



**LUBBOCK, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2017**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**of the**

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS  
LUBBOCK, TEXAS**

For the Year Ended  
September 30, 2017

Tim Schwartz  
Director of Finance

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**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2017**

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# SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

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# **INTRODUCTORY SECTION**

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# South Plains Association of Governments

*Mayor Wendell Dunlap, City of Plainview*  
PRESIDENT

*Tim C. Pierce*  
EXECUTIVE DIRECTOR

March 29, 2018

South Plains Association of Governments  
P. O. Box 3730, Freedom Station  
Lubbock, Texas 79452-3730

Dear Members of the Board of Directors:

The comprehensive annual financial report for the South Plains Association of Governments (SPAG) for the fiscal year ended September 30, 2016, is submitted herewith. This report is in accordance with Governmental Accounting Standards Board (GASB) Cod. Sec. 2200 and is primarily intended to meet the Association's accountability requirements to funding agencies as stated in grant agreements or contracts and in accordance with Generally Accepted Accounting Principles (GAAP). SPAG management is also an intended user of the report. The financial statements should be read in conjunction with this Letter of Transmittal, the Management's Discussion and Analysis (pages 4 – 9) and the Notes to the Financial Statements (pages 21 – 38).

## **INDEPENDENT AUDIT**

Article IX, Section G of the Association's Bylaws requires an annual audit of the financial accounts and transactions of the Association. In addition, the audit was designed to meet the requirements of the U.S. Office of Management and Budget Uniform Guidance and Uniform Grant Management Standards, issued by the Governor's Office of Budget and Planning. The auditors' report on the financial statements is included in the financial section of this report. The auditors' report related specifically to the single audit is included in the Single Audit Section.

The management of South Plains Association of Governments is responsible for the contents of this report. Our independent auditors, Pattillo, Brown & Hill, L.L.P., have rendered an opinion that the audited financial statements are presented fairly and in conformity with GAAP after performing tests on the amounts and disclosures in the statements. They have found no material weaknesses in our accounting controls despite the limitations inherent in the size of our organization. Their informed and objective professional assessment supports the reliability of the information presented herewith.

## **INTERNAL CONTROLS**

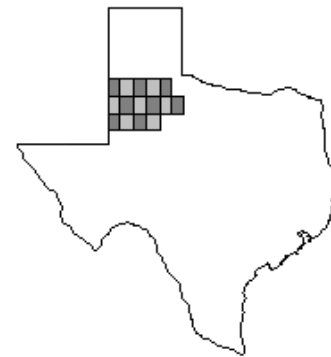
Management of the Association is responsible for establishing and maintaining a system of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a benefit should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management. The Association's internal accounting controls are considered to be adequate to safeguard the assets and provide reasonable assurance of proper recording of financial transactions.

The auditors’ report on internal controls and compliance is found on pages 65 – 66. This report is required since SPAG is subject to the provisions of the Uniform Guidance and the State of Texas Single Audit Circular. Compliance with the requirements of laws, regulations, and the terms of grants and contracts applicable to each of our major federal and state programs was tested, and a reasonable assurance of compliance in all material respects was obtained with no reportable conditions. SPAG is considered a low risk auditee.

**BACKGROUND**

The South Plains Association of Governments is a voluntary membership organization of the local governments within the 15-county area of Texas State Planning Region 2. SPAG was created on June 7, 1967, to provide local governments a formal and systematic arrangement to conduct regional planning, to engage in cooperative endeavors, to provide mutual assistance, and to promote other types of intergovernmental cooperation.

Bailey	Lamb	Hale	Floyd	Motley	
Cochran	Hockley	Lubbock	Crosby	Dickens	King
Yoakum	Terry	Lynn	Garza		



SPAG is governed by a General Assembly of 69 local elected officials, a 39 member Board of Directors which includes a 10-member Executive Committee. Bylaws of the Association, adopted in 1969, outline the types, conditions and dues structure for membership in the Association. In 2017, the Association’s membership consisted of 68 local entities, i.e., 15 counties, 45 cities, 3 special purpose districts, and 6 school districts. According to the 2010 census, they represented a population of 411,659 and an area of 13,737 square miles.

**REPORTING ENTITY**

In conformance with GASB Statement 14, The Financial Reporting Entity, the Association includes all funds and account groups that are financially accountable to the South Plains Association of Governments. The financial statements present SPAG, the primary government, and its discretely presented component unit, South Plains Economic Development District (SPEDD).

SPEDD, a legally separate nonprofit organization, was established by the Association for the general purpose of fostering regional economic development. The Association’s Board of Directors appoints SPEDD’s governing body. Due to the Association’s financial accountability, SPEDD is reported as a discretely presented component unit.

## FINANCIAL INFORMATION

SPAG uses fund accounting and follows the generally accepted principles of accounting and financial reporting applicable to government units. The financial statements contained are prepared on both a full accrual basis for the government wide statements and modified accrual basis. Since our books are kept on a modified accrual basis, this does not mean that we keep two sets of books. We simply make adjustments in worksheets and convert the modified accrual numbers to full accrual in order to meet the requirements of GASB 34.

### THE FINANCIAL PLAN

The Association prepares an annual financial plan. It is reviewed, approved, and adopted by the Association's Board of Directors and General Assembly. The financial plan is not subject to appropriation and is not considered a legally adopted budget. The financial plan is prepared by program and general ledger line item for the General and Special Revenue Funds as well as the component unit. Revenue estimates are based on grants expected to be received from various federal and state grantors, membership dues, local contributions, contract revenues, program income, in-kind match and other expected receipts from local sources. The financial plan represents the amounts the Association expects to receive on a fiscal year basis with planned expenditures at or below planned revenue levels. Control is maintained by budget comparison reports and monthly analysis by management. However, generally no formal changes are made to an approved budget during the fiscal year.

As demonstrated by the statements and schedules included in the financial section of this report, the Association continues to meet its responsibility for sound financial management.

### SERVICES

*The services we offer our members are diverse due to fluctuating concerns of the region. Active programs of the Association are Elderly Assistance, Area Information Center – 2-1-1 Texas, Economic Development, Law Enforcement Training, 9-1-1 Emergency Communications, and Regional Services.*

**9-1-1 Emergency Communications.** The primary accomplishment of the department in FY 2016 was to continue working with mapping software for next generation 9-1-1 technology. The 9-1-1 department worked with vendors to create a mapping program that would enhance the operations of the 9-1-1 answering points. Upon completion of the installation of the program on each operator's console, dispatchers will be able to plot a cellular phone caller and locate them for first responders. Implementation of Phase II has greatly enhanced the level of service available to the South Plains citizens. The purchase and installation of a 9-1-1 regional network establishes greater efficiency to the rural communities.

**SPAG has served as the designated Area Agency on Aging (AAA)** since 1977. As the AAA for the South Plains region, the Association has the responsibility to administer Title III funds allocated under the Older Americans Act and channeled through the Department of Aging and Disability Services (DADS). Other federal funds administered include Title III funds for *Congregate and Home-Delivered Meals* programs. A network of private sector vendors (including local governments), senior citizen center associations, and other nonprofit organizations support the elderly in the region with durable medical equipment, nutrition, counseling, and transportation. Through SPAG's *AAA Information, Referral, and Assistance* program, services are provided in person, by mail, and through a widely publicized toll-free telephone number. The *Care Coordination* Program aids persons 60 years of age or older through the procurement of eye glasses, hearing aids, homemaker services, residential repair, emergency response systems, transportation, and prescription medications. The Long-term Care *Ombudsman* program works directly with nursing home and assisted living residents, family members, guardians, and staff to ensure that persons living in those facilities receive the level of care mandated by law and have their rights protected. The *Caregiver Support* program

gives information, resources, and support services such as respite care to temporarily relieve caregivers from their care giving responsibilities. The *Legal/Benefits Counseling* Program is designed to advise and counsel individuals concerning health care benefits. All these programs are provided to allow the South Plains elderly or disabled to live dignified, independent, and productive lives.

**Area Information Center, 2-1-1 Texas** is a service administered by SPAG since FY 2005. The Center provides information and referral to all populations and all ages. It refers persons that need information and referral to various health and human service organizations. Requests vary from drug counseling to basic needs such as rent, food, and utility assistance. During times of disaster, 2-1-1 serves as a point of contact for persons across the state in “designated disaster areas.” 2-1-1 Texas South Plains provides support to the State of Texas via a statewide integrated network system. Access to 2-1-1 is available 24 hours a day, 7 days a week via phone (211), as well as internet ([www.211texas.org](http://www.211texas.org)) and email.

**Economic Development** is active in the promotion and retention of area employment through diversification and expansion of current or new businesses in the region. The Association’s economic development program provides technical assistance to cities and counties in the application and administration of Economic Development Administration programs. In addition to administering a revolving loan fund, the Economic Development program markets, packages, closes, and services SBA 504 loans. In the lifetime of the 504-loan program, 291 loans totaling \$118,565,000 have been made and a total of 5,788 jobs have been created or retained. In the lifetime of the revolving loan fund, 81 loans totaling \$10,833,161 have been made and a total of 1,770 jobs have been created or retained.

**The Law Enforcement Academy** educates and provides well-trained law enforcement officers to the SPAG 15 county region. Classes offered through the Law Enforcement Academy include Basic Licensing courses for Peace Officers and County Jailers. The Academy also offers intermediate and advanced courses in areas of firearms, defensive tactics, use of force, Spanish, searches, ethics and leadership training. SPAG Academy offers continuing education courses to enhance certification and meet the needs of the rural community. The services provided by the SPAG Regional Law Enforcement Academy are funded partly through the Criminal Justice Division of the Governors office and tuition costs. Police Chiefs and Sheriffs work closely with the Academy staff to ensure that the needs of the rural communities are being met. In 2017, the SPAG Regional Law Enforcement Academy held 50 classes and trained 508 officers. Total contact hours for 2017 were 33,046.

**Regional Services** – The Regional Services Department operates a variety of programs that directly impact the SPAG membership. Several of these programs, such as the Solid Waste Program, funded through the Texas Commission on Environmental Quality (TCEQ), the Community and Economic Development Assistance Funds (CEDAF) funded through the Texas Department of Agriculture and the coordination, writing and administration of various grant programs provide regional municipalities, counties and others with funding and technical assistance to address their community development needs. Additionally, the Regional Services Department manages two programs through the Office of the Governor (OOG) that have a direct impact on regional public safety. The Criminal Justice program provides technical assistance, strategic planning and grant prioritization for agencies and entities utilizing funding from the OOG, Criminal Justice Division and the Homeland Security program provides technical assistance, emergency preparedness planning and risk assessments, and grant prioritization for entities utilizing the OOG, Homeland Security Grants Program. The department also coordinates the Llano Estacado Regional Water Planning Group (Region O) through the Texas Water Development Board, Region III Texas Municipal League Quarterly Meetings, the South Plains Rural Planning Organization (RPO) through the Lubbock District of the Texas Department of Transportation (TxDOT), and the South Plains Regional Coordination Transportation Advisory Committee (SPRCTAC) which is funded through the Public Transportation Division of TxDOT.

## **LOCAL ECONOMIC CONDITIONS AND OUTLOOK**

The information presented in our financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which SPAG operates.

The region's economic base is agriculture, manufacturing, wholesale and retail trade, with contributions from government, education, oil production, and health care. The City of Lubbock continues to be the hub of the region's economic activity; the Lubbock Economic Index increased by 3.3% from the previous year. The City of Lubbock's unemployment rate as of September 30, 2017, was 3.5% compared with last year's rate of 3.4%. Lubbock County's median household income of \$46,859 lags behind the Texas median household income of \$54,727 (U. S. Census Bureau).

## **LONG TERM FINANCIAL PLANNING**

The general fund balance will continue to act as a cash-flow resource for the South Plains Association of Governments. Our target is to increase the general fund balance to 25% of our annual expenses.

## **RELEVANT FINANCIAL POLICIES**

South Plains Association of Governments has several financial policies and procedures that keep the financial records in compliance and free from material misstatement. The Fraud Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against SPAG. The Investment Policy insures that SPAG's funds are properly accounted for and invested with the primary objectives, in priority order, of safety, liquidity and yield. The Fund Balance Policy's purpose is to establish a key element of the financial stability of SPAG by setting guidelines for fund balance. Unassigned fund balance is an important measure of economic stability. It is essential that SPAG maintain adequate levels of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. The Cost Policies identify the various elements of cost within SPAG and the methods of allocations and procedures. Finally, our Procurement and Property Management Policies establish consistent practices for acquisition and disposition of property which will provide for equity, economy, compliance and accountability in the use of public funds.

## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to South Plains Association of Governments for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This was the 32nd time that the Association has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

This report could not have been accomplished without the dedication and efficiency of the Association's financial, administrative, and program management staff. Special acknowledgement should also be given to the Association's auditors, Pattillo, Brown & Hill, L.L.P., whose expertise lent greatly to this report's completion. We would also like to thank the members of the Board of Directors and its Executive Committee for their interest and support in planning and conducting the financial operations of the Association in a responsible and progressive manner.

Respectfully submitted,



Tim C. Pierce  
Executive Director



Tim Schwartz  
Director of Finance



# **SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

## **EXECUTIVE STAFF**

Executive Director Tim C. Pierce

### Department Directors

Director of Aging Liz Castro

Director of Economic Development Cecily Miller

Director of Finance Tim Schwartz

Director of Training and Emergency Communications Gay Lynn Mosher

Director of Regional Services Kelly Davila

Director of Area Information Center, 211 Texas Aida Martinez

# **SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

## **GOVERNING BODY**

### **EXECUTIVE COMMITTEE**

Mayor Wendell Dunlap, President  
City of Plainview

Judge Mike DeLoach, Secretary  
Lamb County

Judge Lee Norman, 1<sup>st</sup> Vice President  
Garza County

Mayor Tom Hesse, Treasurer  
City of Brownfield

Mayor John Baker, 2<sup>nd</sup> Vice President  
City of Tahoka

Mr. Calvin Davis  
Designated Member

Judge Jim Meador, 3<sup>rd</sup> Vice President  
Motley County

Mr. Alfonso Sanchez  
Designated Member

Councilmember Karen Gibson, 4<sup>th</sup> Vice President  
City of Lubbock

Judge Tom Head, Immediate Past  
President, Lubbock County

### **BOARD OF DIRECTORS**

Rev. Kenneth O. Jackson  
Designated Member

Councilmember Juan Chadis  
City of Lubbock

Councilmember Steve Massengale  
City of Lubbock

Commissioner Mario Martinez  
Hale County

Councilmember Jeff Griffith  
City of Lubbock

Judge Pat Sabala Henry  
Cochran County

Mayor D. W. England  
City of Slaton

Commissioner Tom Clevenger  
Hockley County

Councilmember Billy Youngblood  
City of Levelland

Judge Jim Barron  
Yoakum County

Councilmember Karen Gibson  
City of Lubbock

Mayor Sharon Kester-Fair  
City of Abernathy

Mr. T. J. Patterson  
Designated Member

Commissioner Mark Heinrich  
Lubbock County

Judge Woodie McArthur  
White River Municipal Water Dist.

Mr. John P. Cervantez  
Designated Member

Mayor Cliff Black  
City of Muleshoe

Mayor Mary Beth Sims  
City of Smyer

Judge Duane Daniel  
King County

Commissioner Patti Jones  
Lubbock County

Judge Jackie "Butch" Wagner  
Terry County

Judge David Wigley  
Crosby County

Mr. Armando Lopez  
Designated Member

Judge Kevin Brendle  
Dickens County

Judge Marty Lucke  
Floyd County

Senator Charles Perry  
Designated Legislative Member

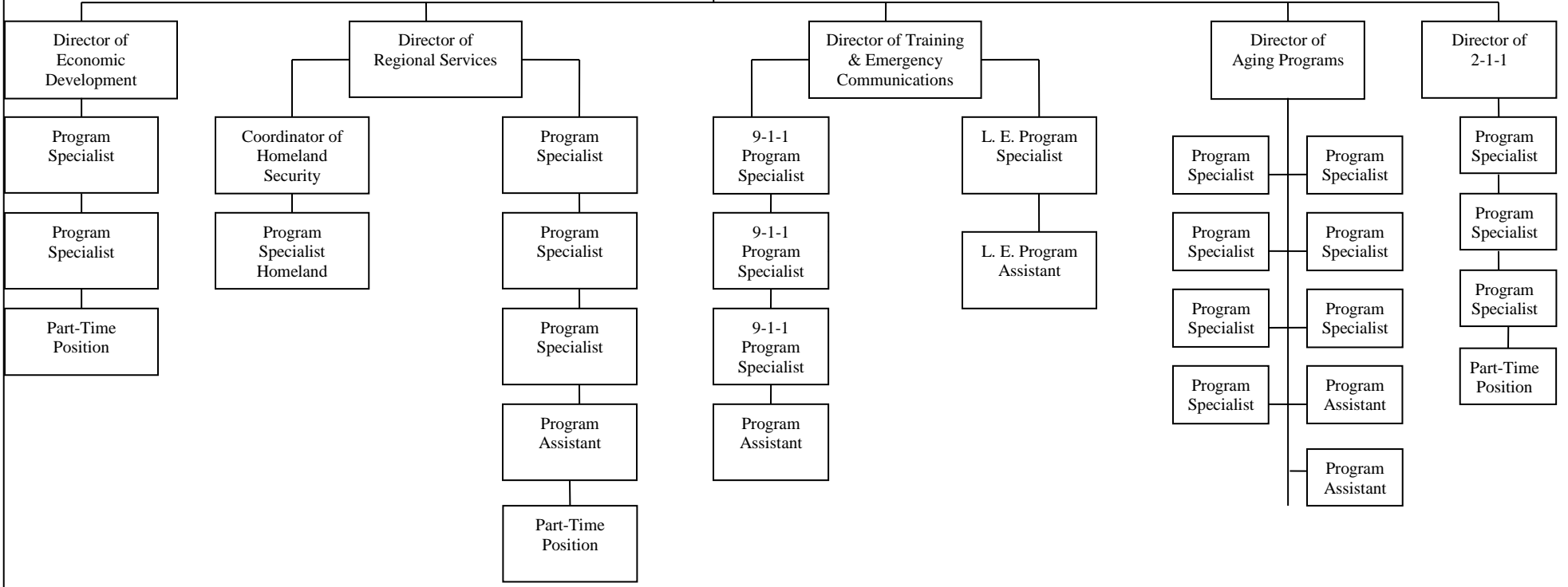
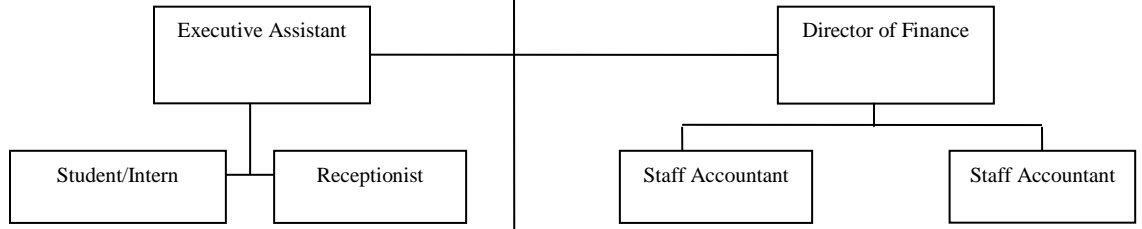
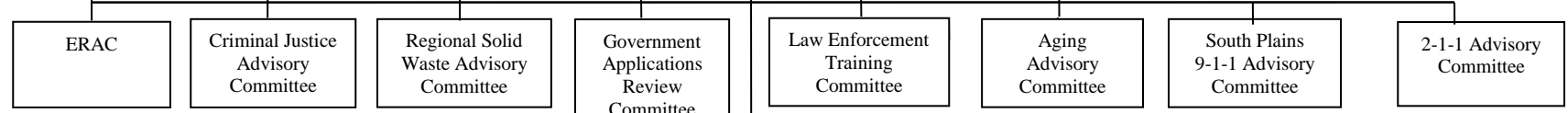
Commissioner Gilbert Flores  
Lubbock County

Councilmember Sheila  
Patterson-Harris  
City of Lubbock

Mrs. Lottie Spencer  
Designated Member

General Assembly  
Board of Directors  
Executive Committee

South Plains Association of Governments  
FY 2017  
Organization





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**South Plains Association of Governments  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

# **FINANCIAL SECTION**

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
South Plains Association of Governments  
Lubbock, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the South Plains Association of Governments (the "Association") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Association'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, the business activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the South Plains Association of Governments, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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



## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, supplemental schedules, and statistical section are presented for purposes for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state award is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Uniform Guidance*, and *Uniform Grant Management Standards*, issued by the Governor's Office of Budget and Planning, and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 29, 2018

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## Management's Discussion and Analysis

Our discussion and analysis of South Plains Association of Governments' financial performance provides an overview of financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with both the transmittal letter starting on page i and the Association's basic financial statements, which begin on page 10.

### Financial Highlights

- The Association's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,925,637 as of September 30, 2017. Of this amount, \$1,247,201 is available to meet the Association's ongoing obligations.
- Total revenues of \$4,740,779 were less than total expenses of \$4,803,087 by \$62,308.
- The 2017 Financial Plan for the Association included \$5,130,038 in planned expenditures, resulting in a variance of 6%. A large portion of this variance is related to the Emergency Communication and Aging departments actual costs being less than anticipated in the financial plan. The financial plan is based on the modified accrual basis of accounting and treats capital assets acquisitions as expenditures. The Financial Plan for the Association is not a legally adopted budget and, accordingly, more detailed comparative budget information is not presented in this report.
- The total cost of all our programs decreased by \$711,441 or 12.9% when compared to last year's costs.
- The General Fund reported a decrease of \$13,042 in fund balance this year. Increased use of General Fund resources for grant programs has resulted in a small decrease as opposed to last year's increase of \$10,312.
- The Association's business-type activities, which consist of Economic Development revolving loan funds, reported an increase in net position of \$59,164. Operating revenues of \$93,133 and non-operating revenues of \$10,503 exceeded operating expense of \$44,472.

### Using This Annual Report

This annual report consists of a series of financial statements:

- ***Government-wide Financial Statements*** serve as an introduction and broad overview to the Association's finances in a manner similar to a private-sector business. They may be found beginning on page 10 of this report.
  - *The Statement of Net Position* presents information on the Association's assets and liabilities with the difference reported as net position.

- *The Statement of Activities* shows how net position changed during the fiscal year. This statement reports increases or decreases in assets when an underlying event occurs regardless of the timing of cash flows.
- ***Fund Financial Statements*** contain reports that reflect the use of a related group of accounts that segregate and maintain control over resources. They are segregated for specific activities or objectives as legally required.
  - *Governmental Funds* statements report the same functions as government-wide statements but with a focus on current sources and uses of expendable resources including the balances available at the end of the year. Comparison of these statements with the government-wide statements demonstrates the impact of near-term financing decisions. We maintain 13 individual governmental funds. The major funds presented separately are: the General Fund, the Texas Department on Aging and Disability Services and the Commission on State Emergency Communications. The governmental fund financial statements begin on page 12 of this report.

The Board of Directors approves a financial plan each year for revenues and expenditures in each fund. Although the financial plan is reviewed and approved by the Board, it is not considered a legally binding budget. Comparative budget information, accordingly, is not presented in this report.

- *Proprietary Funds* provide the same type of information as government-wide financial statements, only in more detail. This information reinforces the information provided in the government-wide financial statements. The proprietary fund financial statements provide separate information for the EDA Revolving Loan and the SPAG Revolving Loan. The EDA Revolving Loan Fund is considered a major fund. The basic proprietary fund financial statements can be found on pages 17–19 of this report.
- ***Notes to the Financial Statements*** provide information necessary to a full understanding of the data in the government-wide and fund financial statements. The notes to the financial statements begin on page 21.
- ***Other Information*** includes combining fund statements and other schedules that further expand upon and support the previous information. The combining fund statements for nonmajor funds and other schedules may be found beginning on page 42.

## **Government-wide Financial Analysis**

As discussed earlier, changes in net position serve over time to indicate an organization's financial position. As of September 30, 2017, South Plains Association of Governments' assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,925,637.

A portion of the net position of the Association is classified as invested in capital assets \$1,926,902. The Association uses these capital assets to provide a variety of services to the region. Accordingly, these assets are not available for future spending. An additional portion of the Association's net position \$3,751,534 represents resources that are subject to external restrictions on how they may be used. This is by far the largest portion of the Association's net position, 54%. Unrestricted net position, however, may be used for future operating needs. This amount totaled \$1,247,201 at September 30, 2017.

**Table 1: Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 2,145,507	\$ 2,366,249	\$ 3,736,982	\$ 3,677,818	\$ 5,882,489	\$ 6,044,067
Capital assets	1,926,902	2,216,671	-	-	1,926,902	2,216,671
Total assets	<u>4,072,409</u>	<u>4,582,920</u>	<u>3,736,982</u>	<u>3,677,818</u>	<u>7,809,391</u>	<u>8,260,738</u>
Deferred outflows of resources	494,781	459,674	-	-	494,781	459,674
Total deferred outflows of resources	<u>494,781</u>	<u>459,674</u>	<u>-</u>	<u>-</u>	<u>494,781</u>	<u>459,674</u>
Current liabilities	641,490	847,140	-	-	641,490	847,140
Noncurrent liabilities	431,292	603,628	-	-	431,292	603,628
Total liabilities	<u>1,072,782</u>	<u>1,450,768</u>	<u>-</u>	<u>-</u>	<u>1,072,782</u>	<u>1,450,768</u>
Deferred inflows of resources	305,753	281,699	-	-	305,753	281,699
Total deferred inflows of resources	<u>305,753</u>	<u>281,699</u>	<u>-</u>	<u>-</u>	<u>305,753</u>	<u>281,699</u>
Net position:						
Net investment in capital assets	1,926,902	2,216,671	-	-	1,926,902	2,216,671
Restricted	14,552	16,602	3,736,982	3,677,818	3,751,534	3,694,420
Unrestricted	<u>1,247,201</u>	<u>1,076,854</u>	<u>-</u>	<u>-</u>	<u>1,247,201</u>	<u>1,076,854</u>
Total net position	<u>\$ 3,188,655</u>	<u>\$ 3,310,127</u>	<u>\$ 3,736,982</u>	<u>\$ 3,677,818</u>	<u>\$ 6,925,637</u>	<u>\$ 6,987,945</u>

### Analysis of the Association's Operations

The basic financial statements contain the information necessary to analyze the Association's operations. The following table provides a summary of operations for the year ended September 30, 2017. The following table, Changes in Net Position, contains information from page 11, Statement of Activities.

**Table 2: Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 3,954,669	\$ 5,860,042	\$ -	\$ -	\$ 3,954,669	\$ 5,860,042
Charges for services	671,536	715,169	93,133	89,605	764,669	804,774
General revenue:						
Investment earnings	5,095	3,813	10,503	7,239	15,598	11,052
Miscellaneous income	5,843	2,348	-	-	5,843	2,348
Total revenues	<u>4,637,143</u>	<u>6,581,372</u>	<u>103,636</u>	<u>96,844</u>	<u>4,740,779</u>	<u>6,678,216</u>
Expenses:						
General government	538,541	545,608	-	-	538,541	545,608
Environmental quality	177,111	77,403	-	-	177,111	77,403
Emergency communications	1,305,810	1,602,809	-	-	1,305,810	1,602,809
Emergency management	278,946	482,844	-	-	278,946	482,844
Community development	4,941	3,667	-	-	4,941	3,667
Health and human services	245,194	254,423	-	-	245,194	254,423
Aging	1,795,910	1,976,473	-	-	1,795,910	1,976,473
Transportation	19,419	35,167	-	-	19,419	35,167
Economic development	76,859	169,552	44,472	47,064	121,331	216,616
Water Development	29,562	2,730	-	-	29,562	2,730
Criminal justice	286,322	316,788	-	-	286,322	316,788
Total expenses	<u>4,758,615</u>	<u>5,467,464</u>	<u>44,472</u>	<u>47,064</u>	<u>4,803,087</u>	<u>5,514,528</u>
Change in net position	( 121,472)	1,113,908	59,164	49,780	( 62,308)	1,163,688
Net position, beginning	<u>3,310,127</u>	<u>2,196,219</u>	<u>3,677,818</u>	<u>3,628,038</u>	<u>6,987,945</u>	<u>5,824,257</u>
Net position, ending	<u>\$ 3,188,655</u>	<u>\$ 3,310,127</u>	<u>\$ 3,736,982</u>	<u>\$ 3,677,818</u>	<u>\$ 6,925,637</u>	<u>\$ 6,987,945</u>

**Changes in Net Position**

In accordance with GASB 34, depreciation expense is allocated in our government-wide statements. Depreciation expense is, however, not allowable under the terms of grant agreements and does not affect our fund balance. This expense is presented for reporting purposes only.

**Explanation of the Differences in Expenses Between Fiscal Year 2016 and Fiscal Year 2017**

Total expenses decreased by \$711,441 from the previous year. The majority of this is the net difference between decreases in funding availability in Emergency Communications, Emergency Management, Economic Development, Health and Human Services, and Aging, and increases in funding availability in Environmental Quality.

**Financial Analysis of the Governmental Funds**

*Governmental funds* analysis includes information on near-term inflows, outflows, and balances of expendable resources. This information is useful in assessing net resources available for spending at the end of the fiscal year.



At the end of the fiscal year ended September 30, 2017, the Association’s governmental funds reported combined ending fund balances of \$1,504,017 (reference page 12-13). Beginning on page 14 of this report, there is a more detailed presentation of governmental funds revenues and expenditures.

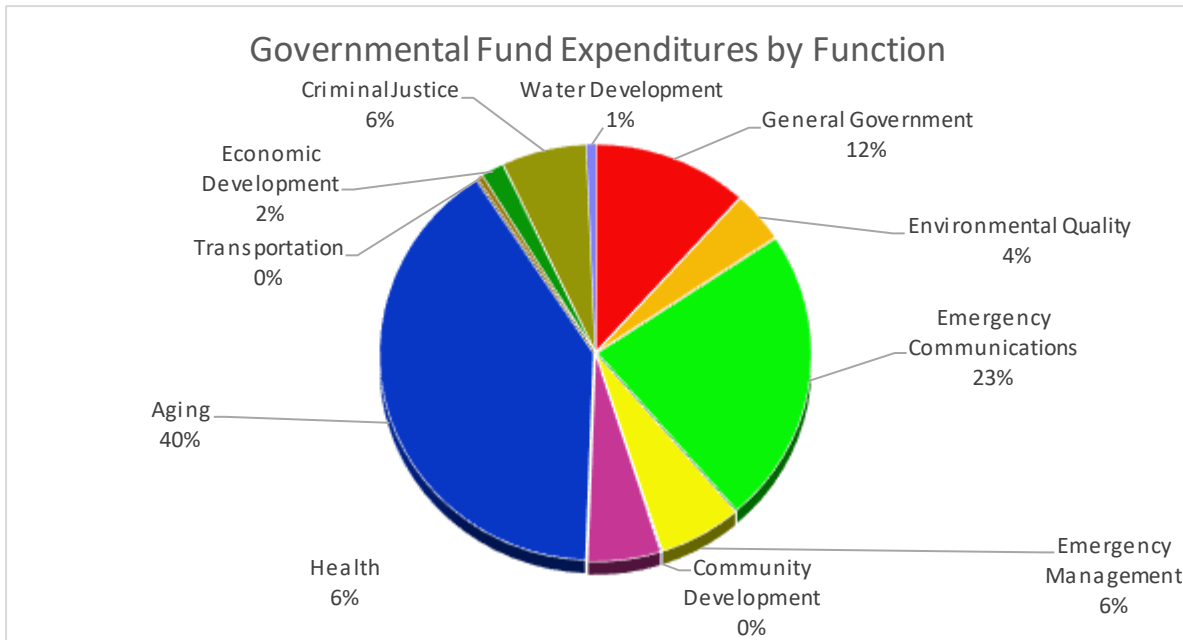
The General Fund balance decreased by \$13,042. This is due to a decrease in local revenues of \$42,864.

*Proprietary funds* statements, beginning on page 17, provide the same type of information found for the business-type activities in the government-wide financial statements, but in more detail. Restricted net position of \$3,736,982 reflects a total increase in net position of \$59,164.

## Governmental Funds Expenditures

The following chart illustrates the distribution of costs throughout the Governmental Funds by functional departments. Aging, Emergency Management and Emergency Communications expenditures combined make up 69% of the total.

Criminal Justice programs, Environmental Quality, Community Development, General Government, Health and Human Services, Economic Development, Water Development, and Transportation costs make up the balance of total expenditures at South Plains Association of Governments.



**Capital Assets** for the Association represent an investment of \$1,926,902, net of accumulated depreciation. This investment includes land, building, furniture, fixtures, and equipment. All capital assets held by the Association are classified as governmental activities. Business-type activities have no capital assets in the Association. Information on capital assets may be found in the notes to the financial statements on page 31.

**Table 3: Capital Assets**

	Governmental Activities	
	2017	2016
Land	\$ 131,605	\$ 131,605
Depreciable assets:		
Building	635,342	635,342
Furniture and equipment	3,006,621	2,953,826
Less: accumulated depreciation	<u>( 1,846,666)</u>	<u>( 1,504,102)</u>
Total capital assets, net	<u>\$ 1,926,902</u>	<u>\$ 2,216,671</u>

### **Requests for Information**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance's office, 1323 58<sup>th</sup> Street, Lubbock, Texas 79412. This report is designed to provide an overview of the information contained in the Basic Financial Statements.

**BASIC FINANCIAL  
STATEMENTS**

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# SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	SPEDD
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,319,001	\$ 1,800,821	\$ 3,119,822	\$ 79,173
Receivables				
Grantors	472,121	-	472,121	12,421
Accounts	181,312	2,764	184,076	-
Loans	-	2,013,635	2,013,635	-
Due from component unit	91,391	-	91,391	-
Internal balances	80,238	( 80,238)	-	-
Prepays	1,444	-	1,444	-
Capital assets not being depreciated:				
Land	131,605	-	131,605	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	237,813	-	237,813	-
Furniture, fixtures, and equipment	1,557,484	-	1,557,484	-
Total assets	4,072,409	3,736,982	7,809,391	91,594
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	494,781	-	494,781	-
Total deferred outflows of resources	494,781	-	494,781	-
<b>LIABILITIES</b>				
Accounts payable	287,974	-	287,974	203
Accrued liabilities	90,931	-	90,931	-
Due to primary government	-	-	-	91,391
Unearned revenue	262,585	-	262,585	-
Noncurrent liabilities:				
Due within one year	81,597	-	81,597	-
Due in more than one year	349,695	-	349,695	-
Total liabilities	1,072,782	-	1,072,782	91,594
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	305,753	-	305,753	-
Total deferred outflows of resources	305,753	-	305,753	-
<b>NET POSITION</b>				
Net position, investment in capital assets	1,926,902	-	1,926,902	-
Restricted for:				
Economic development	-	3,736,982	3,736,982	-
Health and human services	14,552	-	14,552	-
Unrestricted	1,247,201	-	1,247,201	-
Total net position	\$ 3,188,655	\$ 3,736,982	\$ 6,925,637	\$ -

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

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**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit SPEDD
				Charges for Services	Operating Grants and Contributions	Primary Government		Total	
						Governmental Activities	Business-type Activities		
<b>Primary Government:</b>									
Governmental activities:									
General government	\$ 451,061	\$ 87,480	\$ 538,541	\$ 557,454	\$ -	\$ 18,913	\$ -	\$ 18,913	\$ -
Environmental quality	168,268	8,843	177,111	73	184,306	7,268	-	7,268	-
Emergency communications	1,261,634	44,176	1,305,810	1,368	1,072,904	( 231,538)	-	( 231,538)	-
Emergency management	255,420	23,526	278,946	-	290,376	11,430	-	11,430	-
Community development	4,486	455	4,941	-	5,144	203	-	203	-
Health and human services	217,476	27,718	245,194	960	252,246	8,012	-	8,012	-
Aging	1,710,206	85,704	1,795,910	23,184	1,825,469	52,743	-	52,743	-
Transportation	17,100	2,319	19,419	-	20,216	797	-	797	-
Water Development	29,562	-	29,562	-	30,775	1,213	-	1,213	-
Criminal justice	263,819	22,503	286,322	88,497	191,946	( 5,879)	-	( 5,879)	-
Economic development	76,859	-	76,859	-	81,287	4,428	-	4,428	-
Indirect costs	302,724	( 302,724)	-	-	-	-	-	-	-
Total governmental activities	4,758,615	-	4,758,615	671,536	3,954,669	( 132,410)	-	( 132,410)	-
Business-type activities:									
Economic development	44,472	-	44,472	93,133	-	-	48,661	48,661	-
Total business-type activities	44,472	-	44,472	93,133	-	-	48,661	48,661	-
Total primary government	\$ 4,803,087	\$ -	\$ 4,803,087	\$ 764,669	\$ 3,954,669	( 132,410)	48,661	( 83,749)	-
<b>Component Unit:</b>									
SPEDD	\$ 85,077	\$ 984	\$ 86,061	\$ 39	\$ 60,222				( 25,800)
Total component unit	\$ 85,077	\$ 984	\$ 86,061	\$ 39	\$ 60,222				( 25,800)
General revenues:									
						5,095	10,503	15,598	-
						5,843	-	5,843	25,800
						10,938	10,503	21,441	25,800
						( 121,472)	59,164	( 62,308)	-
						3,310,127	3,677,818	6,987,945	-
						\$ 3,188,655	\$ 3,736,982	\$ 6,925,637	\$ -

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

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

	<u>General</u>	<u>Texas Department on Aging and Disability Services</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 809,550	\$ -
Accounts receivable:		
Grantors	-	170,491
Accounts	140,132	184
Due from other funds	566,269	-
Due from component unit	91,391	-
Prepaid items	<u>1,444</u>	<u>-</u>
Total assets	\$ <u>1,608,786</u>	\$ <u>170,675</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	\$ 14,266	\$ 124,747
Due to other funds	-	45,928
Accrued liabilities	90,931	-
Unearned revenue	<u>14,124</u>	<u>-</u>
Total liabilities	<u>119,321</u>	<u>170,675</u>
Fund balance:		
Nonspendable - prepaid items	1,444	-
Restricted for health and human services	-	-
Assigned for:		
Law enforcement training	36,145	-
Unassigned	<u>1,451,876</u>	<u>-</u>
Total fund balances	<u>1,489,465</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>1,608,786</u>	\$ <u>170,675</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities



<u>Commission on State Emergency Communications</u>	<u>Other Governmental</u>	<u>Totals Governmental Funds</u>
\$ 393,310	\$ 116,141	\$ 1,319,001
-	301,630	472,121
-	40,996	181,312
-	-	566,269
-	-	91,391
-	-	1,444
<u>\$ 393,310</u>	<u>\$ 458,767</u>	<u>\$ 2,631,538</u>
\$ 87,061	\$ 61,900	\$ 287,974
100,913	339,190	486,031
-	-	90,931
<u>205,336</u>	<u>43,125</u>	<u>262,585</u>
<u>393,310</u>	<u>444,215</u>	<u>1,127,521</u>
-	-	1,444
-	14,552	14,552
-	-	36,145
-	-	<u>1,451,876</u>
<u>-</u>	<u>14,552</u>	1,504,017
<u>\$ 393,310</u>	<u>\$ 458,767</u>	
		1,926,902
		<u>( 242,264)</u>
		<u>\$ 3,188,655</u>

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

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

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General</u>	<u>Texas Department of Aging and Disability Services</u>
<b>REVENUES</b>		
Grant	\$ -	\$ 1,625,922
Local	493,862	23,184
Other	<u>74,525</u>	<u>-</u>
Total revenues	<u>568,387</u>	<u>1,649,106</u>
<b>EXPENDITURES</b>		
Current:		
General government	544,105	-
Environmental quality	-	-
Water development		
Emergency communications	-	-
Emergency management	-	-
Community development	-	-
Health and human services	-	-
Aging	-	1,667,981
Transportation	-	-
Economic Development	-	-
Criminal justice	<u>-</u>	<u>-</u>
Total expenditures	<u>544,105</u>	<u>1,667,981</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>24,282</u>	<u>( 18,875)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfer in	-	18,875
Transfer out	<u>( 37,324)</u>	<u>-</u>
Total other financing sources (uses)	<u>( 37,324)</u>	<u>18,875</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 13,042)	-
<b>FUND BALANCES, BEGINNING</b>	<u>1,502,507</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,489,465</u>	<u>\$ -</u>

<u>Commission on State Emergency Communications</u>	<u>Other Governmental</u>	<u>Totals Governmental Funds</u>
\$ 1,072,904	\$ 1,255,843	\$ 3,954,669
-	89,462	606,508
1,368	73	75,966
<u>1,074,272</u>	<u>1,345,378</u>	<u>4,637,143</u>
-	-	544,105
-	184,379	184,379
-	30,775	30,775
1,074,272	-	1,074,272
-	290,394	290,394
-	5,144	5,144
-	255,256	255,256
-	201,546	1,869,527
-	20,216	20,216
-	80,095	80,095
-	298,072	298,072
<u>1,074,272</u>	<u>1,365,877</u>	<u>4,652,235</u>
<u>-</u>	<u>( 20,499)</u>	<u>( 15,092)</u>
-	18,449	37,324
<u>-</u>	<u>-</u>	<u>( 37,324)</u>
<u>-</u>	<u>18,449</u>	<u>-</u>
-	( 2,050)	( 15,092)
<u>-</u>	<u>16,602</u>	<u>1,519,109</u>
<u>\$ -</u>	<u>\$ 14,552</u>	<u>\$ 1,504,017</u>

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**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

Net change in fund balances - total governmental funds (pages 13-14 )	\$( 15,092)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	( 289,769)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>183,389</u>
Change in net position of governmental activities (page 11)	<u><u>\$( 121,472)</u></u>

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**SEPTEMBER 30, 2017**

	Business-type Activities		
	EDA Revolving Loan	SPAG Revolving Loan (Nonmajor Fund)	Totals Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,630,261	\$ 170,560	\$ 1,800,821
Accounts receivable	2,764	-	2,764
Loans receivable, net of allowance for uncollectible accounts	2,013,635	-	2,013,635
Total current assets	3,646,660	170,560	3,817,220
 Total assets	 3,646,660	 170,560	 3,817,220
<b>LIABILITIES</b>			
Current liabilities:			
Due to other funds	80,238	-	80,238
Total current liabilities	80,238	-	80,238
 Total liabilities	 80,238	 -	 80,238
<b>NET POSITION</b>			
Restricted for Economic Development	3,566,422	170,560	3,736,982
 Total net position	 \$ 3,566,422	 \$ 170,560	 \$ 3,736,982

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

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**PROPRIETARY FUNDS**

**YEAR ENDED SEPTEMBER 30, 2017**

	Business-type Activities		
	EDA Revolving Loan	SPAG Revolving Loan (Nonmajor Fund)	Totals Enterprise Funds
<b>OPERATING REVENUES</b>			
Interest on loans	\$ 84,219	\$ -	\$ 84,219
Origination fees	7,790	-	7,790
Miscellaneous income	<u>1,124</u>	<u>-</u>	<u>1,124</u>
Total operating revenues	<u>93,133</u>	<u>-</u>	<u>93,133</u>
<b>OPERATING EXPENSES</b>			
Administrative fees	<u>44,472</u>	<u>-</u>	<u>44,472</u>
Total operating expenses	<u>44,472</u>	<u>-</u>	<u>44,472</u>
<b>OPERATING INCOME (LOSS)</b>	<u>48,661</u>	<u>-</u>	<u>48,661</u>
<b>NONOPERATING REVENUES</b>			
Interest on investments	<u>9,317</u>	<u>1,186</u>	<u>10,503</u>
Total nonoperating revenues	<u>9,317</u>	<u>1,186</u>	<u>10,503</u>
<b>CHANGE IN NET POSITION</b>	57,978	1,186	59,164
<b>NET POSITION, BEGINNING</b>	<u>3,508,444</u>	<u>169,374</u>	<u>3,677,818</u>
<b>NET POSITION, ENDING</b>	<u>\$ 3,566,422</u>	<u>\$ 170,560</u>	<u>\$ 3,736,982</u>

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

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**YEAR ENDED SEPTEMBER 30, 2017**

	Business-type Activities		
	EDA Revolving Loan	SPAG Revolving Loan (Nonmajor Fund)	Totals Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 90,369	\$ -	\$ 90,369
Cash payments to employees for services	18	-	18
Cash payments to customers for new loans	<u>( 342,625)</u>	<u>-</u>	<u>( 342,625)</u>
Cash used by operating activities	<u>( 252,238)</u>	<u>-</u>	<u>( 252,238)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	<u>9,317</u>	<u>1,186</u>	<u>10,503</u>
Cash provided by investing activities	<u>9,317</u>	<u>1,186</u>	<u>10,503</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>( 242,921)</u>	<u>1,186</u>	<u>( 241,735)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>1,873,182</u>	<u>169,374</u>	<u>2,042,556</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,630,261</u>	<u>\$ 170,560</u>	<u>\$ 1,800,821</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 48,661	\$ -	\$ 48,661
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Decrease (increase) in loans receivable	( 342,625)	-	( 342,625)
Decrease (increase) in accounts receivable	( 2,764)	-	( 2,764)
Increase (decrease) in due to other funds	<u>44,490</u>	<u>-</u>	<u>44,490</u>
Total adjustments	<u>( 300,899)</u>	<u>-</u>	<u>( 300,899)</u>
Net cash used by operating activities	<u>\$( 252,238)</u>	<u>\$ -</u>	<u>\$( 252,238)</u>
<b>SCHEDULE OF NON-CASH INVESTING ACTIVITIES</b>			
Satisfaction of loan receivable through possession of real estate	\$ -	\$ -	\$ -

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



**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**STATEMENT OF NET POSITION**

**FIDUCIARY FUNDS**

**SEPTEMBER 30, 2017**

	<u>Agency Fund</u>
Assets:	
Cash and investments	\$ <u>197,044</u>
Total assets	\$ <u><u>197,044</u></u>
Liabilities:	
Due to others	\$ <u>197,044</u>
Total liabilities	\$ <u><u>197,044</u></u>

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# **SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the South Plains Association of Governments (the “Association”) 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 Association.

#### **A. Reporting Entity**

The South Plains Association of Governments is a political subdivision of the State of Texas and a voluntary association of local governments within the 15-county South Plains Region. The Association was established in 1967 to study and resolve area-wide problems through the cooperation and coordinated action of member cities, counties, school districts and special purpose districts of the South Plains region. Membership in the Association is voluntary. Any county, city or special purpose district within the South Plains region may become a member of the independent association by passing a resolution to join the Association and paying annual dues. Each member government is entitled to have voting representation on the Board of Directors, which is the Association's governing body.

The accompanying financial statements present the Association and its component units, entities for which the government is considered to be financially accountable. The Association reports one discretely presented component unit in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Association.

#### **Discretely Presented Component Unit**

South Plains Economic Development District (SPEDD) is a legally separate organization established to support the region's economic development goals and objectives. The Association's Board of Directors appoints SPEDD's governing body. The Association has the ability to modify and approve SPEDD's budget, and the Association can appoint, hire, reassign, and dismiss SPEDD's employees. Because the two governing bodies are not substantially the same and because SPEDD's services are not entirely or almost entirely for the benefit of the Association, SPEDD is reported as a discretely presented component.

A complete set of the component unit's financial statements can be obtained by contacting the Association's office.

## **B. Government-wide and Fund Financial Statements – Basis of Presentation**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Association reports the following major governmental funds:

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

The **Texas Department on Aging and Disability Services Fund** is used to account for federal and state funds awarded to South Plains Association of Governments by the Texas Department on Aging and Disability Services.

The **Commission on State Emergency Communication Fund** is used to account for state grants awarded to South Plains Association of Governments by the Commission on State Emergency Communication.

The Association reports the following major enterprise fund:

The **EDA Revolving Loan Fund** accounts for loans provided by and administered by the Association's EDA Revolving Loan Program.

Additionally, the Association reports the following fund types:

**Special Revenue Funds** account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

**Enterprise Funds** account for the Association's ongoing organizations and activities which are similar to those found in the private sector.

**Fiduciary Funds** account for assets the Association holds as an agent for the Rural Rail Transportation District, Texas Municipal League, and the South Plains Housing Finance Corporation.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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.

### **C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 Association 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grant revenue, state financial assistance, 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 Association. The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

## **D. 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 Association's financial statements include amounts in demand deposits, certificates of deposits, and public fund investment pools.

### **Grants Receivable**

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the Association. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2017.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." The Association had no "advances to/from other funds" at September 30, 2017.

Other receivables represent amounts due from subcontractors, amounts due for services, and other miscellaneous receivables.

In conjunction with the Association's Economic Development Revolving Loan Fund Grants, the Association provides loans to area businesses to maintain or increase jobs in the South Plains area. The Association's policy states that it is at the discretion of the revolving loan fund committee to determine collateral requirements, with consideration given to the merits and economic benefits of each project. Collateral may include such items as liens on inventories, receivables, and fixed or other assets; assignments of patents and licenses; the acquisition of hazard and other forms of insurance; and such other additional security as they determine is necessary to support the revolving loan fund's exposure.

### **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. The Association uses the consumption method to account for prepaid items.

## **Capital Assets**

Capital assets, which include land, buildings and improvements, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of the primary government is depreciated using the straight-line method with a useful life of 3 –7 years. Buildings and improvements are depreciated using the straight-line method with a useful life of 40 years.

## **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 TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

## **Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Association 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.
- Difference in expected in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – This difference is deferred and amortized over a seven 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 of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Association only has one type of item that qualifies for reporting in this category. The item is only recorded in the full accrual basis of accounting and results from the difference between expected and actual pension experience. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

### **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 Association 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 determined by a formal action of the Board of Directors, the government's highest level of decision-making authority. A commitment of funds requires the passage of a resolution by a simple majority vote. Governing action to commit fund balance must occur within the fiscal reporting period, no later than September 30<sup>th</sup> of the applicable fiscal year. If the actual amount of the commitment is not available by September 30<sup>th</sup>, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same type of formal action taken to establish the commitment (passage of a resolution).



- **Assigned:** This classification includes amounts that are constrained by the Association's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Directors has the authority to assign funds for specific purposes. Assignment of funds by the Board of Directors requires a simple majority vote, and such action must be recorded in the Board Minutes. Through passage of a resolution, the Board of Directors has authorized the Executive Director of South Plains Association of Governments to assign funds for the specific purposes. Such assignments cannot exceed the available unassigned fund balance of a given fund. Any assignments made by the Executive Director must be reported to the Board of Directors at their next regular meeting. The Board of Directors may change or remove any assignment of funds by a simple majority vote.
- **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. It is the goal of the Association to maintain an unassigned fund balance in the General Fund of at least \$800,000. The association considers an unassigned fund balance of less than this amount to be cause for concern, barring unusual or deliberate circumstances, but in that event the fund balance policy does not dictate any specific response.

### **Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). It is the Association's policy to consider restricted fund balance to have been spent first. Further, when the components of unrestricted fund balance can be used for the same purpose, the Association considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

### **Net Position Flow Assumption**

Sometimes the Association 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Association's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## **E. Revenues and Expenditures/Expenses**

### **Program revenues**

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

### **Indirect Costs**

General and administrative costs are recorded in the General Fund as indirect costs in the Association's accounting system and allocated to Special Revenue Funds based upon a negotiated indirect cost rate. Indirect costs are defined by Office of Management and Budget Uniform Grant Guidance, 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 Association's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by a federal agency. It is the Association's policy to negotiate with the agency a fixed carry forward rate which is used for billing purposes during the Association'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 agency.

### **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Association's Enterprise Funds are charges to customers for loan interest and origination fees. Operating expenses associated with Enterprise Funds include the cost of administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Compensated Absences**

The Association's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, 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 funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(289,769) difference are as follows:

Capital outlay	\$	52,795
Depreciation expense	(	<u>342,564</u> )
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>		
	\$	<u>(289,769)</u>

## 3. BUDGETARY INFORMATION

The Association’s financial plan is controlled at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, within restrictions imposed by grantor agencies. The Board approves the financial plan for revenue and expenditures in all funds. Although the financial plans are reviewed and approved by SPAG’s Board, 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

### A. Cash Deposits with Financial Institutions

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Association’s deposits may not be returned to it. State statutes require that all of the Association’s deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2017, the Association’s deposit balance was fully collateralized with securities held by the pledging financial institution in the Association’s name or by FDIC insurance.

## B. Investments

The Association invests in local government investment pools and reports these amounts as cash equivalents. As of September 30, 2017, the Association had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard &amp; Poor's Current Rating</u>
TexPool	\$ <u>712,019</u>	37	AAAm

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 Association to adopt, implement, and publicize an investment policy. That 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 of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the Association 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, and (10) common trust test procedures related to investment practices as provided by the Act. The Association is in substantial compliance with the requirements of the Act and with local policies.

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The Association’s investments in the pool are reported at share value, which is maintained so as to approximate fair value.

*Interest Rate Risk.* In accordance with its investment policy, the Association manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolios to a maximum of 90 days.

*Credit Risk.* It is the Association’s policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The Association’s investment pool was rated AAAM by Standard & Poor’s Investors Service.

**C. Receivables**

Receivables as of year-end for the Association’s individual major funds and nonmajor funds in the aggregate are as follows:

	General	Texas Department of Aging and Disability Services	Other Governmental Funds	EDA Revolving Loan	Total Primary Government
Receivables:					
Grants	\$ -	\$ 170,491	\$ 301,630	\$ -	\$ 472,121
Accounts	140,132	184	40,996	2,764	184,076
Loans	-	-	-	2,013,635	2,013,635
Total receivables	<u>\$ 140,132</u>	<u>\$ 170,675</u>	<u>\$ 342,626</u>	<u>\$ 2,016,399</u>	<u>\$ 2,669,832</u>

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

**Governmental activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 131,605	\$ -	\$ -	\$ 131,605
Total capital assets not being depreciated	<u>131,605</u>	<u>-</u>	<u>-</u>	<u>131,605</u>
Capital assets, being depreciated:				
Buildings and improvements	635,342	-	-	635,342
Furniture, fixtures and equipment	2,953,826	52,795	-	3,006,621
Total capital assets being depreciated	<u>3,589,168</u>	<u>52,795</u>	<u>-</u>	<u>3,641,963</u>
Less accumulated depreciation:				
Buildings	( 381,645)	( 15,884)	-	( 397,529)
Furniture, fixtures and equipment	( 1,122,457)	( 326,680)	-	( 1,449,137)
Total accumulated depreciation	<u>( 1,504,102)</u>	<u>( 342,564)</u>	<u>-</u>	<u>( 1,846,666)</u>
Total capital assets net of accumulated depreciation	<u>\$ 2,216,671</u>	<u>\$( 289,769)</u>	<u>\$ -</u>	<u>\$ 1,926,902</u>

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

**Governmental activities:**

General government	\$ 15,884
Emergency communications	<u>326,680</u>
Total depreciation expense - governmental activities	<u>\$ 342,564</u>

**E. Long-term Liabilities**

The following is a summary of the long-term liability transactions of the Association for the year ended September 30, 2017.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences payable	\$ 93,547	\$ 89,845	\$ 81,396	\$ 101,996	\$ 74,068
Net pension liability	<u>510,081</u>	<u>66,207</u>	<u>246,992</u>	<u>329,296</u>	<u>-</u>
Total governmental activities	<u>\$ 603,628</u>	<u>\$ 156,052</u>	<u>\$ 328,388</u>	<u>\$ 431,292</u>	<u>\$ 74,068</u>

Compensated absences and net pension liability typically have been liquidated by all funds and departments that have salary costs.

**F. Interfund Receivables, Payables and Transfers**

The Association uses a pooled cash account which it accounts for within the General Fund. All expenditures are paid out of this cash account, and appropriate interfund balances are recorded to reflect this activity. The composition of interfund balances as of September 30, 2017, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General fund	Texas Department on Aging & Disability Services	\$ 45,928
	Commission on State Emergency Communications	100,913
	Nonmajor governmental funds	339,190
	EDA Revolving Loan	<u>80,238</u>
		<u>\$ 566,269</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**Interfund transfers:**

	Transfers In		
	Texas Department of Aging and Disability Services	Nonmajor Governmental	Total
Transfers Out:			
General Fund	\$ <u>18,875</u>	\$ <u>18,449</u>	\$ <u>37,324</u>
Total	<u>\$ 18,875</u>	<u>\$ 18,449</u>	<u>\$ 37,324</u>

Transfers are used to: (1) fund the Association's match portion for grants; and (2) fund any other grant-related expenditures not provided for by state and federal awards.

## 5. OTHER INFORMATION

### A. Risk Management

SPAG is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SPAG maintains workers' compensation and other risks of loss coverage through commercial insurance carriers. SPAG management believes such coverage is sufficient to preclude any significant uninsured losses to SPAG. 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.

### B. Contingencies

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

Agencies expending \$750,000 or more in SPAG grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to SPAG. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursements of the disallowed costs either from SPAG or the subcontractor. SPAG generally has the right of recovery from the subcontracted agencies.

Audits of the agency's expenditures for the year ended September 30, 2017, have not been completed. Based on prior experience, SPAG management believes that SPAG will not incur significant losses from possible grant disallowances.

### C. Employees' Pension Plan

#### **Plan Description**

SPAG participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

## Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 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. By law, employee accounts earn 7% interest. 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 the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>32</u>
	<u><u>63</u></u>

## Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.



Employees for SPAG were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Association were 9.91% and 9.79% in calendar years 2016 and 2017, respectively. The Association’s contributions to TCDRS for the year ended September 30, 2017, were \$239,757, and were \$100,000 greater than the required contributions

**Net Pension Liability**

The Association’s Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	2.5% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

The Association has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the Association may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

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 projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2016, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2016 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2017 information for a 7 to 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 asset class are summarized in the following table:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation <sup>(1)</sup></b>	<b>Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup></b>
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI World Ex USA (net)	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays Capital U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LST A Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

<sup>(1)</sup> Target asset allocation adopted at the April 2017 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 2.0% per Cliffwater's 2017 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

## **Discount Rate**

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

## Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 2,032,926	\$ 1,522,845	\$ 510,081
Changes for the year:			
Service cost	227,087	-	227,087
Interest on total pension liability <sup>(1)</sup>	173,330	-	173,330
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	( 88,755)	-	( 88,755)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	( 8,948)	( 8,948)	-
Administrative expenses	-	( 1,246)	1,246
Member contributions	-	103,081	( 103,081)
Net investment income	-	114,583	( 114,583)
Employer contributions	-	245,934	( 245,934)
Other <sup>(2)</sup>	-	30,095	( 30,095)
Balance at 12/31/2016	<u>\$ 2,335,640</u>	<u>\$ 2,006,344</u>	<u>\$ 329,296</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge

<sup>(2)</sup> Relates to allocation of system-wide items.

## Sensitivity Analysis

The following presents the net pension liability of the Association, calculated using the discount rate of 8.1%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	\$ 2,701,327	\$ 2,335,640	\$ 2,038,259
Fiduciary net position	<u>2,006,344</u>	<u>2,006,344</u>	<u>2,006,344</u>
Net pension liability/(asset)	<u>\$ 694,983</u>	<u>\$ 329,296</u>	<u>\$ 31,915</u>

## Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

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

For the year ended September 30, 2017, the Association recognized pension expense of \$146,862. At September 30, 2017, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 136,993	\$ 305,753
Changes in actuarial assumptions	18,974	-
Difference between projected and actual investment earnings	128,557	-
Contributions subsequent to the measurement date	<u>210,257</u>	<u>-</u>
Total	<u>\$ 494,781</u>	<u>\$ 305,753</u>

\$210,257 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended December 31,</u>		
2018	\$	16,377
2019		16,377
2020		11,147
2021	(	21,974)
2022	(	43,156)
Thereafter		-

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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## SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Plan Year Ended December 31	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 157,941	\$ 168,603	\$ 227,087
Interest total pension liability	129,349	171,190	173,330
Effect of plan changes	( 507)	( 37,196)	-
Effect of assumption changes or inputs	-	26,564	-
Effect of economic/demographic (gains) or losses	239,737	( 328,649)	( 88,755)
Benefit payments/refunds of contributions	( 13,258)	( 7,063)	( 8,948)
Net change in total pension liability	513,262	( 6,551)	302,714
Total pension liability - beginning	<u>1,526,215</u>	<u>2,039,477</u>	<u>2,032,926</u>
Total pension liability - ending (a)	<u>\$ 2,039,477</u>	<u>\$ 2,032,926</u>	<u>\$ 2,335,640</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 232,858	\$ 204,038	\$ 245,934
Member contributions	91,867	109,037	103,081
Investment income net of investment expenses	59,721	( 49,794)	114,583
Benefit payments refunds of contributions	( 13,258)	( 7,063)	( 8,948)
Administrative expenses	( 843)	( 1,021)	( 1,246)
Other	( 58)	( 61)	30,095
Net change in plan fiduciary net position	370,287	255,136	483,499
Plan fiduciary net position - beginning	<u>897,421</u>	<u>1,267,709</u>	<u>1,522,845</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,267,708</u>	<u>\$ 1,522,845</u>	<u>\$ 2,006,344</u>
Net pension liability - ending (a) - (b)	<u>\$ 771,769</u>	<u>\$ 510,081</u>	<u>\$ 329,296</u>
Fiduciary net position as a percentage of total pension liability	62.16%	74.91%	85.90%
Pensionable covered payroll	\$ 1,531,116	\$ 1,557,664	\$ 1,472,592
Net pension liability as a percentage of covered payroll	50.41%	32.75%	22.36%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<b>Fiscal Year Ended September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll (1)</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2015	\$ 158,986	\$ 203,986	\$( 45,000)	\$ 1,553,332	13.1%
2016	156,997	204,038	( 47,041)	1,569,969	13.0%
2017	139,757	239,757	( 100,000)	1,423,896	16.8%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.



# SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry age normal
<b>Actuarial Cost Method</b>	
Recognition of economic/ demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumption changes or inputs	Straight-line amortization over expected working life
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	3.0%
<b>Salary Increases</b>	Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of 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.
<b>Investment Rate of Return</b>	8.1%
<b>Cost-of Living Adjustments</b>	Cost-of-Living Adjustments are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Experience-based table of rates based on a study of the period 2009-2012.
<b>Turnover</b>	New employees are assumed to replace any terminated members and have similar entry ages.
<b>Mortality</b>	
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 projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non- depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two year set-forward for females
<b>Other Information</b>	There were no benefit changes during the year.

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**COMBINING FUND FINANCIAL  
STATEMENTS**

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# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted or committed to expenditure for particular purposes.

***Texas Commission on Environmental Quality*** – This fund is used to account for state grants awarded to South Plains Association of Governments by the Texas Commission on Environmental Quality.

***Texas Department of Agriculture*** – This fund is used to account for federal funds awarded to South Plains Association of Governments by the Texas Department of Agriculture.

***Area Information Center 2-1-1*** – This fund is used to account for state grants awarded to South Plains Association of Governments by the Texas Health and Human Services Commission.

***Governor's Office, Criminal Justice Division*** – This fund is used to account for federal and state grants awarded to South Plains Association of Governments by the Office of the Governor, Criminal Justice Division.

***Texas Department of Transportation*** – This fund is used to account for federal grants awarded to South Plains Association of Governments by the Texas Department of Transportation.

***Aging and Disability Resource Center*** – This fund is used to account for federal grants awarded to South Plains Association of Governments by the Lubbock Regional Mental Health Mental Retardation Center.

***Department of Commerce*** – This fund is used to account for federal funds awarded to South Plains Association of Governments by the U.S. Department of Commerce, Economic Development Administration.

***Texas Water Development Board*** – This fund is used to account for state grants awarded to South Plains Association of Governments by the Texas Water Development Board.

***Office of the Governor, Homeland Security Grant Division*** – This fund is used to account for federal funds granted to South Plains Association of Governments by the Governor's Department of Emergency Management.

***Texas Department of Public Safety*** – This fund is used to account for federal funds granted to South Plains Association of Governments by the Texas Department of Public Safety.

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2017**

	Special Revenue			
	Texas Commission on Environmental Quality	Texas Department of Agriculture	Area Information Center 2-1-1	Governor's Office, Criminal Justice Division
<b>ASSETS</b>				
Cash and cash equivalents	\$ 99,198	\$ -	\$ -	\$ -
Accounts receivable:				
Grantors	6,831	5,117	74,390	50,968
Accounts	138	-	734	39,825
Total assets	\$ 106,167	\$ 5,117	\$ 75,124	\$ 90,793
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 507	\$ 6	\$ 9,321	\$ 2,290
Due to other funds	105,660	5,111	51,251	45,378
Unearned revenue	-	-	-	43,125
Total liabilities	106,167	5,117	60,572	90,793
Fund balance:				
Restricted for health and human services	-	-	14,552	-
Total fund balance	-	-	14,552	-
Total liabilities and fund balance	\$ 106,167	\$ 5,117	\$ 75,124	\$ 90,793

Special Revenue

Texas Department of Transportation	Aging & Disability Resource Center	Department of Commerce	Texas Water Development Board	Office of the Governor Homeland Security Grant Division	Texas Department of Public Safety	Total
\$ -	\$ -	\$ -	\$ 16,943	\$ -	\$ -	\$ 116,141
83	40,641	27,928	16,575	50,923	28,174	301,630
<u>-</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>-</u>	<u>40,996</u>
<u>\$ 83</u>	<u>\$ 40,825</u>	<u>\$ 27,928</u>	<u>\$ 33,518</u>	<u>\$ 51,038</u>	<u>\$ 28,174</u>	<u>\$ 458,767</u>
\$ 46	\$ 20,390	\$ 20	\$ 11,368	\$ 1,347	\$ 16,605	\$ 61,900
37	20,435	27,908	22,150	49,691	11,569	339,190
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,125</u>
<u>83</u>	<u>40,825</u>	<u>27,928</u>	<u>33,518</u>	<u>51,038</u>	<u>28,174</u>	<u>444,215</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,552</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,552</u>
<u>\$ 83</u>	<u>\$ 40,825</u>	<u>\$ 27,928</u>	<u>\$ 33,518</u>	<u>\$ 51,038</u>	<u>\$ 28,174</u>	<u>\$ 458,767</u>

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue			
	Texas Commission on Environmental Quality	Texas Department of Agriculture	Area Information Center 2-1-1	Governor's Office, Criminal Justice Division
<b>REVENUES</b>				
Grant	\$ 184,306	\$ 5,144	\$ 252,246	\$ 191,946
Local	-	-	960	88,502
Other	<u>73</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>184,379</u>	<u>5,144</u>	<u>253,206</u>	<u>280,448</u>
<b>EXPENDITURES</b>				
Environmental quality	184,379	-	-	-
Water Development	-	-	-	-
Emergency management	-	-	-	-
Community development	-	5,144	-	-
Health and human services	-	-	255,256	-
Aging	-	-	-	-
Transportation	-	-	-	-
Economic Development	-	-	-	-
Criminal justice	-	-	-	298,072
Total expenditures	<u>184,379</u>	<u>5,144</u>	<u>255,256</u>	<u>298,072</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>( 2,050)</u>	<u>( 17,624)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	17,624
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,624</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	( 2,050)	-
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>-</u>	<u>16,602</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,552</u>	<u>\$ -</u>



Special Revenue

Texas Department of Transportation	Aging & Disability Resource Center	Department of Commerce	Texas Water Development Board	Office of the Governor Homeland Security Grant Division	Texas Department of Public Safety	Total
\$ 20,216	\$ 201,546	\$ 79,288	\$ 30,775	\$ 269,509	\$ 20,867	\$ 1,255,843
-	-	-	-	-	-	89,462
-	-	-	-	-	-	73
<u>20,216</u>	<u>201,546</u>	<u>79,288</u>	<u>30,775</u>	<u>269,509</u>	<u>20,867</u>	<u>1,345,378</u>
-	-	-	-	-	-	184,379
-	-	-	30,775	-	-	30,775
-	-	-	-	269,509	20,885	290,394
-	-	-	-	-	-	5,144
-	-	-	-	-	-	255,256
-	201,546	-	-	-	-	201,546
20,216	-	-	-	-	-	20,216
-	-	80,095	-	-	-	80,095
-	-	-	-	-	-	298,072
<u>20,216</u>	<u>201,546</u>	<u>80,095</u>	<u>30,775</u>	<u>269,509</u>	<u>20,885</u>	<u>1,075,483</u>
-	-	( 807)	-	-	( 18)	( 20,481)
-	-	807	-	-	18	18,449
-	-	807	-	-	18	18,431
-	-	-	-	-	-	( 2,050)
-	-	-	-	-	-	16,602
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,552</u>

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES - AGENCY FUND**

**AGENCY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Balance Beginning of Year	Additions	Deductions	Balance Ending of Year
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>RURAL RAIL TRANSPORTATION DISTRICT</u></b>				
Assets:				
Cash and investments	\$ <u>11,385</u>	\$ <u>6</u>	\$ <u>-</u>	\$ <u>11,391</u>
Liabilities:				
Due to others	\$ <u>11,385</u>	\$ <u>6</u>	\$ <u>-</u>	\$ <u>11,391</u>
<b><u>SOUTH PLAINS HOUSING FINANCE CORPORATION</u></b>				
Assets:				
Cash and investments	\$ <u>163,990</u>	\$ <u>9,550</u>	\$ <u>-</u>	\$ <u>173,540</u>
Liabilities:				
Due to others	\$ <u>163,990</u>	\$ <u>9,550</u>	\$ <u>-</u>	\$ <u>173,540</u>
<b><u>TEXAS MUNICIPAL LEAGUE</u></b>				
Assets:				
Cash and investments	\$ <u>10,996</u>	\$ <u>1,117</u>	\$ <u>-</u>	\$ <u>12,113</u>
Liabilities:				
Due to others	\$ <u>10,996</u>	\$ <u>1,117</u>	\$ <u>-</u>	\$ <u>12,113</u>
<b><u>TOTALS - AGENCY FUNDS</u></b>				
Assets:				
Cash and investments	\$ <u>186,371</u>	\$ <u>10,673</u>	\$ <u>-</u>	\$ <u>197,044</u>
Liabilities:				
Due to others	\$ <u>186,371</u>	\$ <u>10,673</u>	\$ <u>-</u>	\$ <u>197,044</u>

# **SUPPLEMENTAL SCHEDULES**

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**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**SCHEDULE OF INDIRECT COSTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budget</u>		<u>Actual</u>	
Salaries	\$ 148,259		\$ 133,408	
Benefits	<u>87,392</u>		<u>74,375</u>	
Total personnel costs	235,651		207,783	
Travel	16,250		13,575	
Conferences	11,000		13,803	
Printing/copying	2,000		1,045	
Insurance/bonding	8,200		8,358	
Telecommunications	3,800		3,755	
Postage	2,500		3,218	
Organizational memberships	12,500		13,593	
Professional services	4,168		4,146	
Maintenance/utilities	4,232		5,025	
Internal services	26,893		19,248	
Miscellaneous other expenditures:				
Supplies	9,000		6,461	
Public information/notices	1,200		1,152	
Other miscellaneous	<u>4,640</u>		<u>5,179</u>	
Total indirect costs	\$ <u>342,034</u>		\$ <u>306,341</u>	
Total salaries and wages	1,464,996		1,317,049	
Less: indirect salary costs merit pool	( 148,259)		<u>( 133,408)</u>	
Equals direct salaries and wages cost base		\$ <u>1,316,737</u>		\$ <u>1,183,641</u>
Total indirect costs	<u>342,034</u>	= 25.98%	<u>306,341</u>	= 25.88%
Divided by direct personnel cost base	1,316,737		1,183,641	
Indirect rate applied to department salaries and wages		= 25.98%		= 25.88%
Total indirect costs	<u>342,034</u>	= 7.19%	<u>306,341</u>	= 6.84%
Total direct expenditures	4,758,004		4,476,427	
Indirect rate applied to total direct expenditures		= 7.19%		= 6.84%

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**  
**COMPUTATION OF PROPOSED FINAL FRINGE BENEFIT RATE**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**EMPLOYEE BENEFIT COST INCURRED**

Employer contributions to:	
Social security (FICA)	\$ 114,588
Retirement, pension program	145,540
Group health insurance	275,922
Workers' compensation	5,232
Unemployment insurance	<u>337</u>
Total employer direct fringe benefit payments	<u>541,619</u>
 Release time, paid:	
Vacation	90,808
Holidays	56,300
Sick leave	44,035
Other release time	<u>1,743</u>
Total release time paid	<u>192,886</u>
 Total fringe benefit cost incurred	 <u><u>\$ 734,505</u></u>

**COMPUTATION OF PROPOSED FINAL FRINGE BENEFIT RATE**

Total gross salaries paid	\$ 1,317,049
 Final fringe rate = Total fringe benefit cost incurred / net chargeable salary (actual)	 55.77%
 Budgeted fringe rate	 58.95%

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**ALLOCATION OF FRINGE BENEFIT COSTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

<b>Funding Source:</b>	<u>Chargeable Salaries</u>	<u>Fringe Benefits Allocation</u>	<u>Total Personnel Costs</u>
Texas Department of Aging and Disability Services	\$ 269,038	\$ 150,015	\$ 419,053
Office of the Governor, Criminal Justice Division	86,617	48,306	134,923
Texas Commission on Environmental Quality	34,037	18,982	53,019
Texas Department of Public Safety	90,557	50,502	141,059
Texas Health and Human Services Commission	106,690	59,500	166,190
Commission on State Emergency Communications	170,039	94,828	264,867
Texas Department of Agriculture	1,753	978	2,731
Texas Department of Transportation	8,926	4,393	13,319
Lubbock Regional Mental Health Mental Retardation	60,847	33,933	94,780
Economic Development - Revolving Loan Fund	14,623	8,155	22,778
Economic Development - Oil and Gas Program	14,631	8,060	22,691
South Plains Economic Development District	34,665	19,333	53,998
Indirect central services	133,408	74,375	207,783
Finance, reception, and system maintenance	180,899	100,885	281,784
Other locally funded activities	<u>110,319</u>	<u>62,257</u>	<u>172,576</u>
<b>Total</b>	<u><u>\$ 1,317,049</u></u>	<u><u>\$ 734,502</u></u>	<u><u>\$ 2,051,551</u></u>

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# **STATISTICAL SECTION**

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**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 860,046	\$ 1,006,204	\$ 1,795,276	\$ 1,809,948	\$ 1,669,432	\$ 1,371,510	\$ 1,409,678	\$ 1,173,491	\$ 2,216,671	\$ 1,926,902
Restricted	-	-	-	50,558	50,558	41,571	24,123	22,315	16,602	14,552
Unrestricted	<u>952,315</u>	<u>1,072,248</u>	<u>1,196,876</u>	<u>1,242,740</u>	<u>1,233,708</u>	<u>1,365,538</u>	<u>1,393,858</u>	<u>1,000,409</u>	<u>1,076,854</u>	<u>1,247,201</u>
Total governmental activities net position	<u>\$ 1,812,361</u>	<u>\$ 2,078,452</u>	<u>\$ 2,992,152</u>	<u>\$ 3,103,246</u>	<u>\$ 2,953,698</u>	<u>\$ 2,778,619</u>	<u>\$ 2,827,659</u>	<u>\$ 2,196,215</u>	<u>\$ 3,310,127</u>	<u>\$ 3,188,655</u>
Business-type activities:										
Restricted	<u>\$ 3,265,137</u>	<u>\$ 3,345,645</u>	<u>\$ 3,266,125</u>	<u>\$ 3,373,200</u>	<u>\$ 3,446,635</u>	<u>\$ 3,519,758</u>	<u>\$ 35,727,602</u>	<u>\$ 3,628,038</u>	<u>\$ 3,677,818</u>	<u>\$ 3,736,982</u>
Total business-type activities net position	<u>\$ 3,265,137</u>	<u>\$ 3,345,645</u>	<u>\$ 3,266,125</u>	<u>\$ 3,373,200</u>	<u>\$ 3,446,635</u>	<u>\$ 3,519,758</u>	<u>\$ 35,727,602</u>	<u>\$ 3,628,038</u>	<u>\$ 3,677,818</u>	<u>\$ 3,736,982</u>
Primary government:										
Net investment in capital assets	\$ 860,046	\$ 1,006,204	\$ 1,795,276	\$ 1,809,948	\$ 1,669,432	\$ 1,371,510	\$ 1,409,678	\$ 1,173,491	\$ 2,216,671	\$ 1,926,902
Restricted	3,265,137	3,345,645	3,266,125	3,423,758	3,497,193	3,561,329	3,596,883	3,650,353	3,694,420	3,751,534
Unrestricted	<u>952,315</u>	<u>1,072,248</u>	<u>1,196,876</u>	<u>1,242,740</u>	<u>1,233,708</u>	<u>1,365,538</u>	<u>1,393,858</u>	<u>1,000,409</u>	<u>1,076,854</u>	<u>1,247,201</u>
Total primary government net position	<u>\$ 5,077,498</u>	<u>\$ 5,424,097</u>	<u>\$ 6,258,277</u>	<u>\$ 6,476,446</u>	<u>\$ 6,400,333</u>	<u>\$ 6,298,377</u>	<u>\$ 6,400,419</u>	<u>\$ 5,824,253</u>	<u>\$ 6,987,945</u>	<u>\$ 6,925,637</u>

# SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## CHANGES IN NET POSITION

### LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year		
	2008	2009	2010
<b>EXPENSES</b>			
Governmental activities:			
General government	\$ 430,154	\$ 332,763	\$ 421,552
Environmental quality	2,036,125	281,831	259,551
Emergency communications	1,437,127	1,090,494	1,110,342
Emergency management	73,251	885,678	2,671,546
Community development	18,243	65,011	72,407
Health and human services	327,639	322,133	313,907
Aging	245,172	1,714,173	2,125,097
Transportation	-	-	-
Water development	-	-	-
Criminal justice	414,079	369,680	436,171
Economic development	-	-	-
Total governmental activities expenses	<u>4,981,790</u>	<u>5,061,763</u>	<u>7,410,573</u>
Business-type activities:			
Economic development	<u>70,889</u>	<u>58,179</u>	<u>216,746</u>
Total business-type activities expenses	<u>70,889</u>	<u>58,179</u>	<u>216,746</u>
Total primary government program expenses	<u>\$ 5,052,679</u>	<u>\$ 5,119,942</u>	<u>\$ 7,627,319</u>
<b>PROGRAM REVENUES</b>			
Governmental activities:			
Charges for services:			
General government	\$ 438,901	\$ 411,144	\$ 497,592
Environmental quality	-	-	-
Emergency communications	-	-	-
Emergency management	-	75,157	262,234
Health and human services	-	107,270	68,689
Aging	-	2,079	24,139
Criminal justice	-	94,684	110,241
Dispute resolution	373,633	-	-
Operating grants and contributions	<u>4,078,328</u>	<u>4,557,417</u>	<u>7,352,384</u>
Total governmental activities program revenues	<u>4,890,862</u>	<u>5,247,751</u>	<u>8,315,279</u>
Business-type activities:			
Charges for services:			
Economic development	<u>118,949</u>	<u>126,658</u>	<u>134,188</u>
Total business-type activities program revenues	<u>118,949</u>	<u>126,658</u>	<u>134,188</u>
Total primary government program revenues	<u>\$ 5,009,811</u>	<u>\$ 5,374,409</u>	<u>\$ 8,449,467</u>

TABLE 2

		Fiscal Year											
		2011	2012	2013	2014	2015	2016	2017					
\$	416,874	\$	551,267	\$	704,813	\$	601,559	\$	571,916	\$	545,608	\$	538,541
	268,480		62,325		182,372		75,750		183,373		77,403		177,111
	1,114,441		1,113,071		1,149,118		1,244,978		1,153,863		1,602,809		1,305,810
	2,460,539		1,505,519		988,434		520,419		429,096		482,844		278,946
	65,327		4,304		4,788		4,845		5,850		3,667		4,941
	281,551		291,811		286,644		293,162		294,503		254,423		245,194
	1,731,363		1,983,044		1,635,889		1,776,582		1,911,841		1,976,473		1,795,910
	-		2,660		77,341		80,735		22,896		35,167		19,419
	-		-		-		-		-		2,730		29,562
	342,541		323,748		303,535		310,416		354,630		316,788		286,322
	-		-		-		-		1,160		169,552		76,859
	<u>6,681,116</u>		<u>5,837,749</u>		<u>5,332,934</u>		<u>4,908,446</u>		<u>4,929,128</u>		<u>5,467,464</u>		<u>4,758,615</u>
	<u>78,095</u>		<u>66,234</u>		<u>64,174</u>		<u>76,060</u>		<u>51,825</u>		<u>47,064</u>		<u>44,472</u>
	<u>78,095</u>		<u>66,234</u>		<u>64,174</u>		<u>76,060</u>		<u>51,825</u>		<u>47,064</u>		<u>44,472</u>
\$	<u>6,759,211</u>	\$	<u>5,903,983</u>	\$	<u>5,397,108</u>	\$	<u>4,984,506</u>	\$	<u>4,980,953</u>	\$	<u>5,514,528</u>	\$	<u>4,803,087</u>
\$	465,902	\$	575,522	\$	648,521	\$	636,042	\$	607,603	\$	598,214	\$	557,454
	-		-		38		30		64		38		73
	-		-		177		154		143		204		1,368
	1,499		182,608		43,748		9,794		13,083		477		-
	53,763		49,696		43,171		-		-		3,445		960
	24,987		23,540		25,000		23,804		25,025		25,070		23,184
	103,730		77,870		119,685		104,360		94,806		87,721		88,497
	-		-		-		-		-		-		-
	6,132,599		4,769,101		4,242,931		4,168,893		3,983,741		5,860,042		3,954,669
	<u>6,782,480</u>		<u>5,678,337</u>		<u>5,123,271</u>		<u>4,943,077</u>		<u>4,724,465</u>		<u>6,575,211</u>		<u>4,626,205</u>
	<u>182,294</u>		<u>136,879</u>		<u>137,297</u>		<u>127,187</u>		<u>104,803</u>		<u>89,605</u>		<u>93,133</u>
	<u>182,294</u>		<u>136,879</u>		<u>137,297</u>		<u>127,187</u>		<u>104,803</u>		<u>89,605</u>		<u>93,133</u>
\$	<u>6,964,774</u>	\$	<u>5,815,216</u>	\$	<u>5,260,568</u>	\$	<u>5,070,264</u>	\$	<u>4,829,268</u>	\$	<u>6,664,816</u>	\$	<u>4,719,338</u>

## SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

### CHANGES IN NET POSITION

(Continued)

### LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year		
	2008	2009	2010
<b>NET (EXPENSE) REVENUES</b>			
Governmental activities	\$( 90,928)	\$ 185,988	\$ 904,706
Business-type activities	<u>48,060</u>	<u>68,479</u>	<u>( 82,558)</u>
Total primary government net expense	<u>( 42,868)</u>	<u>254,467</u>	<u>822,148</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b>			
Governmental activities:			
Interest on deposit	23,273	6,252	7,075
Miscellaneous income	<u>91,702</u>	<u>73,851</u>	<u>1,919</u>
Total governmental activities	<u>114,975</u>	<u>80,103</u>	<u>8,994</u>
Business-type activities:			
Interest on deposit	<u>48,084</u>	<u>12,029</u>	<u>3,038</u>
Total business-type activities	<u>48,084</u>	<u>12,029</u>	<u>3,038</u>
Total primary government	<u>163,059</u>	<u>92,132</u>	<u>12,032</u>
<b>CHANGE IN NET POSITION</b>			
Governmental activities	24,047	266,091	913,700
Business-type activities	<u>96,144</u>	<u>80,508</u>	<u>( 79,520)</u>
Total primary government	<u>\$ 120,191</u>	<u>\$ 346,599</u>	<u>\$ 834,180</u>

**TABLE 2**

	Fiscal Year						
	2011	2012	2013	2014	2015	2016	2017
\$	101,364	\$( 159,412)	\$( 209,663)	\$ 34,631	\$( 204,663)	\$ 1,107,747	\$( 132,410)
	<u>104,199</u>	<u>70,645</u>	<u>73,123</u>	<u>51,127</u>	<u>52,978</u>	<u>42,541</u>	<u>48,661</u>
	<u>205,563</u>	<u>( 88,767)</u>	<u>( 136,540)</u>	<u>85,758</u>	<u>( 151,685)</u>	<u>1,150,288</u>	<u>( 83,749)</u>
	5,479	4,182	3,413	3,341	3,346	3,813	5,095
	<u>4,251</u>	<u>5,682</u>	<u>31,171</u>	<u>11,068</u>	<u>6,093</u>	<u>2,348</u>	<u>5,843</u>
	<u>9,730</u>	<u>9,864</u>	<u>34,584</u>	<u>14,409</u>	<u>9,439</u>	<u>6,161</u>	<u>10,938</u>
	<u>2,876</u>	<u>2,790</u>	<u>-</u>	<u>1,875</u>	<u>2,300</u>	<u>7,239</u>	<u>10,503</u>
	<u>2,876</u>	<u>2,790</u>	<u>-</u>	<u>1,875</u>	<u>2,300</u>	<u>7,239</u>	<u>10,503</u>
	<u>12,606</u>	<u>12,654</u>	<u>34,584</u>	<u>16,284</u>	<u>11,739</u>	<u>13,400</u>	<u>21,441</u>
	111,094	( 149,548)	( 175,079)	49,040	( 195,224)	1,113,908	( 121,472)
	<u>107,075</u>	<u>73,435</u>	<u>73,123</u>	<u>53,002</u>	<u>55,278</u>	<u>49,780</u>	<u>59,164</u>
\$	<u>218,169</u>	<u>\$( 76,113)</u>	<u>\$( 101,956)</u>	<u>\$ 102,042</u>	<u>\$( 139,946)</u>	<u>\$ 1,163,688</u>	<u>\$( 62,308)</u>

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**FUND BALANCES OF GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Nonspendable	\$ 4,466	\$ 4,276	\$ 5,394	\$ 3,454	\$ 5,619	\$ 2,215	\$ 2,488	\$ 2,277	\$ 5,472	\$ 1,444
Restricted	-	-	-	-	-	-	-	-	16,602	-
Assigned	-	-	-	-	40,123	96,627	78,581	70,388	53,768	36,145
Unassigned	<u>1,007,368</u>	<u>1,098,662</u>	<u>1,196,940</u>	<u>1,319,076</u>	<u>1,269,638</u>	<u>1,344,963</u>	<u>1,413,759</u>	<u>1,419,530</u>	<u>1,443,267</u>	<u>1,451,876</u>
Total general fund	<u>\$ 1,011,834</u>	<u>\$ 1,102,938</u>	<u>\$ 1,202,334</u>	<u>\$ 1,322,530</u>	<u>\$ 1,315,380</u>	<u>\$ 1,443,805</u>	<u>\$ 1,494,828</u>	<u>\$ 1,492,195</u>	<u>\$ 1,519,109</u>	<u>\$ 1,489,465</u>
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ 50,558	\$ 50,558	\$ 41,571	\$ 24,123	\$ 22,315	\$ 16,602	\$ 14,552
Assigned	<u>13,856</u>	<u>47,757</u>	<u>50,558</u>	<u>8,256</u>	<u>8,256</u>	<u>8,256</u>	-	-	-	-
Total all other governmental funds	<u>\$ 13,856</u>	<u>\$ 47,757</u>	<u>\$ 50,558</u>	<u>\$ 58,814</u>	<u>\$ 58,814</u>	<u>\$ 49,827</u>	<u>\$ 24,123</u>	<u>\$ 22,315</u>	<u>\$ 16,602</u>	<u>\$ 14,552</u>



TABLE 4

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Federal and state grants	\$ 4,275,236	\$ 4,632,644	\$ 7,311,186	\$ 5,838,907	\$ 4,818,797	\$ 4,220,277	\$ 4,168,893	\$ 3,977,950	\$ 5,860,112	\$ 3,954,669
Membership dues	71,126	70,951	71,551	71,201	77,872	77,872	77,572	77,572	77,872	77,872
Interest income	23,273	6,252	7,308	5,479	4,182	3,628	3,525	9,661	68,114	75,966
Other local	<u>625,240</u>	<u>618,007</u>	<u>934,461</u>	<u>876,623</u>	<u>787,350</u>	<u>869,483</u>	<u>707,496</u>	<u>668,721</u>	<u>575,274</u>	<u>528,636</u>
Total revenues	<u>4,994,875</u>	<u>5,327,854</u>	<u>8,324,273</u>	<u>6,792,210</u>	<u>5,688,201</u>	<u>5,171,260</u>	<u>4,957,486</u>	<u>4,733,904</u>	<u>6,581,372</u>	<u>4,637,143</u>
<b>Expenditures</b>										
General government	400,076	301,801	376,630	391,682	537,710	613,742	570,813	599,422	562,824	544,105
Environmental quality	244,995	281,674	260,224	267,250	62,304	182,372	75,750	183,373	77,903	184,379
Water development	-	-	-	-	-	-	-	-	2,730	30,775
Emergency communications	1,436,637	1,079,859	2,087,191	1,204,159	1,044,527	1,005,012	1,304,072	935,574	2,668,314	1,074,272
Emergency management	354,097	818,392	2,555,662	2,390,978	1,451,105	942,499	515,792	429,096	483,844	290,394
Community development	73,089	64,884	72,631	65,028	4,303	4,788	4,845	5,850	3,967	5,144
Health and human services	14,829	321,716	314,804	280,261	291,715	286,644	293,162	294,503	258,387	255,256
Aging	2,027,928	1,706,128	2,117,642	1,723,429	1,977,387	1,635,889	1,776,582	1,911,841	1,988,369	1,869,527
Transportation	-	-	-	-	2,659	77,341	80,735	22,896	36,167	20,216
Criminal justice	327,141	369,164	437,292	340,971	323,641	303,535	310,416	354,630	324,716	298,072
Dispute Resolution Center	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	1,160	169,552	80,095
Capital outlay	<u>10,000</u>	<u>259,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,888,792</u>	<u>5,202,849</u>	<u>8,222,076</u>	<u>6,663,758</u>	<u>5,695,351</u>	<u>5,051,822</u>	<u>4,932,167</u>	<u>4,738,345</u>	<u>6,576,773</u>	<u>4,652,235</u>
Excess (deficiency) of revenue over expenditures	106,083	125,005	102,197	128,452	( 7,150)	119,438	25,319	( 4,441)	4,599	( 15,092)
<b>Other Financing Sources (Uses)</b>										
Proceeds from insurance	<u>10,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 117,045</u>	<u>\$ 125,005</u>	<u>\$ 102,197</u>	<u>\$ 128,452</u>	<u>\$ ( 7,150)</u>	<u>\$ 119,438</u>	<u>\$ 25,319</u>	<u>\$ ( 4,441)</u>	<u>\$ 4,599</u>	<u>\$ ( 15,092)</u>

## SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## MEMBERSHIP DUES BY ENTITY

## LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>COUNTIES:</u>										
Bailey County	\$ 495	\$ 495	\$ 495	\$ 495	\$ 537	\$ 537	\$ 537	\$ 537	\$ 537	\$ 537
Cochran County	280	280	280	280	235	235	235	235	235	235
Crosby County	530	530	530	530	454	454	454	454	454	454
Dickens County	207	207	207	207	183	183	183	183	183	183
Floyd County	583	583	583	583	483	483	483	483	483	483
Garza County	365	365	365	365	485	485	485	485	485	485
Hale County	2,745	2,745	2,745	2,745	2,720	2,720	2,720	2,720	2,720	2,720
Hockley County	1,704	1,704	1,704	1,704	1,720	1,720	1,720	1,720	1,720	1,720
King County	125	125	125	125	125	125	125	125	125	125
Lamb County	1,103	1,103	1,103	1,103	1,048	1,048	1,048	1,048	1,048	1,048
Lubbock County	18,197	18,197	18,197	18,197	20,912	20,912	20,912	20,912	20,912	20,912
Lynn County	491	491	491	491	444	444	444	444	444	444
Motley County	125	125	125	125	125	125	125	125	125	125
Terry County	957	957	1,007	957	949	949	949	949	949	949
Yoakum County	549	549	549	549	591	591	591	591	591	591
<u>CITIES:</u>										
City of Abernathy	355	355	355	355	350	350	350	350	350	350
City of Amherst	125	125	125	125	125	125	125	125	125	125
City of Anton	150	150	150	150	141	141	141	141	141	141
City of Brownfield	1,186	1,186	1,186	1,186	1,207	1,207	1,207	1,207	1,207	1,207
City of Buffalo Springs	-	-	-	-	-	-	-	-	-	-
City of Crosbyton	234	234	234	234	218	218	218	218	218	218
City of Denver City	498	498	498	498	560	560	560	560	560	560
City of Dickens	125	125	125	125	125	125	125	125	125	125
City of Earth	139	139	139	139	133	133	133	133	133	133
City of Edmonson	-	-	-	-	-	-	-	-	-	-
City of Floydada	460	460	460	460	380	380	380	380	380	380
City of Hale Center	283	283	283	283	282	282	282	282	282	282
City of Idalou	270	270	270	270	282	282	282	282	282	282
City of Levelland	1,608	1,608	1,608	1,608	1,693	1,693	1,693	1,693	1,693	1,693
City of Littlefield	813	813	813	813	797	797	797	797	797	797
City of Lockney	257	257	257	257	230	230	230	230	230	230
City of Lorenzo	172	172	172	172	143	143	143	143	143	143
City of Lubbock	24,946	24,946	24,946	24,946	28,697	28,697	28,697	28,697	28,697	28,697
City of Matador	125	125	125	125	125	125	125	125	125	125
City of Meadow	-	125	125	125	125	125	125	125	125	125
City of Morton	281	281	281	281	251	251	251	251	251	251
City of Muleshoe	566	566	566	566	645	645	645	645	645	645
City of New Deal	125	125	125	125	125	125	125	125	125	125
City of New Home	125	125	125	125	125	125	125	125	125	125
City of O'Donnell	126	126	126	126	125	125	125	125	125	125
City of Olton	286	286	286	286	277	277	277	277	277	277
Town of Opdyke West	125	125	125	125	125	125	125	125	125	125
City of Petersburg	158	158	158	158	150	150	150	150	150	150
City of Plains	181	181	181	181	185	185	185	185	185	185

## SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

MEMBERSHIP DUES BY ENTITY  
(Continued)

## LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>CITIES: (continued)</u>										
City of Plainview	\$ 2,792	\$ 2,792	\$ 2,792	\$ 2,792	\$ 2,774	\$ 2,774	\$ 2,774	\$ 2,774	\$ 2,774	\$ 2,774
City of Post	464	464	464	464	672	672	672	672	672	672
City of Ralls	282	282	282	282	249	249	249	249	249	249
City of Ransom Canyon	126	126	126	126	137	137	137	137	137	137
City of Roaring Springs	125	125	125	125	125	125	125	125	125	125
City of Ropesville	125	125	125	125	125	125	125	125	125	125
City of Shallowater	261	261	261	261	311	311	311	311	311	311
City of Slaton	764	764	764	764	765	765	765	765	765	765
City of Smyer	125	125	125	125	125	125	125	125	125	125
City of Springlake	125	125	125	125	125	125	125	125	125	125
City of Spur	136	136	136	136	165	165	165	165	165	165
City of Sudan	130	130	130	130	125	125	125	125	125	125
City of Sundown	188	188	188	188	174	174	174	174	174	174
City of Tahoka	364	364	364	364	334	334	334	334	334	334
City of Wellman	125	125	125	125	125	125	125	125	125	125
City of Whiteface	125	125	125	125	125	125	125	125	125	125
City of Wilson	125	125	125	125	125	125	125	125	125	125
City of Wolforth	319	319	319	319	458	458	458	458	458	458
<u>SPECIAL PURPOSE DISTRICTS:</u>										
Blackwater Valley SWCD	-	-	-	-	-	-	-	-	-	-
Duck Creek SWCD	50	50	50	50	50	50	50	50	50	50
Lamb SWCD	-	-	-	-	-	-	-	-	-	-
Lubbock County WCID#1	50	50	50	50	50	50	50	50	50	50
Rio Blanco SWCD	-	-	-	-	-	-	-	-	-	-
Terry County SWCD	50	50	-	-	-	-	-	-	-	-
White River MWD	300	300	300	300	300	300	300	300	300	300
<u>SCHOOL DISTRICTS:</u>										
Brownfield ISD	300	300	300	300	300	300	300	300	300	300
Crosbyton ISD	300	-	300	-	-	-	-	-	-	-
Frenship ISD	-	-	300	300	300	300	300	300	300	300
Plainview ISD	300	300	300	300	300	300	300	300	-	300
Post ISD	-	-	-	-	-	-	-	-	-	-
Littlefield ISD	300	300	300	300	300	300	300	300	300	300
Lubbock ISD	300	300	300	300	300	300	300	300	300	300
Lubbock-Cooper ISD	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>
	<u>\$ 71,126</u>	<u>\$ 70,951</u>	<u>\$ 71,551</u>	<u>\$ 71,201</u>	<u>\$ 77,871</u>	<u>\$ 77,871</u>	<u>\$ 77,871</u>	<u>\$ 77,871</u>	<u>\$ 77,571</u>	<u>\$ 77,871</u>

## SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (3)</u>	<u>Personal Income (2) (in thousands)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (1)</u>
2008	393,665	\$ 11,262,158	\$ 29,026	6.00%
2009	395,842	11,627,537	30,264	6.40%
2010	411,659	11,883,343	28,867	7.14%
2011	411,159	13,057,205	33,134	7.90%
2012	417,126	14,100,603	34,419	5.30%
2013	421,274	15,186,714	38,381	5.80%
2014	415,159	16,474,411	43,414	5.01%
2015	410,914	16,068,083	41,364	4.68%
2016	432,995	16,402,008	48,223	4.68%
2017	425,698	16,946,733	37,338	3.20%

(1) Unemployment rates for 2004 through 2017 come from the Texas Workforce Commission.

(2) Personal Income and Per Capita Income for 2006 through 2009 were derived using an eight-year trend analysis. The source for all other years is the Bureau of Economic Analysis, U. S. Department of Commerce. 2010 thru 2017 data is estimated from the Bureau of Economic Analysis latest data.

(3) The population estimates are taken from the Bureau of Economic Analysis, U. S. Department of Commerce with the exception of 2006 through 2008, and 2011 through 2017 which were taken from estimates by the Texas State Data Center. 2010 is taken from the 2010 Census data.

TABLE 7

## SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## PRINCIPAL EMPLOYERS

## CURRENT YEAR AND NINE YEARS AGO

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Texas Tech University	5,558	1	3.94%	9,740	1	7.36%
Covenant Health System	5,068	2	3.59%	4,870	2	3.68%
United Supermarkets (Corporate)	3,735	3	2.65%	2,257	5	1.71%
TTU Health Sciences Center	3,498	4	2.48%	2,570	8	1.94%
Lubbock Independent School District	3,435	5	2.43%	3,566	3	2.70%
University Medical Center	3,349	6	2.44%	2,828	4	2.14%
City of Lubbock	2,357	7	1.67%	2,289	6	1.73%
Lubbock County	1,241	8	0.88%	922	10	0.70%
Frenship ISD	1,167	9	0.83%	-	-	- %
Living Center	732	10	0.52%	-	-	- %
AT&T Communications				2,370	7	1.79%
Convergys Corporation				1,000	9	0.76%
Total % of Top 10 Employers			<u>21.43%</u>			<u>24.51%</u>

Source: All data were taken from the City of Lubbock's Comprehensive Annual Financial Report for the year ended September 30, 2017.

**TABLE 8**

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION**

**LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	7	6.8	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
211 Information Center	-	4	4	4	4	4.5	4	4.5	4.5	5.5
Aging	13	9	9	9	8.5	8.5	9	9	10	9
Regional Services	8	8	8	8	8	6.5	7.5	7.5	7.5	7.0
Emergency Communications	5	5	5	5	5	5	5	5	5	5
Economic Development	3.5	4	4	4	4	4	4	4	4	3
Law Enforcement	3	3	3	3	3	2	3	2	2	2
	<u>39.5</u>	<u>39.8</u>	<u>39.5</u>	<u>39.5</u>	<u>39.0</u>	<u>37.0</u>	<u>39.0</u>	<u>38.5</u>	<u>39.0</u>	<u>38.0</u>

Source: South Plains Association of Government's Management

**TABLE 9**

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function:</b>	<b>Fiscal Year</b>									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Aging (1)</b>										
Number of Congregate Meals	84,852	81,331	116,695	79,371	85,675	76,494	73,680	70,957	64,480	112,297
Number of congregate clients served	3,538	1,148	2,668	1,603	2,103	1,799	1,800	1,729	1,057	1,610
Number of Home Delivered Meals	39,943	37,053	70,509	29,818	50,359	45,504	40,390	47,673	43,509	62,605
Number of Home Delivered clients served	633	366	671	306	629	412	466	421	268	700
<b>Economic Development</b>										
Number of Loans Funded	15	15	24	12	9	6	10	3	7	12
Number of Jobs Created or Retained	240	147	353	274	202	74	121	97	117	187
<b>Emergency Communications 9-1-1 (2)</b>										
Number of calls	42,246	47,364	58,873	69,332	82,189	72,432	71,324	79,533	71,559	71,579
<b>Criminal Justice</b>										
Number of courses taught-LET Academy	68	70	62	51	62	66	41	41	31	50
Number of officers trained	864	701	688	777	565	822	542	466	306	508
Contact hours Academy	36,330	31,057	30,100	34,773	23,400	34,120	30,282	28,510	21,805	33,046
Applications reviewed by CJAC committee	17	58	28	22	12	17	18	25	25	18
<b>Community Development</b>										
Number of CDBG grants written	7	4	15	1	23	4	20	20	12	7
CDBG grants funded amount	1,702,702	381,650	552,500	1,250,000	2,450,000	3,125,000	3,050,000	550,000	3,131,000	2,125,000
<b>Environmental Quality</b>										
Number of Solid Waste grants	10	6	7	8	4	4	6	6	6	4
SW grants funded amount	154,156	159,769	164,983	160,392	120,000	120,000	119,873	109,800	124,945	54,576
<b>Health</b>										
2-1-1 Area Information Center										
Number of calls taken**	26,938.00	35,578.00	48,776.00	65,009.00	65,664.00	52,174.00	57,411.00	63,789.00	41,791.00	42,436.00

(1) Title III Meal Report

(2) 9-1-1 Database

\* Statistics not available

\*\* New program in 2005

Source: South Plains Association of Government's Management

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>General Government</u></b>										
Buildings	1	1	1	1	1	1	1	1	1	1
Land	1	1	1	1	1	1	1	1	1	1
Parking lot	1	1	1	1	1	1	1	1	1	1
Office furniture and equipment	21	23	23	23	23	23	23	23	23	23
<b><u>Emergency Communications</u></b>										
GIS Tracking Software	1	1	1	1	1	1	1	1	1	1
Equipment	-	1	15	17	17	18	22	29	32	34
<b><u>Aging</u></b>										
Office furniture and equipment	8	8	8	8	8	8	8	8	8	8
<b><u>Homeland Security</u></b>										
Equipment	4	5	5	5	5	5	5	5	5	5
Trailers	1	1	1	1	1	1	1	1	1	1

Notes: Assets in excess of \$5,000

Assets purchased with grant funds but owned by subrecipients are not included

Source: South Plains Association of Government's Management



## SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## SCHEDULE OF INSURANCE COVERAGE

AS OF SEPTEMBER 30, 2017

Fiscal Year 2017

Company	Term	Coverage	Limits/Deductible/Benefits Description
Texas Municipal League - Intergovernmental Risk Pool	10/1/16 - 09/30/17	Workers' Compensation for employees and Board Members	No maximum benefit
Texas Municipal League - Intergovernmental Risk Pool	10/1/16 - 09/30/17	General Liability	2,000,000 Involving Pollution \$2,000,000 Annual Aggregate \$4,000,000
Texas Municipal League - Intergovernmental Risk Pool	10/1/16 - 09/30/17	Real and Personal Property	Limits of coverage \$3,424,332 Deductible per occurrence \$250 Coverage on SPAG building and contents, PSAP equipment at regional locations, LET firing range at 9801 Reese Blvd.
Texas Municipal League - Intergovernmental Risk Pool	10/1/16 - 09/30/17	Automobile Liability	Limits of Liability \$1,000,000 \$250 Deductible for both Collision and Comprehensive \$25,000 Medical Payments Limit Automobile Physical Damage limit \$10,000 each occurrence
Texas Municipal League - Intergovernmental Risk Pool	10/1/16 - 09/30/17	Errors and Omissions Liability	Limit \$2,000,000 Each Wrongful Act \$4,000,000 Annual Aggregate \$2,500 Deductible
Texas Municipal League - Intergovernmental Risk Pool	10/1/16 - 09/30/17	Public Employee Dishonesty and Forgery or Alteration	Limit of Coverage per Occurrence \$100,000 Deductible \$1,000
Victor O. Schinnerer	10/1/16 - 09/30/17	Public Official Bonds	Two @ \$100,000 each

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# **SINGLE AUDIT SECTION**

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P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' 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***

The Board of Directors  
South Plains Association of Governments  
Lubbock, 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 unit, each major fund, and the aggregate remaining fund information of the South Plains Association of Governments (the "Association") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated March 29, 2018.

***Internal Control over Financial Reporting***

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
March 29, 2018



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND  
THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

The Board of Directors  
South Plains Association of Government  
Lubbock, Texas

**Report on Compliance for Each Major Federal and State Program**

We have audited South Plains Association of Governments' (the Association's) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and the State of Texas *Uniform Grant Management Standards ("UGMS")*, issued by the Governor's Office of Budget and Planning, that could have a direct and material effect on each of the Association's major federal and state programs for the year ended September 30, 2017. The Association's major federal and state programs are identified in the summary of auditors' 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 and state programs.

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2017.

### **Report on Internal Control over Compliance**

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

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

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



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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
March 29, 2018

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Pass-through Expenditures
<b>FEDERAL AWARDS</b>				
<u>U. S. Department of Commerce, Economic Development Administration</u>				
Direct:				
Economic Development Support - Planning Assistance - SPEDD	11.302	ED16AUS3020007	\$ 60,222	\$ -
Economic Adjustment - Decline in Oil and Gas Sector	11.307	08-69-05042	79,288	-
Economic Adjustment Assistance - Revolving Loan Fund	11.307	08-39-02592.01	<u>2,766,276</u>	<u>-</u>
Total Direct			<u>2,905,786</u>	<u>-</u>
Total U. S. Department of Commerce, Economic Development Administration			<u>2,905,786</u>	<u>-</u>
<u>U. S. Department of Housing and Urban Development</u>				
Passed through the Texas Department of Agriculture:				
Community and Economic Development Assistance Funds	14.228	C716220	5,013	-
Community and Economic Development Assistance Funds	14.228	C717220	<u>131</u>	<u>-</u>
Total Passed through the Texas Department of Agriculture			<u>5,144</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>5,144</u>	<u>-</u>
<u>U. S. Department of Justice</u>				
Passed through the Office of the Governor, Criminal Justice Division:				
Law Enforcement Response to Domestic Violence	16.588	2460406	30,397	-
Law Enforcement Response to Domestic Violence	16.588	2460407	<u>2,333</u>	<u>-</u>
Total Passed through the Office of the Governor, Criminal Justice Division			<u>32,730</u>	<u>-</u>
Total U. S. Department of Justice			<u>32,730</u>	<u>-</u>
<u>U. S. Department of Transportation</u>				
Passed through the Texas Department of Transportation:				
State Planning and Research - Section 5304	20.515	51R08020617	<u>10,322</u>	<u>-</u>
Total Passed through the Texas Department of Transportation			<u>10,322</u>	<u>-</u>
Total U. S. Department of Transportation			<u>10,322</u>	<u>-</u>

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**(Continued)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Pass-through Expenditures
<u>U. S. Department of Health and Human Services</u>				
Passed through Texas Health and Human Services Commission:				
Title VII-EAP	93.041	539-16-0006-00001	\$ 3,823	\$ -
Subtotal - 93.041			3,823	-
Title VII-OAG	93.042	539-16-0006-00001	24,726	-
Subtotal - 93.042			24,726	-
Title III-D Evidence Based-Intervention	93.043	539-16-0006-00001	21,598	-
Subtotal - 93.043			21,598	-
Title III-B	93.044	539-16-0006-00001	405,186	52,014
Title III-C1	93.045	539-16-0006-00001	676,188	543,523
NSIP	93.053	539-16-0006-00001	158,191	158,191
Subtotal - Aging Cluster			1,239,565	753,728
Title III-E	93.052	539-16-0006-00001	132,281	-
Subtotal - 93.052			132,281	-
ACL-MIPPA Priority 2	93.071	539-16-0006-00001	19,388	-
Subtotal - 93.071			19,388	-
CMS Basic	93.324	539-16-0006-00001	36,487	-
Subtotal - 93.324			36,487	-
2-1-1 Texas Information and Referral Network - Childcare	93.575	529-16-0006-00011C	14,487	-
2-1-1 Texas Information and Referral Network - Food Stamp	10.561	529-16-0006-00011	24,535	-
2-1-1 Texas Information and Referral Network - TANF	93.558	529-16-0006-00011	24,535	-
2-1-1 Texas Information and Referral Network - Refugee	93.566	529-16-0006-00011	24,535	-
2-1-1 Texas Information and Referral Network - CHIP	93.767	529-16-0006-00011	24,535	-
2-1-1 Texas Information and Referral Network - Medicaid (Acute Care)	93.778	529-16-0006-00011	24,534	-
Subtotal - 2-1-1 Texas Information and Referral Network			137,161	-
ADRC Contract - NWD	93.048	539-16-0031-00013	1,893	-
ADRC Contract - MIPAA	93.071	539-16-0031-00013	9,056	-
ADRC Contract - Housing Navigator	93.791	539-16-0031-00013	51,652	-
ADRC Contract - LCA	93.791	539-16-0031-00013	8,711	-
Subtotal - ADRC Contract			71,312	-
Total Passed through Texas Health and Human Commission			1,686,341	753,728
Total U. S. Department of Health and Human Services			1,686,341	753,728

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

(Continued)

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Pass-through Expenditures
<u>U. S. Department of Homeland Security</u>				
Passed through Texas Department of Public Safety:				
Hazard Mitigation Grant Program	97.039	DR-1999-060	\$ 4,257	\$ -
Hazard Mitigation Grant Program	97.039	DR-4223-024	<u>16,610</u>	<u>-</u>
Subtotal - 97.039			20,867	-
Total Passed through Texas Department of Public Safety			<u>20,867</u>	<u>-</u>
Passed through Office of the Governor, Homeland Security Division				
State Homeland Security Program	97.067	30080191	4,076	-
State Homeland Security Program	97.067	30070143	24,138	-
State Homeland Security Program	97.067	2941602	59,256	-
State Homeland Security Program	97.067	2941502	14,088	-
State Homeland Security Program - Contract	97.067	2941702	<u>167,951</u>	<u>-</u>
Total Passed through Office of the Governor, Homeland Security Division			<u>269,509</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>290,376</u>	<u>-</u>
Total Federal Awards			\$ <u>4,930,699</u>	\$ <u>753,728</u>

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

State Grantor / Program Title	State Grant Number	Expenditures	Pass-through Expenditures
<b>STATE AWARDS</b>			
<u>Texas Health and Human Services Commission</u>			
State General Revenue - Other	539-16-0006-00001	\$ 107,995	\$ -
OMB ALF Services	539-16-0006-00001	40,059	-
ADRC SGR	539-16-0031-00013	103,560	-
ADRC Respite	539-16-0031-00013	14,107	-
ADRC PI	539-16-0031-00013	12,567	-
2-1-1 Texas Information and Referral Network	529-16-0006-00011B	104,577	-
2-1-1 Texas Information and Referral Network	529-16-0006-00011E	10,508	-
Total Texas Health and Human Services Commission		393,373	-
<u>Texas Water Development Board</u>			
Water Development Program	1548301843	30,775	-
Total Texas Water Development Board		30,775	-
<u>Office of the Governor, Criminal Justice Division</u>			
Regional Criminal Justice Coordination FY 2017	30071030	57,575	-
Regional Criminal Justice Coordination FY 2018	30080280	2,668	-
Subtotal		60,243	-
Regional Law Enforcement Training Academy	1424315	89,603	-
Regional Law Enforcement Training Academy	1424316	9,370	-
Subtotal		98,973	-
Total Office of the Governor, Criminal Justice Division		159,216	-
<u>Texas Commission on Environmental Quality</u>			
Regional Solid Waste	582-16-60664	177,232	-
Regional Solid Waste	582-18-80548	7,074	-
Total Texas Commission on Environmental Quality		184,306	-
<u>Texas Department of Transportation</u>			
TxDOT RPO	05-8XXF7001	85	-
TxDOT Rural Transportation Planning Support	05-7XXF7001	9,809	-
Total Texas Department of Transportation		9,894	-
<u>Commission on State Emergency Communications</u>			
9-1-1 State Grant	CSEC 2017	1,002,203	-
9-1-1 State Grant	CSEC 2018	70,701	-
Total Commission on State Emergency Communications		1,072,904	-
Total State Awards		1,850,468	-
Total Expenditures of Federal and State Awards		\$ 6,781,167	\$ 753,728

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AND STATE AWARDS**

**SEPTEMBER 30, 2017**

**1. GENERAL**

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of South Plains Association of Governments. The Association'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 federal and state 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.

**3. COMMISSION ON STATE EMERGENCY COMMUNICATIONS**

As reflected in the basic financial statements, the Association has spent all balances and interest earned from emergency service fees for landline and wireless telecommunication services and capital replacement funds as of September 30, 2017.

**4. CALCULATION OF FEDERAL AWARDS EXPENDED FOR EDA REVOLVING LOAN FUND**

Expenditures for the EDA Revolving Loan Fund were calculated as follows:

Cash and Investment Balance at 9/30/2017	\$ 1,630,261
Balance of outstanding loans at 9/30/2017	2,013,635
Administrative Costs during the fiscal year	<u>44,472</u>
Total EDA Revolving Loan Fund Expenditures	3,688,368
Federal Participation Rate	<u>75%</u>
Total Federal Share of EDA Revolving Loan Fund Expenditures	<u>\$ 2,766,276</u>

**5. INDIRECT COSTS**

The Association has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

# SOUTH PLAINS ASSOCIATION OF GOVERNMENTS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

### 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 and State 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 the Uniform Guidance or State of Texas Uniform Grant Management Standards?	No
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#### Identification of major programs:

CFDA Number(s) 93.044, 93.045, 93.053 State	Name of Federal/State Program or Cluster: Aging Cluster 9-1-1 Program
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Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
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Dollar threshold used to distinguish between type A and type B state programs	\$300,000
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Auditee qualified as low-risk auditee under the Uniform Guidance?	Yes
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Auditee qualified as low-risk auditee under State of Texas Uniform Grant Management Standards?	Yes
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### Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Government Auditing Standards

None

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

None

**SOUTH PLAINS ASSOCIATION OF GOVERNMENTS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

None