

**SOUTH TEXAS
DEVELOPMENT COUNCIL**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2015

SOUTH TEXAS DEVELOPMENT COUNCIL

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Texas Development Council
Laredo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Development Council (the "Council"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise South Texas Development 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Development Council, as of September 30, 2015, and the respective changes in financial position 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 3 through 8 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 South Texas Development Council's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of South Texas Development 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 South Texas Development Council's internal control over financial reporting and compliance.

Patullo, Brown & Hill, LLP

Brownsville, Texas
June 30, 2016

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

This section of the South Texas Development Council (STDC) annual report offers a narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements, notes to the financial statements, and supplemental schedules.

FINANCIAL HIGHLIGHTS

- The assets of South Texas Development Council exceeded its liabilities as of September 30, 2015, by \$749,313 (net position). Of this amount, \$89,314 (unrestricted net position) may be used to meet the Council's ongoing obligations.
- The Council's total net position increased by \$47,953.
- As of the close of the current fiscal year, South Texas Development Council's governmental funds reported combined ending fund balances of \$593,472 an increase of \$14,500 in comparison with the prior year.
- As of September 30, 2015, unassigned fund balance in the General Fund was \$200,209.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to STDC's basic financial statements. These statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements – The government-wide statements are designed to provide readers with a broad overview of STDC's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of STDC'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 the financial position of STDC.

The Statement of Activities presents information showing how STDC's net position changed during the fiscal year. All changes in net position are reported when an event that gives rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused compensated absences). The government-wide financial statements can be found on pages 9 through 10 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. STDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the Council’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

STDC maintains three 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 Texas Department of Aging and Disabilities Services Fund, the Texas Department of State Health Services, the U. S. Department of Homeland Security Fund, and the Commission on State Emergency Communications Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

STDC’s Board approves a financial plan for revenue and expenditures in all funds. Although the financial plans are reviewed and approved by STDC’s Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

The basic governmental fund financial statements can be found on pages 11 through 13 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the governmental fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and other schedules that further support the information in the financial statements. The combining fund statements for non-major funds and other schedules can be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In STDC's case, assets exceeded liabilities by \$749,313 as of September 30, 2015.

SOUTH TEXAS DEVELOPMENT COUNCIL'S NET POSITION

| | Governmental Activities | |
|--|-------------------------|-------------------|
| | 2015 | 2014 |
| Current assets | \$ 1,623,912 | \$ 1,697,750 |
| Capital assets | <u>287,237</u> | <u>291,920</u> |
| Total assets | 1,911,149 | 1,989,670 |
| Deferred outflows related to TCDRS | <u>158,694</u> | <u>-</u> |
| Total deferred outflows related to TCDRS | <u>158,694</u> | <u>-</u> |
| Current liabilities | 1,120,934 | 996,138 |
| Noncurrent liabilities | <u>199,596</u> | <u>122,640</u> |
| Total liabilities | <u>1,320,530</u> | <u>1,118,778</u> |
| Net position: | | |
| Net investment in capital assets | 287,237 | 291,920 |
| Restricted | 372,762 | 372,516 |
| Unrestricted | <u>89,314</u> | <u>206,456</u> |
| Total net position | <u>\$ 749,313</u> | <u>\$ 870,892</u> |

A large portion of STDC's net position \$287,237 reflects its investment in capital assets. STDC uses these assets to provide services; consequently, these values are not available for spending. Of the remaining balance, \$372,762 is restricted and can be used only for certain purposes and \$89,314 is unrestricted and may be used to meet the Council's ongoing needs.

The Council's Total Assets decreased by \$78,521 during the year. This was primarily due to a decreased in grant receivables from grantor agencies. Total liabilities increased by \$201,752 this was primarily attributable to the net pension liability. The Council's net position increased during the year by \$47,953.

Analysis of STDC's Operations – The following table provides a summary of STDC's operations for the year ended September 30, 2015.

**SOUTH TEXAS DEVELOPMENT COUNCIL'S
CHANGES IN NET POSITION**

| | Governmental Activities | |
|--|-------------------------|------------|
| | 2015 | 2014 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 51,626 | \$ 80,460 |
| Operating grants and contributions | 7,443,911 | 7,089,040 |
| General revenues: | | |
| Other | 161,181 | 104,019 |
| Investment earnings | 33,895 | 2,649 |
| Total revenues | 7,690,613 | 7,276,168 |
| Expenses: | | |
| General government | 55,970 | 290,223 |
| Housing and urban development | 1,508,136 | 1,156,287 |
| Environmental quality | 212,698 | 26,589 |
| Emergency management | 166,277 | 410,007 |
| Aging | 1,991,633 | 1,840,600 |
| HIV intervention and prevention | 3,482,303 | 3,508,403 |
| Economic development | 225,644 | 51,601 |
| Total expenses after allocation of indirect costs | 7,642,660 | 7,283,710 |
| Change in net position | 47,953 | (7,542) |
| Net position, beginning | 870,892 | 878,434 |
| Prior period adjustment | (169,532) | - |
| Net position, beginning (restated) | 701,360 | 878,434 |
| Net Position, ending | \$ 749,313 | \$ 870,892 |

The Council experienced an increase in program revenues of \$326,037 or 4.6% from 2014. Expenses increased by \$358,950 or 4.9% from the prior year. The Council's operations are driven primarily by federal and state grant funding, which can vary widely from year to year. The current year reduction in revenues and expenses was primarily the result of a decrease in grant funding for the Homeland Security program.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

Governmental funds – The focus of STDC’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing STDC’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, South Texas Development Council’s governmental funds reported combined ending fund balances of \$593,472. The General Fund had an increase in fund balance of \$14,254 from the prior year.

CAPITAL ASSETS AND LONG-TERM DEBT

STDC’s investment in capital assets for its governmental activities as of September 30, 2015, amounts to \$287,237 (net of accumulated depreciation). This investment in capital assets consists of the following:

**SOUTH TEXAS DEVELOPMENT COUNCIL’S
CAPITAL ASSETS AT YEAR-END**

| | <u>Governmental Activities</u> | |
|--|--------------------------------|-------------------|
| | <u>2015</u> | <u>2014</u> |
| Capital assets (net of accumulated depreciation): | | |
| Land | \$ 151,431 | \$ 151,431 |
| Buildings and improvements | <u>135,806</u> | <u>140,489</u> |
| Total capital assets, net of accumulated depreciation | <u>\$ 287,237</u> | <u>\$ 291,920</u> |

There were no significant capital purchases during the fiscal year.

There were no debt issues during the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR’S ANNUAL FINANCIAL PLAN

The South Texas Development Council is dependent on federal, state and local funding, which can vary widely from year to year. The federal and state economic condition and budget deficits can impact the reauthorization of funds available to local governments. It should be noted that STDC does not know of any significant factors that would affect the financial plan for fiscal year 2016.

ECONOMIC FACTORS AND NEXT YEAR'S ANNUAL FINANCIAL PLAN

The South Texas Development Council is a voluntary association of local governments in the four (4) county regions of Jim Hogg, Starr, Webb, and Zapata Counties. According to the Texas State Data Center, the region has seen a 4.4% growth rate from 2010 to 2013, with a population of 346,166 people living in the region¹. Similarly the South Texas labor force has grown by 7.47% from 104,043 in 2013 to 111,815 in 2014. The region had an 5.1% unemployment rate in 2014, which increased from 3.23% in 2012, compared to the state unemployment rate of 6.1% in 2013 and 6.5% in 2012.²

Major industries in the region are: Education and Health Services, followed by Trade, Transportation and Utilities; which consist of 39.70% and 32.40% of the total employment respectively, within the STDC Area. The region also has a well diversified workforce with the largest projected (projected through 2022) growing industries being: Education and Health services by 24.6% (or 7,270 persons); Government by 20.8% (or 1,960 persons); Leisure & Hospitality by 26.4% (or 2,510 persons); and Professional & Business Services by 22.4% (or 1,660 persons)³. Another industry, that will have the second largest impact in terms of persons employed and not growth rate, following Education & Health Services, would be Trade, Transportation & Utilities which will add 5,980 jobs (but will have a projected growth rate of 20.3%). Total employment for the region to 2022 is expected to grow an average of 21.1% across all industries.

The STDC region is home to the nation's largest inland port, located in the City of Laredo, Webb County, and international border crossings can be found in all three of the counties bordering Mexico. Between 2011 and 2014, commercial crossings along the STDC reported an increase of 7.36%⁴.

The South Texas Development Council is dependent on federal, state and local funding, which can vary widely from year to year. The federal and state economic condition and budget deficits can impact the reauthorization of funds available to local governments. It should be noted that STDC does not know of any significant factors that would affect the financial plan for fiscal year 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of STDC's finances. If you have questions about this report or need any additional information please, contact Robert Mendiola, Executive Director, at 1002 Dicky Lane, Laredo, Texas 78043, or call (956) 722-3995.

¹Texas State Data Center, Estimates of the Total Population of Counties and Places in Texas for July 1, 2012 and January 1, 2013, http://txsdc.utsa.edu/Resources/TPEPP/Estimates/2012/2012_txpopest_cog.pdf

² Labor Market Career Information, "Data Link" <http://www.tracer2.com/?PAGEID=67&SUBID=120>

³ Texas Workforce Commission, TRACER, "Labor Market Information Projections-Industry" <http://www.tracer2.com/cgi/dataanalysis/AreaSelection.asp?tableName=Indprj>

⁴ U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, based on data from the Department of Homeland Security, U.S. Customs and Border Protection, Office of Field Operations

BASIC FINANCIAL STATEMENTS

SOUTH TEXAS DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

(with comparative information at September 30, 2014)

| | Primary Government | |
|--|-------------------------|------------|
| | Governmental Activities | |
| | 2015 | 2014 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 414,077 | \$ 406,702 |
| Receivables: | | |
| Grantors | 1,133,461 | 1,210,695 |
| Notes | 14,368 | 20,399 |
| Other | 41,505 | 25 |
| Prepaid expenses | 20,501 | 59,929 |
| Total current assets | 1,623,912 | 1,697,750 |
| Noncurrent assets: | | |
| Capital assets (net of accumulated depreciation) | | |
| Land | 151,431 | 151,431 |
| Buildings and improvements | 135,806 | 140,489 |
| Total capital assets (net of accumulated depreciation) | 287,237 | 291,920 |
| Total noncurrent assets | 287,237 | 291,920 |
| Total assets | 1,911,149 | 1,989,670 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to TCDRS | 158,694 | - |
| Total deferred outflows of resources | 158,694 | - |
| LIABILITIES | | |
| Bank overdraft | 418,537 | 705,829 |
| Accounts payable | 412,256 | 290,258 |
| Due to funding agencies | 51 | 51 |
| Net pension liability | 290,090 | - |
| Unearned revenue | 199,596 | 122,640 |
| Total liabilities | 1,320,530 | 1,118,778 |
| NET POSITION | | |
| Net investment in capital assets | 287,237 | 291,920 |
| Restricted for economic development | 372,762 | 372,516 |
| Unrestricted | 89,314 | 206,456 |
| Total net position | \$ 749,313 | \$ 870,892 |

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS DEVELOPMENT COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

(with comparative information for the year ended September 30, 2014)

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Change in Net Position | |
|---------------------------------|---------------------|----------------------------|--|---|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Primary Government Governmental Activities | |
| | | | | 2015 | 2014 |
| Primary Government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 55,970 | \$ - | \$ - | \$ (55,970) | \$ (290,223) |
| Housing and urban development | 1,508,136 | - | 1,164,417 | (343,719) | (1,264) |
| Environmental quality | 212,698 | - | 353,492 | 140,794 | (228) |
| Emergency management | 166,277 | - | 319,001 | 152,724 | 27 |
| Aging | 1,991,633 | 243 | 1,902,314 | (89,076) | (38,776) |
| HIV intervention and prevention | 3,482,303 | 51,383 | 3,636,201 | 205,281 | 227,921 |
| Economic development | <u>225,644</u> | <u>-</u> | <u>68,486</u> | <u>(157,158)</u> | <u>(11,667)</u> |
| Total governmental activities | <u>\$ 7,642,660</u> | <u>\$ 51,626</u> | <u>\$ 7,443,911</u> | <u>(147,123)</u> | <u>(114,210)</u> |
| General revenues: | | | | | |
| | | | | 161,181 | 104,019 |
| | | | | 33,895 | 2,649 |
| | | | | <u>195,076</u> | <u>106,668</u> |
| | | | | 47,953 | (7,542) |
| | | | | 870,892 | 878,434 |
| | | | | <u>(169,532)</u> | <u>-</u> |
| | | | | <u>701,360</u> | <u>878,434</u> |
| | | | | <u>\$ 749,313</u> | <u>\$ 870,892</u> |

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS DEVELOPMENT COUNCIL

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

(with comparative information at September 30, 2014)

| | General | S.T.E.D. Corporation | Total Governmental Funds | |
|---|--------------|-------------------------|--------------------------|--------------|
| | | | 2015 | 2014 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 54,542 | \$ 359,535 | \$ 414,077 | \$ 406,702 |
| Due from grantor agencies | 1,133,461 | - | 1,133,461 | 1,210,695 |
| Notes receivable | - | 14,368 | 14,368 | 20,399 |
| Other receivables | 41,346 | 159 | 41,505 | 25 |
| Prepaid items | 20,501 | - | 20,501 | 59,929 |
| Total current assets | 1,249,850 | 374,062 | 1,623,912 | 1,697,750 |
| Total assets | \$ 1,249,850 | \$ 374,062 | \$ 1,623,912 | \$ 1,697,750 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Bank overdraft | \$ 418,537 | \$ - | \$ 418,537 | \$ 705,829 |
| Accounts payable | 410,956 | 1,300 | 412,256 | 290,258 |
| Due to funding agencies | 51 | - | 51 | 51 |
| Deferred revenue | 199,596 | - | 199,596 | 122,640 |
| Total liabilities | 1,029,140 | 1,300 | 1,030,440 | 1,118,778 |
| Fund balances: | | | | |
| Nonspendable - prepaids | 20,501 | - | 20,501 | 59,929 |
| Restricted - Community and Economic Development | - | 372,762 | 372,762 | 372,516 |
| Unassigned | 200,209 | - | 200,209 | 146,527 |
| Total fund balances | 220,710 | 372,762 | 593,472 | 578,972 |
| Total liabilities and fund balances | \$ 1,249,850 | \$ 374,062 | | |

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.

\$ 287,237 \$ 291,920

Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$290,090 and a deferred resources outflows related to TCDRS in the amount of \$158,694.

(131,396) -

Net position of governmental activities

\$ 749,313 \$ 870,892

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS DEVELOPMENT COUNCIL

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

(with comparative information for the year ended September 30, 2014)

| | General | S.T.E.D. Corporation | Total Governmental Funds | |
|--|-------------------|-------------------------|--------------------------|-------------------|
| | | | 2015 | 2014 |
| REVENUES | | | | |
| Intergovernmental | \$ 7,443,911 | \$ - | \$ 7,443,911 | \$ 7,089,040 |
| Local | 43,639 | - | 43,639 | 15,000 |
| Program income | 51,626 | - | 51,626 | 80,460 |
| Investment income | 32,177 | 1,718 | 33,895 | 2,649 |
| Other income | <u>117,543</u> | <u>-</u> | <u>117,543</u> | <u>89,019</u> |
| Total revenues | <u>7,688,896</u> | <u>1,718</u> | <u>7,690,614</u> | <u>7,276,168</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 51,543 | - | 51,543 | 278,062 |
| Housing and urban development | 1,515,666 | - | 1,515,666 | 1,156,287 |
| Environmental quality | 213,761 | - | 213,761 | 26,589 |
| Emergency management | 167,106 | - | 167,106 | 410,007 |
| Aging | 2,001,577 | - | 2,001,577 | 1,840,600 |
| HIV intervention and prevention | 3,499,690 | - | 3,499,690 | 3,508,403 |
| Economic development | <u>225,299</u> | <u>1,472</u> | <u>226,771</u> | <u>51,601</u> |
| Total expenditures | <u>7,674,642</u> | <u>1,472</u> | <u>7,676,114</u> | <u>7,271,549</u> |
| NET CHANGE IN FUND BALANCES | 14,254 | 246 | 14,500 | 4,619 |
| FUND BALANCES, BEGINNING | <u>206,456</u> | <u>372,516</u> | <u>578,972</u> | <u>574,353</u> |
| FUND BALANCES, ENDING | <u>\$ 220,710</u> | <u>\$ 372,762</u> | <u>\$ 593,472</u> | <u>\$ 578,972</u> |

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS DEVELOPMENT 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 SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds: \$ 14,500

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. The depreciation expense for the current period is \$4,683. (4,683)

Certain pension expenditures are not expended in the government-wide financial statements, but are recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the Council's unrecognized deferred resource outflows related to the pension liability were amortized. 38,136

Changes in net position of governmental activities \$ 47,953

The notes to the financial statements are an integral part of this statement.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of South Texas Development Council (the "Council") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the Council.

A. Description of the Reporting Entity

The Council is a voluntary organization of local governmental units within South Texas, created by the State of Texas under Article 1011M, V.A.C.S. and recognized as a political subdivision of the State. The stated purpose of the Council is the improvement of the health, safety and general welfare of its citizens and the planning for the future development of the region. It does not have any legislative or taxing authority. The region served includes Jim Hogg, Starr, Webb and Zapata Counties of Texas.

The reporting entity consists of the primary government STDC, organizations for which the primary government is financially accountable and other organizations for which the primary government is not accountable. The nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

Financial accountability exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the primary government.

In accordance with Government Accounting Standards Board (GASB) requirements, STDC has reviewed other entities and activities for possible inclusion in the reporting entity. Based on this review, the following organization has been included in the financial reporting entity:

Discretely Presented Component Unit – South Texas Economic Development Corporation (S.T.E.D. Corp) was incorporated in 1980 as a non-profit organization to administer the Economic Development Administration's Title IX Revolving Loan Fund grant program which provides low interest loans to eligible borrowers in the private sector. S.T.E.D. Corp's Board of Directors includes three officers which also serve on the Board of Directors of STDC. S.T.E.D. Corp serves the same geographic area as the reporting entity and has an administrative agreement with STDC whereby STDC exercised oversight responsibility, controls daily operations and manages the organization.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

Excluded from the Reporting Entity – Border Area Nutrition Council, Incorporated (BANC) is a potential component unit that has a separate elected Board of Director that provides services to residents in a smaller geographic area. BANC was organized in 1985 as non-profit organization to implement, on behalf of the reporting entity, a contract for services between Area Agency on Aging, the Department of Aging, Webb County and the City of Laredo. An administrative service contract exists between the two entities. BANC is excluded from the reporting entity because there is sufficient autonomous authority between the governing Board of Directors and the reporting entity does not have the ability to exercise influence or control over their daily operations, approve budgets or provide funding.

Complete financial statements for the component units may be obtained from the administrative office at 1002 Dicky Lane, P.O. Box 2187, Laredo, Texas 78044-2187.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Council. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is 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*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue, rent revenue, membership dues and interest are susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Council.

The Council reports the following major governmental funds:

The ***General Fund*** is the Council's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Additionally, the Council reports the following fund type:

The ***S.T.E.D. Corporation*** account for the proceeds of specific revenue sources that is legally restricted to expenditure for specified purposes. S.T.E.D. Corporation is included as a component unit of STDC and serves as a non-profit organization to promote, stimulate and advance the economic development of Jim Hogg, Starr, Webb and Zapata Counties.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

Cash and equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents in the Council's financial statements include amounts in demand deposits and certificates of deposits.

Authorized investments include obligations of the United States, or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies, obligations of stated, agencies and other local governments having an investment rating of not less than A or its equivalent; certificates of deposit that are guaranteed by the Federal Deposit Insurance Corporation and other investments authorized by statutes governing public funds investment pools.

Due from Grantor Agencies

Due from grantor agencies represents amounts due from federal and state agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2015.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities and Net Position or Equity

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Deferred Revenue

Deferred revenue represents amounts received from grantors in excess of qualifying expenditures for programs in progress as of September 30, 2015.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred.

Assets are depreciated using the straight-line method over the following useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20 |
| Furniture and equipment | 5 |
| Vehicles | 5 |

Compensated Absences

Annual leave with pay will be granted to all regular, full-time employees. All employees with less than three years of planning agency service are entitled to thirteen days per year, employees with more than three but less than fifteen are entitled to twenty days and those with fifteen or more and entitled to twenty six days. Annual leave is accrued from the beginning of the fiscal year to the end of the fiscal year. Employees must take a minimum of twelve days during the fiscal year in which they were earned; otherwise, the employee forfeits these days. Annual leave in excess of these twelve days accumulated and not taken will be paid at the end of the fiscal year.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities and Net Position or Equity

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 the Council is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the Council's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Executive Committee removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Executive Committee.
- **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.

F. Fringe Benefits and Indirect Costs

General and administrative costs are recorded in the General Fund as indirect costs in the Council accounting system and allocated to projects based upon a negotiated indirect cost rate. Indirect costs are defined by Office of Management and Budget (OMB) Circular A-87-Attachment "A" as costs "*(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved*". The Council's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by the state cognizant agency. It is the Council's policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during the Council's fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized with the cognizant agency.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Fringe Benefits and Indirect Costs

STDC groups all fringe benefits costs and all indirect or administrative costs into “cost pools” from which allocations are made to the various programs. The fringe benefits allocation is based on the amount of salaries chargeable to the programs. The indirect costs allocation is based on chargeable salaries, fringe benefits; the first \$25,000 of contractual amounts for STDC bears the responsibility of monitoring and securing/reviewing audit reports and other direct costs excluding equipment.

The allocation rates were determined as follows:

| | | | |
|-----------------------|----------------|---|-----------------------|
| Fringe benefit rate = | Total benefits | / | Chargeable time |
| 57.85% | \$ 574,958 | / | \$ 993,771 |
| | | | |
| Indirect cost rate = | Indirect costs | / | Total direct expenses |
| 13.50% | \$ 306,715 | / | \$ 2,270,525 |

G. Local Match

In accordance with the terms and provisions of various grant contracts, the Council is required to provide a specified percentage of local matching funds to support certain grant programs. Local matching funds, from governments and other program participants, are recognized as revenue when funds are received.

H. Fund Balance Flow Assumption

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Council considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Council considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

I. Net Position Flow Assumption

Sometimes the Council will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Council’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. 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 statements 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. The Council has the following items that qualify for reporting in this category.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

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 or 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. The Council has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities.

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. There were no capital asset additions for the year ending September 30, 2015.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. BUDGETARY INFORMATION

The Council's financial plan is controlled at the project level with management authorized to make transfers of budgeted amounts between object class levels within a project, complying with restrictions imposed by grantor agencies. The Board of Directors approves the financial plan for revenue and expenditures. The financial plan for the grant funds is made on a project (grant) basis, spanning more than one year. Appropriations for all projects lapse at the end of a contract period which may not coincide with the fiscal year-end of the Council. Although the financial plans are reviewed and approved by the Council's Board of Directors, they are not considered legally adopted budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

4. DETAILED NOTES ON ALL FUNDS

Cash Deposits with Financial Institutions

At September 30, 2015, the carrying amount of the Council's deposits was \$(418,537) and the bank balance was \$586,063. Additionally, the Council had at September 30, 2015. The Council's cash deposit at September 30, 2015 and during the year were covered by FDIC insurance or by pledged collateral held by the Council's agent bank in the Council's name. The Council monitors cash flows regularly then grant funds are received to ensure that the bank pledges sufficient collateral.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: International Bank of Commerce (IBC)
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,249,490.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$628,591 and occurred during the month of September 2015.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Council to adopt, implement, and publicized an investment policy. The policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Investments

The Statutes authorize the Council to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The Council is in substantial compliance with the requirements of the Act and with local policies.

The Council's temporary investments at September 30, 2015, are shown below:

| Investment Type | Fair Value | Investment Maturities (in years) | | | |
|-------------------------|------------------|----------------------------------|-------------|-------------|--------------|
| | | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| Falcon Bank | \$ 23,982 | \$ 23,982 | \$ - | \$ - | \$ - |
| Certificates of Deposit | 30,632 | 30,632 | - | - | - |
| Texpool | <u>27</u> | <u>27</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Investments | <u>\$ 54,614</u> | <u>\$ 54,614</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Additional policies and contractual provisions governing deposits and investments for the Council are specified below:

Credit Risk - In accordance with state law and the Council's investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalent.

Custodial Risk for Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties were fully collateralized and held in the Council's name.

Concentration of Credit Risk - The investment portfolio is diversified in terms of investment instruments and maturity scheduling to reduce risk of loss resulting from over concentration of assets in specific class of investments, specific maturity or specific issuer.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Investments

Interest Rate Risk – In accordance with state law and the Council’s investment policy, the Council does not purchase any investments greater than five years for its operating funds.

Foreign Currency Risk for Investments – The Council limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the Council was not exposed to foreign currency risk.

Receivables

Receivables as of year-end for the Council’s individual major funds and non-major funds in the aggregate, are as follows:

| | <u>General</u> | <u>STED Corp</u> | <u>Total</u> |
|-------------------|---------------------|-------------------|---------------------|
| Receivables: | | | |
| Grants | \$ 1,133,461 | \$ - | \$ 1,133,461 |
| Notes | - | 14,368 | 14,368 |
| Other | - | 159 | 159 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total receivables | <u>\$ 1,133,461</u> | <u>\$ 14,527</u> | <u>\$ 1,147,988</u> |

Capital Assets

Capital asset activity for the year ended September 30, 2015, is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Adjustments</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|--------------------|---------------------------|
| Government activities: | | | | | |
| Nondepreciable capital assets: | | | | | |
| Land | \$ 151,431 | \$ - | \$ - | \$ - | \$ 151,431 |
| Construction in Progress | - | - | - | - | - |
| Total nondepreciated assets | <u>151,431</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>151,431</u> |
| Depreciable capital assets | | | | | |
| Furniture and equipment | 41,406 | - | - | - | 41,406 |
| Buildings and improvements | 249,763 | - | - | - | 249,763 |
| Vehicles & parking lot | <u>149,351</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>149,351</u> |
| Total depreciable capital assets | <u>440,520</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>440,520</u> |
| Total capital assets | <u>591,951</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>591,951</u> |
| Less accumulated depreciation: | | | | | |
| Furniture and equipment | 41,406 | - | - | - | 41,406 |
| Buildings and improvements | 109,274 | 4,683 | - | - | 113,957 |
| Vehicles & parking lot | <u>149,351</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>149,351</u> |
| Total accumulated depreciation | <u>300,031</u> | <u>4,683</u> | <u>-</u> | <u>-</u> | <u>304,714</u> |
| Total capital assets being depreciated, net | <u>140,489</u> | <u>(4,683)</u> | <u>-</u> | <u>-</u> | <u>135,806</u> |
| Total capital assets, being depreciated, net | <u>140,489</u> | <u>(4,683)</u> | <u>-</u> | <u>-</u> | <u>135,806</u> |
| Governmental activities capital assets, net | <u>\$ 291,920</u> | <u>\$(4,683)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 287,237</u> |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Capital Assets

Depreciation expense was charged to functions/programs as follows:

| | |
|--|------------------------|
| Governmental activities: | |
| General government | \$ <u>4,683</u> |
| Total depreciation expense - governmental activities | \$ <u><u>4,683</u></u> |

Retirement Plan

Plan Description

STDC provides retirement, disability and death benefits for all of its full time employees through a nontraditional defined benefits pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Directors of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefits pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The financial statements and required supplementary information for TCDRS can be obtained by writing to Texas County and District Retirement System, P.O. Box 2034, Austin, Texas, 78768-2034 or by calling at (512)328-8889.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Member can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members vest after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rate prescribed the TCDRS Act.

Funding Policy

The pension plan requires that employees contribute 7% of their annual covered salary. The employer is required to contribute at an actuarially determined rate; the current rate is 11.71% of annual covered payroll. The contribution requirements of the plan members and STDC are established and may be amended by TCDRS' Board of Director

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Funding Policy

STDC's contributions were based on a covered payroll of \$992,641 for the year ended September 30, 2014. Employer and employee contributions for the years were made as required and are detailed below. Employee contributions may include the purchase of credits for military or legislative service or the buyback of previously forfeited service credit.

Contribution Amounts (Rates)

| | <u>Total</u> | |
|----------|--------------|------|
| Employee | \$ 69,484 | (7%) |
| Employer | \$ 114,495 | |

Employer rate was 11.04% October through December 2013, and 11.71% January through September 2014.

Annual Pension Costs

For 2014, STDC's annual pension cost of \$114,495 for TCDRS was equal to the Council's required and actual contributions. The required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of investment expenses), (b) projected salary increases of 5.25% per year, and (c) 0% for cost of living adjustments. Both (a) and (b) included an inflation component of 3.5%. The method of determining the actuarial value of assets is the SAF: 10 year smoothed value ESF: Fund value method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2014 was 20 years.

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual Pension</u> <u>Cost (APC)</u> | <u>Percentage of</u> <u>APC Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|-------------------------------------|--|--|---|
| 9/30/2012 | \$ 123,164 | 100% | - |
| 9/30/2013 | \$ 112,582 | 100% | - |
| 9/30/2014 | \$ 114,495 | 100% | - |

| <u>Actuarial</u> <u>Valuation</u> <u>Date</u> | <u>Actuarial</u> <u>Value of</u> <u>Assets</u> | <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> | <u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> | <u>Funded</u> <u>Ration</u> | <u>Covered</u> <u>Payroll</u> | <u>UAAL as a</u> <u>Percentage of</u> <u>Covered Payroll</u> |
|---|--|--|--|--------------------------------|----------------------------------|--|
| 12/31/2010 | \$ 1,971,952 | \$ 2,589,789 | \$ 617,837 | 76% | \$ 1,188,088 | 52% |
| 12/31/2011 | 2,268,237 | 2,879,179 | 610,942 | 79% | 1,222,881 | 50% |
| 12/31/2012 | 2,558,558 | 3,154,352 | 595,794 | 81% | 1,081,185 | 55% |
| 12/31/2013 | 2,936,687 | 3,472,018 | 535,331 | 85% | 1,032,408 | 52% |
| 12/31/2014 | 2,691,849 | 3,156,818 | 464,924 | 85% | 992,641 | 47% |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Benefits Provided

TCDRS provides retirement, disability and death benefits for all of its fulltime employees. Benefit provisions are adopted by the governing body of the Council, within the options available in the state statutes governing TCDRS.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | - |
| Inactive employees entitled to but not yet receiving benefits | 20 |
| Active employees | <u>22</u> |
| | 42 |

Contributions

The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

Employees for the STDC were required to contribute 7% of their annual gross earnings during the fiscal year. The contributions rates for STDC was 11.51% in the calendar year 2015. STDC's contributions to TCDRS for the year ended December 31, 2015, were \$117,190 and were equal to the required contributions.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Net Pension Liability

STDC's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-----------------------------|----|
| Real rate of return | 5% |
| Inflation | 3% |
| Long-term investment return | 8% |

| | |
|--------------------|--|
| Depositing members | The RP - 2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA. |
|--------------------|--|

| | |
|----------------------------|--|
| and non-depositing members | scale AA, with a one-year set-forward for males and no age |
|----------------------------|--|

| | |
|-------------------|--|
| Disabled retirees | RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA. |
|-------------------|--|

The long-term investment return of 8.00% is net after investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

| | |
|--------------------------------------|----|
| Subdivision Accumulation Fund | 9% |
| Employees Saving Fund | 7% |
| Current Service Annuity Reserve Fund | 7% |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Actuarial assumptions

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Benchmark</u> | <u>Target Allocation</u> | <u>Geometric Real Rate of Return (Expected minus Inflation)</u> |
|------------------------------------|--|--------------------------|---|
| US Equities | Dow Jones U.S. Total Stock Market Index | 16.50% | 5.35% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index | 12.00% | 8.35% |
| Global Equities | MSCI World (net) Index | 1.50% | 5.65% |
| Global Equities | MCSCI World (net) Index | | |
| | 50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) | | |
| International Equities - Developed | Index | 11.00% | 5.35% |
| International Equities - Emerging | MSCI EM 100% Hedged to USD (net) Index | 9.00% | 6.35% |
| Investment - Grade Bonds | Barclays Capital Aggregated Bond Index | 3.00% | 55.00% |
| High - Yield Bonds | Citigroup High - Yield Cash - Pay Capped Index | 3.00% | 3.75% |
| Opportunistic Credit | Citigroup High - Yield Cash - Pay Capped Index | 5.00% | 5.54% |
| Direct Lending | Citigroup High - Yield Cash - Pay Capped Index | 2.00% | 5.80% |
| Distressed Debt | Citigroup High - Yield Cash - Pay Capped Index | 3.00% | 6.75% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index | 2.00% | 4.00% |
| Commodities | Bloomberg Commodities Index | 2.00% | -0.20% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 5.30% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index | 3.00% | 7.20% |
| | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | | |
| Hedge Funds | | 25.00% | 5.15% |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

Depletion of Plan Assets/GASB Discount Rate

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Depletion of Plan Assets/GASB Discount Rate

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below:

| | | |
|--|-------|-------|
| Discount rate | 8.10% | 8.10% |
| Long - term expected rate of return, net of investment expense | 8.10% | 8.10% |

Changes in the Net Position Liability

| | Increase (decrease) | | |
|--|---------------------|--------------|------------|
| | (a) | (b) | (a) - (b) |
| Balance as of December 31, 2013 | \$ 3,572,716 | \$ 3,317,442 | \$ 255,274 |
| Changes for the year: | | | |
| Service cost | 101,639 | - | 101,639 |
| Interest on total pension liability | 285,663 | - | 285,663 |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | 38,322 | - | 38,322 |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (23,856) | (23,856) | - |
| Benefit payments | (171,621) | (171,621) | - |
| Administrative expenses | - | (2,634) | 2,634 |
| Member contributions | - | 68,218 | (68,218) |
| Net investment income | - | 217,360 | (217,360) |
| Employer contributions | - | 114,119 | (114,119) |
| Other | - | (6,256) | 6,256 |
| | \$ 3,802,862 | \$ 3,512,772 | \$ 290,090 |
| Balance at December 31, 2014 | \$ 3,802,862 | \$ 3,512,772 | \$ 290,090 |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Sensitivity Analysis

The following presents the net pension liability of the county/district calculated using the discount rate of 8.10%, as well as what STDC's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

| | 1 % Decrease <u>7.10%</u> | Current Discount <u>8.10%</u> | 1 % Increase <u>9.10%</u> |
|---------------------------------|------------------------------|----------------------------------|------------------------------|
| Total pension liability | \$ 4,243,667 | \$ 3,802,862 | \$ 3,438,096 |
| Fiduciary net position | <u>3,512,772</u> | <u>3,512,772</u> | <u>3,512,772</u> |
| Net pension liability / (asset) | <u>\$ 730,895</u> | <u>\$ 290,090</u> | <u>\$ (74,676)</u> |

Pension Plan Fiduciary Net Position

| Pension Expense / (Income) | <u>December 31, 2014</u> |
|---|--------------------------|
| Service cost | \$ 101,639 |
| Interest on total pension liability | 285,663 |
| Effect of plan changes | - |
| Administrative expenses | 2,634 |
| Member contributions | (68,218) |
| Expected investment return net of investment expenses | (270,472) |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | 6,387 |
| Recognition of assumption changes or inputs | - |
| Recognition of investment gains or losses | 10,622 |
| Other | <u>6,256</u> |
| Pension expense | <u>\$ 74,511</u> |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Retirement Plan

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2014, the differed inflows and outflows of resources are as follows:

| | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ - | \$ 31,935 |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings | - | 42,489 |
| Contributions made subsequent to measurement date | - | - |
| Total | <u>\$ -</u> | <u>\$ 74,424</u> |

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

| | |
|-------------------------|-----------|
| Year ended December 31: | |
| 2015 | \$ 17,009 |
| 2016 | 17,009 |
| 2017 | 17,009 |
| 2018 | 17,009 |
| 2019 | 6,387 |
| Thereafter | - |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Related Party Transactions

STDC has entered into administrative service agreements with Border Area Nutrition Council, Inc. (BANC) and S.T.E.D. Corporation to provide the following services for those organizations:

- Assistance with business management
- Accounting services
- Secretarial services
- Assistance with reporting requirements
- Supportive staff services

Two members of the Board of Directors of BANC are also members of the Board of Directors of STDC. S.T.E.D. Corporation is a component unit of STDC. BANC is excluded from the reporting entity; however, STDC is its primary funding source.

Concentrations of Risk

A substantial portion of STDC's revenue is in the form of performance contracts from granting agencies. As a result, STDC's overall operations are contingent upon future funding by the granting agencies.

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to a destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Council maintains worker's compensation and other risks of loss coverage through commercial insurance carries. The Council management believes such coverage is sufficient to preclude any significant uninsured losses to the Council. There were no significant reductions in insurance coverage from coverage in the prior year. There were no insurance settlements which exceeded insurance coverage in any of the past three years.

The Council purchases insurance coverage through the Texas Municipal League Intergovernmental Risk Pool. Insurance coverage is as follows:

| <u>Policy</u> | <u>Limits on Liability</u> |
|----------------------------|--|
| Public Employee Dishonesty | \$100,000 per occurrence/per employee |
| Forgery or Alteration | \$100,000 |
| General Liability | \$1,000,000 per occurrence \$2,000,000 annual aggregate |
| Errors and Omissions | \$1,000,000 per occurrence \$2,000,000 annual aggregate |
| Real and Personal Property | \$1,150,000 limit of coverage |
| Boiler and Machinery | \$100,000 per accident |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. DETAILED NOTES ON ALL FUNDS

Contingencies

The Council contract with local governments or other local delegate agencies to perform the specific services set forth in certain grant agreements. The Council disburses grant funds to the delegate agencies based on monthly expenditure reports received from each delegate agency.

Each delegate agency is required to have an independent audit at least once every two years. The Council requires each delegate agency to submit copy of the audit reports. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the Council or the delegate agency. The Council generally has the right of recovery from the delegate agency.

Some of the audits of the delegate agencies' expenditures for the year ended September 30, 2013, have not been completed. Based on prior experience, the Council management believes that the Council will not incur significant losses from possible grant disallowance.

Litigation

Management has represented that there is no litigation pending against STDC.

Prior Period Adjustment

The implementation of Statement No. 68 resulted restatement of beginning net position for the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. The amount of the prior period adjustment \$169,532. The restated beginning net position is \$701,360.

SUPPLEMENTAL SCHEDULES

SOUTH TEXAS DEVELOPMENT COUNCIL

SCHEDULE OF GRANT REVENUES AND EXPENDITURES

BY FUNDING SOURCE

FOR THE YEAR ENDED SEPTEMBER 30, 2015

(with comparative information for the year ended September 30, 2014)

| | <u>U.S. Department of Commerce</u> | <u>Texas Health and Human Services Commission</u> | <u>Office of the Governor</u> |
|---------------------------------|--|---|---------------------------------------|
| REVENUES | | | |
| Intergovernmental | \$ 68,486 | \$ - | \$ 319,001 |
| Local | - | - | - |
| Program income | - | - | - |
| Investment income | 13 | - | - |
| Other income | <u>17,069</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>85,568</u> | <u>-</u> | <u>319,001</u> |
| EXPENDITURES | | | |
| General government | - | - | - |
| Housing and urban development | - | - | - |
| Environmental quality | - | - | - |
| Emergency management | - | - | 167,106 |
| Aging | - | 21,697 | - |
| HIV intervention and prevention | - | - | - |
| Economic development | <u>85,568</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>\$ 85,568</u> | <u>\$ 21,697</u> | <u>\$ 167,106</u> |

| Texas Commission on Environmental Quality | Texas Department of State Health Services | Texas Department of Housing and Community Affairs |
|--|--|---|
| 213,761 | 3,636,201 | \$ 1,157,767 |
| - | - | 28,639 |
| - | 51,383 | - |
| - | - | - |
| - | 2,103 | 2,416 |
| <u>213,761</u> | <u>3,689,687</u> | <u>1,188,822</u> |
| - | - | - |
| - | 166,196 | 1,342,819 |
| 213,761 | - | - |
| - | - | - |
| - | - | - |
| - | 3,499,690 | - |
| - | - | - |
| <u>\$ 213,761</u> | <u>\$ 3,665,886</u> | <u>\$ 1,342,819</u> |

SOUTH TEXAS DEVELOPMENT COUNCIL
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
BY FUNDING SOURCE

FOR THE YEAR ENDED SEPTEMBER 30, 2015

(with comparative information for the year ended September 30, 2014)

| | <u>Texas Department of Agriculture</u> | <u>Texas General Land Office</u> | <u>Texas Department of Aging</u> |
|---------------------------------|--|--|--|
| REVENUES | | | |
| Intergovernmental | \$ 6,650 | \$ 139,731 | \$ 1,902,314 |
| Local | - | - | - |
| Program income | - | - | 243 |
| Investment income | - | - | 32,149 |
| Other income | - | - | 31,200 |
| Total revenues | <u>6,650</u> | <u>139,731</u> | <u>1,965,906</u> |
| EXPENDITURES | | | |
| General government | - | - | - |
| Housing and urban development | 6,650 | - | - |
| Environmental quality | - | - | - |
| Emergency management | - | - | - |
| Aging | - | - | 1,979,880 |
| HIV intervention and prevention | - | - | - |
| Economic development | - | 139,731 | - |
| Total expenditures | <u>\$ 6,650</u> | <u>\$ 139,731</u> | <u>\$ 1,979,880</u> |

| Other | S.T.E.D. Corporation | Totals | |
|------------------|-------------------------|---------------------|---------------------|
| | | 2015 | 2014 |
| \$ - | \$ - | \$ 7,443,911 | \$ 7,089,039 |
| 15,000 | - | 43,639 | 15,000 |
| - | - | 51,626 | 80,460 |
| 15 | 1,718 | 33,895 | 2,650 |
| 64,755 | - | 117,543 | 89,020 |
| <u>79,770</u> | <u>1,718</u> | <u>7,690,614</u> | <u>7,276,169</u> |
| 51,543 | - | 51,543 | 278,062 |
| - | - | 1,515,665 | 1,156,288 |
| - | - | 213,761 | 26,589 |
| - | - | 167,106 | 410,007 |
| - | - | 2,001,577 | 1,840,600 |
| - | - | 3,499,690 | 3,508,403 |
| - | 1,472 | 226,771 | 51,601 |
| <u>\$ 51,543</u> | <u>\$ 1,472</u> | <u>\$ 7,676,113</u> | <u>\$ 7,271,550</u> |

SOUTH TEXAS DEVELOPMENT COUNCIL

**SCHEDULE OF INDIRECT COSTS AND COMPUTATION
OF INDIRECT COST RATE - BUDGET TO ACTUAL**

YEAR ENDED SEPTEMBER 30, 2015

| | Budget | Actual |
|--|------------|-----------------|
| INDIRECT COSTS | | |
| Salaries | \$ 251,817 | \$ 242,085 |
| Travel | 4,071 | 695 |
| General and administrative | 50,827 | 50,174 |
| Total indirect costs | \$ 306,715 | \$ 292,954 |
| INDIRECT COST RATE COMPUTATION | | |
| Total indirect costs | \$ 306,715 | \$ 292,954 |
| Total direct program expenditures | 7,577,735 | 7,381,688 |
| Less: capital outlay/contracts in excess of \$25,000 | 5,307,210 | 5,281,440 |
| Net direct program expenditures | 2,270,525 | 2,100,248 |
| Computed rate | 13.50% | 13.94% |
| (OVER)/UNDER RECOVERY OF INDIRECT COSTS | | |
| Fiscal year 2015 actual indirect costs | | \$ 292,954 |
| Cumulative (over)/under recovered indirect cost per 2014 audit | | (7,600) |
| Less indirect costs recovered in fiscal year 2015 | | (283,634) |
| ACCUMULATED (OVER)/UNDER RECOVERED INDIRECT COSTS | | \$ 1,720 |

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SOUTH TEXAS DEVELOPMENT COUNCIL
SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | 2014 |
|--|---------------------|
| Total Pension Liability | |
| Service cost | \$ 101,639 |
| Interest on total pension liability | 285,663 |
| Effect of plan changes | - |
| Effect of assumptions changes or inputs | - |
| Effect of economic/demographic (gains) or losses | 38,322 |
| Benefit payments/refunds of contributions | <u>(195,477)</u> |
| Net change in total pension liability | \$ 230,146 |
| | |
| Total pension liability, beginning | <u>3,572,716</u> |
| Total pension liability, ending (a) | <u>\$ 3,802,862</u> |
| | |
| Fiduciary Net Position | |
| Employer contributions | \$ 114,119 |
| Member contributions | 68,218 |
| Investment income net of investment expenses | 217,360 |
| Benefit payments/refunds of contributions | (195,477) |
| Administrative expenses | (2,634) |
| other | <u>(6,256)</u> |
| Net change in fiduciary net position | 195,330 |
| | |
| Fiduciary net position, beginning | <u>3,317,442</u> |
| Fiduciary net position, ending (b) | <u>\$ 3,512,772</u> |
| | |
| Net pension liability / (asset), ending (a) - (b) | <u>\$ 290,090</u> |
| | |
| Fiduciary net position as a % of total pension liability | 92.37% |
| | |
| Pensionable covered payroll | \$ 974,541 |
| | |
| Net pension liability as a % of covered payroll | 29.77% |

**SOUTH TEXAS DEVELOPMENT COUNCIL
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| Fiscal Year Ended December 31 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll | Actual Contribution as a % of Covered Payroll |
|----------------------------------|---|------------------------------------|--|-----------------------------------|--|
| 2006 | \$ 59,808 | \$ 59,808 | - | \$ 708,631 | 8.4% |
| 2007 | 58,604 | 58,604 | - | 733,466 | 8.0% |
| 2008 | 66,705 | 66,705 | - | 829,665 | 8.0% |
| 2009 | 101,959 | 101,959 | - | 1,064,287 | 9.6% |
| 2010 | 108,710 | 108,710 | - | 1,188,088 | 9.1% |
| 2011 | 132,033 | 132,033 | - | 1,222,881 | 10.8% |
| 2012 | 115,471 | 115,471 | - | 1,081,185 | 10.7% |
| 2013 | 112,582 | 112,582 | - | 1,019,768 | 11.0% |
| 2014 | 114,119 | 114,119 | - | 974,541 | 11.7% |

**SOUTH TEXAS DEVELOPMENT COUNCIL
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

| | |
|-----------------------------------|---|
| Valuation Timing | Actuarially determined contribution rates are calculated as of December 31, two year prior to the end of the fiscal year in which contributions are reported. |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | |
| Smoothing period | 5 years |
| Recognition Method | Non-asymptotic |
| Corridor | None |
| Inflation | 3.0% |
| Salary Increases | Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. Annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. |
| Investment Rate of Return | 8.10% |
| Cost-of-Living Adjustments | Cost-of-Living Adjustments for Starr County Appraisal District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Retirement Age | Experience-based table of rates that are specific to the County's plan of benefits. |
| Turnover | Rates vary by length of service, entry-age group (age at hire) and sex. No termination after eligibility for retirement is assumed. |
| Mortality | <p>Depositing members - RP - 2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.</p> <p>Service retirees, beneficiaries and non-depositing members- RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.</p> <p>Disabled retirees - RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for Females with a two-year set-forward, both with the projection scale AA.</p> |

SINGLE AUDIT SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Board of Directors
South Texas Development Council
Laredo, Texas

We have audited, 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, 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 South Texas Development Council (the “Council”) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise South Texas Development Council’s basic financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Texas Development 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 South Texas Development Council’s internal control. Accordingly, we do not express an opinion on the effectiveness of South Texas Development 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Texas Development 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Patullo, Brown & Hill, C.C.P.

Brownsville, Texas
June 30, 2016



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
South Texas Development Council
Laredo, Texas

Report on Compliance for Each Major Federal Program

We have audited South Texas Development Council's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of South Texas Development Council's major federal programs for the year ended September 30, 2015. South Texas Development Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Texas Development Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Texas Development 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 program. However, our audit does not provide a legal determination of South Texas Development Council's compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas Development 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 programs for the year ended September 30, 2015.

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Governmental Audit
Quality Center

Report on Internal Control over Compliance

Management of South Texas Development 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 South Texas Development Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 South Texas Development 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 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 program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Patullo, Brown & Hill, C.P.A.

Brownsville, Texas
June 30, 2016

SOUTH TEXAS DEVELOPMENT COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2015

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Pass-through Grantor's Number | Expenditures |
|---|--------------------------------|--|---------------------|
| FEDERAL AWARDS | | | |
| U.S. Department of Agriculture | | | |
| <i>Pass through Texas Department of Aging & Disability Services:</i> | | | |
| Nutrition Services Incentive Program (NSIP) | 93.053 | 539-11-0021-0021 | \$ <u>187,717</u> |
| Total U.S. Department of Agriculture | | | 187,717 |
| U.S. Department of Commerce | | | |
| <i>Pass through Economic Development Administration:</i> | | | |
| Support for Planning Organization | 11.302 | 08-83-04747 | <u>28,595</u> |
| Total U.S. Department of Commerce | | | 28,595 |
| U.S. Department of Housing & Urban Development | | | |
| <i>Pass through Texas Department of State Health Services</i> | | | |
| TDH HIV/HOPWA | 14.241 | 2014-002567-00 | 228,938 |
| TDH HIV/HOPWA | 14.241 | 2015-002567-00 | <u>529,803</u> |
| Total Texas Department of State Health Services | | | 758,741 |
| <i>Pass through Texas Department of Agriculture</i> | | | |
| Community Development Block Grant | 14.228 | C714222 | 6,110 |
| Community Development Block Grant | 14.228 | C715222 | <u>537</u> |
| Total Texas Department of Agriculture | | | <u>6,647</u> |
| Total U.S. Department of Housing & Urban Development | | | <u>765,388</u> |
| U.S. Department of Health & Human Services | | | |
| <i>Pass through Texas Department on Aging & Disability Services:</i> | | | |
| Title VII, EAP, Chapter 3, Prevention | 93.041 | 539-08-0221-00001 | 5,103 |
| Title VII, OAG, Chapter 2, Long Term Care Ombudsmen Services for Individual | 93.042 | 539-08-0221-00001 | 8,494 |
| Title III, Part D, Disease Prevention and Health Promotion Services | 93.043 | 539-08-0221-00001 | 22,947 |
| Title III, Part B, Supportive Services | 93.044 | 539-08-0221-00001 | 493,185 |
| Title III, Part C, Nutrition Services | 93.045 | 539-08-0221-00001 | 779,582 |
| Title III, Part E, National Caregiver Support | 93.052 | 539-08-0221-00001 | 168,365 |
| CMS Research, Demonstration and Evaluation | 93.779 | CMS | 13,047 |
| CMS Research, Demonstration and Evaluation | 93.779 | CMS | 25,821 |
| OMB AFL Service | 93.518 | 539-110021-00001 | 1,210 |
| ATRA - MIPPA Priority 2 | 93.518 | ATRA | 22,476 |
| MIPPA | 93.071 | 539-14-0475-00006 | 10,767 |
| MFP - Housing Navigator | 93.791 | 536-14-0475-00006 | 17,718 |
| Money Follows the Person | 93.791 | - | <u>2,713</u> |
| Total Texas Department on Aging & Disability Services | | | 1,571,428 |
| <i>Pass through Texas Department of State Health Services:</i> | | | |
| Ryan White HIV | 93.917 | | - |
| Ryan White HIV | 93.917 | 215-001463-00 | <u>2,641,057</u> |
| Total Texas Department of State Health Services | | | 2,641,057 |
| <i>Pass through Texas Health and Human Services Commission:</i> | | | |
| Consumer Health Insurance Enrollment Services(CHIMES) | 93.75 | NAVCA130092-01-14 | - |
| Consumer Health Insurance Enrollment Services(CHIMES) | 93.75 | NAVCA130092-01-15 | <u>187,894</u> |
| Total Texas Health and Human Services Commission | | | 187,894 |

SOUTH TEXAS DEVELOPMENT COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2015

| Federal Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Pass-through Grantor's Number | Expenditures |
|--|--------------------------------|--|---------------------|
| FEDERAL AWARDS | | | |
| <i>Pass through Texas Department of Housing & Community Affairs:</i> | | | |
| Community Services Block Grant | 93.569 | 61140001859 | 120,095 |
| Community Services Block Grant | 93.569 | 61150002194 | 71,213 |
| Comprehensive Energy Assistance Program | 93.568 | 58140001816 | 381,733 |
| Comprehensive Energy Assistance Program | 93.568 | 58140002245 | 172,338 |
| Comprehensive Energy Assistance Program | 93.568 | 58150002125 | <u>583,134</u> |
| Total Texas Department of Housing & Community Affairs: | | | <u>1,328,513</u> |
| | | | |
| Total U.S. Department of Health & Human Services | | | <u>5,728,892</u> |
| | | | |
| U.S. Department of Homeland Security | | | |
| <i>Pass through Texas Division of Emergency Management</i> | | | |
| 2013 SHSP | 97.073 | 13-SR-99022-01 | 121,599 |
| 2014 SHSP | 97.073 | 14-SR-99022-01 | <u>139,731</u> |
| Total U.S. Department of Homeland Security | | | <u>261,330</u> |
| | | | |
| Total Federal Awards | | | <u>6,971,922</u> |
| | | | |
| STATE AWARDS | | | |
| | | | |
| Office of the Governor | | | |
| Regional Criminal Justice Coordination | | SF-14-I97-14775-14 | 17,556 |
| Regional Criminal Justice Coordination | | SF-15-I97-14775-15 | 3,589 |
| Peace Officer Training | | SF-14-A10-14738-14 | <u>2,525</u> |
| Total Office of the Governor | | | 23,670 |
| | | | |
| Texas Commission on Environmental Quality | | | |
| Regional Solid Waste Implementation | | 582-12-10163 | 199,153 |
| Regional Solid Waste Implementation | | 582-16-60665 | <u>3,663</u> |
| Total Texas Commission on Environmental Quality | | | 202,816 |
| | | | |
| Texas Department of Aging & Disability Services | | | |
| State General Revenue | | 539-14-0475-00006 | 93,137 |
| State General Revenue | | AA3-0848-019 | <u>116,841</u> |
| Total Texas Department of Aging & Disability Services | | | 209,978 |
| | | | |
| Total State Awards | | | <u>436,464</u> |
| | | | |
| Total Federal and State Awards | | | <u>\$ 7,408,386</u> |

SOUTH TEXAS DEVELOPMENT COUNCIL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

SEPTEMBER 30, 2015

1. GENERAL

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of the South Texas Development Council. The Council's reporting entity is defined in Note 1 of the basic financial statements. Federal and state awards received directly from federal and state agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SOUTH TEXAS DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Summary of Auditors' Results

Financial Statements:

| | |
|---|---------------|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards:

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |

| | |
|--|------------|
| Type of auditors' report issued on compliance for major programs | Unmodified |
|--|------------|

| | |
|---|----|
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 | No |
|---|----|

| | |
|-----------------------------------|---|
| Identification of major programs: | Ryan White HIV Program (CFDA 93.917) HOPWA (CFDA 14.241) CEAP (CFDA 93.568) |
|-----------------------------------|---|

| | |
|---|-----------|
| Dollar threshold used to distinguish between type A and type B federal programs | \$300,000 |
|---|-----------|

| | |
|---|-----|
| Auditee qualified as low-risk auditee for federal single audit? | Yes |
|---|-----|

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

SOUTH TEXAS DEVELOPMENT COUNCIL

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

None