Non-Rental Housing Projects	14.228	79,220	-25,486
12-505-000-6718	CDBG - IKE Admin Rental	14.228	179,594	0
12-505-000-6718	CDBG - IKE Multi Family Rental	14.228	9,211,826	9,211,826
12-506-000-6719	CDBG - IKE Rapid Housing	14.228	<u>705</u>	<u>0</u>
	Total - General Land Office		<u>9,471,345</u>	<u>9,186,340</u>
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>9,483,243</u>	<u>9,186,340</u>
U.S. DEPARTMENT OF JUSTICE				
Passed Through the Office of the Governor				
30071044	Criminal Justice Planning - 2017	16.540	225,425	0
30080267	Criminal Justice Planning - 2018	16.540	85,027	0
2606705	CJD Juvenile Mental Health Project 2017	16.540	98,091	0
2606706	CJD Juvenile Mental Health Project 2018	16.540	<u>16,080</u>	<u>0</u>
	Subtotal - Criminal Justice Planning		<u>424,623</u>	<u>0</u>
	TOTAL U.S. DEPARTMENT OF JUSTICE		<u>424,623</u>	<u>0</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the Office of the Governor				
2992702	Homeland Security Grant Program - SHSP - 2016	97.067	113,035	0
2992703	Homeland Security Grant Program - SHSP - 2017	97.067	38,444	0
30070157	Homeland Security Grant Program - Management and Administrative 2017	97.067	50,151	0
30080200	Homeland Security Grant Program - Management and Administrative 2018	97.067	<u>24,008</u>	<u>0</u>
	Total - Office of the Governor		<u>225,638</u>	<u>0</u>
	TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY		<u>225,638</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR				
Employment Services Cluster				
Passed Through the Texas Workforce Commission				
2817RAG000	Resource Admin Grant - 2017	17.207	13,343	0
2817WCI000	Special Projects	17.207	91,059	24,852
2816WCI000	Special Projects	17.207	29,130	22,686
2817WPA000	Employment Services - 2017	17.207	879,220	736,875
2818WPA000	Employment Services - 2018	17.207	<u>313,000</u>	<u>313,000</u>
	Total - Texas Workforce Commission		<u>1,325,752</u>	<u>1,097,413</u>

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 2017

	Passed Through Texas Veterans Commission			
VES 17-28	Disabled Veterans' Outreach Program	17.801	215,660	194,094
VES 18-28	Disabled Veterans' Outreach Program	17.801	25,082	22,574
VES 17-28	Local Veterans Employment Representative Program	17.804	92,418	89,805
VES 18-28	Local Veterans Employment Representative Program	17.804	<u>10,750</u>	<u>4,046</u>
	Total - Texas Veterans Commission		<u>343,910</u>	<u>310,519</u>
	Total - Employment Services Cluster		<u>1,669,662</u>	<u>1,407,932</u>
2817RAG000	Resource Admin Grant - 2017	17.225	4,447	0
2818RAG000	Reemployment Services and Eligability Assessment	17.225	<u>6,173</u>	<u>0</u>
	Subtotal - 17.225		<u>10,620</u>	<u>0</u>
2817TRA000	Trade Act Services for Dislocated Workers - 2017	17.245	1,589,709	1,571,817
2818TRA000	Trade Act Services for Dislocated Workers - 2018	17.245	<u>181</u>	<u>181</u>
	Subtotal - 17.245		<u>1,589,890</u>	<u>1,571,998</u>
	WIA Cluster			
2816WCI001	Special Projects	17.258	35,062	0
2817WCI000	Special Projects	17.258	22,500	22,500
2816WOS001	Externship	17.258	27,300	27,300
2817WAO002	Externship	17.258	41,783	41,400
2817WOA000	WIA Adult Program - PY2017	17.258	11,984,446	10,434,796
2818WOA000	WIA Adult Program - PY2018	17.258	2,921,016	2,628,956
2816WOY000	WIA Youth - PY2016	17.259	7,531,270	7,531,270
2817WOY000	WIA Youth - PY2017	17.259	2,112,232	2,112,232
2817WOR000	Rapid Response	17.278	90,813	0
2818WOR000	Rapid Response	17.278	53,360	0
2816WCI001	Special Projects	17.278	37,355	36,020
2816WOD000	WIA Dislocated Worker - PY2016	17.278	4,831,575	4,831,575
2817WOD000	WIA Dislocated Worker - PY2017	17.278	<u>1,513,382</u>	<u>1,513,382</u>
	Total WIA Cluster		<u>31,202,094</u>	<u>29,179,431</u>
2817RAG000	Resource Administration Grant - 2017	17.273	<u>1,174</u>	<u>0</u>
	Subtotal - 17.273		<u>1,174</u>	<u>0</u>
2815NEG000	NEG - JD	17.277	115,277	115,277
2815NDW000	NEG - SP	17.277	672,798	650,049
2817NDW000	NEG - O&G	17.277	1,916,989	1,797,508
2817NDW001	Hurricane Harvey-NDW	17.277	<u>536,961</u>	<u>409,334</u>
	Subtotal - 17.277		<u>3,242,025</u>	<u>2,972,168</u>
2815WDR000	Disconnected Youth	17.280	<u>460,970</u>	<u>460,970</u>
	Subtotal - 17.280		<u>460,970</u>	<u>460,970</u>
2817ATG000	Apprenticeship Texas Expansion Grant	17.285	<u>59,301</u>	<u>0</u>
	Subtotal - 17.285		<u>59,301</u>	<u>0</u>
	Total - Texas Workforce Commission		<u>37,891,826</u>	<u>35,281,980</u>
	TOTAL U.S. DEPARTMENT OF LABOR		<u>38,235,736</u>	<u>35,592,499</u>
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed Through the Federal Transit Administration			
	Federal Transit Cluster			
TX-2016-015-00	Federal Transit Formula Grant - The Woodlands Township	20.507	<u>4,522,191</u>	<u>4,500,000</u>
	Total Federal Transit Cluster		<u>4,522,191</u>	<u>4,500,000</u>

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2017

	Highway Planning and Construction Cluster			
	Passed Through the Texas Department of Transportation			
0912-00-474 TASK 1 & 2	Clean Air Action Program, Federal Highway Administration	20.205	464,141	464,141
0912-00-486 TASK 1	Freeway Surveillance	20.205	1,041,049	1,041,049
0912-00-487	Regional Incident Management (IMU/MAP)	20.205	839,646	839,646
0912-00-496	Clean Air Action Program, Federal Highway Administration 2017	20.205	279,046	279,046
0912-00-551 TASK 2	Clean Cities/Vehicles Administration	20.205	270,464	270,464
0912-00-551 TASK 1	Clean Cities/Vehicles Replacement of Alternative Fuels	20.205	2,835,658	2,835,658
0912-00-486 TASK 2	Motorist Assistance	20.205	534,012	534,012
0912-00-529 TASK 2	Incident Management-Quick Clearance Towing-Admin.	20.205	69,223	0
0912-00-462 TASK 4	Clean Air Action Marketing and Outreach-Contractor	20.205	19,990	0
0912-00-491	Livable Centers Planning Studies	20.205	299,829	0
0912-00-499	Commute Solutions Program - Rideshare	20.205	155,000	0
TX-80-0023	Regionally Coordinated Transportation Planning	20.205	1,762	0
0912-00-494	Subregional Planning Initiatives Study	20.205	577,685	0
0912-00-508 Task 1 & 2	Clean Cities/Vehicles - 2016	20.205	-935,386	-971,859
0912-00-460 TASK 1	Existing Commuter & Transit Pilot Project	20.205	490,046	490,046
0912-00-498 TASK 1	Regional Rideshare Carpool - Marketing and Outreach	20.205	-862	0
0912-00-545 Task 1	Teens in the Drivers Seat	20.205	64,555	0
0912-00-545 Task 2	Youth Traffic Safety Education and Outreach	20.205	49,196	0
0912-00-495 TASK 1	Ports Area Mobility Study	20.205	351,221	0
50-17XF0015	Administration - 2017	20.205	1,852,065	0
50-17XF0015	Data Development & Maintenance - 2017	20.205	2,873,351	0
50-17XF0015	Short Range Planning - 2017	20.205	932,337	0
50-17XF0015	Long Range Plan - 2017	20.205	960,485	0
50-17XF0015	Special Studies - 2017	20.205	95,818	0
50-18XF0015	Administration - 2018	20.205	532,024	0
50-18XF0015	Data Development & Maintenance - 2018	20.205	689,023	0
50-18XF0015	Short Range Planning - 2018	20.205	278,872	0
50-18XF0015	Long Range Plan - 2018	20.205	498,444	0
	Total - Highway Planning and Construction Cluster		<u>16,118,694</u>	<u>5,782,203</u>
SPR-Travel Options Research	Commute Solutions SPR	20.515	<u>54,940</u>	<u>54,940</u>
	Subtotal - 20.515		<u>54,940</u>	<u>54,940</u>
	Highway Safety Cluster			
2017-HGAC-S-1YG-0071	DWI Selective Traffic Enforcement-2017	20.600	<u>27,628</u>	<u>27,628</u>
	Total - Highway Safety Cluster		<u>27,628</u>	<u>27,628</u>
	Total - Texas Department of Transportation		<u>16,201,262</u>	<u>5,864,771</u>
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>20,723,453</u>	<u>10,364,771</u>
	ENVIRONMENTAL PROTECTION AGENCY			
	Direct Programs:			
2A-83440901-0	DERA Revolving Loan Program - ARRA	66.039	7,750,336	207,903
DE-00F42401-0	Clean Vessels for Texas Waters	66.039	-378	0
00F95401	Port of Houston Clean Diesel Funding Assistance	66.039	<u>12,914</u>	<u>-36,529</u>
	Subtotal - 66.039		<u>7,762,872</u>	<u>171,374</u>
MX-00D19614-0	Gulf of Mexico Program	66.475	<u>227</u>	<u>0</u>
	Subtotal - 66.475		<u>227</u>	<u>0</u>
	Passed Through the Environmental Protection Agency			
C9-99623623	Texas A&M Agrilife Extension Services	66.460	<u>4,123</u>	<u>0</u>
	Subtotal - 66.460		<u>4,123</u>	<u>0</u>
	Total - Direct Programs		<u>7,767,222</u>	<u>171,374</u>

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2017

Passed Through the Texas Commission on Environmental Quality

582-14-42709 WO#11	TMDL BIG FY18	66.419	24,313	0
582-14-42709 WO#09	TMDL Basin 11 San Jacinto-Brazos Coastal Basin	66.419	34,046	0
582-14-42709 WO#10	TMDL Basin 13 Brazos-Colorado Coastal Basin	66.419	<u>36,881</u>	<u>0</u>
	Subtotal - 66.419		95,240	0
582-17-70167	Water Quality Management Planning - 2017	66.454	55,048	0
582-18-80218	Water Quality Management Planning - 2018	66.454	<u>22,355</u>	<u>0</u>
	Subtotal - 66.454		<u>77,403</u>	<u>0</u>
582-15-52148	Bacteria Implementation Group's Top Five/Least Five	66.456	13,058	0
582-18-80339	Designing for Impact - LID Implementation	66.456	5,614	
CE14-101	Bayou Preservation Association	66.456	8,367	
582-15-50886	Trash Bash 2015-2016	66.456	5,949	0
582-17-70286	GBEP - Westfork	66.456	19,771	
582-17-70188	GBEP - CCMP	66.456	<u>58,752</u>	<u>0</u>
	Subtotal - 66.456		<u>111,511</u>	<u>0</u>
582-14-40156	Bastrop Bayou-WQMP (319H)	66.460	-4,164	0
582-15-56349	Westfork, San Jacinto, & Clear Lake	66.460	134,673	0
582-18-80213	Coastal Communities Education Outreach	66.460	<u>12,427</u>	<u>0</u>
	Subtotal - 66.460		<u>142,936</u>	<u>0</u>
Total - Texas Commission on Environmental Quality			<u>427,090</u>	<u>0</u>

Passed Through the Texas State Soil and Water Conservation Board

15-10	Watershed Protection Plan - Cedar Bayou	66.460	<u>24,823</u>	<u>0</u>
	Subtotal - 66.460		<u>24,823</u>	<u>0</u>
Total - Texas State Soil and Water Conservation Board			<u>24,823</u>	<u>0</u>

TOTAL ENVIRONMENTAL PROTECTION AGENCY

8,219,135 171,374

DEPARTMENT OF ENERGY

Direct Programs:

DE-EE0005979	Houston Zero Emission Delivery Vehicle Deployment	81.086	33,193	28,765
DE-EE0005978	Hydrogen Fuel-Cell Electric Hybrid Truck Demonstration	81.086	25,613	23,537
DE-EE0006092	Recipe for Fueling Diversity of Alternative Fuels	81.086	5,052	1,184
DE-EE0007411	Clean Cities Outreach Education and Performance Tracking	81.086	2,125	<u>0</u>
DE-EE0007411	Clean Cities Outreach Education and Performance Tracking	81.086	<u>45,000</u>	<u>0</u>
	Subtotal - 81.086		<u>110,983</u>	<u>53,486</u>

TOTAL DEPARTMENT OF ENERGY

110,983 53,486

DEPARTMENT OF EDUCATION

Passed Through the Texas Workforce Commission

2817AELB07	Special Projects	84.002A	55,000	55,000
2816AEL007	Adult Education and Literacy	84.002A	11,764,691	11,360,869
2916AEL011	Adult Education and Literacy - Accelerate TX	84.002A	537,023	531,526
2816AEL006	Adult Education and Literacy - Career Pathways	84.002A	<u>190,880</u>	<u>181,155</u>
	Subtotal - 84.002A		<u>12,547,594</u>	<u>12,128,550</u>

320-17-0048	Summer Earn and Learn	84.126	<u>486,252</u>	<u>386,247</u>
	Subtotal - 84.126		<u>486,252</u>	<u>386,247</u>

Total - Texas Workforce Commission 13,033,846 12,514,797

TOTAL DEPARTMENT OF EDUCATION

13,033,846 12,514,797

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed Through the Texas Department of Aging and Disability Services

539-16-00015-00001	Aging Title VII EAP - 2017	93.041	<u>21,083</u>	<u>0</u>
	Subtotal - 93.041		<u>21,083</u>	<u>0</u>
539-16-00015-00001	Aging Title VII OAG - 2017	93.042	<u>73,428</u>	<u>0</u>
	Subtotal - 93.042		<u>73,428</u>	<u>0</u>
539-16-00015-00001	Aging Title III, Part D - 2017	93.043	88,146	69,730
539-16-00015-00001	Aging Title III, Part D - 2018	93.043	<u>30,481</u>	<u>7,601</u>
	Subtotal - 93.043		<u>118,627</u>	<u>77,331</u>
Aging Cluster				
539-16-00015-00001	Aging Title III, Part B - 2017	93.044	610,178	101,831
539-16-00015-00001	Aging Title III, Part B - 2018	93.044	346,529	133,213
539-16-00015-00001	Aging Title III, Part C - 2017	93.045	2,338,512	1,824,403
539-16-00015-00001	Aging Title III, Part C - 2018	93.045	497,175	497,175
539-16-00015-00001	Aging NSIP - 2017	93.053	464,215	464,215
539-16-00015-00001	Aging NSIP - 2018	93.053	<u>148,674</u>	<u>148,674</u>
	Total - Aging Cluster		<u>4,405,283</u>	<u>3,169,511</u>
539-16-00015-00001	Aging Title III, Part E - 2017	93.052	461,958	306,401
539-16-00015-00001	Aging Title III, Part E - 2018	93.052	<u>145,871</u>	<u>86,367</u>
	Subtotal 93.052		<u>607,829</u>	<u>392,768</u>
539-16-00015-00001	ATRA-MIPPA Priority 2 - 2017	93.071	26,854	0
539-16-00015-00001	ATRA-MIPPA Priority 2 - 2018	93.071	<u>1,317</u>	<u>0</u>
	Subtotal 93.071		<u>28,171</u>	<u>0</u>
539-16-00015-00001	Aging HICAP (04/01/17-03/31/18)	93.777	<u>119,162</u>	<u>0</u>
	Subtotal - 93.777		<u>119,162</u>	<u>0</u>
	Total - Texas Department of Aging and Disability Services		<u>5,373,583</u>	<u>3,639,610</u>

TANF Cluster

Passed Through the Texas Workforce Commission

2817TAN000	TANF Choices - 2017	93.558	9,742,494	9,000,925
2818TAN000	TANF Choices - 2018	93.558	105,348	98,889
2817NCP000	TANF E&T - Noncustodial Parent Empl - 2017	93.558	429,031	367,030
2818NCP000	TANF E&T - Noncustodial Parent Empl - 2018	93.558	3,287,167	3,145,807
2816AEL007	Adult Education and Literacy	93.558	656,730	634,193
2817WCI000	Special Projects	93.558	30,000	30,000
2817WPA000	Employment Services - 2017	93.558	155,156	155,156
2818WPA000	Employment Services - 2018	93.558	<u>38,121</u>	<u>2,623</u>
	Total - TANF Cluster		<u>14,444,047</u>	<u>13,434,623</u>

CCDF Cluster

2817CCF000	Child Care CCDF - 2017	93.575	35,307,700	35,307,700
2817CAA000	CC Attendance Auto Services - 2017	93.575	587,374	587,374
2818CAA000	CC Attendance Auto Services - 2018	93.575	226,127	226,127
2817CCQ000	Child Care Quality - 2017	93.575	2,059,886	2,059,886
2818CCQ000	Child Care Quality - 2018	93.575	681,620	681,620
2817CCF000	Child Care (BAPA) - 2017	93.596	17,060,488	17,060,488
2818CCF000	Child Care (BAPA) - 2018	93.596	22,717,448	22,717,448
2817CCC000	Child Care - Subsidized	93.596	9,889,436	9,889,436
2817CCM000	Child Care Local Initiatives - 2017	93.596	19,145,508	19,145,508
2817CCF000	Child Care	93.575	349,195	349,195
2818CCF000	Child Care	93.575	<u>480,136</u>	<u>480,136</u>
	Total - CCDF Cluster		<u>108,504,918</u>	<u>108,504,918</u>
	Total - Texas Workforce Commission		<u>122,948,965</u>	<u>121,939,541</u>

TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES 128,322,548 125,579,151

U.S. DEPARTMENT OF HOMELAND SECURITY

Passed Through the Texas Department of Public Safety

PDMC-PL-06-TX-2016-013	Brazoria County Hazard Mitigation	97.047	20,276	0
PDMC-PL-06-TX-2016-011	Walker County Hazard Mitigation	97.047	17,156	0
PDMC-PL-06-TX-2016-010	Montgomery County Hazard Mitigation	97.047	20,386	0
PDMC-PL-06-TX-2016-006	Austin County Hazard Mitigation	97.047	15,647	0
PDMC-PL-06-TX-2016-008	Chambers County Hazard Mitigation	97.047	15,886	0
PDMC-PL-06-TX-2016-009	Liberty County Hazard Mitigation	97.047	15,426	0
PDMC-PL-06-TX-2016-012	Waller County Hazard Mitigation	97.047	<u>15,054</u>	<u>0</u>
	Subtotal - 97.047		<u>119,831</u>	<u>0</u>

Total - Texas Department of Public Safety 119,831 0

Passed through the General Land Office

72188840	Hurricane Harvey Administration	97.048	81,736	0
72188840	Hurricane Harvey Program Management	97.048	<u>1,783</u>	<u>0</u>
	Total - Texas General Land Office		<u>83,519</u>	<u>0</u>

TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT 221,839,305 196,286,929

DISCRETELY PRESENTED COMPONENT UNIT:

U.S. DEPARTMENT OF COMMERCE

08-83-05025	Economic Development - Support for Planning Organizations	11.302	77,595	0
08-79-05078	Economic Development - Disaster Recovery	11.302	123,134	0
	Economic Development Cluster			
08-69-04356	Economic Adjustment Assistance - Revolving Loan Fund	11.307	<u>1,394,509</u>	<u>0</u>
	Total - Economic Development Cluster		1,394,509	0

TOTAL U.S. DEPARTMENT OF COMMERCE 1,595,238 0

TOTAL EXPENDITURES OF FEDERAL AWARDS - DISCRETELY PRESENTED COMPONENT UNIT 1,595,238 0

TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY 223,434,543 196,286,929

STATE PROGRAMS

PRIMARY GOVERNMENT:

OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION

1471914	Law Enforcement Training - 2016-2017		532,710	413,734
1471915	Law Enforcement Training - 2018-2019		<u>148,572</u>	<u>110,400</u>
	Subtotal - Law Enforcement Training		<u>681,282</u>	<u>524,134</u>

TOTAL OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION 681,282 524,134

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Direct Programs:

582-16-60655	Solid Waste - 2016 - 2017		1,347,124	928,497
582-18-80539	Solid Waste - 2018 - 2019		<u>101,478</u>	<u>0</u>
	Subtotal - Solid Waste		<u>1,448,602</u>	<u>928,497</u>

582-13-30063	Galveston Bay Watershed - Bayou Preservation Association		<u>8,367</u>	<u>0</u>
	Subtotal - Bayou Preservation Association		<u>8,367</u>	<u>0</u>

582-14-42709 WO#3	TMDL BRAZOS-COLORADO COASTAL BASIN 13		83	0
582-14-42709 WO#4	TMDL SAN JACINTO - BRAZOS COASTAL BASIN 11		119	0
582-14-42709 WO#7	TMDL PUBLIC PARTICIPATION PROJECT		72,917	0
582-14-42709 WO#8	TMDL BRAZOS-COLORADO COASTAL BASIN 13		129,222	26,100
582-14-42709 WO#6	TMDL SAN JACINTO-BRAZOS COASTAL BASIN 11		<u>168,697</u>	<u>21,280</u>
	Subtotal - TMDL		<u>371,038</u>	<u>47,380</u>

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 2017

582-16-60168	Texas Clean Rivers - 2016-2017	709,995	123,164
582-18-80290	Texas Clean Rivers - 2018-2019	<u>274,491</u>	<u>28,719</u>
	Subtotal - Clean Rivers	<u>984,486</u>	<u>151,883</u>
	Total - Direct Programs	<u>2,812,493</u>	<u>1,127,760</u>
Passed Through Harris County			
582-12-20273	Air Check Texas - 2017	<u>6,179,835</u>	<u>5,415,861</u>
	Total - Air Check Texas - Harris County	<u>6,179,835</u>	<u>5,415,861</u>
Passed Through Fort Bend County			
582-12-20281	Air Check Texas - 2017	<u>1,229,844</u>	<u>1,112,992</u>
	Total - Air Check Texas - Fort Bend County	<u>1,229,844</u>	<u>1,112,992</u>
Passed Through Brazoria County			
582-12-20280	Air Check Texas - 2017	<u>160,111</u>	<u>134,459</u>
	Total - Air Check Texas - Brazoria County	<u>160,111</u>	<u>134,459</u>
Passed Through Galveston County			
582-12-20283	Air Check Texas - 2017	<u>243,929</u>	<u>209,565</u>
	Total - Air Check Texas - Galveston County	<u>243,929</u>	<u>209,565</u>
Passed Through Montgomery County			
582-12-20282	Air Check Texas - 2017	<u>297,906</u>	<u>259,824</u>
	Total - Air Check Texas - Montgomery County	<u>297,906</u>	<u>259,824</u>
	TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	<u>10,924,118</u>	<u>8,260,461</u>
TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES			
539-16-00015-00001	State General Revenue - 2017	261,581	261,581
539-16-00015-00001	State General Revenue - 2018	276,418	276,418
539-16-00015-00001	OMB ALF Services - 2017	106,238	0
539-16-00015-00001	OMB ALF Services - 2018	<u>51,918</u>	<u>0</u>
	TOTAL TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES	<u>696,155</u>	<u>537,999</u>
TEXAS WORKFORCE COMMISSION			
2817SNE001	SNAP E&T - 2017	340,068	190,102
2818SNE001	SNAP E&T - 2018	<u>72,815</u>	<u>51,817</u>
	Subtotal - SNAP E&T	<u>412,883</u>	<u>241,919</u>
2817RAG000	Resource Administration Grant - 2017	<u>7,528</u>	<u>0</u>
	Subtotal - Resource Administration Grant	<u>7,528</u>	<u>0</u>
2817TAN000	TANF Choices - 2017	1,328,522	1,328,522
2818TAN000	TANF Choices - 2018	448,250	448,250
2817NCP000	TANF E&T - Noncustodial Parent Empl - 2017	181,028	181,028
2818NCP000	TANF E&T - Noncustodial Parent Empl - 2018	<u>56,726</u>	<u>56,726</u>
	Subtotal -TANF Choices	<u>2,014,526</u>	<u>2,014,526</u>
2817CCP000	Child Care DFPS - 2017	12,783,601	12,758,133
2818CCP000	Child Care DFPS - 2018	<u>3,922,913</u>	<u>3,918,659</u>
	Subtotal - Child Care DFPS	<u>16,706,514</u>	<u>16,676,792</u>
2816AEL007	Adult Education and Literacy	<u>2,221,050</u>	<u>2,221,050</u>
	Subtotal - AEL	<u>2,221,050</u>	<u>2,221,050</u>
2817CCF000	CCDF Child Care - 2017	7,997,109	7,058,003
2818CCF000	CCDF Child Care - 2018	11,420,756	11,271,625
2817CCC000	Child Care - Subsidized	5,325,091	5,325,081
2817CCM000	Child Care Local Match - 2017	<u>193,389</u>	<u>193,389</u>
	Subtotal - Child Care	<u>24,936,345</u>	<u>23,848,098</u>
	TOTAL TEXAS WORKFORCE COMMISSION	<u>46,298,846</u>	<u>45,002,385</u>

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2017

	U.S. ENDOWMENT FOR FORESTRY AND COMMUNITIES		
CE16-049	U.S. Endowment for Forestry and Communities	<u>86,743</u>	<u>0</u>
	TOTAL U.S. ENDOWMENT FOR FORESTRY AND COMMUNITIES	<u>86,743</u>	<u>0</u>
	TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT	<u>58,687,144</u>	<u>54,324,979</u>
	TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY	<u>282,121,686</u>	<u>250,611,907</u>

HOUSTON-GALVESTON AREA COUNCIL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

1 BASIS OF ACCOUNTING

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 where still applicable, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance). Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year. H-GAC has elected to use the negotiated indirect cost rate and not the 10% de minimum rate as allowed under the Uniform Guidance.

2 REPORTING ENTITY

H-GAC for purposes of the schedule of expenditures of federal and state awards includes all funds of the primary government. Also included is the Gulf Coast Economic Development Corporation, a discretely presented component unit of H-GAC

3 RECONCILIATION

Adjustments necessary to reconcile expenditures reported on the supplementary schedule of expenditures of federal and state awards to the basic financial statements at year end were as follows:

Total Grant Fund Expenditures	\$ 284,984,293
Add: Depreciation charged to grant programs	390,918
Add: Gulf Coast Economic Development Corporation federal expenditures	1,595,238
Add: EPA RLF reconciling items from notes 5 below	7,132,821
Less: In-Kind Expenditures	(10,430,763)
Less: Program Income	(79,150)
Less: Cash Match	(211,023)
Less: Expenditures funded by local grant revenues	(1,260,648)
Total Federal and State Schedule	<u>\$ 282,121,686</u>

4 CALCULATION OF FEDERAL AWARDS EXPENDED FOR EDA REVOLVING LOAN FUND

Expenditure of the EDA Revolving Loan Fund were calculated as follows:

Balance of RLF loans outstanding at 12/31/2017	\$ 1,045,233
Cash and investment balance at 12/31/2017	403,067
Administrative costs during the fiscal year	19,302
Unpaid principal of loans written off during the fiscal year	(73,093)
Total EDA Revolving Loan Fund Expenditures	<u>1,394,509</u>
Federal Participation Rate	100%
Total Federal Share of EDA Revolving Loan Fund Expenditures	<u>\$ 1,394,509</u>

5 CALCULATION OF FEDERAL AWARDS EXPENDED FOR EPA REVOLVING LOAN FUND

Expenditure of the EPA Revolving Loan Fund were calculated as follows:

Value of new loans made during 2017	\$ 186,257
Ending balance of loans made in previous years	1,109,405
Administrative costs during the fiscal year	304,626
Cash and investment balance at 12/31/2017	6,145,917
Repayment of written off loan in 2017	4,132
Total EPA Revolving Loan Fund Expenditures	<u>7,750,336</u>
Federal Participation Rate	100%
Total Federal Share of EPA Revolving Loan Fund Expenditures	<u>\$ 7,750,336</u>

6 FEDERAL PROGRAM TOTALS

Some programs include awards received from multiple federal funding grantors

Texas Department of Agriculture	\$ 11,898
General Land Office	9,471,344
Total CFDA #14.228	<u>\$ 9,483,242</u>
Texas Workforce Commission	\$ 1,325,752
Texas Veterans Commission	343,910
Total Employment Service Cluster CFDA#17.207, 17.801, 17.804	<u>\$ 1,669,662</u>
Texas Commission on Environmental Quality	\$ 142,936
Texas State Soil and Water Conservation Board	24,823
Total CFDA #66.460	<u>\$ 167,759</u>

Houston-Galveston Area Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

I. Summary of Auditors' Results	
Financial Statements	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None

Identification of major programs:

Name of Federal Program or Cluster	CFDA Numbers
SNAP Cluster	10.561
Community Development Block Grant (CDBG)	14.228
Employment Services Cluster	17.207/17.801/17.804
WIA Cluster	17.258/17.259/17.278
CCDF Cluster	93.575/93.596
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$3,000,000
2. Federal Single Audit - Auditee qualified as low-risk auditee?	Yes

Houston-Galveston Area Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended December 31, 2017

I. Summary of Auditors' Results (continued)	
State Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) UGMS?	None
Identification of major programs:	
Name of State Program or Cluster	CFDA Number
Air Check	N/A
Aging – State General Revenue and OMB ALF Services	N/A
SNAP	N/A
CCDF and DFPS Child Care	N/A
1. Dollar Threshold Considered Between Type A and Type B Programs	\$498,942
2. State Single Audit - Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

There were no current year findings.

III. Federal and State Award Findings and Questioned Costs.

There were no current year findings or questioned costs.

Houston-Galveston Area Council
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None noted

Houston-Galveston Area Council

CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2017

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

Corrective Action Plan- Not Applicable