

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND
ECONOMIC DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

September 30, 2017

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INTRODUCTORY SECTION

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
PRINCIPAL OFFICIALS
As of September 30, 2017

EXECUTIVE COMMITTEE (JULY 2017 - JUNE 2018)

Honorable Lynn Torres, Lufkin City Councilwoman President
Honorable Daphne Session, Houston County Attorney,
Houston County Minority Representative..... First Vice President
Honorable Bill Holder, Trinity River Authority..... Second Vice President
Honorable Samye Johnson, San Augustine County Judge Third Vice President
Honorable Joyce Johnson, Center City Councilwoman Secretary
Honorable Wes Suiter, Angelina County Judge Immediate Past President

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
PRINCIPAL OFFICIALS - CONTINUED
As of September 30, 2017

ADMINISTRATIVE STAFF

Mr. Lonnie Hunt.....Executive Director
Ms. Holly AndersonAssistant Executive Director/Director of Area Agency on Aging
Ms. Cynthia Trowbridge.....Director of Administration
Ms. Cindy ChionsiniChief Financial Officer - Controller
Ms. Danielle Sells Director of Criminal Justice
Ms. Janett Lewis Director of Regional Housing Authority
Ms. Renee Ricks Director of Retired and Senior Volunteer Program
Mr. Van Bush..... Director of Emergency Communications
Mr. John McDowell..... Director of Emergency Preparedness
Mr. Jeff Reed Director of Service to At Risk Youth
Mr. Robert Bashaw..... Regional Planner

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
FINANCE DEPARTMENT
September 30, 2017

The Finance team's primary goal and objective is to comply with generally accepted accounting principles to record the financial activities of all programs. The accounting procedures are designed to promote efficient and effective management and to safeguard the assets of the Deep East Texas Council of Governments and Economic Development District. During 2017, the Finance Staff consists of:

- Ms. Cindy Chionsini Chief Financial Officer - Controller
- Ms. CaTina Boykin Assistant Controller
- Ms. Renekil Hamilton Senior Accountant
- Ms. Melissa Furay Data Entry Clerk/Program Assistant
- Ms. Donna Davidson Section 8 Accountant

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Deep East Texas Council of Governments
And Economic Development District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of Deep East Texas Council of Governments and Economic Development District (DETCOG) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise DETCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 DETCOG'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 DETCOG'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 and the major funds of Deep East Texas Council of Governments and Economic Development District as of September 30, 2017, and the respective changes in financial position for the Major Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 14 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 Deep East Texas Council of Governments and Economic Development District's basic financial statements. The introductory section, supplementary information and schedule of expenditures of federal and state awards as required by Uniform Guidance and the State of Texas Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal and state awards as required by Uniform Guidance and the State of Texas Single Audit Act are the responsibility of management and were derived from and relate 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 supplementary information and schedule of expenditures of federal and state awards as required by Uniform Guidance and the State of Texas Single Audit Act are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of insurance coverage on page 46 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 June 8, 2018, on our consideration of Deep East Texas Council of Governments and Economic Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Deep East Texas Council of Governments and Economic Development District's internal control over financial reporting compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
June 8, 2018

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Deep East Texas Council of Governments and Economic Development District (DETCOG), we offer readers of DETCOG's financial statements this overview and analysis of the financial activities of Deep East Texas Council of Governments and Economic Development District for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and notes to the financial statements (which immediately follow this discussion).

Financial Highlights

- The assets of DETCOG exceeded its liabilities at the close of the most recent fiscal year by \$1,326,541 (*net position*). Unrestricted net position may be used to meet DETCOG's ongoing obligations to citizens and creditors in accordance with DETCOG's fund designation and fiscal policies. The balance in unrestricted net position was \$384,993.
- DETCOG's total net position (government-wide) increased by \$234,863. This is due primarily to the increase in the net position for the administration fund.
- As of the close of the current fiscal year, DETCOG's funds reported ending fund balances of \$1,269,550, and an increase of \$203,933 with an additional increase due to a prior period adjustment of \$415,471 for a total increase of \$619,404.
- At the end of the current fiscal year, unassigned fund balance for the administration fund was \$290,532.

Overview of the Financial Statements

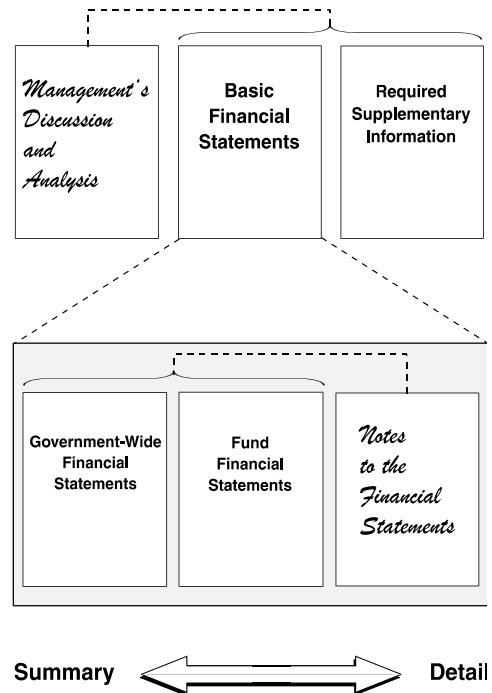
This annual report consists of three parts, *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of DETCOG:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about DETCOG's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting DETCOG's operations in more detail than the government-wide statements.
- *The governmental fund* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the Annual Financial Report



**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Figure A-2 Summarizes the major features of DETCOG's financial statements, including the portion of DETCOG's government they cover and the types of information they contain.

This discussion and analysis serves as an introduction to DETCOG's basic financial statements. DETCOG's basic financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other financial information in addition to the basic financial statements themselves.

Government-wide Statements

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

The statement of net position presents all of DETCOG's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of DETCOG is improving or deteriorating.

The statement of activities presents information showing how DETCOG's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The management of DETCOG has reviewed other entities and activities for possible inclusion in the reporting entity. No other entities or activities are included within DETCOG's reporting entity.

The government-wide financial statements can be found on pages 16 - 18 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. DETCOG, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of DETCOG are classified as *governmental funds*.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash resources flow into and out of those funds and balances remaining at the year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period. Such information may be useful in evaluating a government's near-term financing requirements.

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

<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire government (except fiduciary funds)	The activities of DETCOG that are not proprietary or fiduciary
<i>Required financial statements</i>	Statement of net position Statement of activities	Balance sheets Statements of revenues, expenditures and changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/deferred outflows of resources and liability/deferred inflows of resources information</i>	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and only liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

DETCOG maintains an administration fund and nine grant funds. Information is presented in the fund balance sheets and in the fund statements of revenues, expenditures and changes in fund balance for all funds.

DETCOG adopts an annual budget for the administration fund. A budgetary comparison statement has been provided to demonstrate comparison with this budget.

The fund financial statement can be found on pages 19-24 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 25-36 of this report.

Other Financial Information. In addition to the basic financial statements and accompanying notes, this report also presents supplemental information. Supplemental information can be found on pages 38-45 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of DETCOG, assets exceeded liabilities by \$1,326,541 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position.

	2017	2016
Current and other assets	\$ 5 498 274	\$ 4 489 572
Capital assets	64 031	20 571
TOTAL ASSETS	5 562 305	4 510 143
Long-term liabilities	-	-
Other liabilities	4 235 764	3 833 936
TOTAL LIABILITIES	4 235 764	3 833 936
Net Position:		
Invested in capital assets	64 031	20 571
Restricted	877 517	735 714
Unrestricted	384 993	(80 078)
TOTAL NET POSITION	\$ 1 326 541	\$ 676 207

A portion of DETCOG's net position (5%) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. DETCOG uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

The largest portion of DETCOG's net position (66%) represents resources that are subject to external restrictions on how they can be used.

At the end of the current fiscal year, DETCOG is able to report a positive balance in all three categories of net position.

Analysis of DETCOG's Operations

The following table provides a summary of DETCOG's operations for the year ended September 30. Governmental activities increased DETCOG's net position by \$234,863.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

	2017	2016
Revenues:		
Program Revenues:		
Charges for service	\$ 391 399	\$ 1 505 795
Operating grants and contributions	19 544 431	25 379 830
General Revenues:		
Membership dues	53 517	51 076
Sustaining dues	7 150	6 900
Sale of building	105 061	-
Miscellaneous income	67 209	49 566
Unrestricted investment earnings	3 406	2 890
TOTAL REVENUES	20 172 173	26 996 057
Expenses after Indirect Cost Allocation:		
Administration	266 606	259 115
Disaster recovery	1 458 044	6 733 435
Area agency on aging	2 319 876	3 746 473
Regional housing authority	11 296 850	10 857 208
Emergency communications	3 047 591	3 954 926
Homeland security	165 579	202 542
Criminal justice	147 604	159 386
Service to at risk youth	736 644	664 352
Retired and senior volunteer program	192 478	180 997
Regional services	306 038	104 664
TOTAL EXPENSES	19 937 310	26 863 098
CHANGE IN NET POSITION	234 863	132 959
Net position, beginning	676 207	579 844
Prior period adjustment	415 471	(36 596)
Net position, beginning - Restated	1 091 678	543 248
NET POSITION, ENDING	\$ 1 326 541	\$ 676 207

Financial Analysis of the DETCOG's Funds

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

As DETCOG completed the year, its governmental funds, as presented in the balance sheets on pages 19-20, reported combined ending fund balances of \$1,269,550, which is an increase of \$203,933 from last year's restated fund balance total of \$1,065,617.

The administration fund is the operating fund of DETCOG. At the end of the current fiscal year, unassigned fund balance of the administration fund was \$290,532.

Refer to pages 19-24 of this report for a more detailed presentation of governmental fund balances.

Budgetary Highlights

DETCOG adopts an annual budget for its general fund in September of each year. Grant fund budgets are reviewed and approved by the Board of Directors within the context of the annual budget. Although the budgets are reviewed and approved by DETCOG's Board, they are not considered legally adopted budgets or appropriations. DETCOG'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 revenues and expenditures in all funds. The financial plan for grants is made on a project (grant) basis, spanning more than one year. The budget fluctuation as noted in the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on page 40, is due to the variable nature of the grant funds revenues and expenditures based on the program operations. Appropriations for all projects lapse at the end of a contract period which may not coincide with the fiscal year end of DETCOG.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Capital Asset and Debt Administration

Capital Assets. DETCOG's investment in capital assets for its governmental activities as of September 30, amounts to \$64,031 (net of accumulated depreciation). This investment in capital assets includes land, buildings and leasehold, and furniture, fixtures and equipment.

	2017	2016
Land	\$ -	\$ 14 000
Buildings and leasehold	33 769	253 718
Furniture, fixtures and equipment	5 526 653	5 573 651
Less: Accumulated depreciation	(5 496 391)	(5 820 798)
TOTAL	\$ 64 031	\$ 20 571

Additional information regarding DETCOG's capital assets can be found in the Capital Assets Note on page 34 of this report.

Long-term debt. At September 30, DETCOG did not have any long-term debt outstanding.

Economic Factors

The Deep East Texas Council of Governments and Economic Development District (DETCOG) works to improve economic conditions in the region and the standard of living of all its residents. Jobs and the economy play a large role in improving the quality of life.

Historically, our region has been economically distressed with high rates of unemployment and poverty. Per capita income and median household income in all our counties are well below state and national averages. Six of the 12 counties experienced a decline in population from 2010 to 2017. Overall, the region's population grew by 1.4 percent during that period. These factors provide us with unique challenges and underscore the importance of our mission.

The unemployment rate in Deep East Texas for September 2017 was 5.2 percent compared to the statewide rate of 4.0 percent. Only one of our 12 counties had an unemployment rate at or below the statewide rate, with individual county rates ranging from 3.8 to 7.9 percent.

Hurricane Harvey impacted our region near the end of fiscal year 2017. While the economic impact is still being measured, it is significant. Seven of the 12 DETCOG counties are included in Presidential Disaster Declaration DR-4332. The region is still recovering from the loss of manufacturing jobs that resulted from the closure of facilities after GE acquired Lufkin Industries. Years of reduced timber harvesting in the four National Forests continues to hurt local economies throughout the region. In spite of these factors, retail sales in Deep East Texas increased slightly from 2016 to 2017, continuing a trend of annual increases.

A major need in Deep East Texas is better access to broadband internet service and improved cellular telephone coverage. DETCOG has undertaken a feasibility study to determine how best to address this need.

DETCOG has also taken steps to better serve its members and improve the organization's financial position by consolidating its operations in a central location. Planning is now underway for a new headquarters facility in Lufkin which is expected to be open around the end of fiscal year 2019. Construction of the new facility will be funded by public and private grants.

Despite our many challenges, we remain optimistic about the future of the region. Our strategic location, proximity to major ports, low cost of living, availability of reasonably priced land, and abundance of water resources are all great assets. Two new interstate highways (I-69 and I-14) will one day intersect in our region. Our greatest asset continues to be the people who call Deep East Texas home.

DETCOG will continue to assist its local governments' efforts to increase jobs and strengthen their local economies. Regional cooperation leads to stronger communities and more efficient use of resources. DETCOG provides the opportunity for local jurisdictions to work together to accomplish more than any individual member could accomplish on its own.

Request for Information

This financial report is designed to provide a general overview of Deep East Texas Council of Governments and Economic Development District's finances for all those with an interest in DETCOG's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Deep East Texas Council of Governments and Economic Development District, 210 Premier Drive, Jasper, Texas 75951.

BASIC FINANCIAL STATEMENTS

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
September 30, 2017

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 1 981 599
Receivables (Net of Allowance for Uncollectible):	
Grants	1 526 279
Loans	1 845 200
Other	95 917
Prepaid items	49 279
Building and improvements	33 769
Furniture and vehicles	5 526 653
Accumulated depreciation	(5 496 391)
TOTAL ASSETS	5 562 305
LIABILITIES	
Accounts payable	998 520
Accrued compensated absences	154 224
Loans payable	1 845 200
Other accrued expenses	253 724
Deferred inflows	984 096
TOTAL LIABILITIES	4 235 764
NET POSITION	
Net investment in capital assets	64 031
Restricted for:	
Grants	877 517
Unrestricted	384 993
TOTAL NET POSITION	\$ 1 326 541

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

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT COST ALLOCATION	EXPENSES AFTER ALLOCATION OF INDIRECT COSTS
Governmental Activities:			
Administration	\$ 1 496 927	\$ (1 230 321)	\$ 266 606
Disaster recovery	1 430 434	27 610	1 458 044
Area agency on aging	2 009 979	309 897	2 319 876
Regional housing authority	11 009 511	287 339	11 296 850
Emergency communications	2 793 032	254 559	3 047 591
Homeland security	128 861	36 718	165 579
Criminal justice	109 251	38 353	147 604
Service to at risk youth	554 355	182 289	736 644
Retired and senior volunteer program	144 710	47 768	192 478
Regional services	260 250	45 788	306 038
TOTAL GOVERNMENTAL ACTIVITIES	\$ 19 937 310	\$ -	\$ 19 937 310

General Revenues:

Membership dues
Sustaining dues
Sale of building
Miscellaneous income
Investment earnings
TOTAL GENERAL REVENUES
CHANGE IN NET POSITION
Net position - Beginning of year
Prior period adjustment
NET POSITION - BEGINNING (RESTATED)
NET POSITION - ENDING

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

<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE)</u>
<u>CHARGES</u>	<u>OPERATING</u>	<u>REVENUES AND</u>
<u>FOR</u>	<u>GRANTS AND</u>	<u>CHANGE IN</u>
<u>SERVICES</u>	<u>CONTRIBUTIONS</u>	<u>NET POSITION</u>
\$ 131 502	\$ 18 942	\$ (116 162)
-	1 439 102	(18 942)
116 960	2 202 916	-
38 706	11 368 501	110 357
-	3 062 488	14 897
-	165 579	-
50	147 554	-
-	745 211	8 567
74 149	118 329	-
<u>30 032</u>	<u>275 809</u>	<u>(197)</u>
<u>\$ 391 399</u>	<u>\$ 19 544 431</u>	<u>(1 480)</u>

53 517
7 150
105 061
67 209
<u>3 406</u>
<u>236 343</u>
<u>234 863</u>
676 207
415 471
<u>1 091 678</u>
<u>\$ 1 326 541</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	ADMINI- STRATION FUND	DISASTER ASSISTANCE FUND	AGING GRANTS FUND	HUD GRANTS FUND
ASSETS				
Cash and cash equivalents	\$ 441 396	\$ -	\$ (60 617)	\$ 1 162 489
Receivables (Net Allowance for Uncollectible):				
Grants	16 915	205 345	226 753	4 439
Loans	-	1 845 200	-	-
Other	85 776	-	103	16 487
Due from other funds	186 165	-	-	-
Prepaid items	34 596	-	2 113	1 764
TOTAL ASSETS	764 848	2 050 545	168 352	1 185 179
DEFERRED OUTFLOWS				
Deferred fraud recovery	-	-	-	-
TOTAL DEFERRED OUTFLOWS	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 764 848	\$ 2 050 545	\$ 168 352	\$ 1 185 179
LIABILITIES				
Accounts payable	\$ 40 971	\$ -	\$ 134 240	\$ 23 550
Loans payable	-	1 845 200	-	-
Due to other funds	-	186 165	-	-
Accrued compensated absences	154 224	-	-	-
Other accrued expenses	30 944	-	4 366	206 752
TOTAL LIABILITIES	226 139	2 031 365	138 606	230 302
DEFERRED INFLOWS				
Unavailable revenue	248 177	19 180	5 874	-
TOTAL DEFERRED INFLOWS	248 177	19 180	5 874	-
FUND BALANCES				
Fund Balance (Deficit):				
Nonspendable - Prepaid items	34 596	-	2 113	1 764
Restricted - Grant programs	-	-	21 759	930 808
Unassigned	255 936	-	-	22 305
TOTAL FUND BALANCES	290 532	-	23 872	954 877
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 764 848	\$ 2 050 545	\$ 168 352	\$ 1 185 179

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

911 GRANTS FUND	EMERGENCY PLANNING GRANTS FUND	CRIMINAL JUSTICE GRANTS FUND	STAR GRANTS FUNDS	RSVP GRANTS FUND	REGIONAL SERVICES GRANTS FUND	TOTAL
\$ 441 787	\$ (27 461)	\$ 3 815	\$ (42 825)	\$ (31 753)	\$ 94 768	\$ 1 981 599
881 644	29 520	29 012	61 853	29 999	40 799	1 526 279
-	-	-	-	-	-	1 845 200
9	397	162	-	-	23	102 957
-	-	-	-	-	-	186 165
7 260	-	-	95	3 451	-	49 279
<u>1 330 700</u>	<u>2 456</u>	<u>32 989</u>	<u>19 123</u>	<u>1 697</u>	<u>135 590</u>	<u>5 691 479</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1 330 700</u>	<u>\$ 2 456</u>	<u>\$ 32 989</u>	<u>\$ 19 123</u>	<u>\$ 1 697</u>	<u>\$ 135 590</u>	<u>\$ 5 691 479</u>
\$ 694 401	\$ 871	\$ 14 253	\$ 13 019	\$ 817	\$ 77 845	\$ 999 975
-	-	-	-	-	-	1 845 200
-	-	-	-	-	-	186 165
-	-	-	-	-	-	154 224
5 422	629	557	3 802	880	372	253 724
<u>699 823</u>	<u>1 500</u>	<u>14 810</u>	<u>16 821</u>	<u>1 697</u>	<u>78 217</u>	<u>3 439 280</u>
<u>630 877</u>	<u>956</u>	<u>18 179</u>	<u>2 302</u>	<u>-</u>	<u>57 104</u>	<u>982 649</u>
<u>630 877</u>	<u>956</u>	<u>18 179</u>	<u>2 302</u>	<u>-</u>	<u>57 104</u>	<u>982 649</u>
7 260	-	-	95	3 451	-	49 279
(7 260)	-	-	(95)	(3 451)	269	855 212
-	-	-	-	-	-	365 059
-	-	-	-	-	269	1 269 550
<u>\$ 1 330 700</u>	<u>\$ 2 456</u>	<u>\$ 32 989</u>	<u>\$ 19 123</u>	<u>\$ 1 697</u>	<u>\$ 135 590</u>	<u>\$ 5 691 479</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2017

Amounts Reported for Governmental Activities in the Statement
of Net Position are different because:

Total fund balances - Governmental fund balance sheet	\$ 1 269 550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64 031
Certain unearned revenues are not available to pay current period expenditures and, therefore, are not recognized in the governmental funds.	<u>(7 040)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1 326 541</u>

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

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	ADMINI- STRATION FUND	DISASTER ASSISTANCE FUND	AGING GRANTS FUND	HUD GRANTS FUND
Revenues:				
Federal and state grants	\$ -	\$ 1 439 102	\$ 2 202 916	\$ 11 368 501
Local grants	-	17 755	16 616	-
Program income	-	-	24 767	17 290
Membership dues	53 517	-	-	-
Sustaining local dues	7 150	-	-	-
Investment earnings	1 805	-	-	1 237
Sale of building	105 061	-	-	-
Miscellaneous income	12 482	-	-	52 210
Indirect cost carryforward	56 542	-	-	-
Grant matching revenues	96 376	1 187	75 577	-
TOTAL REVENUES	<u>332 933</u>	<u>1 458 044</u>	<u>2 319 876</u>	<u>11 439 238</u>
Expenditures:				
Personnel and benefits	603 990	59 386	558 317	518 857
Travel	29 094	1 487	32 773	18 155
Contract services	37 592	-	2 509	13 255
Equipment expense	2 746	-	-	56 986
Subcontractor expense	2 334	1 356 050	1 325 420	10 343 427
Other operating expense	709 286	13 511	90 960	69 842
Grant matching expense	105 606	-	-	-
TOTAL EXPENDITURES	<u>1 490 648</u>	<u>1 430 434</u>	<u>2 009 979</u>	<u>11 020 522</u>
NET INCOME	<u>(1 157 715)</u>	<u>27 610</u>	<u>309 897</u>	<u>418 666</u>
Other Financing Sources:				
Allocation to grant programs	1 230 321	(27 610)	(309 897)	(287 339)
TOTAL OTHER FINANCING SOURCES	<u>1 230 321</u>	<u>(27 610)</u>	<u>(309 897)</u>	<u>(287 339)</u>
CHANGE IN FUND BALANCE	<u>72 606</u>	<u>-</u>	<u>-</u>	<u>131 327</u>
Fund balance - Beginning	(290 102)	-	-	940 248
Prior period adjustment	508 028	-	23 872	(116 698)
FUND BALANCE - BEGINNING (RESTATED)	<u>217 926</u>	<u>-</u>	<u>23 872</u>	<u>823 550</u>
FUND BALANCE - ENDING	<u>\$ 290 532</u>	<u>\$ -</u>	<u>\$ 23 872</u>	<u>\$ 954 877</u>

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

911 GRANTS FUND	EMERGENCY PLANNING GRANTS FUND	CRIMINAL JUSTICE GRANTS FUND	STAR GRANTS FUNDS	RSVP GRANTS FUND	REGIONAL SERVICES GRANTS FUND	TOTAL
\$ 3 062 488	\$ 165 579	\$ 147 554	\$ 745 211	\$ 118 329	\$ 275 809	\$ 19 525 489
-	-	-	-	18 629	-	53 000
-	-	-	-	-	-	42 057
-	-	-	-	-	-	53 517
-	-	-	-	-	-	7 150
167	-	-	-	-	197	3 406
-	-	-	-	-	-	105 061
-	-	-	-	-	-	64 692
-	-	-	-	-	-	56 542
-	-	50	-	55 520	30 032	258 742
<u>3 062 655</u>	<u>165 579</u>	<u>147 604</u>	<u>745 211</u>	<u>192 478</u>	<u>306 038</u>	<u>20 169 656</u>
500 238	75 727	69 653	450 021	100 423	96 958	3 033 570
28 432	6 047	1 722	54 744	11 970	2 055	186 479
3 000	-	-	-	376	-	56 732
387 442	-	-	13 652	-	-	460 826
1 863 630	43 416	36 240	725	-	160 477	15 131 719
25 354	3 671	1 636	43 780	31 941	760	990 741
-	-	-	-	-	-	105 606
<u>2 808 096</u>	<u>128 861</u>	<u>109 251</u>	<u>562 922</u>	<u>144 710</u>	<u>260 250</u>	<u>19 965 673</u>
<u>254 559</u>	<u>36 718</u>	<u>38 353</u>	<u>182 289</u>	<u>47 768</u>	<u>45 788</u>	<u>203 933</u>
<u>(254 559)</u>	<u>(36 718)</u>	<u>(38 353)</u>	<u>(182 289)</u>	<u>(47 768)</u>	<u>(45 788)</u>	<u>-</u>
<u>(254 559)</u>	<u>(36 718)</u>	<u>(38 353)</u>	<u>(182 289)</u>	<u>(47 768)</u>	<u>(45 788)</u>	<u>-</u>
-	-	-	-	-	-	203 933
-	-	-	-	-	-	650 146
-	-	-	-	-	269	415 471
-	-	-	-	-	269	1 065 617
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269</u>	<u>\$ 1 269 550</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND 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 balance - Total governmental funds	\$ 203 933
The depreciation of capital assets used in governmental activities is not reported in the funds.	(15 654)
Purchased capital assets are an asset in the statement of activities and expenses in the funds.	94 381
The sale of capital assets are a reduction of the assets in the statement of activities, and revenue in the funds.	(35 267)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(12 530)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 234 863</u>

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

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Deep East Texas Council of Governments and Economic Development District ("DETCOG") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable 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 DETCOG.

The accounting policies of DETCOG conform to generally accepted accounting principles as applicable to governmental units.

A. Reporting Entity

DETCOG is a political subdivision of the State of Texas and a voluntary non-profit association of local governments within the twelve county Deep East Texas region. It is also an Economic Development District, recognized by the Economic Development Administration, U.S. Department of Commerce. DETCOG was established in 1967 to promote economic development of the region, promote inter-governmental cooperation, study and resolve common regional problems and provide general support to local governments.

The financial reporting entity consists of the primary government and all component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. After considering the above, there are no other agencies, organizations, or activities meeting the criteria to be included in the financial reporting entity.

Basic operations of DETCOG are financed by membership dues, unrestricted investment earnings and other miscellaneous income. DETCOG receives federal, state and local grant funds to finance specific programs.

Membership in DETCOG is voluntary, and any county, city, school district or special purpose district within the Deep East Texas region may become a member of the independent association by passing a resolution to join DETCOG and paying annual dues. Each member government or combined member governments are entitled to have voting representation on the Board of Directors, which is DETCOG's governing body. Various local agencies for which grants and funding are issued by DETCOG have not been included within the financial statements because DETCOG does not have direct managerial oversight of the operations of those agencies nor does it have the responsibility for funding future deficits or operating deficiencies of those agencies.

B. Government-Wide and Fund Financial Statements

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

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a 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 revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 of judgments, are recorded only when payment is due.

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

DETCOG reports the following major governmental funds:

The *administrative fund* accounts for all financial resources of the administration.

The *grant funds* account for various federal and state programs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits

Cash and cash 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 DETCOG's financial statements include amounts in demand deposits, savings and money market accounts.

DETCOG's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with DETCOG's agent bank approved pledged securities in an amount sufficient to protect DETCOG's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance and National Credit Union Administration (NCUA) insurance.

2. Receivables and Payables

On the governmental fund financial statements, activity between programs that is 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

DETCOG believes that additional details of certain receivable and payable balances in the financial statements are needed to avoid the obscuring of significant components by aggregation. Therefore, disclosures are provided to disaggregate significant balances in Note 3.

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

Other receivables represent amounts due from HUD fraud recovery, landlords, membership dues, local entities, employees, interest and other miscellaneous receivables.

3. Prepaid Items

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

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Restricted Assets

Certain resources set aside from the federal and state agencies are classified as restricted assets on the balance sheet. These funds are restricted for use in the respective federal or state program.

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value 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 asset lives are not capitalized.

Depreciation of certain capital assets used by governmental funds is charged as an expenditure in calculating indirect costs. Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and leasehold improvements	4 - 15
Furniture, fixtures and equipment	3 - 7

6. Compensated Absences

DETCOG employees are paid for absences due to vacation or sickness according to a prescribed policy. The estimated liability for compensated absences is recorded as an expenditure and liability in the General Fund. Employees earn twelve days of vacation per year during the first three years of employment. After three full years of employment, an employee earns fifteen days of vacation per year. Employees may accrue up to a maximum of thirty days based upon a calendar year. Employees will be paid for accrued vacation upon voluntary termination of employment provided they have been in a permanent full-time position for six months or more. Employees also earn sick leave to be used against future illness. Unused sick leave is cancelled upon termination of employment, therefore, no sick leave liability is accrued in the financial statements.

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide statement of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement section represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. DETCOG has no items that qualify for reporting in this category.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement section represents an acquisition of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. DETCOG has an item, unavailable revenue, that qualifies for reporting in this category and is reported in the governmental funds balance sheet. The amount is deferred and recognized as inflows of resources in the period in which the revenues become available.

8. Fund Balance

Fund balance of the governmental fund is classified as follows:

- Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivable or principal of a permanent fund).
- Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.
- Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by DETCOG's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for the other purposes with appropriate due process by the Board of Directors. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- Assigned Fund Balance - represents amounts which DETCOG intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of DETCOG itself.
- Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose.

9. Net Position Flow Assumption

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

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Source of Funds

Some funds from federal, state and other local sources represent fees for service reimbursements. The funds that are specifically for service reimbursements are reported as local funds.

11. Revenues and Expenditures

Federal, State and Local Grant Revenues - Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other grant revenue is susceptible to accrual.

Membership Dues - All member governments are expected to pay dues to DETCOG. Dues are assessed each July for the subsequent fiscal year and are recorded as dues receivable and unearned revenues. Membership dues are recognized as revenue on October 1 of each year.

Grant Matching Funds - DETCOG cash matching is the allocation of DETCOG funds to grant programs, some of which require cash matching under conditions of the grant contract. Subcontractor cash and in-kind contributions represent actual donations of cash, goods or services at the subcontractor locations which are applied toward the matching requirements of the grant contract. In-kind contributions are valued at estimated fair value and offsetting charges are recorded as expenditures to the appropriate grant program.

Grant Expenditures - Direct grant expenditures are charged to grants for which DETCOG is the program provider. Subcontractor expenditures represent grant funds subcontracted to and expended by local governments or private non-profit organizations contracting with DETCOG to provide the services.

Indirect Costs, Employee Benefits and Space Costs - Indirect costs, employee benefits and space costs are charged, as expended, to indirect, employee benefit and space cost pools. The indirect cost pool is allocated based on percentages of salaries and benefits to each grant. The employee benefit pool is allocated to grant programs as a percentage of actual direct salaries charged to each grant. The space costs is allocated based on the facility usage of each grant program. The percentages used in the indirect and employee benefit allocation process are approved by the Texas Department on Aging and Disability Services.

12. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between programs. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

14. Risk Management

DETCOG 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. DETCOG maintains commercial insurance coverage covering each of those risks of loss except for workers' compensation, liability insurance and property insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to DETCOG. Settled claims did not exceed this commercial coverage during the last three fiscal years.

DETCOG purchases workers' compensation insurance coverage from the Deep East Texas Self Insurance Fund (Fund), a public entity risk pool, which is self sustaining through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$1,000,000. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. DETCOG pays a quarterly premium to the Fund for its workers' compensation insurance coverage. By participating in the pool, DETCOG is not responsible for its own paid claims; consequently, risks associated with workers' compensation are passed to the pool. The members of the Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premiums. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund had adequate assets to cover more than 100% of all liabilities.

DETCOG maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool, a self-insurance pool created by its members to provide various coverages to participating members. Excess insurance is purchased to provide additional financial stability to the Pool. Texas Municipal League intends for the pool to be self-sustaining through member premiums. Catastrophic losses that exceed the Pool's self-insured retention are secured by excess insurance purchased from domestic A-rated companies. The Pool's retention is \$1,000,000 per occurrence in excess of member deductibles for property insurance, \$500,000 per occurrence for boiler and machinery coverage, \$2,000,000 per occurrence for liability insurance, and \$25,000 per vehicle, \$500,000 per occurrence in excess of member deductibles for automobile physical damage coverage.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

DETCOG's annual budget is prepared based on estimated expenditures. The budget is submitted to the Board of Directors. The budget and any amendments are approved by the Board of Directors. All annual appropriations lapse at fiscal year.

Budgetary control is maintained at the program level. DETCOG's management is authorized to transfer budgeted amounts within programs, subject to grant restrictions. Revisions that alter total revenues or total expenditures are approved by the Board of Directors.

B. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

VIOLATION
None

Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

FUND	DEFICIT AMOUNT	REMARKS
None	\$ N/A	N/A

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

At September 30, DETCOG's carrying amount for cash deposits was \$1,981,599 and the bank balance was \$2,429,315. DETCOG's cash deposits at September 30, were entirely covered by FDIC insurance, by pledged collateral held by the pledging financial institution's agent bank in DETCOG's name. At September 30, DETCOG's financial statements include amounts in demand deposits, savings and money market accounts.

DETCOG is required by Texas Government Code Chapter 2256, the Public Funds Investment Act ("Act"), 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.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The Act determines the types of investments which are allowable for DETCOG. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

B. Interfund Receivables and Payables

Due From and To Other Funds

The grant fund owes funds to the general fund for grant operations that have not been refunded, this amount will be repaid within the next fiscal year.

Transfers From and To Other Funds

The general fund allocated indirect and space costs of \$1,230,321 to the grant fund during the year ended September 30.

C. Grants Receivable

The following is a summary of grants receivable at September 30:

	COMPLETED GRANTS RECEIVABLE	OPEN GRANTS RECEIVABLE	TOTAL
Disaster Recovery	\$ -	\$ 205 345	\$ 205 345
Area Agency on Aging	194 303	32 450	226 753
Regional Housing Authority	-	4 439	4 439
Emergency Communications	-	881 644	881 644
Homeland Security	-	29 520	29 520
Criminal Justice	-	29 012	29 012
Service to At Risk Youth	-	61 853	61 853
Retired and Senior Volunteer Program	-	29 999	29 999
Regional Services	858	39 941	40 799
Administration	-	16 915	16 915
TOTAL GRANTS RECEIVABLE	<u>\$ 195 161</u>	<u>\$ 1 331 118</u>	<u>\$ 1 526 279</u>

D. Receivables

DETCOG contracts with the U.S. Department of Housing and Urban Development Community Development Block Grant Disaster Recovery Forgivable Loan Program. In accordance with certain terms of the contracts, funds have been loaned to specific entities at no interest. DETCOG loans are forgiven upon reaching specific employment benchmarks. At September 30, 2017, DETCOG has eight loans. The following is a summary of transactions for the year ended September 30, 2017.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2016	\$ 1 970 200	\$ 1 970 200
Loans forgiven	(125 000)	(125 000)
Balance at September 30, 2017	<u>\$ 1 845 200</u>	<u>\$ 1 845 200</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The loans are comprised of the following individual issues:

E-tech	\$ 266 200
Endura	200 000
C&R Refrigeration	125 000
Pinto Pony	354 000
Atkinson Candy	250 000
Corrigan OSB	250 000
Fredonia Hospitality	250 000
Best Friends Community Services	150 000
TOTAL	<u>\$ 1 845 200</u>

E. Other Receivables

The following is a summary of other receivables at September 30:

HUD fraud recovery	\$ 82 185
Landlords	46 988
Dues	27 906
Local entities	58 380
Employees	184
Other	4 398
	<u>220 041</u>
Less allowance for uncollectible	<u>(124 124)</u>
TOTAL OTHER RECEIVABLES	<u>\$ 95 917</u>

F. Capital Assets

Capital assets activity for the year ended September 30 is as follows:

	BALANCE 09/30/2016	INCREASES	DECREASES	BALANCE 09/30/2017
Nondepreciable Assets:				
Land:				
Administration	\$ 14 000	\$ -	\$ (14 000)	\$ -
TOTAL LAND	<u>14 000</u>	<u>-</u>	<u>(14 000)</u>	<u>-</u>
TOTAL NONDEPRECIABLE ASSETS	<u>14 000</u>	<u>-</u>	<u>(14 000)</u>	<u>-</u>
Depreciable Assets:				
Building and Leasehold Improvements:				
Administrations	253 718	-	(219 949)	33 769
TOTAL BUILDING AND LEASEHOLD IMPROVEMENTS	<u>253 718</u>	<u>-</u>	<u>(219 949)</u>	<u>33 769</u>
Furniture, Fixtures and Equipment:				
Administration	225 266	9 826	(106 450)	128 642
Area agency on aging	28 244	-	(21 029)	7 215
Regional housing authority	21 115	56 986	(13 900)	64 201
Emergency communications	3 855 987	17 574	-	3 873 561
Homeland security	1 443 039	-	-	1 443 039
Service to at risk youth	-	9 995	-	9 995
TOTAL FURNITURE, FIXTURES AND EQUIPMENT	<u>5 573 651</u>	<u>94 381</u>	<u>(141 379)</u>	<u>5 526 653</u>
TOTAL DEPRECIABLE ASSETS	<u>5 827 369</u>	<u>94 381</u>	<u>(361 328)</u>	<u>5 560 422</u>
Accumulated Depreciation:				
Administration	(472 413)	(3 575)	305 132	(170 856)
Area agency on aging	(28 244)	-	21 029	(7 215)
Regional housing authority	(21 115)	(8 141)	13 900	(15 356)
Emergency communications	(3 855 987)	(2 510)	-	(3 858 497)
Homeland security	(1 443 039)	-	-	(1 443 039)
Service to at risk youth	-	(1 428)	-	(1 428)
TOTAL ACCUMULATED DEPRECIATION	<u>(5 820 798)</u>	<u>(15 654)</u>	<u>340 061</u>	<u>(5 496 391)</u>
NET DEPRECIABLE ASSETS	<u>6 571</u>	<u>78 727</u>	<u>(21 267)</u>	<u>64 031</u>
TOTAL CAPITAL ASSETS	<u>\$ 20 571</u>	<u>\$ 78 727</u>	<u>\$ (35 267)</u>	<u>\$ 64 031</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Deferred Inflows of Resources

Deferred inflows of resources at September 30, consisted of the following:

	AMOUNT
Regional Housing Authority:	
Unavailable revenue - Fraud recovery	\$ 7,040
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 7,040

H. Operating Leases

During the year, DETCOG leased office space and equipment under operating leases for varying lengths of time. Most operating leases can be cancelled with ninety days written notice, cancelled with written notice if not appropriated in the current year budget, renewed or replaced by other leases.

Rental expense under operating leases for the year ended September 30, was as \$170,858 for office space and \$26,735 for equipment.

I. New Accounting Pronouncements

GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* was issued in June, 2012. The objective of this Statement is to improve accounting and financial reported by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. DETCOG will be required to recognize a liability equal to the net pension liability in its financial statements prepared using the economic resources measurement focus and accrual basis of accounting. The provisions of this Statement are effective for the fiscal year beginning after August 1, 2017.

J. Employees Retirement Plans

DETCOG has established a qualified money-purchase defined contribution retirement plan covering all full-time permanent employees who have completed six months of service and who are at least 21 years of age. The plan, administered by the International City Management Association Retirement Corporation, qualifies under Section 401(a) of the Internal Revenue Code. DETCOG made contributions of 7.50% of the Executive Director's earnings and 7% for all other employees' earnings to the plan for the period October 1, 2016 through July 31, 2017. Employees hired after October 1, 2000 are not fully vested in the plan until they have been employed by DETCOG for 7 years. All other participants are 100% vested in the plan. The plan allows employees to make voluntary contributions. DETCOG's contributions of \$114,047, less forfeitures of \$43,539 were charged to the employee benefit cost pool for the year ended September 30, 2017. Employee contributions of \$46,019 and employee loan repayments of \$119,401 were paid for during the year. Effective August 1, 2017, the plan was amended and all future contributions will be determined by the Board on an annual basis.

Effective August 1, 2017, DETCOG established a 457 deferred compensation plan for the benefit of employees of DETCOG with International City Management Association Retirement Corporation, employees contributed \$1,000 to the plan during the year.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Effective August 1, 2017, DETCOG began participation in the Texas County & District Retirement System (TCDRS). TCDRS is a statewide, agent multiple-employer, public employee retirement system with a measurement date of December 31. As of December 31, 2016, DETCOG did not have any participating employees covered by TCDRS. The most recent comprehensive annual financial report for TCDRS can be found at the following link www.tcdrs.org.

K. Subsequent Event

DETCOG underwent significant program audits and evaluations from the federal and state agencies that fund programs. These examinations did not identify any material errors or issues that resulted in refunds to the granting agencies.

Management has evaluated subsequent events through June 8, 2018, the date the financial statements were available to be issued.

L. Contingencies

DETCOG has received federal and state grant awards. These awards are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. DETCOG's management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial position of DETCOG.

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

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

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

M. Prior Period Adjustment

During the audit, we noted amounts in accounts payable and deferred revenues that were recorded by DETCOG related to previous periods. After evaluation, the organization concluded the items will no longer be paid or have been received in prior years. Therefore, a prior period adjustment for \$415,471 was recorded to remove these items from the statement of net position and the balance sheets.

SUPPLEMENTARY INFORMATION

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING BALANCE SHEET - FINANCIAL DATA SCHEDULE - REAC
REGIONAL HOUSING AUTHORITY
September 30, 2017

REAC LINE NO.		HOUSING CHOICE VOUCHERS	FAMILY SELF- SUFFICIENCY PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE GRANT - IKE	TOTAL
	ASSETS					
111	Cash - Unrestricted	\$ 303 752	\$ -	\$ -	\$ -	\$ 303 752
113	Cash - Other restricted	-	-	131 680	520 305	651 985
115	Cash - Restricted for payment of current liabilities	206 752	-	-	-	206 752
121	Accounts receivable - PHA projects	4 398	-	-	-	4 398
122	Accounts receivable - HUD other	-	4 439	-	-	4 439
125	Accounts receivable - Miscellaneous	46 988	-	-	-	46 988
126.2	Allowance for doubtful accounts - Other	(46 048)	-	-	-	(46 048)
128	Fraud recovery	89 225	-	-	-	89 225
128.1	Allowance for doubtful accounts - Fraud	(78 076)	-	-	-	(78 076)
142	Prepaid items	1 764	-	-	-	1 764
144	Inter program due from	4 439	-	278 823	-	283 262
	TOTAL ASSETS	<u>533 194</u>	<u>4 439</u>	<u>410 503</u>	<u>520 305</u>	<u>1 468 441</u>
	DEFERRED OUTFLOWS					
200	Inter program due from	-	-	-	-	-
290	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 533 194</u>	<u>\$ 4 439</u>	<u>\$ 410 503</u>	<u>\$ 520 305</u>	<u>\$ 1 468 441</u>
	LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
	Liabilities:					
312	Accounts payable	\$ 23 550	\$ -	\$ -	\$ -	\$ 23 550
345	Other current liabilities	206 752	-	-	-	206 752
347	Inter program due to	278 823	4 439	-	-	283 262
300	TOTAL LIABILITIES	<u>509 125</u>	<u>4 439</u>	<u>-</u>	<u>-</u>	<u>513 564</u>
	Deferred Inflows:					
400	Deferred inflows	-	-	-	-	-
	Fund Balance:					
508.3	Nonspendable fund balances	1 764	-	-	-	1 764
509.3	Restricted fund balances	-	-	410 503	520 305	930 808
512.3	Unassigned fund balances balances	22 305	-	-	-	22 305
513	TOTAL FUND BALANCES	<u>24 069</u>	<u>-</u>	<u>410 503</u>	<u>520 305</u>	<u>954 877</u>
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 533 194</u>	<u>\$ 4 439</u>	<u>\$ 410 503</u>	<u>\$ 520 305</u>	<u>\$ 1 468 441</u>

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - FINANCIAL DATA SCHEDULE - REAC
REGIONAL HOUSING AUTHORITY
September 30, 2017

REAC LINE NO.		HOUSING CHOICE VOUCHERS	FAMILY SELF- SUFFICIENCY PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE GRANT - IKE	TOTAL
Revenues:						
70600	HUD PHA operating grants	\$ 11 312 057	\$ 56 444	\$ -	\$ -	\$ 11 368 501
71400	Fraud recovery	27 273	-	-	-	27 273
71500	Other revenue	40 427	-	-	-	40 427
71600	Gain on sale of capital assets	1 800	-	-	-	1 800
72000	Investment income - Restricted	1 237	-	-	-	1 237
70000	TOTAL REVENUES	<u>11 382 794</u>	<u>56 444</u>	<u>-</u>	<u>-</u>	<u>11 439 238</u>
Expenditures:						
91100	Administrative salaries	342 833	-	-	-	342 833
91200	Auditing fees	5 000	-	-	-	5 000
91500	Employee benefit contributions - Administrative	119 581	-	-	-	119 581
91600	Office expenses	97 956	-	-	-	97 956
91800	Travel	15 514	-	-	-	15 514
91810	Allocated overhead	189 383	-	-	-	189 383
91900	Other - Administrative	99 375	-	-	-	99 375
92100	Tenant services - Salaries	-	41 848	-	-	41 848
92300	Employee benefit contributions - Tenant services	-	14 596	-	-	14 596
94200	Ordinary maintenance and operations - Materials and other	2 640	-	-	-	2 640
96140	All other insurance	1 197	-	-	-	1 197
96200	Other general expenses	15 997	-	-	-	15 997
97300	Housing assistance payments	10 361 991	-	-	-	10 361 991
90000	TOTAL EXPENDITURES	<u>11 251 467</u>	<u>56 444</u>	<u>-</u>	<u>-</u>	<u>11 307 911</u>
NET CHANGE IN FUND BALANCE						
		<u>131 327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131 327</u>
11030	Fund balance - Beginning	9 440	-	410 503	520 305	940 248
11040	Prior period adjustment	(116 698)	-	-	-	(116 698)
	FUND BALANCE - BEGINNING - RESTATED	<u>(107 258)</u>	<u>-</u>	<u>410 503</u>	<u>520 305</u>	<u>823 550</u>
	FUND BALANCE - ENDING	<u>\$ 24 069</u>	<u>\$ -</u>	<u>\$ 410 503</u>	<u>\$ 520 305</u>	<u>\$ 954 877</u>

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL FUNDS
For the Year Ended September 30, 2017

	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Federal and state grants	\$ 21 610 075	\$ 21 610 075	\$ 19 525 489	\$ (2 084 586)
Local grants	55 884	55 884	53 000	(2 884)
Program income	-	-	42 057	42 057
Membership dues	55 000	55 000	53 517	(1 483)
Sustaining local dues	35 000	35 000	7 150	(27 850)
Investment income	5 000	5 000	3 406	(1 594)
Sale of building	-	-	105 061	105 061
Miscellaneous income	20 000	20 000	102 476	82 476
Grant Matching Funds:				
DETCOG cash matching	52 493	52 493	56 542	4 049
In kind matching	1 438 195	1 438 195	258 742	(1 179 453)
TOTAL REVENUES	<u>23 271 647</u>	<u>23 271 647</u>	<u>20 207 440</u>	<u>(3 064 207)</u>
Expenditures:				
Personnel	3 280 272	3 280 272	3 033 570	246 702
Staff travel	125 027	125 027	186 479	(61 452)
Contracted services	70 550	70 550	56 732	13 818
Equipment costs	468 816	468 816	460 826	7 990
Participant and subcontractor costs	16 903 247	16 903 247	15 131 719	1 771 528
Other costs	2 308 735	2 308 735	1 028 575	1 280 160
DETCOG cash matching	52 493	52 493	105 606	(53 113)
TOTAL EXPENDITURES	<u>23 209 140</u>	<u>23 209 140</u>	<u>20 003 507</u>	<u>3 205 633</u>
NET INCOME	<u>62 507</u>	<u>62 507</u>	<u>203 933</u>	<u>141 426</u>
Other Financing Sources:				
Indirect cost pool	-	-	-	-
TOTAL OTHER SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>62 507</u>	<u>62 507</u>	<u>203 933</u>	<u>141 426</u>
Fund balance - Beginning	650 146	650 146	650 146	-
Prior period adjustment	-	-	415 471	415 471
FUND BALANCE - BEGINNING (RESTATED)	<u>650 146</u>	<u>650 146</u>	<u>1 065 617</u>	<u>415 471</u>
FUND BALANCE - ENDING	<u>\$ 712 653</u>	<u>\$ 712 653</u>	<u>\$ 1 269 550</u>	<u>\$ 556 897</u>

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF INDIRECT COSTS - BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Salaries	\$ 460 398	\$ 460 398	\$ 416 212	\$ 44 186
Benefits	155 609	155 609	145 175	10 434
Staff travel	15 000	15 000	19 064	(4 064)
Board travel	10 000	10 000	1 945	8 055
Contract services	16 000	16 000	9 808	6 192
Space costs	120 912	120 912	57 539	63 373
Other Costs:				
Legal	15 000	15 000	4 972	10 028
Supplies	8 000	8 000	11 223	(3 223)
Postage	3 000	3 000	2 994	6
Printing and copying	3 000	3 000	1 189	1 811
Communications	20 000	20 000	8 689	11 311
Equipment lease and maintenance	2 000	2 000	889	1 011
Audit	80 000	80 000	63 000	17 000
Member relations	6 000	6 000	2 988	3 012
Dues and subscriptions	16 000	16 000	1 189	14 811
Insurance	10 000	10 000	9 818	192
Depreciation	1 619	1 619	3 325	(1 706)
Public notices	4 000	4 000	723	3 277
Publications	3 000	3 000	533	2 467
Rent	-	-	3 014	(3 014)
Staff development	3 000	3 000	5 284	(2 284)
Other	20 020	20 020	18 915	1 105
TOTAL INDIRECT COSTS	<u>\$ 972 558</u>	<u>\$ 972 558</u>	<u>\$ 788 488</u>	<u>\$ 184 070</u>
Indirect Costs Allocation:				
Indirect costs charged to grants	\$ 957 558	\$ 957 558	\$ 871 641	\$ 85 917
Indirect costs carryover	15 000	15 000	16 336	(1 336)
Indirect costs carried forward	-	-	(99 489)	99 489
TOTAL INDIRECT COSTS ALLOCATION	<u>\$ 972 558</u>	<u>\$ 972 558</u>	<u>\$ 788 488</u>	<u>\$ 184 070</u>
Indirect Cost Rate October 1 - September 30:				
Salaries and benefits			<u>36.5%</u>	
Indirect and Administrative Costs as Percentage of Modified Direct Operations			<u>3.9%</u>	

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF EMPLOYEE BENEFITS - BUDGET AND ACTUAL
For the Year Ended September 30, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
Health and accident insurance	\$ 531 564	\$ 531 564	\$ 505 491	\$ 26 073
Long term disability and life insurance	27 654	27 654	28 900	(1 246)
Workers' compensation insurance	11 536	11 536	10 085	1 451
Payroll taxes (FICA and TWC)	229 623	229 623	166 234	63 389
Retirement	163 954	163 954	123 650	40 304
Longevity pay	-	-	23 000	(23 000)
TOTAL EMPLOYEE BENEFITS	\$ 964 331	\$ 964 331	\$ 857 360	\$ 106 971
Basis for Employee Benefits Allocation:				
Salaries at regular rate			\$ 2 421 265	
TOTAL SALARIES			\$ 2 421 265	
Employee Benefit Allocation:				
Employee benefits at regular rate			\$ 844 608	
Employee benefit charges to grants			844 608	
Employee benefits carryover			117 507	
Employee benefits carried forward			(104 755)	
TOTAL EMPLOYEE BENEFITS			\$ 857 360	
Employee benefit regular rate			34.883%	
Personnel:				
Salaries			\$ 2 249 090	
Employee benefits			784 480	
TOTAL PERSONNEL			\$ 3 033 570	

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DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
GRANTOR AGENCIES/GRANT PROGRAMS
ABBREVIATION KEY
September 30, 2017

ABBREVIATION	FEDERAL
CDBG	Community Development Block Grant
EDA	Economic Development Administration (U.S. Department of Commerce)
HUD	U.S. Department of Housing and Urban Development
HHS	U.S. Department of Health and Human Services
FEMA	Federal Emergency Management Agency
RSVP	Retired and Senior Volunteer Program
	STATE
DADS	Texas Department on Aging and Disability Services
CJD	Texas Office of the Governor - Criminal Justice Division
TDHHS	Texas Department of Health and Human Services Commission
CSEC	Texas Commission on State Emergency Communications
GLO	Texas General Land Office
TDHCA	Texas Department of Housing and Community Affairs
TCEQ	Texas Commission on Environmental Quality
DFPS	Texas Department of Family and Protective Services
	OTHER
AAA	Area Agency on Aging
ADRC	Aging Disability Resource Center
CDBG	Community Development Block Grant
CTI	Community - Base Care Transition Program
DETRCDC	Deep East Texas Regional Certified Development Corporation
DHAP	Disaster Housing Assistance Payments
DVP	Disaster Voucher Program
FSS	Family Self Sufficiency Program
HCV	Housing Choice Vouchers
Housing	Regional Housing Authority
MOD	Method of Distribution
REAC	Real Estate Assessment Center
STAR	Service to At Risk Youth
TIRN	Texas Information and Referral Network
UCAP	Universal Child Abuse and Neglect Prevention

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
INTERNAL SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
For the Year Ended September 30, 2017

	ADMINISTRATION	DISASTER RECOVERY	AREA AGENCY ON AGING	REGIONAL HOUSING AUTHORITY
Revenues:				
Local revenue	\$ 332 933	\$ 18 943	\$ 116 960	\$ 108 521
Grant revenues	-	1 439 101	2 202 916	11 368 501
TOTAL REVENUE	332 933	1 458 044	2 319 876	11 477 022
Expenditures:				
Personnel	603 990	59 386	558 317	518 857
Indirect costs	(886 798)	21 676	203 786	189 383
Staff travel	29 094	1 487	32 430	18 155
Contract services	37 592	-	2 509	13 255
Space costs	(343 525)	5 934	106 111	97 956
Equipment costs	2 746	-	-	56 986
Participant and subcontractor costs	2 334	1 356 050	1 325 420	10 343 427
Other costs and match	814 892	13 511	91 303	107 676
TOTAL EXPENDITURES	260 325	1 458 044	2 319 876	11 345 695
NET CARRYFORWARD (LOSS)	\$ 72 608	\$ -	\$ -	\$ 131 327
TOTAL DIRECT EXPENDITURES	\$ 1 490 648	\$ 1 430 434	\$ 2 009 979	\$ 11 058 356

See independent auditors' report.

EMERGENCY COMMUNICATIONS	HOMELAND SECURITY	CRIMINAL JUSTICE	SERVICE TO AT RISK YOUTH	RETIRED AND SENIOR VOLUNTEER PROGRAM	REGIONAL SERVICES	TOTAL
\$ 167	\$ -	\$ 50	\$ -	\$ 74 148	\$ 30 229	\$ 681 948
<u>3 062 488</u>	<u>165 579</u>	<u>147 554</u>	<u>745 211</u>	<u>118 329</u>	<u>275 809</u>	<u>19 525 492</u>
<u>3 062 655</u>	<u>165 579</u>	<u>147 604</u>	<u>745 211</u>	<u>192 477</u>	<u>306 038</u>	<u>20 207 440</u>
500 238	75 727	69 653	450 021	100 423	96 958	3 033 570
182 587	27 641	25 423	164 258	36 654	35 390	-
28 432	6 047	1 722	54 744	11 970	2 055	186 136
3 000	-	-	-	376	-	56 732
71 972	9 078	12 930	18 032	11 113	10 399	-
387 442	-	-	13 652	-	-	460 826
1 863 630	43 416	36 240	725	-	160 477	15 131 719
<u>25 354</u>	<u>3 671</u>	<u>1 636</u>	<u>43 780</u>	<u>31 941</u>	<u>760</u>	<u>1 134 524</u>
<u>3 062 655</u>	<u>165 580</u>	<u>147 604</u>	<u>745 212</u>	<u>192 477</u>	<u>306 039</u>	<u>20 003 507</u>
\$ <u>-</u>	\$ <u>(1)</u>	\$ <u>-</u>	\$ <u>(1)</u>	\$ <u>-</u>	\$ <u>(1)</u>	\$ <u>203 933</u>
\$ <u>2 808 096</u>	\$ <u>128 861</u>	\$ <u>109 251</u>	\$ <u>562 922</u>	\$ <u>144 710</u>	\$ <u>260 250</u>	\$ <u>20 003 507</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
September 30, 2017

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	General Liability	10/01/16 to 10/01/17	\$1,000,000 Deductible \$0
Texas Municipal League	Errors and Omissions	10/01/16 to 10/01/17	\$1,000,000 Deductible \$1,000
Texas Municipal League	Auto Liability	10/01/16 to 10/01/17	\$500,000
Texas Municipal League	Auto Physical Damage	10/01/16 to 10/01/17	Actual cash value Deductible \$250
Texas Municipal League	Real and Personal Property	10/01/16 to 10/01/17	\$6,190,845 Deductible \$250
The Fidelity and Deposit Company	Commercial Crime Policy Employee Theft	09/01/16 to 08/31/17 09/01/17 to 08/31/18	\$500,000 Deductible \$5,000
Deep East Texas Self Insurance Fund	Workers' Compensation	07/01/16 to 06/30/17 07/01/17 to 06/30/18	Statutory

See independent auditors' report.

COMPLIANCE SECTION

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

Board of Directors
Deep East Texas Council of Governments
and Economic Development District
Jasper, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major funds of Deep East Texas Council of Governments and Economic Development District (DETCOG) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise DETCOG's basic financial statements, and have issued our report thereon dated June 8, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
June 8, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Directors
Deep East Texas Council of Governments
and Economic Development District
Jasper, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Deep East Texas Council of Governments and Economic Development District's (DETCOG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of DETCOG's major federal and state programs for the year ended September 30, 2017. DETCOG's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of DETCOG'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 State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and the *State of Texas Single Audit Circular*. Those standards, Uniform Guidance, and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about DETCOG'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 DETCOG's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Deep East Texas Council of Governments and Economic Development District 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 DETCOG 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 DETCOG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and the *State of Texas Single Audit Circular*, 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 DETCOG's internal control over compliance.

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

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

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

Lufkin, Texas
June 8, 2018


CERTIFIED PUBLIC ACCOUNTANTS

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2017

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL AWARDS				
<u>U.S. Department of Commerce</u>				
Direct:				
903-16-09	Public Works - City of San Augustine Water and Wastewater System Extension and Improvements	11.300	08-01-04777	\$ 6 412
903-17	Economic Development - Support for Planning Organizations	11.302	08-83-05029	15 000
903-18	Economic Development - Support for Planning Organizations	11.302	08-83-05029	45 000
	TOTAL			66 412
<u>U.S. Department of Housing and Urban Development</u>				
Direct:				
405	Section 8 Housing Choice Vouchers - HAP	14.871	TX512VO	10 292 736
406	Section 8 Housing Choice Vouchers - Administration	14.871	TX512AF	1 019 321
408-16	Section 8 Housing Choice Vouchers - FSS	14.896	TX512FSH657A015	30 860
408-17	Section 8 Housing Choice Vouchers - FSS	14.896	TX512FSH617A016	25 584
				11 368 501
905-17	Passed through Texas Department of Agriculture: Community Development Block Grant	14.228	C716205	2 242
				2 242
126-13	Passed through General Land Office: Community Development Block Grant	14.228	12-476-000-6641	511 052
135-13	CDBG Economic Development	14.228	13-199-000-7349	928 050
				1 439 102
	TOTAL			12 809 845
<u>U.S. Department of Health and Human Services</u>				
Passed through Texas Department on Aging and Disability Services:				
360-17	Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	539-16-0011-00001	5 405
360-17	Special Programs for the Aging - Title VII: Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0011-00001	29 270
360-17	Special Programs for the Aging - Title III: Part D - Disease Prevention and Health Promotion Services	93.043	539-16-0011-00001	24 435
360-17, 350-17, 380-17	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	539-16-0011-00001	454 629
350-17, 370-17	Part C - Nutrition Services	93.045	539-16-0011-00001	796 207
350-17, 390-17	National Family Caregiver Support, Title III, Part E	93.052	539-16-0011-00001	133 771
370-17	Nutrition Services Incentive Program	93.053	539-16-0011-00001	167 597
360-17	Special Programs for the Aging - Title VII: Medicare Enrollment Assistance Program	93.071	539-16-0011-00001	20 868
360-17	State Health Insurance Assistance Program	93.324	539-16-0011-00001	44 859
				1 677 041
Passed through South East Texas Planning Commission:				
319-17	Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	27 669
319-18	Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	1 925
319-17	Medicare Enrollment Assistance Program	93.071	539-14-0475-00005	8 192
				37 786
Corporation for National and Community Service Direct:				
801-16	Retired Senior Volunteer Program	94.002	14SRWTX011	30 566
801-17	Retired Senior Volunteer Program	94.002	14SRWTX011	63 081
802-17	Passed through Texas Department on Aging: Retired Senior Volunteer Program	94.002	15SRWTX011	24 683
				118 329
	TOTAL			1 977 009
<u>U.S. Department of Transportation</u>				
<u>State Planning and Research</u>				
Passed through Texas Department of Transportation:				
913-16	Regionally Coordinated Transportation Planning Grant	20.515	512XXF7044	20 933
913-17	Short Range Transit Planning	20.505	512R08021717	24 001
	TOTAL			44 934
	TOTAL FEDERAL AWARDS			14 853 266

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED
For the Year Ended September 30, 2017

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES
STATE AWARDS				
<u>Texas Commission on Environmental Quality</u>				
906-17	Regional Solid Waste Grants Program	N/A	582-16-60651	160 836
906-18	Regional Solid Waste Grants Program	N/A	582-18-80535	1 385
	TOTAL			<u>162 221</u>
<u>Texas Department on Aging</u>				
Various	State General Revenue	N/A	539-16-011-00001	216 422
	TOTAL			<u>216 422</u>
<u>Passed through South East Texas Planning Commission</u>				
319-17	State General Revenue	N/A	539-14-0475-00005	52 391
319-18	State General Revenue	N/A	539-14-0475-00005	2 376
	TOTAL			<u>54 766</u>
<u>Texas Health and Human Services Commission</u>				
319-17	Promoting Independence	N/A	539-14-0475-00005	241
319-18	Promoting Independence	N/A	539-14-0475-00005	282
325-17-304	Texas I & R Network (Child Care Information & Referral)	N/A	529-16-0006-00005	8 664
325-17-334	211 Texas Information & Referral Services	N/A	529-16-0006-00005	184 485
325-18-304	Texas I & R Network (Child Care Information & Referral)	N/A	529-16-0006-00005	975
325-18-334	211 Texas Information & Referral Services	N/A	529-16-0006-00005	22 253
	TOTAL			<u>216 901</u>
<u>Texas Department of Family and Protective Services</u>				
705-17	Services to At Risk Youth - Children's Trust Fund	N/A	24028206	684 706
705-18	Services to At Risk Youth - State General Revenue	N/A	24028206	60 505
	TOTAL			<u>745 211</u>
<u>Texas Office of the Governor - Criminal Justice Division</u>				
601-17	Regional Criminal Justice Coordination	N/A	30071042	40 999
601-18	Regional Criminal Justice Coordination	N/A	30080260	4 183
608-16	Regional Law Enforcement Training	N/A	SF-14289-14	96 404
608-18	Regional Law Enforcement Training	N/A	SF-14289-15	5 969
	TOTAL			<u>147 554</u>
<u>Texas Office of the Governor - Homeland Security Grants Division</u>				
594-17	Homeland Security COG Contract	N/A	30070155	19 737
594-18	Homeland Security COG Contract	N/A	30080204	1 990
	TOTAL			<u>21 727</u>
<u>Texas Commission on State Emergency Communications</u>				
501-17	9-1-1 Emergency Services	N/A	DETCOG	2 949 635
501-18	9-1-1 Emergency Services	N/A	DETCOG	112 853
	TOTAL			<u>3 062 488</u>
	TOTAL STATE AWARDS			<u>4 627 290</u>
	TOTAL FEDERAL AND STATE AWARDS			<u>\$ 19 525 490</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
For the Year Ended September 30, 2017

1. General

The Schedule of Expenditures of Federal and State Awards (SEFSA) presents the activity of all applicable federal and state awards of Deep East Texas Council of Governments and Economic Development District (DETCOG). DETCOG'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 awards passed through other governmental agencies, are included on the SEFSA. The information in the SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs, Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Basis of Accounting

The SEFSA is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in the notes to financial statements. Federal and state grants are considered to be earned to the extent of expenditures made under the provisions of the grant; and accordingly, when such funds are received, they are recorded as unearned revenue until earned.

3. Relationship to Basic Financial Statements

Federal and state award programs are reported in DETCOG's fund financial statements. Total federal and state awards per the accompanying SEFSA include all federal and state revenues.

4. Other Notes

The period of availability of federal and state grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the project period extended 30 days beyond the project period ending date, in accordance with provisions in *Section H, Period of Availability of Federal Funds, Part 3, Uniform Guidance*.

DETCOG has used an indirect cost rate, fringe benefit, and space allocation rate approved by federal and state agencies.

5. State Awards Guidelines

State awards are subject to the *State of Texas Single Audit Circular (TSAC)* requirements. Such guidelines are consistent with those required under the *Uniform Guidance and Government Auditing Standards*, issued by the Comptroller General of the United States.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS
For the Year Ended September 30, 2017

A. Summary of the Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal and State Awards:

Type of auditor's report on compliance issued: Unmodified

Internal control over major programs:

Material weakness(es) identified: Yes No

Significant deficiencies identified that are Not considered material weaknesses? Yes No

Dollar threshold used for Federal Type A Program? \$750,000

Dollar threshold used for State Type A Program? \$300,000

Auditee qualified as low risk auditee? Yes No

Identification of Major Programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL OR STATE PROGRAM</u>
Federal: 14.871	Section 8 Housing Vouchers
State: N/A	Service to At Risk Youth 9-1-1 Emergency Services

B. Financial Statement Findings

None

C. Federal and State Findings and Questioned Costs

None

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2017

There were no prior year audit findings relative to federal and state awards.