

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED
DECEMBER 31, 2016

HOUSTON-GALVESTON AREA
COUNCIL

HOUSTON, TEXAS

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

For the year ended
December 31, 2016

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

Finance Staff:

Jean Mahood, CPA
Shaun Downie
Sophie Huang
Cynthia Marquez
Anna Holderberg
Vini In

Marivic Keenan
Vanessa Salazar
David Waller
Dawn Debolt
Rebecca Bowden

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

TABLE OF CONTENTS

INTRODUCTION SECTION

Transmittal Letter	1
GFOA Certificate of Achievement	6
Principal Officials	7
Member Governments	8
Organizational Chart	10

FINANCIAL SECTION

Independent Auditor’s Report	13
Management’s Discussion and Analysis	17
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet-Governmental Funds	28
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	30
Statement of Net Position-Proprietary Fund	31
Statement of Revenues, Expenses, and Changes in Net Position Proprietary Fund	32
Statement of Cash Flows-Proprietary Fund	33
Statement of Net Position-Fiduciary Fund	34
Statement of Changes in Position-Fiduciary Fund	35
Notes to the Financial Statements	37
Supplemental Information:	
Schedule of Indirect Costs	58
Schedule of Employee Benefits	59
Statement of Changes in Assets and Liabilities-Agency Fund	60

STATISTICAL SECTION-Unaudited

Net position by component last ten years	63
Change in net position last ten years	64
Fund balances, Governmental funds last ten years	65
Changes in fund balances, Governmental funds last ten years	66
Full Time Equivalent employees by function/program last ten years	67
Ten Largest Non-Governmental Employers	68
County profiles	69
Other Statistical information	73

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control over Financial

Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 81

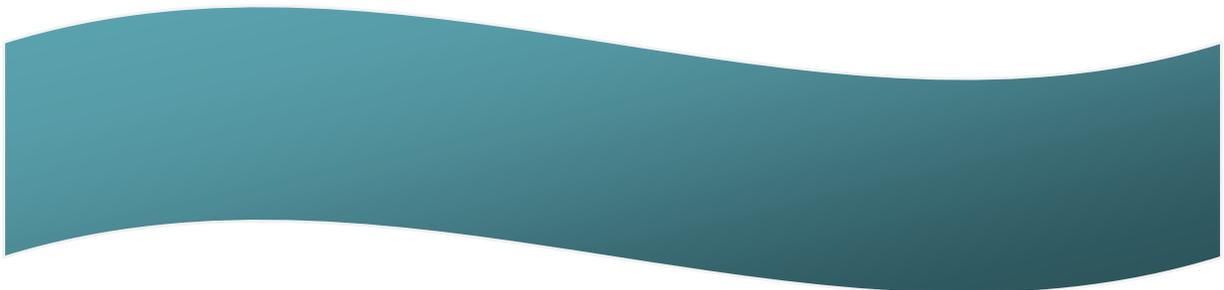
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal and State Award Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards 83

Schedule of Expenditures of Federal and State Awards 85

Notes to the Schedule of Expenditures of Federal and State Awards 93

Schedule of Findings and Questioned Costs 94

Introductory Section





Houston-Galveston Area Council

June 5, 2017

The Honorable Gary Nelson and Members
of the Board of Directors
Houston-Galveston Area Council
Houston, TX

Dear Commissioner Nelson and Members of the Board of Directors:

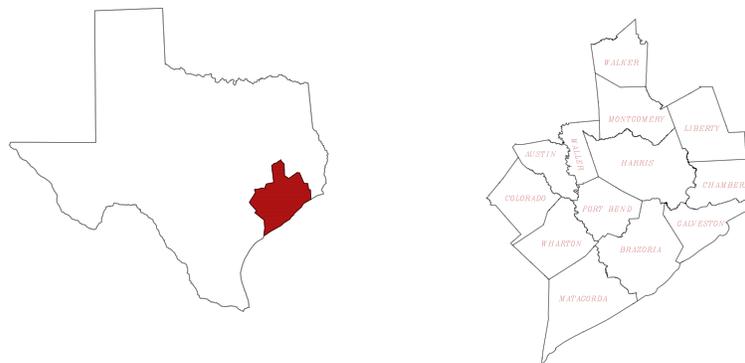
The Comprehensive Annual Financial Report (CAFR) of the Houston-Galveston Area Council, (the “Council” or “H-GAC”) for the fiscal year ended December 31, 2016 is hereby submitted. This report was prepared by the Department of Finance, which accepts responsibility for the accuracy, completeness, and fairness 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 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

The Texas economy remained stagnant during 2016 for several reasons. Employment in goods-producing Texas industries fell by 3.1% primarily due to falling prices in oil and natural gas. Overall state unemployment, however, continued to be less than the national average boosted primarily from service-providing industries such as health care, hospitality, and education. These counter-balancing effects resulted in a modest decrease in tax revenue to the state of 2.3%.¹

¹ Texas Comptroller of Public Accounts, *Report to the Citizens of Texas, 2017*.

Overall, the Texas economy remains one of the strongest in the nation. As of June 2016, there were 54 Fortune 500 companies with their corporate headquarters in Texas. Twenty-five of those companies call Houston home. Additionally, Texas leads the nation in exporting and has accomplished this record for the past decade. Approximately 16% of total U.S. exports are generated from Texas ports. This level of activity adds thousands of jobs to the Texas economy.

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 2016 H-GAC established the Gulf Coast Regional 9-1-1 Emergency Communications District which would allow local control and prioritization of 9-1-1 service delivery. The District was able to renegotiate several contracts and establish an efficient organizational structure that resulted in positive gains to their fund balance after the first year of operations. The District is currently preparing a multi-year plan to act as a roadmap for expansion and sustainability of service delivery for the future.

Aging Services

As the baby boomer generation reaches their senior years, there is greater need for assistance to this vulnerable population. During 2016, H-GAC teamed up with a network of providers to deliver 984,290 meals; 18,363 hours of respite care; 864 nursing home visits; and 10,071 hours of personal care services to older citizens in twelve counties in the region.

Evacuation Planning and Homeland Security

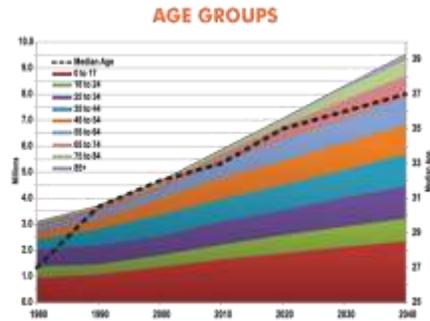
The gulf coast is threatened by severe weather annually. Hurricanes strike during the summer months leaving citizens at risk of devastating losses including loss of life. H-GAC along with partners at the State and local jurisdictions are taking steps to reduce the confusion and assist in the preparation for such events. For example, the website Together Against the Weather (www.togetheragainsttheweather.com) was developed to provide citizens with evacuation maps, healthcare providers, contact information, and assistance to the functionally impaired.



Additionally, hurricanes and other high-risk events are challenging to the infrastructure support network of our emergency responders. During 2016 H-GAC recommended funding for over \$1.78 million of grants to provide planning coordination, training, emergency management exercises, and the purchase of equipment and supplies for emergency management.

Transportation Improvement

Mobility issues in the large region served by H-GAC present challenges and opportunities. Current forecasts indicate more than 1 million people moving into the H-GAC region by 2040. To deal with such explosive growth, H-GAC updates a regional transportation plan (“RTP”) every 4 years. The RTP identifies highway, transit, and other transportation projects needed to sustain the region over a 30-year horizon.



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, 2015. 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,



Jack Steele
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, 2015

Executive Director/CEO

**HOUSTON-GALVESTON AREA COUNCIL
PRINCIPAL OFFICIALS**

OFFICERS OF THE BOARD OF DIRECTORS
2016

CHAIR
Councilmember Chuck Engelken, Jr
City of La Porte

VICE CHAIR
Council Member Floyd Emery
City of Missouri

CHAIR ELECT
County Commissioner Gary Nelson
Chambers County

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

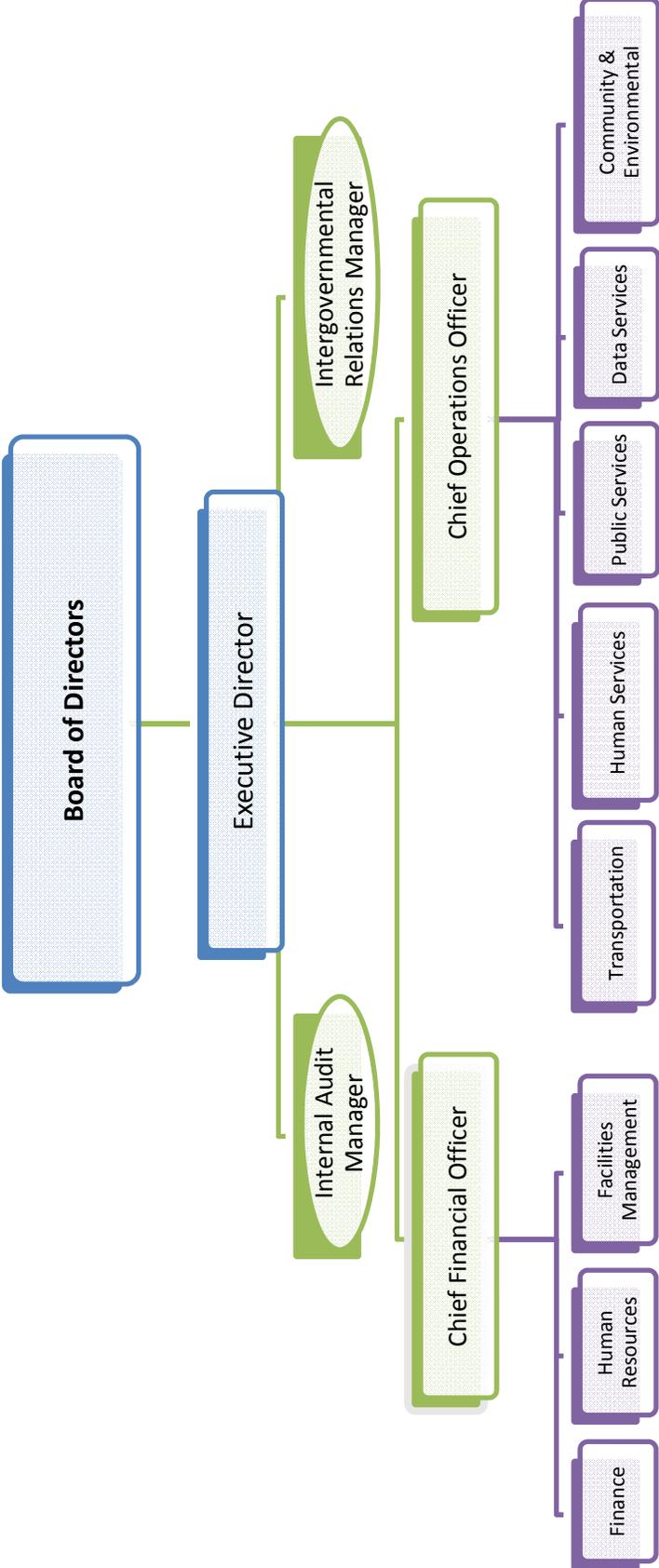
Ahanuac	Eagle Lake	Kendleton
Arcola	East Bernard	Magnolia
Bayou Vista	El Lago	Meadows Place
Beach City		Mont Belvieu
Bellville	Hedwig Village	Morgan's Point
Brazoria	Hillcrest Village	Needville
Brookshire		New Waverly

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	

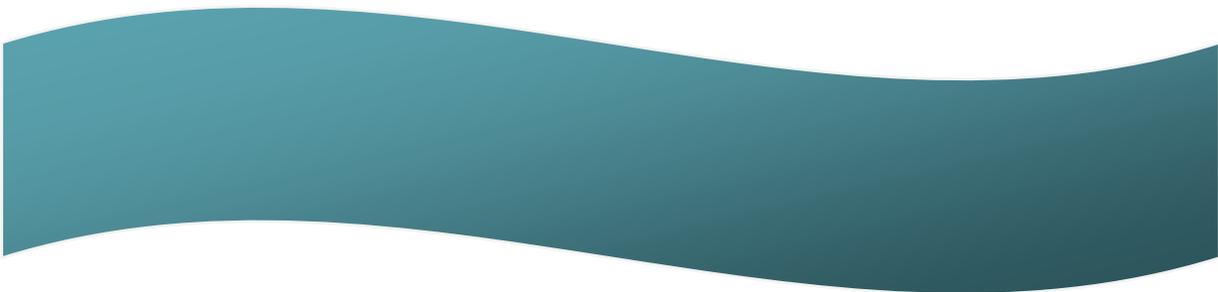
Independent School Districts

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



THIS PAGE INTENTIONALLY LEFT BLANK

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, 2016, 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, 2016, 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 June 5, 2017 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
June 5, 2017

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2016. 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 \$21,615,127 all of which is available to meet the Council's ongoing obligations to local governments and creditors.
- H-GAC's net position increased by \$641,644 during the year ended December 31, 2016.
- At the end of the year, the unassigned fund balance for the general fund was \$9,165,337.

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 2016. 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 \$31,010,085 at the close of the most recent year, 2016 which is an increase over 2015. Approximately 4.8% of the Council's net position is 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 \$7,907,727 at the end of the year. The balance of unrestricted net position in 2016 of \$21,615,127 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	
	2016	2015	2016	2015	2016	2015
Assets						
Current and Other Assets	\$ 72,063,892	\$ 52,792,978	\$ 12,970,376	\$ 12,205,672	\$ 85,034,268	\$ 64,998,650
Capital Assets, Net	1,549,651	1,964,850	-	860	1,549,651	1,965,710
Total Assets	73,613,543	54,757,828	12,970,376	12,206,532	86,583,919	66,964,360
Liabilities						
Current and Other Liabilities	55,398,818	36,432,199	136,235	101,299	55,535,053	36,533,498
Long-Term Liabilities	38,781	62,420			38,781	62,420
Total Liabilities	55,437,599	36,494,619	136,235	101,299	55,573,834	36,595,918
Net Position						
Net Invest in Capital Assets	1,487,231	1,876,144	-	860	1,487,231	1,877,004
Restricted for:						
EPA RLF Program	7,486,709	7,833,463			7,486,709	7,833,463
Regional Excellence Corp	421,018	199,279			421,018	199,279
Unrestricted	8,780,986	8,354,323	12,834,141	12,104,373	21,615,127	20,458,696
Total Net Position	\$ 18,175,944	\$ 18,263,209	\$ 12,834,141	\$ 12,105,233	\$ 31,010,085	\$ 30,368,442

Statement of Activities

H-GAC's net position was increased by \$641,643 for the year. This reflects a decrease in net position for governmental activities of \$87,264 and an increase in net position in business-type activities of \$728,908. The change in net position in governmental activities represents a 0.48% decrease of net position for governmental activities and the change in net position in the business-type activities represents a 6% increase in net position for this activity. Overall, H-GAC increased net position by 2.1%. 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Program Revenues								
Charges for Services	\$ 1,830,855	\$ 1,367,117	\$ 4,269,735	\$ 5,767,362	\$ 6,100,590	\$ 7,134,479	2.14%	2.53%
Operating Grants and Contr	275,703,821	274,844,685			275,703,821	274,844,685	96.91%	97.34%
General Revenues								
Interest Income	14,189	22,290			14,189	22,290	0.00%	0.01%
Other Income	165,314	364,809			165,314	364,809	0.94%	0.13%
Total Revenues	277,714,179	276,598,901	4,269,735	5,767,362	281,983,914	282,366,263	100.00%	100.00%
Expenses								
General Government	1,921,283	1,072,093			1,921,283	1,072,093	1.56%	0.38%
Workforce Programs	209,009,100	205,095,889			209,009,100	205,095,889	73.63%	73.41%
Transportation	40,668,632	31,200,061			40,668,632	31,200,061	14.33%	11.17%
Community and Environ	10,732,671	23,021,245			10,732,671	23,021,245	3.78%	8.24%
Criminal Justice	847,184	943,744			847,184	943,744	0.30%	0.34%
Emergency Communications	931,365	4,632,362			931,365	4,632,362	0.33%	1.66%
Aging Services	11,124,787	9,886,838			11,124,787	9,886,838	3.92%	3.54%
Reg Excellence Corp	62,842	49,271			62,842	49,271	0.02%	0.02%
Gulf Coast 911 Reg Dist	2,503,579				2,503,579		0.88%	0.00%
Cooperative Purchasing			3,540,827	3,492,923	3,540,827	3,492,923	1.25%	1.25%
Total Expenses	277,801,443	275,901,503	3,540,827	3,492,923	281,342,270	279,394,426	100.00%	100.00%
Change in Net Position	(87,264)	697,398	728,908	2,274,439	641,644	2,971,837		
Net Position-Beginning of Yr	18,263,209	17,565,811	12,105,233	9,830,794	30,368,442	27,396,605		
Net Position-End of Yr	\$ 18,175,944	\$ 18,263,209	\$ 12,834,141	\$ 12,105,233	\$ 31,010,085	\$ 30,368,442		

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 2015 and 2016, revenue in this program was \$5,767,362 and \$4,269,735 respectively. During the year, operating expenses for the program increased 1.4% and revenues decreased 26.0%. The combined result was reflected in an increase to net position of \$728,908 or 6.0%. By comparison, the increase in 2015 was \$2,274,439 or 23.1%.

Business-Type Expenses	2016 Amount	2015 Amount	Increase (Decrease) from 2015	(Decrease)
Personnel and Benefits	\$ 2,722,809	\$ 2,648,029	\$ 74,780	2.82%
Consultant and Contract Svcs	160,811	121,870	38,941	32.0%
Equipment Rental and Leases	15,502	49,205	(33,703)	(68.5%)
Lease of Office Space	199,278	208,252	(8,974)	(4.3%)
Travel	55,479	55,478	1	0%
Depreciation	860	38,839	(37,979)	(97.8%)
Other	382,818	371,250	11,568	3.1%
Total Expenses	<u>\$ 3,540,827</u>	<u>\$ 3,492,923</u>	<u>\$ 47,904</u>	<u>1.4%</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 2016 is \$9,372,058. Included in this fund balance is \$206,721 which has been identified for prepaid items and is nonspendable. The balance of \$9,165,337 is available for use at H-GAC's discretion.

The general fund balance of H-GAC increased by \$170,967. 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 \$7,486,710 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 2016 the corporation had cash and pledged contributions of \$284,581 and expenditures of \$62,842. 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 2016, the District had income of \$2,803,997 and expenditures of \$2,503,579. 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 \$1,965,710 and \$1,549,651 (net of depreciation) for the fiscal years ended December 31, 2015 and 2016 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 2016, 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	\$1,964,850	\$107,424	\$0	\$(522,623)	\$1,549,651
Business-type Activities					
Equipment, furniture and fixtures	\$860	\$0	\$0	\$(860)	\$0
Totals	<u>\$1,965,710</u>	<u>\$107,424</u>	<u>\$0</u>	<u>\$(523,483)</u>	<u>\$1,549,651</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 2016 were \$62,420. Compensated absences decreased by \$44,720 in 2016, finishing the year with

an ending balance of \$891,488. 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 FY2017 the per-capita membership revenue is estimated at \$395,538. This is the same as the budget for 2016.
- H-GAC increased estimated revenues and corresponding expenses by \$31,302,707 for 2017. The budget reflects increases mainly in Workforce, Community & Environmental programs and Transportation programs of \$8,168,566, \$15,603,890 and \$8,420,698 respectively. The increase in Workforce programs is attributable primarily to the additional funding in Workforce Resident Services (\$2,879,377), the AirCheck program (\$2,979,166), Aging program (\$1,035,676), and Adult Literacy (\$1,078,282). These programs help area businesses become more competitive by educating the workforce; 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 final phase of funds received for housing and disaster recovery due to Hurricane Ike. 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 2017 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, 2016**

	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	\$ 50,790,121		\$ 50,790,121	\$	\$ 677,245	\$ 2,536,525	\$ 3,311,501
Investments	6,101,801		6,101,801		305,240	305,240	305,240
Receivables, net	23,767,402	\$ 1,994,348	25,761,750		103,688	37,198	140,886
Notes Receivable	2,059,531		2,059,531		869,933		869,933
Due from Component Units	114,344		114,344				
Internal balances	(10,976,028)	10,976,028					
Prepaid expenses	206,721		206,721				
Capital assets, net	1,549,651		1,549,651				
Total Assets	<u>73,613,543</u>	<u>12,970,376</u>	<u>86,583,919</u>	<u>97,731</u>	<u>1,650,866</u>	<u>2,878,963</u>	<u>4,627,560</u>
LIABILITIES							
Accounts payable and accrued expenses	4,273,497		4,273,497				
Unearned revenues	34,166,224	51,446	34,251,013				
Due to grantee agencies	16,043,970	84,789	16,043,970				
Due to primary government				24,202			114,344
Long Term Liabilities							
Due within one year	891,488		891,488				
Due more than one year							
Obligation of capital leases:							
Due within one year	23,639		23,639				
Due more than one year	38,781		38,781				
Total Liabilities	<u>55,437,599</u>	<u>136,235</u>	<u>55,573,834</u>	<u>24,202</u>	<u>16,998</u>	<u>73,144</u>	<u>114,344</u>
NET POSITION							
Net investment in capital assets	1,487,231		1,487,231				
Restricted for:							
EPA RLF Program	7,486,709		7,486,709				
Regional Excellence Corporation	421,018		421,018				
EDA RLF Program					1,633,868		1,633,868
Local Development Corporation						2,805,819	2,805,819
Unrestricted	8,780,986	12,834,141	21,615,127	73,529			73,529
Total Net Position	<u>\$ 18,175,944</u>	<u>\$ 12,834,141</u>	<u>\$ 31,010,085</u>	<u>\$ 73,529</u>	<u>\$ 1,633,868</u>	<u>\$ 2,805,819</u>	<u>\$ 4,513,216</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	\$ 3,981,866	\$ (2,060,583)	\$ 1,830,855	\$ 209,074,310	\$ (90,431)	\$	\$ (90,431)			
Workforce programs	208,518,397	490,700		40,358,389	65,213		65,213			
Transportation	39,858,886	809,746		10,501,042	(310,243)		(310,243)			
Community and environmental	10,503,580	229,091		825,458	(231,629)		(231,629)			
Criminal justice	803,610	43,574		943,712	(21,726)		(21,726)			
Emergency communications	920,665	10,700		10,912,332	12,347		12,347			
Aging services	10,933,428	191,359		284,581	(212,455)		(212,455)			
Regional Excellence Corporation	62,842			2,803,997	221,739		221,739			
Gulf Coast 911 Regional District	2,503,579			1,830,855	300,418		300,418			
Total governmental activities	278,086,853	(285,413)	1,830,855	275,703,821	(266,767)		(266,767)			
Business-type activities:										
Cooperative purchasing	3,255,414	285,413	4,269,735			\$ 728,908	\$ 728,908			
Total business-type activities	3,255,414	285,413	4,269,735			728,908	728,908			
Total primary government	<u>\$ 281,342,267</u>	<u>\$ -</u>	<u>\$ 6,100,590</u>	<u>\$ 275,703,821</u>	<u>(266,767)</u>	<u>\$ 728,908</u>	<u>462,141</u>	<u>\$ 27,019</u>	<u>\$ 38,138</u>	<u>\$ (75,109)</u>
Component units:										
Energy Purchasing Corporation	142,024		169,043	180,387				\$ 27,019	\$ 38,138	\$ (75,109)
Gulf Coast Economic Development Corporation	142,249		585,943							
Local Development Corporation	661,052		754,986	180,387						
Total component units	<u>\$ 945,325</u>		<u>\$ 754,986</u>	<u>\$ 180,387</u>				<u>\$ 27,019</u>	<u>\$ 38,138</u>	<u>\$ (75,109)</u>
General revenues:										
Interest income					14,189		14,189			
Miscellaneous income					165,314		165,314			
Total general revenues and transfers					179,503		179,503			
Change in net position					(87,264)	728,908	641,644	27,019	38,138	(75,109)
Net position - beginning					18,263,209	12,105,233	30,368,442	46,510	1,595,730	2,880,928
Net position - ending					\$ 18,175,944	\$ 12,834,141	\$ 31,010,085	\$ 73,529	\$ 1,633,868	\$ 2,805,819

See accompanying notes to the financial statements.

**HOUSTON-GALVESTON AREA COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>General</u>	<u>Grant Fund</u>	<u>Regional Excellence Corporation</u>	<u>Gulf Coast 911 Regional District</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 39,029,063	\$ 5,799,673	\$ 563,182	\$ 5,398,203	\$ 50,790,121
Investments	6,101,801				6,101,801
Receivables	728,363	23,039,039			23,767,402
Due from other funds	6,069,635	29,445,541			35,515,176
Due from component unit	114,344				114,344
Notes Receivable		2,059,531			2,059,531
Prepaid items	206,721				206,721
Total assets	<u>\$ 52,249,927</u>	<u>\$ 60,343,783</u>	<u>\$ 563,182</u>	<u>\$ 5,398,203</u>	<u>\$ 118,555,095</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	2,060,764	2,070,569	142,164		4,273,497
Unearned revenue	395,538	33,770,686			34,166,224
Due to grantee agencies		16,043,970			16,043,970
Due to other funds	40,421,569	971,850		5,097,785	46,491,204
Total liabilities	<u>42,877,871</u>	<u>52,857,075</u>	<u>142,164</u>	<u>5,097,785</u>	<u>100,974,895</u>
Fund balance-					
Nonspendable	206,721				206,721
Unassigned	9,165,337				9,165,337
Restricted for:					
EPA RLF Program		7,486,709			7,486,709
Regional Excellence Corporation			421,018		421,018
Gulf Coast 911 Regional District				300,418	300,418
Total fund balance	<u>9,372,058</u>	<u>7,486,709</u>	<u>421,018</u>	<u>300,418</u>	<u>17,580,204</u>
Total liabilities and fund balance	<u>\$ 52,249,927</u>	<u>\$ 60,343,783</u>	<u>\$ 563,182</u>	<u>\$ 5,398,203</u>	<u>118,555,095</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	1,549,651
Compensated absences of governmental activities are not due and payable in the current period and, therefore, are not reported in the funds	(891,487)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds-capital leases	(62,420)
Net position of governmental activities	<u>\$ 18,175,944</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, 2016**

	<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	\$ 14,189				\$ 14,189
Membership dues	394,258				394,258
Interlocal contracts	785,108				785,108
Data services and imaging	651,490				651,490
Miscellaneous income	165,314				165,314
From grantor agencies		\$ 272,615,243	\$ 284,581	\$ 2,803,997	275,703,821
Total revenues	<u>2,010,359</u>	<u>272,615,243</u>	<u>284,581</u>	<u>2,803,997</u>	<u>277,714,180</u>
Expenditures					
Current:					
General government	1,838,703				1,838,703
Workforce programs		208,854,508			208,854,508
Transportation		40,491,639			40,491,639
Community and environmental		10,680,269			10,680,269
Criminal justice/Homeland security		815,491			815,491
Emergency communications		928,918			928,918
Aging services		11,069,901			11,069,901
Regional Excellence Corporation			62,842		62,842
Gulf Coast 911 Emergency District				2,503,579	2,503,579
Capital outlay:					
General government	93,594				93,594
Debt service:					
Principal	26,286				26,286
Interest	2,079				2,079
Total expenditures	<u>1,960,662</u>	<u>272,840,726</u>	<u>62,842</u>	<u>2,503,579</u>	<u>277,367,809</u>
Excess (deficiency) of revenues over expenditures	<u>49,697</u>	<u>(225,483)</u>	<u>221,739</u>	<u>300,418</u>	<u>346,371</u>
Other Financing Sources (Uses)					
Transfers in (out)	121,270	(121,270)			-
Total other financing sources & (uses)	<u>121,270</u>	<u>(121,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	170,967	(346,753)	221,739	300,418	346,371
Fund balance - beginning	9,201,091	7,833,463	199,279	-	17,233,833
Fund balance - ending	<u>\$ 9,372,058</u>	<u>\$ 7,486,709</u>	<u>\$ 421,018</u>	<u>\$ 300,418</u>	<u>\$ 17,580,204</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, 2016

Net change in fund balances-total governmental funds \$ 346,371

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	107,424
Depreciation expense	<u>(522,622)</u>
Excess of depreciation over capital outlay expense	<u>(415,198)</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	<u>(44,719)</u>
----------------------------------	-----------------

Principal payment for capital lease in 2016	<u>26,286</u>
---	---------------

Change in net position of governmental activities \$ (87,264)

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016**

	<u>Cooperative Purchasing</u>
ASSETS	
Current assets	
Accounts receivable	\$ 1,994,348
Due from general fund	10,976,028
Total current assets	<u>12,970,376</u>
Noncurrent assets	
Property & equipment	194,196
Less accumulated depreciation	<u>(194,196)</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>12,970,376</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	51,446
Unearned revenues	<u>84,789</u>
Total current liabilities	<u>136,235</u>
Total liabilities	<u>136,235</u>
NET POSITION	
Unrestricted	12,834,141
Total net position	<u>\$ 12,834,141</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, 2016**

	<u>Cooperative Purchasing</u>
REVENUES	
Charges for services	\$ 4,269,735
Total revenues	<u>4,269,735</u>
OPERATING EXPENSES	
Personnel and benefits	2,722,809
Consultant and contract services	160,811
Equipment rental and leases	15,502
Lease of office space	199,278
Travel	58,749
Depreciation	860
Other	382,818
Total expenses	<u>3,540,827</u>
Operating Income	<u>728,908</u>
Change in net position	728,908
Net position - beginning	<u>12,105,233</u>
Net position - ending	<u>\$ 12,834,141</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016**

	<u>Cooperative Purchasing</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,564,366
Cash payments to employees for services	(2,722,809)
Cash payments to suppliers for goods and services	(185,210)
Cash payments for operating expenses	(656,347)
Cash provided (used) by operating activities	<u>-</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)	\$ 728,908
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	860
Change in assets and liabilities:	
Decrease (increase) in customer receivable	339,455
Decrease (increase) in interfund receivable	(1,104,159)
Increase (decrease) in accounts payable	(24,399)
Increase (decrease) in unearned revenue	59,335
Net cash provided (used) by operating activities	<u>\$ -</u>

See accompanying notes to the financial statements

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

DECEMBER 31, 2016

	<u>Pension Plan Trust</u>	<u>Agency Fund Area Emission Reduction Credit Organization 2016</u>
	<u>Retirement Plan 2016</u>	
ASSETS		
Cash		\$ 1,692,132
Investments- at fair value:		
Mutual funds	\$ 26,401,913	
Money market funds	3,965,910	
Total investments, at fair value	<u>30,367,823</u>	
Receivables:		
Notes receivables from participants	870,034	
Total receivables	<u>870,034</u>	
Total assets	<u>31,237,857</u>	<u>1,692,132</u>
LIABILITIES		
Due to Other		1,692,132
Employee forfeitures due to employer	56,297	
Total liabilities	<u>56,297</u>	<u>\$ 1,692,132</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 31,181,560</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, 2016**

	<u>2016</u>
ADDITIONS	
Contributions:	
Participants	\$ 1,082,057
Employer	1,037,663
Total contributions	<u>2,119,720</u>
Investment earnings:	
Net appreciation in the fair value of investments	936,137
Interest and dividends	1,004,604
Total net investment earnings	<u>1,940,741</u>
Total additions	<u>4,060,461</u>
DEDUCTIONS	
Benefit payments	2,888,766
Administrative expenses	7,101
Total deductions	<u>2,895,867</u>
Change in net position	1,164,594
Net position - beginning	<u>30,016,966</u>
Net position - ending	<u><u>\$ 31,181,560</u></u>

See accompanying notes to financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

HOUSTON-GALVESTON AREA COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 Regional Emergency Communications 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 concurrently 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 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 purposes 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 governments, 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 twenty-eight-member board is comprised of county government and city government appointees as well as private sector appointees nominated by H-GAC. 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 benefit 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 the non-fiduciary activities of the primary government. 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 Emergency Communications 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 H-GAC'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 associated 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 H-GAC 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 because H-GAC does not pay any employees for accumulated sick leave balances upon separation from service with the government. In contrast, vacation pay up to a maximum of 240 hours is accrued when incurred in the government-wide and proprietary fund financial statements since remaining balances are paid to employees upon separation. 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. Accrued liability balances are less than anticipated annual expense and are therefore reflected as due within one year in their entirety.

Balance			Balance	Due Within
<u>12/31/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2016</u>	<u>One Year</u>
\$ 846,768	\$ 997,967	\$ 953,247	\$ 891,488	\$ 891,488

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, H-GAC 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. H-GAC 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 H-GAC 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 H-GAC. H-GAC must approve all collateral securities pledged and also must approve in writing any changes to the pledged collateral securities.

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

H-GAC's investment policy permits investment of 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 H-GAC'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 H-GAC'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>Totals</u>
Governmental Funds:				
General	\$39,029,063	\$ 4,098,437	\$ 2,003,364	\$ 45,130,864
Grant Fund	5,799,673	-	-	5,799,673
Regional Excellence Corporation	563,182	-	-	563,182
Gulf Coast 9-1-1 Regional District	5,398,203	-	-	5,398,203
Total Governmental Funds	<u>50,790,121</u>	<u>4,098,437</u>	<u>2,003,364</u>	<u>56,891,922</u>
Fiduciary Funds	<u>\$ 813,737</u>	<u>3,965,910</u>	<u>26,401,913</u>	<u>31,181,560</u>
Discretely Presented Component Units:				
Energy Purchasing Corporation	97,731	-	-	97,731
Gulf Coast Economic Dev Corp	677,245	-	-	677,245
Local Development Corporation	2,536,525	-	305,420	2,841,945
Total Component Units	<u>3,311,501</u>	<u>-</u>	<u>305,420</u>	<u>3,616,921</u>
Total Reporting Entity	<u>\$54,915,359</u>	<u>\$ 8,064,347</u>	<u>\$ 28,710,697</u>	<u>\$ 91,690,403</u>

Credit and Interest Rate Risk

At year-end, H-GAC 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	\$6,101,801	240	AAA
Fiduciary Fund	\$4,271,330	44	AAA

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, H-GAC's deposits may not be returned to it. As of December 31, 2016, H-GAC's deposit balance

was fully collateralized with securities held by the pledging financial institution in H-GAC'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, 2016:

	Interfund Receivables	Interfund Payables
General Fund	\$ 971,850	\$ 40,421,569
Grant Fund	29,445,541	971,850
Enterprise Fund	10,976,028	
Total	<u>\$ 41,393,419</u>	<u>\$ 41,393,419</u>

Interfund Transfers	<u>General</u>	Transfers In <u>Total</u>
Transfer out:		
Grant Fund	\$121,270	\$121,270
Total Transfers	<u>\$121,270</u>	<u>\$121,270</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	\$ 331,147	\$ -	\$ -	\$ -	\$ -	\$ -
Advances to subrecipients	-	-	-	-	-	-
Data imagery	69,382	-	-	-	-	-
Federal grants receivable	-	491,997	-	-	-	-
State grants receivable	-	20,149,603	-	-	-	-
Local grants receivable	-	2,396,889	-	-	-	-
Due from customers	305,722	-	1,994,348	-	103,688	37,198
Miscellaneous services	5,119,897	550	-	-	-	-
Gross Accounts Receivable	5,826,148	23,039,039	1,994,348	-	103,688	37,198
Less: Allowance for uncollected accounts	-	-	-	-	-	-
Accounts Receivable, Net	\$ 5,826,148	\$ 23,039,039	\$ 1,994,348	\$ -	\$ 103,688	\$ 37,198

All receivables are expected to be collected within one year.

6. CAPITAL ASSETS

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

	December 31, 2015	Additions	Retirements	December 31, 2016
Governmental activities:				
Furniture, fixtures and equipment	\$ 4,610,052	\$ 107,424	\$ -	\$ 4,717,476
Capital leases	489,341	-	-	489,341
Less accumulated depreciation	<u>(3,134,543)</u>	<u>(522,623)</u>	-	<u>(3,657,166)</u>
	<u>\$1,964,850</u>	<u>\$(415,199)</u>	<u>\$ -</u>	<u>\$1,549,651</u>
Business-type activities:				
Furniture, fixtures and equipment	\$ 194,196	\$ -	\$ -	\$ 194,196
Less accumulated depreciation	<u>(193,336)</u>	<u>(860)</u>	-	<u>(193,336)</u>
	<u>\$ 860</u>	<u>\$(860)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Governmental Activities –	
General government	\$ 35,782
Workforce programs.....	112,242
Transportation.....	185,220
Community and Environmental.....	52,402
Criminal Justice & Homeland Security	9,966
Emergency Communications.....	2,448
Aging Services.....	<u>43,771</u>
Total Governmental Activities	441,831
Business-type activities –	
Cooperative purchasing	<u>860</u>
.....	<u>\$ 442,691</u>

7. UNEARNED REVENUE

As of December 31, 2016 unearned revenue was comprised of the following:

General Fund:	\$ <u>395,538</u>
Grant Fund:	
Solid Waste.....	\$ 1,301,368
Low Income Repair Assistance	32,019,692
C&E/Local Contracts	40,418
Transportation/Local Contracts	367,348
Homeland Security Program	23,738
Human Services Local Program	<u>18,122</u>
Total Grant Funds.....	\$ <u>33,770,686</u>
Enterprise Fund:	
Cooperative Purchasing.....	<u>\$ 84,789</u>

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

During 2016 the cooperative purchasing enterprise fund received remittance from participants in advance of performing services. These remittances, totaling \$84,789, 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 \$1,301,368 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 2016. At year end, the advances in excess of expenditures totaled \$32,019,692.

H-GAC set aside \$23,738 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:

	12/31/2015	Increase	Decrease	12/31/2016
Capital Lease	<u>\$ 88,706</u>	<u>\$ -</u>	<u>\$ 26,286</u>	<u>\$ 62,420</u>

The following schedule presents future minimum lease payments as of December 31, 2016:

Fiscal Year	Amount
2017	\$ 28,365
2018	27,063
2019	<u>9,549</u>
Minimum lease payments	64,677
Less amount representing interest	<u>(2,557)</u>
Present value of net minimum	
Lease payments	62,420
Less current portion of capital	
Lease obligation	<u>(23,639)</u>
Long-term portion of capital lease	\$ 38,781

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.

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 2016 was \$14,421,422. Retirement plan contributions were calculated using the gross salary amount for covered employees. H-GAC and its employees made contributions in 2016 of \$1,037,663 and \$1,082,057 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 \$41,960. In 2016 H-GAC had no liability to the plan at December 31, 2016.

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 2012, H-GAC renegotiated its lease space of approximately 65,199 square feet under an operating lease with an expiration date of November 2019 at an annual base fee of \$1,611,067 which began in December 2015. Included in this 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 \$15.00/square foot or \$977,985 for improvements to the leased space. These funds were not available under the lease until December 2014. H-GAC began improvements to the space in June 2014 and completed the renovation in March 2015. All revenues owed to H-GAC for the tenant improvements were remitted in 2015. The schedule below reflects the lease terms. H-GAC has additional office space leased in satellite locations. These leases will terminate in February 2017. The base amount for these leases is \$1,686 and \$1,604 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:

2017.....	1,577,545
2018.....	1,602,966
2019.....	1,493,215
Total minimum rental payments due	<u>\$ 4,673,726</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 2016 was \$1,579,095.

Required Matching Funds – H-GAC’s management is of the opinion that local (general fund) cash on hand and funds to be received in 2016 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 2016 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, 2016**

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>
PERSONNEL			
Indirect salaries	\$ 1,037,612	\$ 1,030,574	46.80 %
Employee benefits	550,569	472,312	24.83
	<u>1,588,181</u>	<u>1,502,886</u>	<u>71.64</u>
CONSULTANT AND CONTRACT SERVICES			
Consultant	3,613	5,000	0.16
Accounting and auditing	12,300	15,000	0.55
Other contract services	13,329	10,000	0.61
Legal Services	9,587	42,000	0.44
	<u>38,829</u>	<u>72,000</u>	<u>1.75</u>
EQUIPMENT			
Purchase, lease, rental or maintenance office furniture, fixtures and equipment	6,480	17,000	0.29
Depreciation	320,760	341,000	14.46
	<u>327,240</u>	<u>358,000</u>	<u>14.76</u>
LEASE OF OFFICE SPACE	<u>94,622</u>	<u>78,085</u>	<u>4.27</u>
TRAVEL	<u>25,619</u>	<u>34,500</u>	<u>1.16</u>
OTHER			
Consumable supplies	8,461	11,579	0.38
Software and Database	158,202	40,400	7.14
Communications	2,614	2,000	0.12
Postage	9,515	7,250	0.43
Subscriptions & memberships	43,544	88,800	1.96
Miscellaneous	49,817	57,417	2.25
	<u>272,153</u>	<u>207,446</u>	<u>12.28</u>
Indirect Carryforward	(129,627)	65,000	-5.85
TOTAL INDIRECT COSTS (A)	<u>\$ 2,217,017</u>	<u>\$ 2,317,917</u>	<u>100.0 %</u>
BASIS FOR ALLOCATION OF INDIRECT COSTS			
Chargeable salaries	\$ 14,421,422	\$ 15,022,343	
Employee benefits	6,601,500	6,884,740	
	<u>21,022,922</u>	<u>21,907,083</u>	
Less indirect salaries and Employee benefits	<u>(1,588,181)</u>	<u>(1,502,886)</u>	
TOTAL DIRECT SALARIES AND RELATED EMPLOYEE BENEFITS (B)	<u>\$ 19,434,741</u>	<u>\$ 20,404,197</u>	
ACTUAL INDIRECT COST RATE (A/B)	<u>11.41%</u>	<u>11.36%</u>	

**HOUSTON-GALVESTON AREA COUNCIL
 SUPPLEMENTARY SCHEDULE OF H-GAC EMPLOYEE BENEFITS
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Amount</u>	<u>Percentage</u>
RELEASED TIME TAKEN AND ACCRUED:		
Vacation	\$ 953,248	14.44 %
Holidays	745,144	11.29
Sick leave	507,825	7.69
Other	125,018	1.89
	<u>2,331,235</u>	<u>35.30</u>
BENEFIT PROGRAMS:		
Payroll taxes	1,217,606	18.44
Retirement plan	1,058,516	16.03
Insurance	1,865,873	28.26
Other benefits	169,705	2.57
	<u>4,311,700</u>	<u>65.32</u>
Benefit carryforward	<u>(41,435)</u>	<u>-0.63</u>
TOTAL EMPLOYEE BENEFITS (A)	<u>\$ 6,601,500</u>	<u>100.00 %</u>
BASIS FOR ALLOCATION OF EMPLOYEE BENEFITS:		
Gross Salaries	\$ 16,752,657	
Less released time	<u>(2,331,235)</u>	
CHARGEABLE SALARIES (B)	<u>\$ 14,421,422</u>	
EMPLOYEE BENEFIT RATE (A/B)	<u>45.78 %</u>	

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2016**

	Beginning 12/31/2015	Additions	Deletions	Ending 12/31/2016
ASSETS				
Cash	\$ 2,041,484	\$ 467,484	\$ (816,836)	\$ 1,692,132
Total Asset	\$ 2,041,484	\$ 467,484	\$ (816,836)	\$ 1,692,132
LIABILITIES				
Due to Other	\$ 2,041,484	\$ 467,484	\$ (816,836)	\$ 1,692,132
Total liabilities	\$ 2,041,484	\$ 467,484	\$ (816,836)	\$ 1,692,132

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.



THIS PAGE INTENTIONALLY LEFT BLANK

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$ 859,120	\$ 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
Restricted	-	-	-	-	2,905,476	5,411,485	7,831,657	7,714,688	8,032,742	7,907,727
Unrestricted	5,523,016	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
Total governmental activities net position	\$ 6,302,136	\$ 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
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 189,902	\$ 156,216	\$ 117,377	\$ 78,538	\$ 39,699	\$ 860	\$ -
Unrestricted	2,812,946	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
Total business-type activities net assets	\$ 2,812,946	\$ 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
Primary government										
Net Investment in Capital Assets	\$ 859,120	\$ 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
Restricted	-	-	-	-	2,905,476	5,411,485	7,831,657	7,714,688	8,032,742	7,907,727
Unrestricted	8,335,962	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
Total primary government net assets	\$ 9,115,082	\$ 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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental activities:										
General government	\$ 4,072,839	\$ 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
Workforce programs	226,465,879	208,166,797	220,604,671	303,355,993	226,221,149	180,735,826	185,089,084	183,974,199	205,095,889	209,009,087
Transportation	25,009,904	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
Community and environmental	4,997,975	8,009,836	7,902,348	4,963,591	11,156,076	8,016,851	10,310,254	22,778,574	23,021,245	10,732,671
Criminal justice	1,045,117	1,432,448	1,480,780	1,368,165	1,604,765	848,023	1,027,540	947,483	943,741	847,184
Emergency communications	5,936,604	2,489,410	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	7,112,240	6,652,799	9,975,099	8,603,598	9,299,666	9,144,786	8,774,680	8,975,078	9,886,838	11,124,787
Total governmental activities expenses	274,640,558	257,312,503	272,402,650	354,223,103	282,876,145	230,178,981	242,796,847	253,280,519	275,901,500	277,801,440
Business-type activities:										
Cooperative purchasing	2,100,589	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
Total business-type activities expenses	2,100,589	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
Total primary government expenses	\$ 276,741,147	\$ 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
Program Revenues										
Governmental activities:										
Charges for services:										
Membership dues	\$ 343,004	\$ 304,493	\$ 327,683	\$ 335,139	\$ 323,690	\$ 332,635	\$ 395,538	\$ 402,918	\$ 388,039	\$ 394,258
Interlocal contracts	3,610,855	4,347,083	4,275,528	1,797,840	2,393,802	1,710,860	734,742	1,616,261	767,454	785,108
Data services and imaging	-	2,908,167	878,651	842,738	355,006	1,279,097	389,465	670,050	211,625	651,490
Operating grants and contributions	270,510,949	249,670,801	267,824,047	351,325,543	282,374,159	228,699,778	243,745,694	249,980,261	274,844,685	275,703,821
Total governmental activities program revenues	274,464,808	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
Business-type activities:										
Charges for services:										
Cooperative purchasing	2,633,384	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
Total business-type activities program revenues	2,633,384	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
Total primary government program revenues	\$ 277,098,192	\$ 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
Net (Expense)/Revenue										
Governmental activities	\$ (175,750)	\$ (81,959)	\$ 903,259	\$ 72,157	\$ 2,570,512	\$ 1,843,389	\$ 2,468,592	\$ (611,030)	\$ 310,302	\$ (266,764)
Business-type activities	532,795	(66,161)	1,538,396	889,289	609,534	1,826,740	972,264	1,811,052	2,274,439	728,908
Total primary government net expense	\$ 357,045	\$ (148,120)	\$ 2,441,655	\$ 961,446	\$ 3,180,046	\$ 3,670,129	\$ 3,440,856	\$ 1,200,022	\$ 2,584,741	\$ 462,144
General Revenues and Other Changes in Net Position										
Governmental activities:										
State financial assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	318,535	169,199	17,511	42,374	70,482	14,668	158,039	15,741	22,290	14,189
Miscellaneous	746,105	784,359	288,404	341,270	522,311	696,854	(214,461)	1,606,138	364,809	165,314
Transfers in								500,000		
Total governmental activities	\$ 1,064,640	\$ 953,558	\$ 305,915	\$ 383,644	\$ 592,793	\$ 711,522	\$ (56,422)	\$ 2,121,879	\$ 387,099	\$ 179,503
Business-type activities:										
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500,000)	\$ -	\$ -
Total Business-type activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500,000)	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ 888,890	\$ 871,599	\$ 1,209,174	\$ 455,801	\$ 3,163,305	\$ 2,554,909	\$ 2,412,168	\$ 1,510,849	\$ 697,398	\$ (87,264)
Business-type activities	532,795	(66,161)	1,538,396	889,289	609,534	1,826,740	972,264	1,311,052	2,274,439	728,908
Total primary government	\$ 1,421,685	\$ 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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Nonspendable	\$ 173,723	\$ 205,943	\$ 81,395	\$ 116,622	\$ 115,315	\$ 83,951	\$ 179,415	\$ 116,304	\$ 48,145	\$ 206,721
Unassigned	5,869,058	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
Total general fund	\$ 6,042,781	\$ 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
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
Regional Excellence Corporation	\$ 124,983	\$ 246,617	\$ 192,845	\$ 228,990	\$ 266,224	\$ 201,005	\$ 81,896	\$ 114,974	\$ 199,279	\$ 421,018
Gulf Coast 911 Regional District										
Total all other governmental funds	\$ 124,983	\$ 246,617	\$ 192,845	\$ 228,990	\$ 3,056,385	\$ 5,411,485	\$ 7,831,657	\$ 7,714,688	\$ 8,032,742	\$ 8,208,145

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Interest income	\$ 318,535	\$ 169,199	\$ 17,511	\$ 42,374	\$ 70,482	\$ 14,668	\$ 11,974	\$ 15,741	\$ 22,290	\$ 14,189
Membership dues	343,004	304,493	327,684	335,139	323,690	332,635	395,538	402,917	388,039	394,258
Interlocal contracts	1,772,747	2,231,238	1,852,880	1,797,840	2,393,802	1,710,860	734,742	1,616,261	767,454	785,108
Data services and imaging	415,083	2,908,167	878,651	842,738	355,006	1,279,097	389,465	670,050	211,625	651,490
Miscellaneous income	331,022	784,359	288,410	341,270	522,311	696,854	(214,461)	1,606,138	364,809	165,314
Operating grants and contributions	270,510,948	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
Total revenues	273,691,339	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
Expenditures										
General government	2,326,981	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
Workforce programs	226,420,911	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
Transportation	24,944,943	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
Community and environmental	4,980,113	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
Criminal justice	1,039,398	1,606,226	1,454,588	1,652,330	1,544,171	773,435	958,987	957,655	909,063	815,491
Emergency communications	5,932,603	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	7,105,642	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
Regional excellence corporation	114,505	93,394	411,101	164,759	80,259	152,719	188,720	86,941	49,271	62,842
Gulf Coast 911 Emergency District	-	-	43,329	28,106	26,762	23,732	10,767	13,206	15,880	26,286
Debt service:	-	-	9,428	6,542	4,085	1,397	380	1,125	2,727	2,079
Principal	-	-	668,401	73,594	161,253	134,508	24,341	1,339,506	612,320	93,594
Interest	466,404	32,020	271,338,187	354,391,398	282,706,095	229,725,992	242,510,790	254,271,808	276,059,150	277,367,810
Capital outlay	273,331,500	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
Total expenditures	359,839	552,287	(149,005)	293,506	3,333,355	3,007,900	2,698,222	19,561	539,752	346,371
Excess of revenues over (under) expenditures	80,000	98,038	-	-	-	33,910	-	55,642	45,169	-
Other Financing Sources (Uses)										
Capital leases	80,000	98,038	-	-	-	33,910	-	55,642	45,169	-
Total other financing sources (uses)	80,000	98,038	-	-	-	33,910	-	55,642	45,169	-
Transfers in	-	-	100,000	-	-	-	-	500,000	-	-
Net change in fund balances	\$ 439,839	\$ 650,325	\$ (49,005)	\$ 293,506	\$ 3,333,355	\$ 3,041,810	\$ 2,698,222	\$ 575,203	\$ 584,921	\$ 346,371
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.02%	0.01%	0.01%	0.01%	0.00%	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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Executive										
Executive Director	4	4	4	4	4	4.5	4	4	4	4
Internal Audit	3	3	3	3	2	3.5	4	4	4	4
Finance Administration										
Finance	11	13	14	15.5	14	15	14	13	13	15
Office Services	6	4	4	4	5	5	4	7	8	7
Program Services										
Chief Operating Officer	3	2	2	2	2	1	1	2	3	3
Community and Environmental Planning	31.5	31	36.5	37.5	37	42.5	45.5	41	36	38.5
Data Services	11	13	13	12	12.5	15.5	16.5	20.5	20	23.5
Human Services	53.5	66.5	62	64	60	59	56	49	53.5	68.5
Public Services	32	33	35	40	38	30	32	31	28	30
Transportation	58	53	57.5	58	58	61	58	56.5	57	59
Total	212	222.5	231	240	232.5	237	235	228	226.5	252.5

Houston-Galveston Area Council	
Ten Largest Non-Governmental Houston Area Employers	
Walmart	37,000
Memorial Hermann	24,108
H-E-B	23,732
The University of Texas MD Anderson Cancer Center	21,086
McDonald's Corp	20,918
The Methodist Hospital System	20,000
Kroger Co.	16,000
United Airlines	14,941
Schlumberger	12,069
Shell Oil Co.	11,507
Source: Houston Chronicle 2016	

COUNTY PROFILES

Austin County

Land Area (sq. miles)	653
Persons per Square Mile	45
County Seat	Bellville
Population (2015)	29,563
Race	
<i>White</i>	18,626
<i>Black</i>	2,624
<i>Asian</i>	146
<i>Hispanic</i>	7,759
<i>Two or More Races and Other</i>	408
Households and Families (2015)	
Total households	11,038
Average family size	3.18
Average Household Size	2.59
Vital Statistics (2014)	
Marriages	173
Divorces	107
Births	363
Male	180
Female	183
Deaths	280
Unemployment Rate (03/2017)	5.4

Brazoria County

Land Area (sq. miles)	1,386
Persons per Square Mile	250
County Seat	Angleton
Population (2015)	346,312
Race	
<i>White</i>	170,027
<i>Black</i>	45,264
<i>Asian</i>	21,803
<i>Hispanic</i>	102,812
<i>Two or More Races and Other</i>	6,406
Households and Families (2015)	
Total households	112,510
Average family size	3.45
Average Household Size	2.85
Vital Statistics (2014)	
Marriages	2,043
Divorces	1,261
Births	4,783
Male	2,446
Female	2,337
Deaths	2,247
Unemployment Rate (03/2017)	5.9

Chambers County

Land Area (sq. miles)	599
Persons per Square Mile	65
County Seat	Anahuac
Population (2015)	38,863
Race	
<i>White</i>	26,069
<i>Black</i>	3,223
<i>Asian</i>	495
<i>Hispanic</i>	8,510
<i>Two or More Races and Other</i>	566
Households and Families (2015)	
Total households	13,018
Average family size	3.37
Average Household Size	2.84
Vital Statistics (2014)	
Marriages	227
Divorces	160
Births	475
Male	269
Female	206
Deaths	252
Unemployment Rate (03/2017)	7.4

Colorado County

Land Area (sq. miles)	963
Persons per Square Mile	22
County Seat	Columbus
Population (2015)	20,870
Race	
<i>White</i>	11,881
<i>Black</i>	2,584
<i>Asian</i>	152
<i>Hispanic</i>	6,030
<i>Two or More Races and Other</i>	223
Households and Families (2015)	
Total households	7,657
Average family size	3.26
Average Household Size	2.67
Vital Statistics (2014)	
Marriages	117
Divorces	45
Births	268
Male	123
Female	145
Deaths	255
Unemployment Rate (03/2017)	5

Fort Bend County

Land Area (sq. miles)	875
Persons per Square Mile	818
County Seat	Richmond
Population (2015)	716,087
Race	
White	248,046
Black	144,146
Asian	137,645
Hispanic	172,672
Two or More Races and Other	13,578
Households and Families (2015)	
Total households	206,188
Average family size	3.58
Average Household Size	3.17
Vital Statistics (2014)	
Marriages	3,145
Divorces	1,670
Births	9,314
Male	4,764
Female	4,550
Deaths	2,846
Unemployment Rate (03/2017)	5.5

Galveston County

Land Area (sq. miles)	398
Persons per Square Mile	810
County Seat	Galveston
Population (2015)	322,225
Race	
White	185,874
Black	41,659
Asian	10,889
Hispanic	77,492
Two or More Races and Other	6,311
Households and Families (2015)	
Total households	113,866
Average family size	3.30
Average Household Size	2.66
Vital Statistics (2014)	
Marriages	1,876
Divorces	1,026
Births	4,133
Male	2,084
Female	2,049
Deaths	2,541
Unemployment Rate (03/2017)	5.9

Harris County

Land Area (sq. miles)	1,729
Persons per Square Mile	2,625
County Seat	Houston
Population (2015)	4,538,028
Race	
White	1,405,412
Black	839,956
Asian	317,035
Hispanic	1,904,959
Two or More Races and Other	70,666
Households and Families (2015)	
Total households	1,499,528
Average family size	3.63
Average Household Size	2.88
Vital Statistics (2014)	
Marriages	27,755
Divorces	11,902
Births	71,395
Male	36,528
Female	34,867
Deaths	24,530
Unemployment Rate (03/2017)	5.7

Liberty County

Land Area (sq. miles)	1,160
Persons per Square Mile	69
County Seat	Liberty
Population (2015)	79,654
Race	
White	52,484
Black	8,193
Asian	478
Hispanic	17,116
Two or More Races and Other	1,383
Households and Families (2015)	
Total households	25,319
Average family size	3.41
Average Household Size	2.82
Vital Statistics (2014)	
Marriages	431
Divorces	243
Births	1,082
Male	568
Female	514
Deaths	766
Unemployment Rate (03/2017)	8.3

Matagorda County

Land Area (sq. miles)	1,114
Persons per Square Mile	33
County Seat	Bay City
Population (2015)	36,770
Race	
White	16,651
Black	3,911
Asian	748
Hispanic	14,967
Two or More Races and Other	493
Households and Families (2015)	
Total households	13,382
Average family size	3.41
Average Household Size	2.70
Vital Statistics (2014)	
Marriages	266
Divorces	114
Births	572
Male	300
Female	272
Deaths	349
Unemployment Rate (03/2017)	8.1

Montgomery County

Land Area (sq. miles)	1,044
Persons per Square Mile	515
County Seat	Conroe
Population (2015)	537,559
Race	
White	364,212
Black	24,697
Asian	14,275
Hispanic	124,265
Two or More Races and Other	10,110
Households and Families (2015)	
Total households	173,238
Average family size	3.45
Average Household Size	2.88
Vital Statistics (2014)	
Marriages	3,350
Divorces	1,791
Births	6,971
Male	3,556
Female	3,415
Deaths	3,385
Unemployment Rate (03/2017)	5.2

Walker County

Land Area (sq. miles)	787
Persons per Square Mile	90
County Seat	Huntsville
Population (2015)	70,699
Race	
White	40,097
Black	15,820
Asian	824
Hispanic	12,896
Two or More Races and Other	1,062
Households and Families (2015)	
Total households	20,685
Average family size	3.02
Average Household Size	2.37
Vital Statistics (2014)	
Marriages	418
Divorces	190
Births	674
Male	333
Female	341
Deaths	473
Unemployment Rate (03/2017)	5.2

Waller County

Land Area (sq. miles)	514
Persons per Square Mile	95
County Seat	Hempstead
Population (2015)	48,656
Race	
White	20,810
Black	12,325
Asian	409
Hispanic	14,401
Two or More Races and Other	711
Households and Families (2015)	
Total households	13,937
Average family size	3.48
Average Household Size	2.94
Vital Statistics (2014)	
Marriages	345
Divorces	142
Births	667
Male	343
Female	324
Deaths	302
Unemployment Rate (03/2017)	5.7

Wharton County

Land Area (sq. miles)	1,090
Persons per Square Mile	38
County Seat	Wharton
Population (2015)	41,486
Race	
<i>White</i>	18,791
<i>Black</i>	5,388
<i>Asian</i>	191
<i>Hispanic</i>	16,753
<i>Two or More Races and Other</i>	363
Households and Families (2015)	
Total households	14,741
Average family size	3.51
Average Household Size	2.77
Vital Statistics (2014)	
Marriages	242
Divorces	97
Births	552
Male	267
Female	285
Deaths	382
Unemployment Rate (03/2017)	5.2

Sources: US Census Bureau
Texas Department of Health
Texas Workforce Commission
H-GAC

Total Population (1980-2016)

Region	1980	1990	2000	2010	2011	2012	2013	2014	2015	2016
Austin	17,726	19,832	23,590	28,417	28,589	28,547	28,709	28,973	29,548	29,758
Brazoria	169,587	191,707	241,767	313,166	319,258	324,373	330,091	337,777	345,661	354,195
Chambers	18,538	20,088	26,031	35,096	35,625	36,408	37,221	38,063	38,768	39,899
Colorado	18,823	18,383	20,390	20,874	20,789	20,684	20,706	20,669	20,880	21,019
Fort Bend	130,962	225,421	354,452	585,375	606,962	625,796	653,252	684,646	713,849	741,237
Galveston	195,738	217,396	250,158	291,309	295,596	301,067	306,693	313,698	321,538	329,431
Harris	2,409,547	2,818,101	3,400,578	4,092,459	4,179,717	4,259,206	4,346,883	4,441,928	4,533,341	4,589,928
Liberty	47,088	52,726	70,154	75,643	76,057	76,425	76,973	78,192	79,696	81,704
Matagorda	37,828	36,928	37,957	36,702	36,701	36,560	36,513	36,497	36,840	37,187
Montgomery	127,222	182,201	293,768	455,746	471,591	484,674	498,951	517,985	536,434	556,203
Walker	14,618	14,675	16,809	15,507	15,628	15,570	15,670	15,862	16,059	15,970
Waller	19,798	23,374	32,663	43,205	44,017	44,321	45,394	46,784	48,630	50,115
Wharton	40,242	39,955	41,188	41,280	41,327	41,171	41,225	41,228	41,526	41,735
H-GAC 13	3,247,717	3,860,787	4,809,505	6,034,779	6,171,857	6,294,802	6,438,281	6,602,302	6,762,770	6,888,381
TX	14,225,513	16,986,335	20,851,820	25,145,561	25,646,389	26,071,655	26,473,525	26,944,751	27,429,639	27,862,596

Source: US Census

**Texas 2015 State Expenditures by County
Summary for the H-GAC Region, Ranked by Expenditures**

Rank	County	Total	Inter-governmental Payments	Labor Costs	Public Assistance	Highway Construction	Operating Expenses	Capital Outlays	Miscellaneous
1	Harris	\$16,125,477,662	\$4,312,510,759	\$2,217,915,412	\$8,612,775,838	\$460,580,038	\$177,629,413	\$54,128,169	\$309,938,033
2	Travis	\$12,036,195,058	\$942,263,380	\$4,905,560,316	\$4,067,563,230	\$714,727,116	\$333,911,705	\$60,138,388	\$1,012,030,922
3	Dallas	\$11,067,217,354	\$2,928,432,272	\$2,018,461,444	\$4,546,445,750	\$393,633,531	\$405,447,423	\$94,346,568	\$680,450,375
4	Bexar	\$9,008,463,367	\$2,161,870,601	\$1,146,400,548	\$5,145,639,290	\$323,910,792	\$81,522,780	\$17,726,675	\$131,392,681
5	Tarrant	\$6,603,505,157	\$1,910,089,645	\$792,915,375	\$3,186,638,869	\$555,522,079	\$41,288,304	\$11,445,800	\$105,605,084
6	Hidalgo	\$3,901,869,704	\$2,140,109,595	\$444,976,111	\$1,194,251,991	\$69,464,327	\$22,518,773	\$3,236,033	\$27,312,873
7	El Paso	\$3,583,671,152	\$1,362,389,675	\$504,371,888	\$1,367,965,443	\$288,849,066	\$15,091,487	\$1,815,557	\$43,188,037
8	Fort Bend	\$3,497,774,321	\$680,300,418	\$339,630,662	\$2,359,104,152	\$71,260,371	\$11,842,119	\$1,499,394	\$34,137,205
9	Nueces	\$2,137,617,966	\$362,328,343	\$278,414,362	\$1,317,270,305	\$134,435,806	\$20,057,612	\$614,541	\$24,496,996
10	Denton	\$1,984,886,080	\$500,931,941	\$548,519,290	\$725,807,361	\$154,252,983	\$10,906,889	\$7,325,497	\$37,142,118
17	Galveston	\$1,311,318,044	\$418,445,870	\$458,223,065	\$377,428,531	\$19,845,170	\$19,001,716	\$687,113	\$17,686,580
18	Montgomery	\$1,192,648,521	\$468,711,627	\$213,556,639	\$397,845,485	\$67,941,395	\$17,323,915	\$148,581	\$27,120,877
21	Brazoria	\$1,037,825,487	\$330,038,322	\$191,628,017	\$469,290,587	\$8,733,496	\$11,293,137	\$485,642	\$26,356,287
32	Walker	\$505,687,077	\$49,356,132	\$289,577,494	\$41,842,674	\$75,577,641	\$26,145,604	\$267,994	\$22,919,540
57	Wharton	\$227,175,198	\$54,852,242	\$30,238,873	\$87,870,972	\$37,196,752	\$10,434,996	\$9,844	\$6,571,519
60	Liberty	\$219,143,125	\$89,644,337	\$51,136,232	\$54,838,274	\$8,553,153	\$3,637,383	\$147,563	\$11,186,183
87	Waller	\$127,697,801	\$21,748,185	\$63,112,455	\$28,819,476	\$1,624,460	\$7,295,719	-	\$5,097,505
88	Matagorda	\$120,738,723	\$40,421,435	\$19,560,411	55,729,029	\$306,091	\$984,323	\$215,450	\$3,521,984
102	Austin	\$91,436,649	\$22,704,112	2,187,038	\$34,081,918	\$6,484,401	\$2,316,786	-	\$3,979,050
115	Colorado	\$76,153,791	\$17,996,194	\$12,822,217	\$23,635,393	15,069,225	\$4,248,807	\$1,225,572	\$1,156,379
118	Chambers	\$70,331,188	\$25,756,684	\$16,576,139	\$20,811,853	\$1,624,486	\$3,029,597	-	\$2,532,428
TOTAL FOR TEXAS COUNTIES		\$113,021,929,491	\$29,456,961,005	\$24,330,519,248	\$48,140,169,388	\$5,192,812,181	\$1,988,896,709	\$307,171,309	\$3,605,399,649
TOTAL REGIONAL EXPENDITURES		\$24,603,407,587	\$6,532,486,317	\$3,903,977,616	\$12,508,345,153	\$759,727,454	\$295,183,515	\$38,815,322	\$472,203,570
% OF EXPENDITURES IN THE REGION		21.8%	22.2%	16.0%	26.0%	14.6%	14.8%	12.6%	13.1%

Source: Texas Comptroller of Public Accounts
*2016 date unavailable

**Texas 2015 State Expenditures by Council Of Governments
Ranked by Expenditures**

Rank	COG Region	Total	Inter-governmental Payments	Labor Costs	Public Assistance	Highway Construction	Operating Expenses	Capital Outlays	Miscellaneous
1	Houston-Galveston Area	\$24,603,407,589	\$6,532,486,317	\$3,925,848,001	\$12,564,074,182	\$774,796,682	\$295,183,514	\$38,815,323	\$472,203,571
2	North Central Texas	\$24,520,761,484	\$6,845,603,581	\$4,143,457,860	\$10,400,144,666	\$1,530,103,279	\$521,259,330	\$131,781,186	\$948,411,582
3	Capital Area	\$15,732,317,786	\$1,626,706,311	\$6,551,567,553	\$5,086,960,714	\$860,626,647	\$408,331,830	\$64,889,471	\$1,133,235,261
4	Alamo Area	\$10,911,884,606	\$2,587,338,155	\$1,572,585,140	\$5,854,464,996	\$478,062,197	\$126,942,253	\$23,019,549	\$269,472,317
5	Lower Rio Grande Valley	\$5,810,447,979	\$3,047,626,324	\$729,139,982	\$1,856,187,851	\$83,677,200	\$35,965,291	\$4,675,257	\$53,176,072
6	Rio Grande	\$3,692,356,237	\$1,399,038,769	\$548,065,054	\$1,386,992,211	\$292,733,566	\$18,359,614	\$2,130,853	\$45,036,171
7	East Texas	\$3,092,375,972	\$771,699,765	\$712,645,636	\$1,363,752,691	\$62,616,745	\$66,656,711	\$333,501	\$114,670,922
8	Coastal Bend	\$3,027,776,272	\$650,956,676	\$535,382,946	\$1,584,455,650	\$170,804,407	\$41,569,313	\$1,505,100	\$43,102,180
9	South Plains	\$2,207,380,596	\$459,840,309	\$732,486,175	\$876,813,508	\$45,911,905	\$31,101,964	\$4,540,956	\$56,685,779
10	Brazos Valley	\$1,945,434,203	\$237,910,062	\$1,028,908,654	\$423,656,013	\$78,622,667	\$52,872,013	\$11,673,247	\$111,791,547
11	Central Texas	\$1,924,872,327	\$591,910,158	\$458,640,061	\$674,428,218	\$125,981,083	\$23,692,880	\$3,630,537	\$46,589,390
12	West Central Texas	\$1,702,481,355	\$374,768,603	\$429,087,233	\$784,363,649	\$35,605,667	\$32,609,269	\$266,366	\$45,780,568
13	Deep East Texas	\$1,669,589,707	\$454,914,719	\$449,157,416	\$597,686,516	\$76,790,580	\$47,395,277	\$590,826	\$43,054,373
14	Heart of Texas	\$1,572,609,557	\$533,304,266	\$364,502,024	\$529,361,015	\$56,243,174	\$36,664,109	\$2,173,347	\$50,361,622
15	Panhandle	\$1,552,310,383	\$483,751,403	\$386,087,659	\$558,561,367	\$70,379,572	\$38,552,141	\$2,828,106	\$12,150,135
16	South East Texas	\$1,454,675,100	\$413,203,664	\$322,287,091	\$622,500,941	\$40,076,102	\$23,436,097	\$8,568,905	\$24,602,299
17	South Texas	\$1,345,573,961	\$714,501,090	\$177,196,847	\$398,083,845	\$38,366,618	\$8,820,020	\$16	\$8,605,524
18	Permian Basin	\$1,279,742,492	\$301,346,569	\$261,617,321	\$573,321,719	\$93,245,066	\$27,715,439	\$1,543,166	\$20,953,211
19	Ark-Tex	\$1,114,905,202	\$353,416,677	\$198,731,951	\$426,241,272	\$56,706,308	\$60,269,610	\$2,631,912	\$16,907,472
20	Nortex	\$946,941,605	\$209,862,955	\$289,541,660	\$377,547,021	\$23,783,583	\$23,986,789	\$781,828	\$21,437,767
21	Concho Valley	\$873,011,251	\$180,954,206	\$176,735,446	\$466,671,775	\$15,788,361	\$14,372,834	\$179,971	\$18,308,659
22	Middle Rio Grande	\$820,879,660	\$305,267,100	\$96,348,741	\$249,897,528	\$129,575,798	\$19,379,726	\$26,930	\$20,383,837
23	Texoma	\$621,561,310	\$223,135,621	\$116,311,195	\$227,122,136	\$26,600,103	\$10,745,093	\$377,903	\$17,269,259
24	Golden Crescent	\$598,632,857	\$157,417,705	\$124,187,602	\$256,879,904	\$25,714,871	\$23,015,592	\$207,053	\$11,210,131
TOTAL FOR COUNCIL OF GOVERNMENTS		\$113,021,929,491	\$29,456,961,005	\$24,330,519,248	\$48,140,169,388	\$5,192,812,181	\$1,988,896,709	\$307,171,309	\$3,605,399,649

Source: Texas Comptroller of Public Accounts
*2016 date unavailable

Voter Registration 1996 - 2017 Primary Elections

	Number of Precincts	Total Registered Voters															
		1996	1998	2000	2002	2004	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Austin	19	13,223	14,115	14,905	15,019	16,123	17,034	16,841	17,252	17,145	17,546	17,534	17,732	18,178	18,058	18,601	18,897
Brazoria	77	120,294	135,443	147,811	147,972	150,164	157,705	159,948	163,934	168,097	163,917	168,795	181,609	178,808	178,804	186,517	200,248
Chambers	13	14,451	16,070	17,479	17,808	18,458	20,450	21,164	21,053	21,930	22,707	23,316	23,729	24,338	24,481	25,479	26,688
Colorado	12	12,130	11,558	12,040	11,746	12,339	13,008	13,175	13,052	13,249	12,865	13,021	12,953	13,233	13,085	13,391	13,552
Fort Bend	142	148,169	175,820	202,706	213,061	227,775	256,461	286,537	290,019	300,777	302,223	315,207	332,199	347,188	359,046	379,254	412,810
Galveston	175	153,653	168,481	176,888	172,483	173,848	182,743	176,504	177,697	179,928	172,603	177,334	179,943	184,818	194,770	195,988	203,348
Harris	1,012	1,592,569	1,755,809	1,886,581	1,866,381	1,808,048	1,871,929	1,782,013	1,804,641	1,859,043	1,847,952	1,884,489	1,930,759	1,998,264	1,998,988	2,084,462	2,189,228
Liberty	36	36,648	39,323	42,270	42,790	44,721	44,359	43,354	42,505	42,863	41,111	41,949	41,025	41,263	40,251	41,130	43,619
Matagorda	18	21,956	22,866	23,095	21,512	20,607	20,890	20,284	20,761	20,540	20,131	20,625	20,201	20,577	20,265	20,826	20,941
Montgomery	89	138,348	159,571	183,958	188,100	197,107	215,878	214,406	224,321	235,052	243,027	246,768	257,799	268,147	273,352	290,259	306,564
Walker	16	26,595	29,041	29,556	27,344	26,887	28,190	27,658	28,343	29,119	29,507	28,356	28,983	29,578	29,044	30,179	31,334
Waller	21	17,225	18,539	20,123	21,561	24,404	24,709	25,861	27,045	28,787	29,792	27,037	27,751	28,288	28,344	29,237	30,351
Wharton	34	21,003	22,009	22,612	22,587	23,618	24,583	23,493	23,992	24,471	23,675	24,090	23,907	24,275	23,743	24,387	24,612
H-GAC region	1,664	2,316,264	2,568,645	2,780,024	2,768,364	2,744,099	2,877,939	2,775,536	2,831,596	2,922,905	2,982,235	2,918,590	3,078,590	3,176,955	3,202,231	3,339,710	3,522,192

Source: Office of the Texas Secretary of State 2017

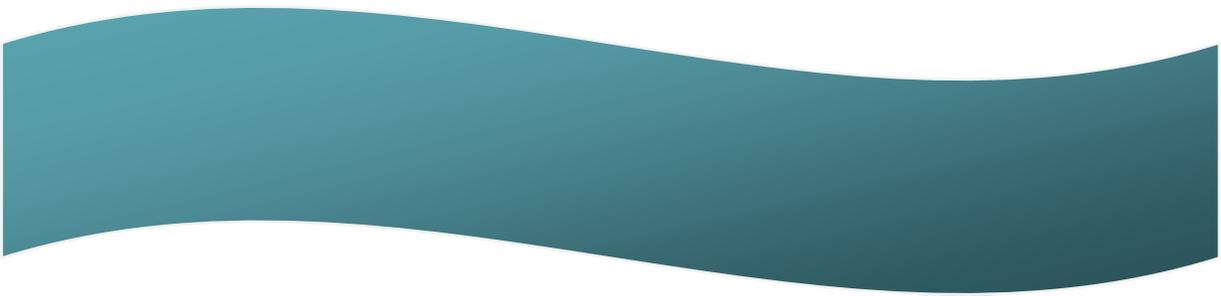
2016 General Election Results by County

	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

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2016, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements, and have issued our report thereon dated June 5, 2017.

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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
June 5, 2017

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, 2016. 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, 2016.

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
June 5, 2017

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2016

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				
	Direct Program			
USDA-RD-HCFP-RCDI-2013	Rural Community Development Initiative	10.446	<u>739</u>	<u>0</u>
	Total - Direct Program		<u>739</u>	<u>0</u>
SNAP Cluster				
	Passed Through the Texas Workforce Commission			
2816WCI000	Special Projects	10.561	24,156	13,623
2816SNE000	SNAP E&T - 2016	10.561	<u>2,685,740</u>	<u>2,505,391</u>
	Subtotal - SNAP Cluster		<u>2,709,896</u>	<u>2,519,014</u>
	Total - Texas Workforce Commission		<u>2,709,896</u>	<u>2,519,014</u>
	TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>2,710,635</u>	<u>2,519,014</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
CDBG Cluster				
	Passed Through the Texas Department of Agriculture			
C715218	Community Development Block Grant - 2016	14.228	10,166	0
C716218	Community Development Block Grant - 2017	14.228	<u>523</u>	<u>0</u>
	Total - Texas Department of Agriculture		<u>10,689</u>	<u>0</u>
	Passed Through the General Land Office			
12-506-000-6719	CDBG - Disaster Recovery Program Non-Rental Housing Projects	14.228	2,523,110	1,984,148
12-505-000-6718	CDBG - IKE Admin Rental	14.228	215,168	0
12-505-000-6718	CDBG - IKE Single Family Rental	14.228	-258,591	-258,591
12-505-000-6718	CDBG - IKE Multi Family Rental	14.228	1,634,033	1,634,033
12-506-000-6719	CDBG - IKE Rapid Housing	14.228	<u>3,896,415</u>	<u>3,727,499</u>
	Total - General Land Office		<u>8,010,134</u>	<u>7,087,089</u>
	Total - CDBG Cluster		<u>8,020,823</u>	<u>7,087,089</u>
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>8,020,823</u>	<u>7,087,089</u>
U.S DEPARTMENT OF JUSTICE				
30071044	Criminal Justice Planning - 2016	16.540	185,912	0
30071044	Criminal Justice Planning - 2017	16.540	<u>65,596</u>	<u>0</u>
	Subtotal - Criminal Justice Planning		<u>251,508</u>	<u>0</u>
	TOTAL U.S DEPARTMENT OF JUSTICE		<u>251,508</u>	<u>0</u>

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 2016

U.S. DEPARTMENT OF HOMELAND SECURITY

	Passed Through the Office of the Governor			
2606704	CJD Juvenile Mental Health Project 2016	97.607	101,877	0
2606705	CJD Juvenile Mental Health Project 2017	97.607	4,941	0
14-SR 99012-01	Homeland Security Grant Program - SHSP - 2014	97.067	31,209	0
2992701	Homeland Security Grant Program - SHSP - 2015	97.067	71,688	0
2992702	Homeland Security Grant Program - SHSP - 2016	97.067	20,282	0
30060140	Homeland Security Grant Program - Management and Administrative 2016	97.067	20,181	0
30070157	Homeland Security Grant Program - Management and Administrative 2017	97.067	<u>39,528</u>	<u>0</u>
	Total - Office of the Governor		<u>289,706</u>	<u>0</u>

TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY 289,706 0

U.S. DEPARTMENT OF LABOR

Employment Services Cluster

	Passed Through the Texas Workforce Commission			
2816RAG000	Resource Admin Grant - 2016	17.207	12,723	0
2817RAG000	Resource Admin Grant - 2017	17.207	3,146	0
2816WCI000	Special Projects	17.207	10,461	10,460
2816WCI001	Special Projects	17.207	75,000	75,000
2816WPA000	Employment Services - 2016	17.207	1,141,412	987,875
2817WPA000	Employment Services - 2017	17.207	<u>67,814</u>	<u>52,139</u>
	Total - Texas Workforce Commission		<u>1,310,586</u>	<u>1,125,474</u>

Passed Through Texas Veterans Commission

VES 16-28	Disabled Veterans' Outreach Program	17.801	191,360	177,196
VES 17-28	Disabled Veterans' Outreach Program	17.801	56,967	52,692
VES 16-28	Local Veterans Employment Representative Program	17.804	82,011	75,941
VES 17-28	Local Veterans Employment Representative Program	17.804	<u>24,414</u>	<u>22,582</u>
	Total - Texas Veterans Commission		<u>354,752</u>	<u>328,411</u>

Total - Employment Services Cluster 1,665,308 1,453,885

2816RAG000	Resource Admin Grant - 2016	17.225	4,241	0
2817RAG000	Resource Admin Grant - 2017	17.225	<u>1,049</u>	<u>0</u>
	Subtotal - 17.225		<u>5,290</u>	<u>0</u>

2816WCI000	Food Bank Initiative	17.245	296	296
2816TRA000	Trade Act Services for Dislocated Workers - 2016	17.245	1,165,597	1,156,516
2817TRA000	Trade Act Services for Dislocated Workers - 2017	17.245	<u>244</u>	<u>244</u>
	Subtotal - 17.245		<u>1,166,137</u>	<u>1,157,056</u>

WIA Cluster

2815RSC000	Recognized Skills	17.258	297,842	271,140
2816WCI000	Special Projects	17.258	36,050	18,571
2815WOA000	WIA Adult Program - PY2015	17.258	9,303,135	8,755,683
2816WOA000	WIA Adult Program - PY2016	17.258	273,485	232,762
2815WOY000	WIA Youth - PY2015	17.259	9,019,061	8,400,960
2816WOY000	WIA Youth - PY2016	17.259	2,695,702	2,654,979
2815WIP000	Local Innovation Partnership	17.278	200,028	187,175
2815WOR000	Rapid Response	17.278	123,240	39,825
2817WOR000	Rapid Response	17.278	84,992	0
2816WOS001	Externship	17.278	35,598	30,400
2816WCI001	Special Projects	17.278	9,787	7,617
2815WOD000	WIA Dislocated Worker - PY2015	17.278	6,958,225	6,430,704
2816WOD000	WIA Dislocated Worker - PY2016	17.278	<u>3,386,863</u>	<u>3,346,140</u>
	Total WIA Cluster		<u>32,424,008</u>	<u>30,375,956</u>

2816RAG000	Resource Administration Grant - 2016	17.273	1,120	0
2817RAG000	Resource Administration Grant - 2017	17.273	<u>277</u>	<u>0</u>
	Subtotal - 17.273		<u>1,397</u>	<u>0</u>

2815NEG000	NEG - JD	17.277	798,580	774,561
2815NDW000	NEG - SP	17.277	339,434	263,375
2817NDW000	NEG - O&G	17.277	<u>1,925</u>	<u>0</u>
	Subtotal - 17.277		<u>1,139,939</u>	<u>1,037,936</u>

2815WDR000	Disconnected Youth	17.280	<u>695,552</u>	<u>578,549</u>
	Subtotal - 17.280		<u>695,552</u>	<u>578,549</u>

Total - Texas Workforce Commission 36,742,879 34,274,971

TOTAL U.S. DEPARTMENT OF LABOR 37,097,631 34,603,382

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2016

U.S. DEPARTMENT OF TRANSPORTATION

	Passed Through the Federal Transit Administration			
TX-2016-015-00	The Woodlands Township	20.507	<u>6,808,410</u>	<u>6,800,000</u>
	Subtotal - 20.507		<u>6,808,410</u>	<u>6,800,000</u>
	Highway Planning and Construction Cluster			
	Passed Through the Texas Department of Transportation			
0912-00-467	Clean Cities/Vehicles - 2013	20.205	148,102	148,102
0912-00-474 TASK 1 & 2	Clean Air Action Program, Federal Highway Administration	20.205	415,902	0
0912-00-486 TASK 1	Freeway Surveillance	20.205	1,459,530	1,459,530
0912-00-475	Clean Cities/Vehicles - 2013	20.205	397,264	221,254
0912-00-486	Motorist Assistance	20.205	800,000	800,000
0912-00-529 TASK 2	Incident Management-Quick Clearance Towing-Admin.	20.205	27,369	0
0912-00-462 TASK 1	Clean Air Action Marketing and Outreach-Admin.	20.205	7,783	0
0912-00-462 TASK 3	Clean Air Action Marketing and Outreach-Contractor	20.205	760,259	0
0912-00-491	Livable Centers Planning Studies	20.205	627,485	0
0912-00-499	Commute Solutions Program - Rideshare	20.205	372,000	0
TX-80-0023	Regionally Coordinated Transportation Planning	20.205	48,091	0
0912-00-494	Subregional Planning Initiatives Study	20.205	6,343	0
0912-00-508 Task 1 & 2	Clean Cities/Vehicles - 2016	20.205	4,854,508	4,491,292
0912-00-460 TASK 1	Existing Commuter & Transit Pilot Project	20.205	639,460	639,460
0912-00-498 TASK 1	Regional Rideshare Carpool - Marketing and Outreach	20.205	138,730	0
0912-00-367 TASK 1	Commuter Transit Pilot Program FY10	20.205	-22,656	-22,656
50-16XF0015	Administration - 2016	20.205	1,770,005	0
50-16XF0015	Data Development & Maintenance - 2016	20.205	1,900,894	0
50-16XF0015	Short Range Planning - 2016	20.205	1,101,890	0
50-16XF0015	Long Range Plan - 2016	20.205	1,581,551	25,500
50-16XF0015	Special Studies - 2016	20.205	109,959	0
50-17XF0015	Administration - 2017	20.205	464,640	0
50-17XF0015	Data Development & Maintenance - 2017	20.205	746,796	0
50-17XF0015	Short Range Planning - 2017	20.205	331,360	0
50-17XF0015	Long Range Plan - 2017	20.205	436,839	0
50-17XF0015	Special Studies - 2017	20.205	<u>23,518</u>	<u>0</u>
	Total - Highway Planning and Construction Cluster		<u>19,147,622</u>	<u>7,762,482</u>
SPR-Travel Options Research	Commute Solutions SPR	20.515	<u>22,978</u>	<u>0</u>
	Subtotal - 20.515		<u>22,978</u>	<u>0</u>
	Highway Safety Cluster			
2016-HGAC-S-1YG-0087	DWI Selective Traffic Enforcement-2016	20.600	61,803	61,803
2017-HGAC-S-1YG-0071	DWI Selective Traffic Enforcement-2017	20.600	<u>16,561</u>	<u>16,561</u>
	Total - Highway Safety Cluster		<u>78,364</u>	<u>78,364</u>
	Total - Texas Department of Transportation		<u>19,248,964</u>	<u>7,840,846</u>
	TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>26,057,374</u>	<u>14,640,846</u>

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 2016

ENVIRONMENTAL PROTECTION AGENCY

Direct Programs:				
2A-83440901-0	DERA Revolving Loan Program - ARRA	66.039	8,054,035	0
DE-00F42401-0	Clean Vessels for Texas Waters	66.039	720	0
DE-00F31901-0	Clean Marine Non Road	66.039	6,603	0
00F95401	Port of Houston Clean Diesel Funding Assistance	66.039	303,690	292,101
	Subtotal - 66.039		<u>8,365,048</u>	<u>292,101</u>
MX-00D19614-0	Gulf of Mexico Program	66.475	8,251	0
	Subtotal - 66.475		<u>8,251</u>	<u>0</u>
	Total - Direct Programs		<u>8,373,299</u>	<u>292,101</u>
Passed Through the Texas Commission on Environmental Quality				
582-16-60224	Water Quality Management Planning - 2016	66.454	58,560	0
582-17-70167	Water Quality Management Planning - 2017	66.454	38,207	0
	Subtotal - 66.454		<u>96,767</u>	<u>0</u>
582-15-52148	Bacteria Implementation Group's Top Five/Least Five	66.456	70,798	0
582-15-50886	Trash Bash 2015-2016	66.456	5,314	0
582-17-70188	GBEP - CCMP	66.456	5,302	0
	Subtotal - 66.456		<u>81,414</u>	<u>0</u>
582-14-40156	Bastrop Bayou-WQMP (319H)	66.460	13,309	8,750
582-14-40154	319 Trash Bash Storage	66.460	35,678	0
582-15-56349	Westfork, San Jacinto, & Clear Lake	66.460	78,303	0
	Subtotal - 66.460		<u>127,290</u>	<u>0</u>
	Total - Texas Commission on Environmental Quality		<u>305,471</u>	<u>0</u>
Passed Through the Texas State Soil and Water Conservation Board				
15-10	Watershed Protection Plan - Cedar Bayou	66.460	19,356	0
	Subtotal - 66.460		<u>19,356</u>	<u>0</u>
	Total - Texas State Soil and Water Conservation Board		<u>19,356</u>	<u>0</u>
	TOTAL ENVIRONMENTAL PROTECTION AGENCY		<u>8,698,126</u>	<u>292,101</u>

DEPARTMENT OF ENERGY

Direct Programs:				
DE-EE0005979	Houston Zero Emission Delivery Vehicle Deployment	81.086	705,620	699,876
DE-EE0005978	Hydrogen Fuel-Cell Electric Hybrid Truck Demonstration	81.086	325,360	321,156
DE-EE0006092	Recipe for Fueling Diversity of Alternative Fuels	81.086	24,285	18,939
DE-EE0007411	Clean Cities Outreach Education and Performance Tracking	81.086	42,875	0
	Subtotal - 81.086		<u>1,098,140</u>	<u>1,039,971</u>
	TOTAL DEPARTMENT OF ENERGY		<u>1,098,140</u>	<u>1,039,971</u>

DEPARTMENT OF EDUCATION

Passed Through the Texas Workforce Commission				
2816WC000	Special Projects	84.002A	27,524	237
2814AEL000	Adult Education and Literacy	84.002A	5,713,847	5,713,847
2816AEL007	Adult Education and Literacy	84.002A	5,456,108	5,168,897
2916AEL011	Adult Education and Literacy - Accelerate TX	84.002A	21,946	20,748
2816AEL006	Adult Education and Literacy - Career Pathways	84.002A	9,455	6,955
	Total - Texas Workforce Commission		<u>11,228,880</u>	<u>10,910,684</u>
	TOTAL DEPARTMENT OF EDUCATION		<u>11,228,880</u>	<u>10,910,684</u>

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2016

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 - 2016	93.041	<u>16,738</u>	<u>0</u>
	Subtotal - 93.041		<u>16,738</u>	<u>0</u>
539-16-00015-00001	Aging Title VII OAG - 2016	93.042	<u>49,273</u>	<u>0</u>
	Subtotal - 93.042		<u>49,273</u>	<u>0</u>
539-16-00015-00001	Aging Title III, Part D - 2016	93.043	<u>107,884</u>	<u>107,884</u>
	Subtotal - 93.043		<u>107,884</u>	<u>107,884</u>
	Aging Cluster			
539-16-00015-00001	Aging Title III, Part B - 2016	93.044	2,043,527	1,010,027
539-16-00015-00001	Aging Title III, Part B - 2017	93.044	866,431	468,009
539-16-00015-00001	Aging Title III, Part C - 2016	93.045	1,450,464	1,441,821
539-16-00015-00001	Aging Title III, Part C - 2017	93.045	531,972	523,980
539-16-00015-00001	Aging NSIP - 2016	93.053	387,375	387,375
539-16-00015-00001	Aging NSIP - 2017	93.053	<u>37,014</u>	<u>37,014</u>
	Total - Aging Cluster		<u>5,316,783</u>	<u>3,868,226</u>
539-16-00015-00001	Aging Title III, Part E - 2016	93.052	654,661	485,126
539-16-00015-00001	Aging Title III, Part E - 2017	93.052	<u>153,470</u>	<u>102,168</u>
	Subtotal 93.052		<u>808,131</u>	<u>587,294</u>
539-16-00015-00001	ATRA-MIPPA Priority 2 - 2016	93.071	<u>24,424</u>	<u>0</u>
	Subtotal 93.071		<u>24,424</u>	<u>0</u>
539-16-00015-00001	Aging CMS Basic (04/01/15-03/31/16)	93.777	31,941	0
	Aging CMS Basic (04/01/16-03/31/17)	93.777	<u>129,594</u>	<u>0</u>
	Subtotal - 93.777		<u>161,535</u>	<u>0</u>
539-16-00015-00001	OMB-MFPD - 2016	93.791	<u>821</u>	<u>0</u>
	Subtotal - 93.791		<u>821</u>	<u>0</u>
	Total - Texas Department of Aging and Disability Services		<u>6,485,589</u>	<u>4,563,404</u>
	TANF Cluster			
	Passed Through the Texas Workforce Commission			
2816TAN000	TANF Choices - 2016	93.558	10,404,502	9,719,710
2817TAN000	TANF Choices - 2017	93.558	2,648,174	2,497,706
2816NCP000	TANF E&T - Noncustodial Parent Empl - 2016	93.558	460,381	457,694
2817NCP000	TANF E&T - Noncustodial Parent Empl - 2017	93.558	256,700	248,332
2814AEL000	Adult Education and Literacy	93.558	383,179	305,500
2816AEL007	Adult Education and Literacy	93.558	367,940	367,940
2816WCI000	Special Projects	93.558	1,071	0
2816WPA000	Employment Services - 2016	93.558	203,718	172,718
2817WPA000	Employment Services - 2017	93.558	<u>129,584</u>	<u>129,584</u>
	Total - TANF Cluster		<u>14,855,249</u>	<u>13,899,184</u>

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 2016

	CCDF Cluster			
2816WCI000	Special Projects	93.575	2,247	2,247
2816CCF000	Child Care CCDF - 2016	93.575	35,400,152	35,400,152
2816CAA000	CC Attendance Auto Services - 2016	93.575	583,136	583,136
2817CAA000	CC Attendance Auto Services - 2017	93.575	180,849	180,849
2816CCQ000	Child Care Quality - 2016	93.575	2,190,335	2,190,335
2817CCQ000	Child Care Quality - 2017	93.575	723,005	723,005
2815CQI000	Child Care Quality Inclusion	93.575	657,401	657,401
2816CCF000	Child Care (BAPA) - 2016	93.596	25,115,173	22,351,653
2817CCF000	Child Care (BAPA) - 2017	93.596	7,401,492	7,401,492
2817CCO000	Child Care - Subsidized	93.596	2,434,831	2,434,831
2816CCM000	Child Care Local Initiatives - 2016	93.596	17,771,529	17,771,529
2817CCM000	Child Care Local Initiatives - 2017	93.596	240,755	240,755
	Total - CCDF Cluster		<u>92,700,905</u>	<u>89,937,385</u>
2817CCF000	Child Care - 2017	93.667	<u>473,425</u>	<u>473,425</u>
	Subtotal - 93.667		<u>473,425</u>	<u>473,425</u>
	Total - Texas Workforce Commission		<u>108,029,579</u>	<u>104,309,994</u>
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>114,515,168</u>	<u>108,873,398</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT		<u>209,967,991</u>	<u>179,966,485</u>
	DISCRETELY PRESENTED COMPONENT UNIT:			
08-83-05025	Economic Development - Support for Planning Organizations	11.302	71,828	0
08-79-05078	Economic Development - Disaster Recovery	11.302	66,018	0
	Economic Development Cluster			
08-69-04356	Economic Adjustment Assistance - Revolving Loan Fund	11.307	<u>1,513,695</u>	<u>0</u>
	Total - Economic Development Cluster		1,513,695	<u>0</u>
	TOTAL U.S. DEPARTMENT OF COMMERCE		<u>1,651,541</u>	<u>0</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS - DISCRETELY PRESENTED COMPONENT UNIT		<u>1,651,541</u>	<u>0</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY		<u>211,619,532</u>	<u>179,966,485</u>

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2016

STATE PROGRAMS

PRIMARY GOVERNMENT:

	OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION		
1471914	Law Enforcement Training - 2016-2017	<u>284,244</u>	<u>234,908</u>
	Subtotal - Law Enforcement Training	<u>284,244</u>	<u>234,908</u>
	TOTAL OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION	<u>284,244</u>	<u>234,908</u>
	TEXAS COMMISSION ON STATE EMERGENCY COMMUNICATIONS		
N/A	911 Emergency - 2015	30,777	30,777
N/A	911 Emergency - 2016	<u>900,588</u>	<u>775,199</u>
	TOTAL TEXAS COMMISSION ON STATE EMERGENCY COMMUNICATIONS	<u>931,365</u>	<u>805,976</u>
	TEXAS COMMISSION ON ENVIRONMENTAL QUALITY		
	Direct Programs:		
582-16-60655	Solid Waste - 2016 - 2017	<u>583,401</u>	<u>265,196</u>
	Subtotal - Solid Waste	<u>583,401</u>	<u>265,196</u>
582-14-42709 WO#5	TMDL BIG 2016	65,029	0
582-14-42709 WO#3	TMDL BRAZOS-COLORADO COASTAL BASIN 13	98,561	0
582-14-42709 WO#4	TMDL SAN JACINTO - BRAZOS COASTAL BASIN 11	135,873	0
582-14-42709 WO#7	TMDL PUBLIC PARTICIPATION PROJECT	27,389	0
582-14-42709 WO#8	TMDL BRAZOS-COLORADO COASTAL BASIN 13	45,679	0
582-14-42709 WO#6	TMDL SAN JACINTO-BRAZOS COASTAL BASIN 11	<u>41,142</u>	<u>0</u>
	Subtotal - TMDL	<u>413,673</u>	<u>0</u>
582-16-60168	Texas Clean Rivers - 2016-2017	<u>973,261</u>	<u>114,858</u>
	Subtotal - Clean Rivers	<u>973,261</u>	<u>114,858</u>
	Total - Direct Programs	<u>1,970,335</u>	<u>380,054</u>
	Passed Through Harris County		
582-12-20273	Air Check Texas - 2016	3,201,050	2,809,785
582-12-20273	Air Check Texas - 2017	<u>1,739,819</u>	<u>1,498,343</u>
	Total - Air Check Texas - Harris County	<u>4,940,869</u>	<u>4,308,128</u>
	Passed Through Fort Bend County		
582-12-20281	Air Check Texas - 2016	764,636	669,821
582-12-20281	Air Check Texas - 2017	<u>351,257</u>	<u>301,168</u>
	Total - Air Check Texas - Fort Bend County	<u>1,115,893</u>	<u>970,989</u>
	Passed Through Brazoria County		
582-12-20280	Air Check Texas - 2016	97,031	85,518
582-12-20280	Air Check Texas - 2017	<u>30,537</u>	<u>26,304</u>
	Total - Air Check Texas - Brazoria County	<u>127,568</u>	<u>111,822</u>
	Passed Through Galveston County		
582-12-20283	Air Check Texas - 2016	164,943	144,269
582-12-20283	Air Check Texas - 2017	<u>78,482</u>	<u>68,159</u>
	Total - Air Check Texas - Galveston County	<u>243,425</u>	<u>212,428</u>
	Passed Through Montgomery County		
582-12-20282	Air Check Texas - 2016	155,303	135,670
582-12-20282	Air Check Texas - 2017	<u>84,779</u>	<u>71,204</u>
	Total - Air Check Texas - Montgomery County	<u>240,082</u>	<u>206,874</u>
	TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	<u>8,638,172</u>	<u>6,190,295</u>

HOUSTON-GALVESTON AREA COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED DECEMBER 2016

	TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES		
539-16-00015-00001	State General Revenue - 2017	33,261	33,261
539-16-00015-00001	OMB ALF Services - 2016	160,033	0
539-16-00015-00001	OMB ALF Services - 2017	<u>78,978</u>	<u>0</u>
	TOTAL TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES	<u>272,272</u>	<u>33,261</u>
	TEXAS WORKFORCE COMMISSION		
2816SNE001	SNAP E&T - 2016	87,016	87,016
2816SNE000	SNAP E&T - 2016	86,525	86,525
2817SNE001	SNAP E&T - 2017	<u>975,257</u>	<u>908,708</u>
	Subtotal - SNAP E&T	<u>1,148,798</u>	<u>1,082,249</u>
2816RAG000	Resource Administration Grant - 2016	2,995	0
2817RAG000	Resource Administration Grant - 2017	<u>772</u>	<u>0</u>
	Subtotal - Resource Administration Grant	<u>3,767</u>	<u>0</u>
2816WCI000	Special Projects	<u>24,156</u>	<u>18,956</u>
	Subtotal - ES Wagner Peyserr/Special Projects	<u>24,156</u>	<u>18,956</u>
2816TAN000	TANF Choices - 2016	1,683,278	1,683,278
2816NCP000	TANF E&T - Noncustodial Parent EmPLY - 2016	<u>243,963</u>	<u>207,100</u>
	Subtotal - TANF Choices	<u>1,927,241</u>	<u>1,890,378</u>
2816CCP000	Child Care DFPS - 2016	8,494,608	8,474,905
2817CCP000	Child Care DFPS - 2017	<u>4,925,742</u>	<u>4,915,024</u>
	Subtotal - Child Care DFPS	<u>13,420,350</u>	<u>13,389,929</u>
2814AEL000	Adult Education and Literacy	1,567,708	1,346,513
2816AEL007	Adult Education and Literacy	<u>456,497</u>	<u>456,497</u>
	Subtotal - AEL	<u>2,024,205</u>	<u>1,803,010</u>
2816CCF000	CCDF Child Care - 2016	14,523,180	13,523,180
2817CCF000	CCDF Child Care - 2017	8,480,675	8,296,127
2817CC000	Child Care - Subsidized	1,311,063	1,311,063
2816CCM000	Child Care Local Match - 2016	<u>100,000</u>	<u>100,000</u>
	Subtotal - Child Care	<u>24,414,918</u>	<u>23,230,370</u>
	TOTAL TEXAS WORKFORCE COMMISSION	<u>42,963,435</u>	<u>41,414,892</u>
	U.S. ENDOWMENT FOR FORESTRY AND COMMUNITIES		
CE16-049	U.S. Endowment for Forestry and Communities	<u>5,209</u>	<u>0</u>
	TOTAL U.S. ENDOWMENT FOR FORESTRY AND COMMUNITIES	<u>5,209</u>	<u>0</u>
	TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT	<u>53,094,697</u>	<u>48,679,332</u>
	TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY	<u>264,714,228</u>	<u>228,645,816</u>

**HOUSTON-GALVESTON AREA COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE
AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016**

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	\$ 272,840,726
Add: Depreciation charged to grant programs	406,049
Add: Gulf Coast Economic Development Corporation federal expenditures	1,651,541
Add: EPA RLF reconciling items from notes 5 below	7,664,372
Less: In-Kind Expenditures	(14,280,404)
Less: Program Income	(50,442)
Less: Cash Match	(201,351)
Less: Expenditures funded by local grant revenues	(3,316,263)
Total Federal and State Schedule	<u>\$ 264,714,228</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 12/31/2016	\$ 869,933
Cash and investment balance at 12/31/2016	640,295
Administrative costs during the fiscal year	3,468
Unpaid principal of loans written off during the fiscal year	-
Total EDA Revolving Loan Fund Expenditures	<u>1,513,695</u>
Federal Participation Rate	<u>100%</u>
Total Federal Share of EDA Revolving Loan Fund Expenditures	<u>\$ 1,513,695</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 2016	\$ -
Ending balance of loans made in previous years	2,059,531
Administrative costs during the fiscal year	190,971
Cash and investment balance at 12/31/2016	5,799,673
Repayment of written off loan in 2016	3,861
Total EPA Revolving Loan Fund Expenditures	<u>8,054,035</u>
Federal Participation Rate	<u>100%</u>
Total Federal Share of EPA Revolving Loan Fund Expenditures	<u>\$ 8,054,035</u>

6 FEDERAL PROGRAM TOTALS

Some programs include awards received from multiple federal funding grantors

Texas Department of Agriculture	\$ 10,688
General Land Office	8,010,134
Total CFDA #14.228	<u>\$ 8,020,822</u>
Texas Workforce Commission	\$ 1,310,556
Texas Veterans Commission	354,753
Total Employment Service Cluster CFDA#17.207, 17.801, 17.804	<u>\$ 1,665,309</u>
Texas Commission on Environmental Quality	\$ 127,289
Texas State Soil and Water Conservation Board	19,356
Total CFDA #66.460	<u>\$ 146,645</u>

Houston-Galveston Area Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

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
Highway Planning and Construction Program – Various Projects	20.205
Federal Transit Cluster- The Woodlands Township	20.507
National Clean Diesel Emissions Reduction Program Clean Vessels for Texas EPA/Port of Houston Clean Diesel Funding Assistance Revolving Loan Program	66.039
Aging Title III, Part E	93.052
Adult Education and Literacy – Various	84.002A
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, 2016

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
State Law Enforcement Training Project	N/A
TMDL	N/A
Texas Clean Rivers	N/A
Adult Education and Literacy	N/A
CCDF and DFPS Child Care	N/A
1. Dollar Threshold Considered Between Type A and Type B Programs	\$1,532,114
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.

IV. Status of Prior Year Findings

There were no findings in the prior year.

V. Corrective Action

Not applicable.