

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND
ECONOMIC DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

September 30, 2019

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May 28, 2020

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

The annual financial report for the Deep East Texas Council of Governments and Economic Development District (DETCOG) for the fiscal year ended September 30, 2019 is submitted herewith. This report is presented annually in conformity with standards applicable to financial audits contained in *Government Auditing Standards*, and in accordance with accounting principles generally accepted in the United States of America, with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance) and the *State of Texas Single Audit Circular*. The financial statements should be read in conjunction with this Letter of Transmittal, the Management's Discussion and Analysis which begins on page 13, and the Notes to the Financial Statements which begin on page 27.

Independent Audit

The management of DETCOG is responsible for the contents of this report. Our independent auditors, Axley & Rode, LLP., Certified Public Accountants, have issued an unmodified opinion on the DETCOG financial statements included herein. This means the independent auditors found the audited financial statements present fairly, in all material respects, the respective financial positions of the governmental activities of each major fund, the discrete component unit, and the aggregate remaining funds of DETCOG as of September 30, 2019, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Organizational Profile

DETCOG is a voluntary association of cities, counties, school districts, and other governmental units within Texas State Planning Region 14, also known as Deep East Texas. The region encompasses the counties of Angelina, Houston, Jasper, Nacogdoches, Newton, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity and Tyler. DETCOG was established in November of 1966 as an Economic Development District under the U.S. Department of Commerce Economic Development Administration. In 1968 DETCOG became a political subdivision of the State of Texas as a Regional Planning Commission under state law now re-codified as Chapter 391 of the Local Government Code. Though we are a governmental entity, DETCOG has no taxing authority and no ordinance-making authority. Above all, DETCOG is an organization of, by, and for the local governments of Deep East Texas. We exist to support our member governments and serve their residents. Our membership includes 12 counties, 36 cities, 39 school districts, four river authorities, one federally recognized Indian Tribe, and other special purpose districts. DETCOG is governed by a diverse 59-member Board of Directors. As statutorily required, more than two-thirds of the Board Members are elected officials of participating counties and cities.

DETCOG Programs and Services

Aging & Disability Services - The Area Agency on Aging of Deep East Texas (AAA) provides services and funding to enable older and disabled citizens to live dignified, independent and productive lives. Services include funding for senior nutrition centers, home delivered meals, transportation, health education, care coordination, caregiver support services, benefits counseling, and an ombudsman program for residents of long-term care facilities. Our Aging and Disabilities Resource Center (ADRC) helps disabled persons gain access to programs and services to enable them to live in their own communities.

Area Information Center (2-1-1 Texas) - We operate one of 25 Area Information Centers for the 2-1-1 Texas program. This call center provides information about health and support services which are available from local non-profits, governmental agencies, and various other community service organizations.

Broadband Initiative - Deep East Texas, like many other rural regions, suffers from the lack of reliable and affordable high-speed internet service. We are currently in the design phase of a region-wide broadband network. The ultimate goal is to ensure that every home and business in our 12-county region has access to affordable and reliable broadband.

Community & Economic Development - The Deep East Texas Economic Development District is responsible for development of the region's Comprehensive Economic Development Strategy (CEDS). We help local governments develop projects and access funding from the U.S. Economic Development Administration and other sources. We also work with the Texas Department of Agriculture to assist cities and counties applying for Community Development Block Grants which fund many important community projects.

Community Service - Our Retired & Senior Volunteer Program (RSVP) recruits and organizes real people who volunteer their time to meet real needs in our communities. Services are provided at schools, senior centers, museums, food pantries, healthcare facilities, and other organizations that serve the public.

Disaster Recovery - During fiscal year 2019 we provided disaster recovery planning and support for seven DETCOG counties which were included in the Presidential Disaster Declaration for Hurricane Harvey. We are responsible for developing Methods of Distribution to allocate millions of dollars in federal disaster recovery funds that flow to our region. These funds rebuild and improve infrastructure, rebuild homes and help businesses recover after the trauma of hurricanes, floods, and wildfires. Working together as a region with one voice has resulted in a larger share of federal recovery dollars being allocated to our local communities. In addition to hurricane recovery, we are now assisting with response and recovery for the COVID-19 Coronavirus Pandemic.

Emergency 9-1-1 Network - We administer the Emergency 9-1-1 network for our 12-county region, providing the network, equipment, and training for 15 Public Safety Answering Points. We also provide GIS services and support for each county's 9-1-1 mapping program.

Housing - The DETCOG Regional Housing Authority serves almost 1,800 families through the HUD Section 8 Housing Choice Voucher Program. This program encourages self-sufficiency and helps clients achieve the dream of home ownership. We also provide housing to dozens of previously homeless veterans through the Veterans Affairs Supportive Housing (VASH) program. Our housing program not only promotes fair and affordable housing - it also injects more than \$10 million annually into the regional economy through payments to landlords.

Public Safety - DETCOG coordinates homeland security planning and criminal justice planning for the region and supports planning at the local level. We provide continuing education training for law enforcement officers. We also provide funding for various other criminal justice initiatives, including services to victims of crime and alternatives to incarceration of juveniles.

Family and Youth Services (FAYS) - We provide counseling, crisis intervention, parent education and other services designed to keep youth from being truant or dropping out of school, running away from home, or engaging in other delinquent behavior. This highly successful program helps youth and families resolve crises that threaten their family unit. The emphasis is on keeping families together. This program was formerly known as STAR.

Solid Waste Reduction & Recycling - DETCOG's Regional Solid Waste Grants Program is important to communities in our region because it provides crucial funding for projects that protect the environment and safeguard health, general welfare, and physical property. This program assists communities with solid waste management and recycling, community beautification, and elimination of illegal dumping.

Transportation Planning - The Deep East Texas Rural Transportation Planning Organization (RTPO) works closely with the TxDOT District Offices in Lufkin and Beaumont to set priorities for highway projects in the region. DETCOG is also the lead agency in preparing a five-year regional transit plan. We also operate a transportation voucher pilot program in five counties which have no other public transportation options.

Local Economic Conditions and Outlook

Deep East Texas is one of the most rural of the 24 planning regions in Texas. At 10,383 square miles, our region is larger than six U.S. states. Our 2019 population was 385,015. There are no urban areas within the region. We are home to four national forests and the three largest reservoirs in Texas.

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. Several of our counties have experienced a decline in population in the last decade.

DETCOG works to improve economic conditions in the region and the standard of living of its residents. Jobs and the economy play a large role in improving the quality of life. The economic factors mentioned above, plus the rural nature of our region, provide us with unique challenges but also underscore the importance of DETCOG's mission.

The economy of Deep East Texas has suffered from natural disasters such as hurricanes and floods, the loss of manufacturing jobs due to corporate mergers, and reduced timber harvesting in our national forests. Despite these factors, retail sales in Deep East Texas increased slightly from 2018 to 2019, continuing a trend of annual increases.

The long term economic impact of the current COVID-19 Pandemic is impossible to predict, but there is no doubt it will increase the challenges we face.

A major need in Deep East Texas is better access to broadband internet service and improved cellular telephone coverage. The current state of broadband in our region has a negative impact on public education, healthcare, public safety, and economic development. DETCOG is developing a regional broadband network to address this need. We are currently in the network design phase.

DETCOG has also taken steps to better serve its members and improve the organization's long-term financial position by consolidating its operations in a central location. Our new regional headquarters facility in Lufkin was completed and occupied in December of 2019. The facility is owned by the Forest Country Development Corporation, a discrete component unit of DETCOG. It was funded primarily 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, availability of reasonably priced land, and abundance of both surface and underground water resources are all valuable assets. Two new interstate highways (I-69 and I-14) will one day intersect in our region and will spur future growth. A study commissioned by DETCOG estimates the broadband network could lead to 10,300 new jobs and \$1.4 billion GDP growth in our region over a 10-year period.

DETCOG will continue to assist its members' 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.

Acknowledgements

The preparation of this report could not have been accomplished without the assistance of DETCOG's Finance and Administration departments as well as the program management staff from all programs. Special acknowledgement is given to our outside auditors, Axley & Rode, LLP, for their assistance in producing this report and the guidance they provide to DETCOG throughout the year. The accomplishments of DETCOG are due to the dedication of every employee of the organization. Finally, we commend and thank the Board of Directors and Executive Committee for their vision and dedication to the success of DETCOG and the important role they play in governance and oversight.

Respectfully submitted,



Lonnie Hunt
Executive Director



Cynthia Chionsini, CPA
Chief Financial Officer/Controller

INTRODUCTORY SECTION

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
PRINCIPAL OFFICIALS
As of September 30, 2019

EXECUTIVE COMMITTEE (JULY 2019 - JUNE 2020)

Honorable Bill Holder, Trinity River Authority President
Honorable Daryl Melton, Sabine County Judge..... President-Elect
Honorable Roy Boldon, Nacogdoches City Councilman Vice President
Honorable Allison Harbison, Shelby County Judge..... Secretary
Honorable Daphne Session, Houston County Attorney,
Houston County Minority Representative..... Immediate Past President

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
PRINCIPAL OFFICIALS - CONTINUED
As of September 30, 2019

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 Chionsini..... Chief Financial Officer - Controller
Mr. Mike Claude..... Director of Public Safety
Ms. Janett Lewis.....Director of Regional Housing Authority and Disaster Recovery Housing
Ms. Renee' Ricks..... Director of Retired and Senior Volunteer Program
Mr. Van Bush.....Director of Emergency Communications
Mr. Jeff Reed.....Director of Youth Services
Mr. Robert BashawDirector of Regional Services

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
FINANCE DEPARTMENT
September 30, 2019

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 2019, the Finance Staff consists of:

- Ms. Cindy Chionsini..... Chief Financial Officer - Controller
- Ms. CaTina Boykin Assistant Controller
- Ms. Renekil Hamilton Senior Accountant
- Ms. Donna DavidsonSection 8 Accountant
- Ms. Sheila NowlinHR/Finance Assistant

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, of each major fund, the discretely presented component unit, and the aggregate remaining fund information of Deep East Texas Council of Governments and Economic Development District (DETCOG) as of and for the year ended September 30, 2019, 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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Deep East Texas Council of Governments and Economic Development District as of September 30, 2019, and the respective changes in financial position 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, schedule of changes in net pension liability and the schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 has 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 25, 2020, 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 25, 2020

**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, 2019. 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 and deferred outflow of DETCOG exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$2,661,313 (*net position*). Unassigned 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 unassigned net position was \$688,692.
- DETCOG's total net position (government-wide) decreased by \$177,013 after a prior period adjustment of \$137,770. This is primarily due to the decreases in the net position of the Administration fund and HUD fund.
- As of the close of the current fiscal year, DETCOG's governmental funds reported ending fund balances of \$1,777,187, a decrease of \$283,168 after the prior period adjustment of \$137,770.
- At the end of the current fiscal year, unrestricted fund balance for the Administration fund was \$449,098.
- During the year, DETCOG continued the use of Forest Country Development Corporation as a component unit of DETCOG and it is responsible for the construction and administration of the office facility in Lufkin.

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 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.

<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	Balance sheets
	Statement of activities	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 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**

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, increases 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 determined that Forest Country Development Corporation is a component unit of DETCOG, and has included it in the Government Wide Statements.

The government-wide financial statements can be found in 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*.

DETCOG maintains an Administration fund and six major funds (page 21) and five non-major funds (page 48). Information is presented in the fund balance sheets and in the fund statements of revenues, expenditures and changes in fund balance for all funds.

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 in 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 in this report.

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

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 and deferred outflows exceeded liabilities and deferred inflows by \$2,661,313 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position.

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 4 773 585	\$ 5 479 885
Capital assets	699 244	648 959
TOTAL ASSETS	<u>5 472 829</u>	<u>6 128 844</u>
TOTAL DEFERRED OUTFLOWS	<u>217 687</u>	<u>136 997</u>
Liabilities	2 416 442	2 133 440
TOTAL LIABILITIES	<u>2 416 442</u>	<u>2 133 440</u>
TOTAL DEFERRED INFLOWS	<u>612 761</u>	<u>1 294 075</u>
Net Position:		
Invested in capital assets	699 244	648 959
Restricted	1 273 377	1 511 197
Unrestricted	688 692	678 170
TOTAL NET POSITION	<u>\$ 2 661 313</u>	<u>\$ 2 838 326</u>

A portion of DETCOG's net position (26%) reflects its investment in capital assets net of depreciation (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 (48%) 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 decreased DETCOG's net position by \$314,783.

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
Charges for service	\$ 366 362	\$ 230 117
Operating grants and contributions	19 502 771	18 839 789
General Revenues:		
Membership dues	76 219	73 588
Sustaining dues	10 196	5 600
Miscellaneous income	17 925	333 030
Unrestricted investment earnings	12 616	7 287
TOTAL REVENUES	<u>19 986 089</u>	<u>19 489 411</u>
Expenses after Indirect Cost Allocation:		
Administration	256 617	156 428
Disaster recovery	43 385	242 439
Area agency on aging	2 782 496	2 675 035
Regional housing authority	11 689 448	11 243 698
Emergency communications	3 062 667	2 208 691
Homeland security	178 122	184 942
Criminal justice	159 514	142 972
Service to at-risk youth	835 646	729 647
Retired and senior volunteer program	167 610	204 067
Regional services	967 367	189 707
TOTAL EXPENSES	<u>20 142 872</u>	<u>17 977 626</u>
Transfers in (out)	<u>(158 000)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(314 783)</u>	<u>1 511 785</u>
Net position, beginning	2 838 326	1 326 541
Prior period adjustment	137 770	-
NET POSITION, BEGINNING - RESTATED	<u>2 976 096</u>	<u>1 326 541</u>
NET POSITION, ENDING	<u>\$ 2 661 313</u>	<u>\$ 2 838 326</u>

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

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, *unrestricted 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, reported combined ending fund balances of \$1,777,187, which is a decrease of \$283,168 from last year's fund balance total of \$2,060,355.

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 \$449,098.

Refer to the report for a more detailed presentation of governmental fund balances.

Budgetary Highlights

Prior to the beginning of the fiscal year, DETCOG adopts an annual financial plan for the Administration fund and grant funds which includes projected revenues and expenditures in all funds. Although reviewed and approved by DETCOG's Board, the financial plan is not considered a legally adopted budget or appropriation. 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 financial plan for grants is made on a project (grant) basis, spanning more than one year.

Capital Asset and Debt Administration

Capital Assets. DETCOG's investment in capital assets for its governmental activities as of September 30, amounts to \$699,244 (net of accumulated depreciation). This investment in capital assets includes land, buildings and leasehold, and furniture, fixtures and equipment.

	2019	2018
Buildings and leasehold	\$ 35 824	\$ 35 814
Furniture, fixtures and equipment	5 080 943	5 002 127
Less: Accumulated depreciation	(4 417 523)	(4 388 982)
TOTAL	\$ 699 244	\$ 648 959

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

Long-term Debt. At September 30, DETCOG did not have any long-term debt outstanding. See information on forgivable loan program on page 33.

Economic Factors

DETCOG's funding comes primarily from state and federal grants and contracts. Revenues may fluctuate from year to year and even within a fiscal year, based on a variety of factors including state and federal appropriations, changing demographics, new grant awards, and expiration of existing contracts. The management of DETCOG reviews and makes the operations changes necessary to address these fluctuations.

DETCOG forecasts a modest increase for fiscal year 2020. Despite the potential for fluctuation, revenue has been relatively stable in recent years. For fiscal years 2019 and 2018, revenues were \$19,986,089 and \$19,489,411, respectively.

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, 1405 Kurth Drive, Lufkin, Texas 75904-1929.

BASIC FINANCIAL STATEMENTS

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
September 30, 2019

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOREST COUNTRY DEVELOPMENT CORP
ASSETS		
Cash and cash equivalents	\$ 1 902 541	\$ 344 684
Receivables (Net of Allowance for Uncollectible):		
Grants	1 538 653	-
Loans	1 254 000	-
Other	23 679	-
Prepaid items	54 712	-
Construction in progress	-	2 058 769
Building and improvements	35 824	-
Furniture and vehicles	5 080 943	-
Accumulated depreciation	(4 417 523)	-
TOTAL ASSETS	5 472 829	2 403 453
DEFERRED OUTFLOWS		
Deferred outflows	217 687	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	5 690 516	2 403 453
LIABILITIES		
Accounts payable	650 402	532 761
Accrued compensated absences	165 253	-
Loans payable	1 254 000	-
Pension liability	32 805	-
Other accrued expenses	313 982	-
TOTAL LIABILITIES	2 416 442	532 761
DEFERRED INFLOWS		
Unavailable revenue	612 761	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	3 029 203	532 761
NET POSITION		
Net investment in capital assets	699 244	1 526 008
Restricted for:		
Grants	1 273 377	-
Unrestricted	688 692	344 684
TOTAL NET POSITION	\$ 2 661 313	\$ 1 870 692

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, 2019

FUNCTIONS/PROGRAMS	EXPENSES	INDIRECT/SPACE COST ALLOCATION	EXPENSES AFTER ALLOCATION OF DIRECT COSTS
Governmental Activities:			
Administration	\$ 1 500 382	\$ (1 243 765)	\$ 256 617
Disaster recovery	29 093	14 292	43 385
Area agency on aging	2 416 485	366 011	2 782 496
Regional housing authority	11 403 858	285 590	11 689 448
Emergency communications	2 777 690	284 977	3 062 667
Homeland security	122 966	55 156	178 122
Criminal justice	129 616	29 898	159 514
Service to at-risk youth	642 347	193 299	835 646
Retired and senior volunteer program	116 654	50 956	167 610
Regional services	879 515	87 852	967 367
TOTAL GOVERNMENTAL ACTIVITIES	\$ 20 018 606	\$ 124 266	\$ 20 142 872
Component Unit:			
Forest Country Development Corp	\$ 5 303	\$ -	\$ 5 303

General Revenues:
Membership dues
Sustaining dues
Miscellaneous income
Investment earnings
Transfer in (out)
TOTAL GENERAL REVENUES
CHANGE IN NET POSITION
Net position - Beginning of year
Prior period adjustment
NET POSITION - BEGINNING OF YEAR

NET POSITION - ENDING

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

	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGE IN NET POSITION	COMPONENT UNIT FOREST COUNTRY DEVELOPMENT CORP
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
\$ 112 933	\$ -	\$ -	\$ (143 684)	\$ -	
4	43 462	-	81	-	
109 084	2 680 062	-	6 650	-	
31 823	11 445 277	-	(212 348)	-	
17	3 125 235	-	62 585	-	
-	178 464	-	342	-	
2 905	159 628	-	3 019	-	
77	842 412	-	6 843	-	
55 302	112 633	-	325	-	
54 217	915 598	-	2 448	-	
<u>\$ 366 362</u>	<u>\$ 19 502 771</u>	<u>\$ -</u>	<u>(273 739)</u>	<u>-</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1 506 023</u>	<u>-</u>	<u>1 500 720</u>	
			76 219	-	
			10 196	-	
			17 925	-	
			12 616	8 034	
			<u>(158 000)</u>	<u>158 000</u>	
			<u>(41 044)</u>	<u>166 034</u>	
			<u>(314 783)</u>	<u>1 666 754</u>	
			2 838 326	203 938	
			137 770	-	
			<u>2 976 096</u>	<u>203 938</u>	
			<u>\$ 2 661 313</u>	<u>\$ 1 870 692</u>	

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2019

	ADMINI- STRATION FUND	FORGIV- ABLE LOAN FUND	DISASTER ASSISTANCE FUND	AGING GRANTS FUND
ASSETS				
Cash and cash equivalents	\$ 943 294	\$ -	\$ (80 961)	\$ (106 383)
Receivables (Net Allowance for Uncollectible):				
Grants	129 329	-	81 143	392 193
Loans	-	1 254 000	-	-
Other	16 791	-	-	-
Due from other funds	23 871	-	-	-
Prepaid items	26 958	-	-	1 432
TOTAL ASSETS	\$ 1 140 243	\$ 1 254 000	\$ 182	\$ 287 242
LIABILITIES				
Accounts payable	\$ 26 761	\$ -	\$ -	\$ 211 450
Loans payable	-	1 254 000	-	-
Due to other funds	-	-	-	-
Accrued compensated absences	165 253	-	-	-
Other accrued expenses	1 069	-	182	48 087
TOTAL LIABILITIES	193 083	1 254 000	182	259 537
DEFERRED INFLOWS				
Unavailable revenue	471 104	-	-	6 397
TOTAL DEFERRED INFLOWS	471 104	-	-	6 397
FUND BALANCES				
Fund Balance (Deficit):				
Nonspendable - Prepaid items	26 958	-	-	1 432
Restricted - Grant programs	-	-	-	19 876
Unrestricted	449 098	-	-	-
TOTAL FUND BALANCES	476 056	-	-	21 308
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1 140 243	\$ 1 254 000	\$ 182	\$ 287 242

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

HUD GRANTS FUND	911 GRANT FUND	STAR GRANT FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1 382 586	\$ (179 473)	\$ 73	\$ (56 595)	\$ 1 902 541
4 869	556 687	73 765	239 388	1 477 374
-	-	-	-	1 254 000
31 855	-	-	36 312	84 958
-	-	-	-	23 871
20 718	3 919	589	1 096	54 712
<u>\$ 1 440 028</u>	<u>\$ 381 133</u>	<u>\$ 74 427</u>	<u>\$ 220 201</u>	<u>\$ 4 797 456</u>
\$ 6 419	\$ 337 019	\$ 23 414	\$ 45 339	\$ 650 402
-	-	-	-	1 254 000
-	-	-	23 871	23 871
-	-	-	-	165 253
135 802	42 881	42 688	43 273	313 982
<u>142 221</u>	<u>379 900</u>	<u>66 102</u>	<u>112 483</u>	<u>2 407 508</u>
32 055	250	-	102 955	612 761
<u>32 055</u>	<u>250</u>	<u>-</u>	<u>102 955</u>	<u>612 761</u>
20 718	3 919	589	1 096	54 712
1 245 034	(2 936)	7 736	3 667	1 273 377
-	-	-	-	449 098
<u>1 265 752</u>	<u>983</u>	<u>8 325</u>	<u>4 763</u>	<u>1 777 187</u>
<u>\$ 1 440 028</u>	<u>\$ 381 133</u>	<u>\$ 74 427</u>	<u>\$ 220 201</u>	<u>\$ 4 797 456</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, 2019

Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:

Total fund balances - Governmental fund balance sheet	\$ 1 777 187
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	699 244
Deferred resource outflows related to the pension are not reported in the governmental funds.	217 687
Recognition of the pension liability is not reported in the governmental funds.	<u>(32 805)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2 661 313</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, 2019

	ADMINI- STRATION FUND	FORGIV- ABLE LOAN FUND	DISASTER ASSISTANCE FUND	AGING GRANTS FUND
Revenues:				
Grant income	\$ -	\$ -	\$ 43 462	\$ 2 680 062
Other revenues	-	-	4	108 642
Program income	-	-	-	442
Membership dues	76 219	-	-	-
Sustaining local dues	10 196	-	-	-
Investment earnings	8 486	-	-	4
Miscellaneous income	17 925	-	-	-
TOTAL REVENUES	112 826	-	43 466	2 789 150
Expenditures:				
Personnel and benefits	614 476	-	26 183	665 426
Travel	35 160	-	1 714	41 947
Contract services	24 478	-	-	4 086
Equipment expense	61 278	-	-	16 845
Subcontractor expense	22 827	-	-	1 619 787
Other operating expense	673 074	-	1 277	75 121
TOTAL EXPENDITURES	1 431 293	-	29 174	2 423 212
CHANGE IN OPERATING EXPENSE	(1 318 467)	-	14 292	365 938
Other Financing Sources:				
Transfer in (out)	(118 000)	-	-	-
Indirect cost carryforward	(124 266)	-	-	-
Allocation to grant programs	1 368 031	-	(14 292)	(366 011)
TOTAL OTHER FINANCING SOURCES	1 125 765	-	(14 292)	(366 011)
NET CHANGE IN FUND BALANCE	(192 702)	-	-	(73)
Fund balance - Beginning	530 988	-	-	21 381
Prior period adjustment	137 770	-	-	-
FUND BALANCE - BEGINNING (RESTATED)	668 758	-	-	21 381
FUND BALANCE - ENDING	\$ 476 056	\$ -	\$ -	\$ 21 308

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

HUD GRANTS FUND	911 GRANT FUND	STAR GRANT FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 11 442 472	\$ 3 126 218	\$ 844 234	\$ 1 366 323	\$ 19 502 771
34 628	17	77	222 552	365 920
-	-	-	-	442
-	-	-	-	76 219
-	-	-	-	10 196
42	4 068	16	-	12 616
-	-	-	-	17 925
<u>11 477 142</u>	<u>3 130 303</u>	<u>844 327</u>	<u>1 588 875</u>	<u>19 986 089</u>
513 718	559 594	534 122	549 770	3 463 289
6 347	28 487	47 095	47 251	208 001
34 702	-	-	523	63 789
8 420	65 805	22 199	3 237	177 784
51 760	1 824 529	18 415	741 382	4 278 700
10 812 217	325 928	20 872	24 709	11 933 198
<u>11 427 164</u>	<u>2 804 343</u>	<u>642 703</u>	<u>1 366 872</u>	<u>20 124 761</u>
<u>49 978</u>	<u>325 960</u>	<u>201 624</u>	<u>222 003</u>	<u>(138 672)</u>
-	(40 000)	-	-	(158 000)
-	-	-	-	(124 266)
<u>(285 590)</u>	<u>(284 977)</u>	<u>(193 299)</u>	<u>(223 862)</u>	<u>-</u>
<u>(285 590)</u>	<u>(324 977)</u>	<u>(193 299)</u>	<u>(223 862)</u>	<u>(282 266)</u>
<u>(235 612)</u>	<u>983</u>	<u>8 325</u>	<u>(1 859)</u>	<u>(420 938)</u>
1 501 364	-	-	6 622	2 060 355
-	-	-	-	137 770
<u>1 501 364</u>	<u>-</u>	<u>-</u>	<u>6 622</u>	<u>2 198 125</u>
\$ <u>1 265 752</u>	\$ <u>983</u>	\$ <u>8 325</u>	\$ <u>4 763</u>	\$ <u>1 777 187</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, 2019

Amounts reported for Governmental Activities in the Statement of Activities
are Different Because:

Net change in fund balance - Total governmental funds	\$ (420 938)
The depreciation of capital assets used in governmental activities is not reported in the funds.	(28 541)
Purchased capital assets are an asset in the statement of activities and expenses in the funds.	78 826
The net effect of the change in pension liability and related deferred outflows are recorded in the Statement of Activities, but not in the funds.	<u>55 870</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (314 783)</u>

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 1966 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.

During 2018, DETCOG established the Forest Country Development Corporation (the "Corporation") to construct and maintain facilities for the DETCOG operations. The Corporation has a separate board from the DETCOG board of directors. The Corporation exists to serve the facility needs of DETCOG, as such, the Corporation is reported as a component unit of DETCOG.

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.

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. All remaining governmental funds are aggregated and reported as non-major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 *Administration fund* accounts for all financial resources of the administration.

The *grant funds* account for federal and state grants for disaster recovery, aging, housing assistance, at-risk youth, 9-1-1, public safety and economic development programs.

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2019.

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.

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 Administration 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 only has pension related deferred outflows that qualify for reporting in this category for a total of \$217,687.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 are allocated based on labor hours 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.

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 monthly 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DETCOG maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool (the "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.

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 and grant level. DETCOG's management is authorized to transfer budgeted amounts within programs, subject to grant restrictions.

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:

<u>FUND</u>	<u>DEFICIT AMOUNT</u>	<u>REMARKS</u>
Criminal Justice Grant	\$ 147	Due to deferred revenue

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

At September 30, DETCOG's carrying amount for cash deposits was \$1,902,541 and the bank balance was \$2,033,999. 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 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, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS

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 \$1,243,765 to the grant funds during the year ended September 30.

DETCOG transferred funds related to the sale of the old building and grant purchased equipment attached to the new building to the component unit of \$118,000 and \$40,000, respectively.

C. Grants Receivable

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

	CLOSED GRANTS RECEIVABLE	OPEN GRANTS RECEIVABLE	TOTAL
Disaster Recovery	\$ -	\$ 81 143	\$ 81 143
Area Agency on Aging	22 941	369 252	392 193
Regional Housing Authority	-	4 869	4 869
Emergency Communications	-	556 687	556 687
Homeland Security	-	43 330	43 330
Criminal Justice	11 828	49 168	60 996
Service to At-Risk Youth	-	73 765	73 765
Retired and Senior Volunteer Program	-	25 710	25 710
Regional Services	10 196	99 156	109 352
Administration	-	129 329	129 329
TOTAL GRANTS RECEIVABLE	<u>\$ 44 965</u>	<u>\$ 1 432 409</u>	<u>\$ 1 477 374</u>

D. Receivables

DETCOG administers a Forgivable Loan Program under contract with the Texas General Land Office for Hurricane Ike Community Development Block Grant Disaster Recovery Non-Housing Funds. 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, DETCOG has five active loans. The following is a summary of transactions for the year ended September 30.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2018	\$ 1 379 000	\$ 1 379 000
Loans forgiven	(125 000)	(125 000)
Balance at September 30, 2019	<u>\$ 1 254 000</u>	<u>\$ 1 254 000</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

The loans are comprised of the following individual issues:

Pinto Pony	\$	354 000
Atkinson Candy		250 000
Corrigan OSB		250 000
Fredonia Hospitality		250 000
Best Friends Community Services		150 000
TOTAL	\$	<u>1 254 000</u>

E. Other Receivables

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

HUD fraud recovery	\$	54 501
Dues		10 000
Local entities		43 015
Employees		88
		<u>107 604</u>
Less allowance for uncollectible		<u>(22 646)</u>
TOTAL OTHER RECEIVABLES	\$	<u>84 958</u>

F. Capital Assets

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

<i>DETCOG</i>	<u>BALANCE 09/30/2018</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE 09/30/2019</u>
Depreciable Assets:				
Building and Leasehold Improvements:				
Administration	\$ 35 814	\$ 10	\$ -	\$ 35 824
TOTAL BUILDING AND LEASEHOLD IMPROVEMENTS	<u>35 814</u>	<u>10</u>	<u>-</u>	<u>35 824</u>
Furniture, Fixtures and Equipment:				
Administration	159 804	53 876	-	213 680
Area agency on aging	7 215	-	-	7 215
Regional housing authority	59 821	-	-	59 821
Emergency communications	3 307 737	24 940	-	3 332 677
Homeland security	1 443 039	-	-	1 443 039
Services to at-risk youth	24 511	-	-	24 511
TOTAL FURNITURE, FIXTURES AND EQUIPMENT	<u>5 002 127</u>	<u>78 816</u>	<u>-</u>	<u>5 080 943</u>
TOTAL DEPRECIABLE ASSETS	<u>5 037 941</u>	<u>78 826</u>	<u>-</u>	<u>5 116 767</u>
Accumulated Depreciation:				
Administration	(166 860)	(12 621)	-	(179 481)
Area agency on aging	(7 215)	-	-	(7 215)
Regional housing authority	(16 560)	(8 419)	-	(24 979)
Emergency communications	(2 752 280)	(6 073)	-	(2 758 353)
Homeland security	(1 443 039)	-	-	(1 443 039)
Services to at-risk youth	(3 028)	(1 428)	-	(4 456)
TOTAL ACCUMULATED DEPRECIATION	<u>(4 388 982)</u>	<u>(28 541)</u>	<u>-</u>	<u>(4 417 523)</u>
TOTAL CAPITAL ASSETS	<u>\$ 648 959</u>	<u>\$ 50 285</u>	<u>\$ -</u>	<u>\$ 699 244</u>
<i>Component Unit</i>	<u>BALANCE 09/30/2018</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE 09/30/2019</u>
Non-depreciable Assets:				
Construction in progress	\$ 97 745	\$ 1 961 024	\$ -	\$ 2 058 769
TOTAL NON-DEPRECIABLE ASSETS	<u>97 745</u>	<u>1 961 024</u>	<u>-</u>	<u>2 058 769</u>
TOTAL CAPITAL ASSETS	<u>\$ 97 745</u>	<u>\$ 1 961 024</u>	<u>\$ -</u>	<u>\$ 2 058 769</u>

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

G. 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 \$174,292 for office space and \$20,629 for equipment.

H. Deferred Compensation Plan

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. The plan permits employees to defer a portion of their salary until future years. All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries. DETCOG has no fiduciary responsibility for the plan and the amounts are not accessible by DETCOG or its creditors. Therefore, the plan assets are not reported in the financial statements.

I. Qualified Money Purchase Defined Contribution Plan

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. Effective August 1, 2017, the plan was amended and future contributions will be determined by the Board on an annual basis. For the year ended, September 30, 2019, DETCOG made no contributions to the plan.

J. Defined Benefit Plan (TCDRS)

DETCOG provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Actuarial Assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	5 year smoothed market
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	8.00% (Net of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for DETCOG are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Mortality	Same as funding valuation

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2018 actuarial valuation analysis for DETCOG. This information may also be found in the DETCOG December 31, 2018 Summary Valuation Report.

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.0%

The assumed long-term investment return of 8% is net of investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-Specific Economic Assumptions:

Growth in membership	0.00%
Payroll growth	1.00%

The payroll growth assumption is for the aggregate covered payroll of an employer.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**Table 1
 Merit Salary Increases***

Years of Service	Before 30	Entry Age Ages 30-39	Ages 40-49	50 and Later
0	5.00%	4.50%	4.00%	3.50%
1	4.25%	3.75%	3.25%	2.75%
2	3.85%	3.35%	2.85%	2.35%
3	3.50%	3.00%	2.50%	2.00%
4	3.15%	2.65%	2.25%	1.85%
5	2.90%	2.55%	2.15%	1.70%
6	2.65%	2.30%	1.95%	1.55%
7	2.45%	2.10%	1.75%	1.40%
8	2.30%	1.95%	1.60%	1.25%
9	2.15%	1.80%	1.45%	1.10%
10	2.00%	1.70%	1.40%	1.05%
11	1.90%	1.60%	1.25%	1.00%
12	1.80%	1.50%	1.15%	0.95%
13	1.70%	1.40%	1.05%	0.90%
14	1.60%	1.30%	0.95%	0.85%
15	1.50%	1.23%	0.90%	0.80%
16	1.40%	1.15%	0.85%	0.75%
17	1.30%	1.05%	0.80%	0.70%
18	1.23%	0.97%	0.75%	0.65%
19	1.15%	0.90%	0.70%	0.60%
20	1.10%	0.85%	0.65%	0.55%
21	1.05%	0.80%	0.60%	0.50%
22	1.00%	0.75%	0.55%	0.50%
23	0.95%	0.70%	0.50%	0.50%
24	0.90%	0.65%	0.50%	0.50%
25	0.85%	0.60%	0.50%	0.50%
26	0.80%	0.60%	0.50%	0.50%
27	0.75%	0.60%	0.50%	0.50%
28	0.70%	0.60%	0.50%	0.50%
29	0.65%	0.60%	0.50%	0.50%
30 & Up	0.60%	0.60%	0.50%	0.50%

** These rates do not include the wage inflation rate of 3.25% per year. For example, a member who entered the system at age 20 and is in the first year of service is assumed to receive an 8.41% total annual increase in his salary. The 8.41% is a combination of the 5.00% merit increase and the 3.25% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.*

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

Replacement of Terminated Members - New employees are assumed to replace any terminated members and have similar entry ages.

Disability - The rates of disability used in this valuation are illustrated in Table 2. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**Table 2
 Annual Rates of Disability***

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than 25	0.000%	0.000%	43	0.004%	0.058%
25	0.000%	0.000%	44	0.004%	0.063%
26	0.000%	0.000%	45	0.004%	0.069%
27	0.000%	0.000%	46	0.005%	0.076%
28	0.000%	0.008%	47	0.006%	0.084%
29	0.000%	0.008%	48	0.007%	0.095%
30	0.000%	0.009%	49	0.009%	0.109%
31	0.000%	0.010%	50	0.010%	0.125%
32	0.000%	0.010%	51	0.012%	0.142%
33	0.000%	0.011%	52	0.013%	0.162%
34	0.000%	0.014%	53	0.015%	0.183%
35	0.001%	0.018%	54	0.018%	0.203%
36	0.001%	0.022%	55	0.018%	0.222%
37	0.002%	0.028%	56	0.018%	0.238%
38	0.002%	0.033%	57	0.018%	0.250%
39	0.002%	0.038%	58	0.018%	0.259%
40	0.002%	0.042%	59	0.018%	0.270%
41	0.003%	0.047%	60 & Above	0.018%	0.000%
42	0.003%	0.053%			

* The probability of disablement from all other causes is applicable for members who are vested but not eligible for service retirement. Before a member is vested, only the work related disability provisions are applicable.

Mortality

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Family Composition - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service Retirement - Members eligible for service retirement are assumed to retire at the rates shown in Table 3.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**Table 3
 Annual Rates of Service Retirement***

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	20.0%	20.0%
45-40	9.0%	9.0%	63	15.0%	15.0%
50	10.0%	10.0%	64	15.0%	15.0%
51	9.0%	9.0%	65	25.0%	25.0%
52	9.0%	9.0%	66	25.0%	25.0%
53	9.0%	9.0%	67	22.0%	22.0%
54	10.0%	10.0%	68	20.0%	20.0%
55	10.0%	10.0%	69	20.0%	20.0%
56	10.0%	10.0%	70	22.0%	22.0%
57	10.0%	10.0%	71	22.0%	22.0%
58	12.0%	12.0%	72	22.0%	22.0%
59	12.0%	12.0%	73	22.0%	22.0%
60	12.0%	12.0%	74**	22.0%	22.0%
61	12.0%	12.0%			

* Deferred members are assumed to retire (100% probability) at the later of:

- a) age 60
- b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Other Terminations of Employment - The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

**Table 4
 Annual Rates of Termination**

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	26.7%	29.0%	22.2%	24.2%	19.0%	20.5%	17.8%	19.3%
1	18.2%	19.8%	15.4%	16.6%	13.0%	14.2%	12.3%	13.3%
2	13.6%	14.7%	11.5%	12.5%	9.8%	10.6%	9.2%	10.0%
3	10.8%	11.7%	9.2%	10.0%	7.8%	8.5%	7.4%	8.0%
4	8.9%	9.7%	7.7%	8.3%	6.6%	7.0%	6.2%	6.6%
5	7.9%	8.6%	6.9%	7.5%	5.8%	6.4%	5.5%	6.0%
6	7.0%	7.6%	6.2%	6.6%	5.2%	5.7%	4.9%	5.4%
7	6.2%	6.8%	5.5%	6.0%	4.7%	5.1%	4.4%	4.8%
8	5.2%	5.6%	4.6%	5.0%	3.9%	4.2%	3.7%	4.0%
9	5.0%	5.4%	4.5%	4.8%	3.8%	4.1%	3.6%	3.8%
10	4.4%	4.7%	4.0%	4.3%	3.4%	3.7%	3.2%	3.4%
11	3.8%	4.2%	3.5%	3.8%	3.0%	3.3%	2.8%	3.0%
12	3.5%	3.8%	3.2%	3.5%	2.7%	3.0%	2.6%	2.8%
13	3.1%	3.4%	2.9%	3.2%	2.5%	2.7%	2.3%	2.6%
14	2.8%	3.0%	2.6%	2.8%	2.2%	2.4%	2.1%	2.2%
15	2.4%	2.6%	2.3%	2.5%	1.9%	2.2%	1.8%	2.0%
16	2.1%	2.2%	2.0%	2.2%	1.7%	1.8%	1.6%	1.8%
17	1.8%	2.0%	1.8%	1.9%	1.5%	1.6%	1.4%	1.5%
18	1.6%	1.7%	1.5%	1.7%	1.3%	1.4%	1.2%	1.4%
19	1.4%	1.5%	1.4%	1.5%	1.2%	1.3%	1.1%	1.2%
20	1.3%	1.4%	1.3%	1.4%	1.1%	1.2%	1.0%	1.1%
21	1.1%	1.3%	1.1%	1.3%	1.0%	1.1%	1.0%	1.0%
22	1.0%	1.2%	1.0%	1.2%	0.9%	1.0%	0.9%	1.0%
23	1.0%	1.1%	1.0%	1.1%	0.8%	0.9%	0.8%	0.9%
24	0.9%	1.0%	0.9%	1.0%	0.8%	0.9%	0.8%	0.8%
25	0.9%	1.0%	0.9%	1.0%	0.7%	0.8%	0.7%	0.8%
26	0.9%	0.9%	0.9%	0.9%	0.7%	0.8%	0.7%	0.7%
27	0.8%	0.8%	0.8%	0.8%	0.6%	0.7%	0.6%	0.6%
28	0.8%	0.7%	0.8%	0.7%	0.6%	0.7%	0.6%	0.6%
29	0.7%	0.6%	0.7%	0.6%	0.5%	0.6%	0.5%	0.5%
30 & Later	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**Table 5
Probability of Withdrawal**

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100%	16	38%
2	100%	17	36%
3	100%	18	33%
4	100%	19	30%
5	100%	20	28%
6	100%	21	26%
7	100%	22	24%
8	100%	23	22%
9	100%	24	20%
10	45%	25	18%
11	44%	26	16%
12	43%	27	14%
13	42%	28	12%
14	41%	29*	10%

* Members with more than 29 years of service are not assumed to refund.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	7.20%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

(1) Target asset allocation adopted at the April 2019 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Depletion of Plan Assets / GASB Discount Rate

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

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

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

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

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

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

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

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

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 596 226	\$ 525 140	\$ 464 781
Fiduciary net position	\$ 492 334	\$ 492 335	\$ 492 334
Net pension liability/(asset)	\$ 103 892	\$ 32 805	\$ (27 553)

Changes in Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2017	\$ 131 880	\$ 123 895	\$ 7 985
Changes for the Year:			
Service cost	294 380	-	294 380
Interest on total pension liability ⁽¹⁾	34 345	-	34 345
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	69 110	-	69 110
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(4 576)	(4 576)	-
Benefit payments	-	-	-
Administrative expenses	-	(395)	395
Member contributions	-	180 551	(180 551)
Net investment income	-	1 674	(1 674)
Employer contributions	-	180 551	(180 551)
Other ⁽³⁾	-	10 634	(10 634)
Balances as of December 31, 2018	\$ 525 139	\$ 492 334	\$ 32 805

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Pension Expense and Deferred Inflows/Outflows

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 61 077
Change of assumptions	-	591
Net difference between projected and actual earnings	-	20 085
Contributions made subsequent to measurement date	-	135 934
	\$ -	\$ 217 687

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2019

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

<u>Year Ended September 30,</u>		
2020	\$	14 005
2021	\$	14 005
2022	\$	14 005
2023	\$	13 424
2024	\$	8 838
Thereafter	\$	17 476

Membership Information

<u>Membership Class</u>	
Inactive employees entitled to but not yet receiving benefits	5
Active employees	58
Currently receiving benefits	-

K. Subsequent Events

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.

Subsequent to the fiscal year end, the COVID-19 crisis disrupted the world economy. At this time, the effect on DETCOG related to this event cannot be determined.

Management has evaluated subsequent events through June 25, 2020, 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 recipients 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, 2019 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

DETCOG has determined that \$137,770 in previously deferred grant revenues should have been recognized in prior periods. This change resulted in an increase in net portion/fund balance of \$137,770.

REQUIRED SUPPLEMENTARY INFORMATION

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2018	2017
Total Pension Liability:		
Service cost	\$ 294 380	\$ 121 170
Interest (on the total pension liability)	34 345	9 788
Effect of plan changes	-	-
Effect of assumption changes or inputs	-	789
Effect of economic/demographic (gains) or losses	69 110	808
Benefit payments/refunds of contributions	(4 576)	(675)
NET CHANGE IN TOTAL PENSION LIABILITY	393 259	131 880
Total pension liability - Beginning	131 880	-
TOTAL PENSION LIABILITY - ENDING	525 139	131 880
 Fiduciary Net Position:		
Contributions - Employer	180 551	60 551
Contributions - Member	180 551	60 551
Investment income net of investment expenses	1 674	1 937
Benefit payments/refunds of contributions	(4 576)	(675)
Administrative expenses	(395)	(82)
Other	10 634	1 613
NET CHANGE IN PLAN FIDUCIARY NET POSITION	368 439	123 895
Plan fiduciary net position - Beginning	123 895	-
PLAN FIDUCIARY NET POSITION - ENDING	492 334	123 895
 NET PENSION LIABILITY - ENDING	\$ 32 805	\$ 7 985
 Plan fiduciary net position as a percentage of total pension liability	93.75%	93.95%
Covered employee payroll	\$ 2 579 295	\$ 865 019
Net pension liability as a percentage of covered employee payroll	1.27%	0.92%

Additional years will be provided as they become available.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

<u>YEAR ENDING SEPTEMBER 30</u>	<u>ACTUARIALLY DETERMINED CONTRIBUTION</u>	<u>ACTUAL EMPLOYER CONTRIBUTION</u>	<u>CONTRIBUTION DEFICIENCY (EXCESS)</u>	<u>PENSIONABLE COVERED PAYROLL</u>	<u>ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL</u>
2017	\$ 60 205	\$ 60 551	\$ (346)	\$ 865 019	7.0%
2018	\$ 179 519	\$ 180 551	\$ (1 032)	\$ 2 579 295	7.0%

Additional years will be provided as they become available.

SUPPLEMENTARY INFORMATION

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS
 September 30, 2019

	EMPLOYER OF RECORD FUND	EMERGENCY PLANNING GRANTS FUND	CRIMINAL JUSTICE GRANTS FUND	RSVP GRANTS FUND	REGIONAL SERVICES GRANTS FUND	TOTAL NON MAJOR FUNDS
ASSETS						
Cash and cash equivalents	\$ 10 731	\$ (33 064)	\$ (14 582)	\$ (24 275)	\$ 4 595	\$ (56 595)
Receivables (Net Allowance for Uncollectibles):						
Grants	-	43 330	60 996	25 710	109 352	239 388
Other	35 812	-	-	-	500	36 312
Prepaid items	-	-	-	1 096	-	1 096
TOTAL ASSETS	\$ 46 543	\$ 10 266	\$ 46 414	\$ 2 531	\$ 114 447	\$ 220 201
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ 2 496	\$ 40 917	\$ 356	\$ 1 570	\$ 45 339
Due to other funds	23 871	-	-	-	-	23 871
Other accrued expenses	17 762	7 770	3 491	2 175	12 075	43 273
TOTAL LIABILITIES	41 633	10 266	44 408	2 531	13 645	112 483
 Deferred Inflows:						
Unavailable revenue	-	-	2 153	-	100 802	102 955
TOTAL DEFERRED INFLOWS	-	-	2 153	-	100 802	102 955
 Fund Balance:						
Nonspendable - Prepaid items	-	-	-	1 096	-	1 096
Restricted - Grant programs	4 910	-	(147)	(1 096)	-	3 667
TOTAL FUND BALANCES	4 910	-	(147)	-	-	4 763
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	 \$ 46 543	 \$ 10 266	 \$ 46 414	 \$ 2 531	 \$ 114 447	 \$ 220 201

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 NON MAJOR GOVERNMENTAL FUNDS
 September 30, 2019

	EMPLOYER OF RECORD FUND	EMERGENCY PLANNING GRANTS FUND	CRIMINAL JUSTICE GRANTS FUND	RSVP GRANTS FUND	REGIONAL SERVICES GRANTS FUND	TOTAL NON MAJOR FUNDS
Revenues:						
Federal and state grants	\$ -	\$ 178 464	\$ 159 628	\$ 112 633	\$ 915 598	\$ 1 366 323
Other revenue	<u>112 933</u>	<u>-</u>	<u>100</u>	<u>55 302</u>	<u>54 217</u>	<u>222 552</u>
TOTAL REVENUES	<u>112 933</u>	<u>178 464</u>	<u>159 728</u>	<u>167 935</u>	<u>969 815</u>	<u>1 588 875</u>
Expenditures:						
Personnel and benefits	114 645	107 638	56 833	96 923	173 731	549 770
Travel	-	11 863	5 162	15 526	14 700	47 251
Contract services	-	289	53	181	-	523
Equipment expense	-	437	2 800	-	-	3 237
Subcontractor expense	-	-	61 058	-	680 324	741 382
Other operating expense	-	3 081	4 071	4 349	13 208	24 709
TOTAL EXPENDITURES	<u>114 645</u>	<u>123 308</u>	<u>129 977</u>	<u>116 979</u>	<u>881 963</u>	<u>1 366 872</u>
CHANGE IN OPERATING EXPENSE	<u>(1 712)</u>	<u>55 156</u>	<u>29 751</u>	<u>50 956</u>	<u>87 852</u>	<u>222 003</u>
Other Financing Sources:						
Allocation to grant programs	<u>-</u>	<u>(55 156)</u>	<u>(29 898)</u>	<u>(50 956)</u>	<u>(87 852)</u>	<u>(223 862)</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>(55 156)</u>	<u>(29 898)</u>	<u>(50 956)</u>	<u>(87 852)</u>	<u>(223 862)</u>
NET CHANGE IN FUND BALANCE	(1 712)	-	(147)	-	-	(1 859)
Fund balance - Beginning	<u>6 622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6 622</u>
FUND BALANCE - ENDING	<u>\$ 4 910</u>	<u>\$ -</u>	<u>\$ (147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4 763</u>

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 COMBINING BALANCE SHEET - FINANCIAL DATA SCHEDULE - REAC
 REGIONAL HOUSING AUTHORITY
 September 30, 2019

REAC LINE NO.		HOUSING CHOICE VOUCHERS	FAMILY SELF- SUFFICIENCY PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE GRANT - IKE	TOTAL
ASSETS						
111	Cash - Unrestricted	\$ 370 375	\$ -	\$ -	\$ -	\$ 370 375
113	Cash - Other restricted	332 546	-	72 265	520 305	925 116
115	Cash - Restricted for payment of current liabilities	87 095	-	-	-	87 095
121	Accounts receivable - PHA Project	-	4 869	-	-	4 869
128	Fraud recovery	54 501	-	-	-	54 501
128.1	Allowance for doubtful accounts - Fraud	(22 646)	-	-	-	(22 646)
142	Prepaid items	20 718	-	-	-	20 718
144	Due from others	4 869	-	338 238	-	343 107
	TOTAL ASSETS	\$ 847 458	\$ 4 869	\$ 410 503	\$ 520 305	\$ 1 783 135
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities:						
312	Accounts payable	\$ 6 419	\$ -	\$ -	\$ -	\$ 6 419
345	Other current liabilities	135 802	-	-	-	135 802
347	Due to others	338 238	4 869	-	-	343 107
300	TOTAL LIABILITIES	480 459	4 869	-	-	485 328
Deferred Inflows:						
400	Deferred inflows	32 055	-	-	-	32 055
Fund Balance:						
508.3	Nonspendable fund balances	20 718	-	-	-	20 718
509.3	Restricted fund balances	314 226	-	410 503	520 305	1 245 034
513	TOTAL FUND BALANCES	334 944	-	410 503	520 305	1 265 752
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 847 458	\$ -	\$ 410 503	\$ 520 305	\$ 1 783 135

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, 2019

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	\$ 11 379 672	\$ 62 800	\$ -	\$ -	\$ 11 442 472
71100	Investment income - Unrestricted	41	-	-	-	41
71400	Fraud recovery	22 329	-	-	-	22 329
71500	Other revenue	16 497	-	-	-	16 497
70000	TOTAL REVENUES	<u>11 418 539</u>	<u>62 800</u>	<u>-</u>	<u>-</u>	<u>11 481 339</u>
Expenditures:						
91100	Administrative salaries	332 615	-	-	-	332 615
91500	Employee benefit contributions - Administrative	126 361	-	-	-	126 361
91600	Office expenses	140 487	2 370	-	-	142 857
91800	Travel	3 187	1 184	-	-	4 371
91810	Allocated overhead	185 914	-	-	-	185 914
91900	Other - Administrative	88 981	4 504	-	-	93 485
92100	Salaries - Tenant services	-	39 671	-	-	39 671
92300	Employee benefit contributions - Tenant services	-	15 071	-	-	15 071
94200	Ordinary maintenance and operations	1 976	-	-	-	1 976
96140	All other insurance	551	-	-	-	551
96200	Other general expenses	10 299	-	-	-	10 299
97300	Housing assistance payments	10 763 090	-	-	-	10 763 090
90000	TOTAL EXPENDITURES	<u>11 654 151</u>	<u>62 800</u>	<u>-</u>	<u>-</u>	<u>11 716 951</u>
	NET CHANGE IN FUND BALANCE	(235 612)	-	-	-	(235 612)
11030	Fund balance - Beginning	<u>570 556</u>	<u>-</u>	<u>410 503</u>	<u>520 305</u>	<u>1 501 364</u>
	FUND BALANCE - ENDING	<u>\$ 334 944</u>	<u>\$ -</u>	<u>\$ 410 503</u>	<u>\$ 520 305</u>	<u>\$ 1 265 752</u>

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 GRANTOR AGENCIES/GRANT PROGRAMS
 ABBREVIATION KEY
 September 30, 2019

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
<hr/>	
	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
HSGD	Texas Office of the Governor - Homeland Security Grants Division
TxDOT	Texas Department of Transportation
<hr/>	
	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	Services to At-Risk Youth
TIRN	Texas Information and Referral Network
UCAP	Universal Child Abuse and Neglect Prevention

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
INTERNAL SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
For the Year Ended September 30, 2019

	GENERAL ADMINISTRATION	DISASTER RECOVERY	AREA AGENCY ON AGING	REGIONAL HOUSING AUTHORITY
Revenues:				
Local revenue	\$ 227 467	\$ 4	\$ 109 088	\$ 36 063
Grant revenues	<u>-</u>	<u>43 462</u>	<u>2 680 063</u>	<u>11 445 277</u>
 TOTAL REVENUE	 <u>227 467</u>	 <u>43 466</u>	 <u>2 789 151</u>	 <u>11 481 340</u>
Expenditures:				
Personnel	797 994	26 183	665 426	513 718
Indirect costs	(865 788)	9 476	240 818	185 914
Staff travel	34 068	1 714	41 995	6 348
Contract services	24 479	-	4 086	34 702
Space costs	(378 045)	4 816	125 193	99 676
Equipment costs	1 200	-	16 845	5 807
Participant and subcontractor costs	21 458	-	1 619 786	10 814 535
Other costs and match	<u>663 248</u>	<u>1 277</u>	<u>74 997</u>	<u>56 253</u>
 TOTAL EXPENDITURES	 <u>298 614</u>	 <u>43 466</u>	 <u>2 789 146</u>	 <u>11 716 953</u>
 NET CARRYFORWARD (LOSS)	 <u>\$ (71 147)</u>	 <u>\$ -</u>	 <u>\$ 5</u>	 <u>\$ (235 613)</u>
 TOTAL DIRECT EXPENDITURES	 <u>\$ 1 542 447</u>	 <u>\$ 29 174</u>	 <u>\$ 2 423 135</u>	 <u>\$ 11 431 363</u>

See independent auditors' report.

EMERGENCY COMMUNICATIONS	HOMELAND SECURITY	CRIMINAL JUSTICE	SERVICES TO AT-RISK YOUTH	RETIRED AND SENIOR VOLUNTEER PROGRAM	REGIONAL SERVICES	TOTAL
\$ 4 085	\$ -	\$ 100	\$ 93	\$ 55 302	\$ 54 217	\$ 486 409
<u>3 125 235</u>	<u>178 464</u>	<u>159 628</u>	<u>836 815</u>	<u>112 633</u>	<u>915 598</u>	<u>19 497 175</u>
<u>3 129 320</u>	<u>178 464</u>	<u>159 728</u>	<u>836 908</u>	<u>167 935</u>	<u>969 815</u>	<u>19 983 594</u>
559 594	107 639	56 833	534 123	96 923	173 731	3 532 164
202 517	38 955	21 058	193 299	35 076	62 873	124 198
28 487	11 863	3 473	47 095	15 526	14 979	205 548
-	-	53	307	181	-	63 808
82 460	16 201	8 840	-	15 880	24 979	-
105 805	437	2 800	22 199	-	-	155 093
1 951 214	289	62 112	-	-	680 324	15 149 718
<u>199 243</u>	<u>3 080</u>	<u>4 559</u>	<u>39 885</u>	<u>4 349</u>	<u>12 929</u>	<u>1 059 820</u>
<u>3 129 320</u>	<u>178 464</u>	<u>159 728</u>	<u>836 908</u>	<u>167 935</u>	<u>969 815</u>	<u>20 290 349</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(306 755)</u>
\$ <u>2 844 343</u>	\$ <u>123 308</u>	\$ <u>129 830</u>	\$ <u>643 609</u>	\$ <u>116 979</u>	\$ <u>881 963</u>	\$ <u>20 206 151</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 SCHEDULE OF INSURANCE COVERAGE
 September 30, 2019

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	General Liability	10/01/18 to 10/01/19	\$1,000,000 Deductible \$0
Texas Municipal League	Errors and Omissions	10/01/18 to 10/01/19	\$1,000,000 Deductible \$1,000
Texas Municipal League	Auto Liability	10/01/18 to 10/01/19	\$500,000
Texas Municipal League	Auto Physical Damage	10/01/18 to 10/01/19	Actual cash value Deductible \$250
Texas Municipal League	Real and Personal Property	10/01/18 to 10/01/19	\$6,190,845 Deductible \$250
The Fidelity and Deposit Company	Commercial Crime Policy Employee Theft	09/01/18 to 08/31/19 09/01/19 to 08/31/20	\$500,000 Deductible \$5,000
Deep East Texas Self Insurance Fund	Workers' Compensation	07/01/18 to 06/30/19 07/01/19 to 06/30/20	Statutory

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Deep East Texas Council of Governments and Economic Development District (DETCOG) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise DETCOG's basic financial statements, and have issued our report thereon dated June 25, 2020.

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.

Lufkin, Texas
June 25, 2020

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS



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

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, 2019. 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 and state 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, 2019.

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 25, 2020

Axley & Rode LLP
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, 2019

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	\$ 2 324
903-19	Economic Development- Support for Planning Organizations	11.302	EDA18AUS3020002	28 158
903-20	Economic Development - Support for Planning Organizations	11.302	EDA18AUS3020002	54 930
904-19	Economic Adjustment Assistance	11.307	08-79-05236	61 757
				147 169
<u>U.S. Department of Housing and Urban Development</u>				
Direct:				
405	Section 8 Housing Choice Vouchers - HAP	14.871	TX512VO	10 445 025
406	Section 8 Housing Choice Vouchers - Administration	14.871	TX512AF	934 647
408-18	Section 8 Housing Choice Vouchers - FSS	14.896	FSS17TX0103	30 477
408-19	Section 8 Housing Choice Vouchers - FSS	14.896	FSS18TX2348	32 323
				11 442 472
Passed through Texas Department of Agriculture:				
905-19	Community Development Block Grant	14.228	C717205	11 835
905-20	Community Development Block Grant	14.228	C719205	82
				11 917
Passed through General Land Office:				
135-13	CDBG Economic Development	14.228	13-199-000-7349	23 309
140-18	FEMA Direct Housing	97.048	HSFE06-17-0-0002/ 18-210-003 A-1	14 918
200-18	Hurricane Harvey - Round 1 (Method of Distribution)	14.228	18-497-006-B235	5 235
909	Planning Study (Fiber Optic Broadband)	14.228	13-199-000-7349	513 323
				556 785
<u>U.S. Department of Health and Human Services</u>				
Passed through Texas Health and Human Services Commission:				
360-19	Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	539-16-0011-00001	5 401
360-19	Special Programs for the Aging - Title VII: Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0011-00001	30 575
360-19	Special Programs for the Aging - Title III: Part D - Disease Prevention and Health Promotion Services	93.043	539-16-0011-00001	32 566
360-19, 350-19, 380-19	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	539-16-0011-00001	604 448
350-19, 370-19	Part C - Nutrition Services	93.045	539-16-0011-00001	1 016 470
350-19, 390-19, 370-19	National Family Caregiver Support, Title III, Part E Nutrition Services Incentive Program	93.052 93.053	539-16-0011-00001 539-16-0011-00001	208 460 177 147
360-19	Special Programs for the Aging - Title VII: Medicare Enrollment Assistance Program	93.071	539-16-0011-00001	15 892
360-19	State Health Insurance Assistance Program	93.324	539-16-0011-00001	94 997
				2 185 956
Passed through the Texas Health and Human Services Commission:				
Deep East Texas ADRC:				
30-319-20-034/ 319-20-302	Money Follows the Person Rebalancing Demonstration	93.791	HHSC000270200009	3 938
				3 938
Passed through South East Texas Planning Commission:				
319-19-034, 319-19-302	Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	28 033
319-19-308	Medicare Enrollment Assistance Program	93.071	539-14-0475-00005	10 035
				38 068
Corporation for National and Community Service Direct:				
801-18	Retired Senior Volunteer Program	94.002	17SRWTX009	24 511
801-19	Retired Senior Volunteer Program	94.002	17SRWTX009	55 268
Passed through Texas Health and Human Services Commission:				
802-19	Retired Senior Volunteer Program	94.002	17SRWTX035	32 853
				112 632

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, 2019

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES
	<u>U.S. Department of Homeland Security</u> Passed through Texas Office of the Governor, Homeland Security Division:			
594-19	Planning Project	97.067	HS-2958504	156 005
				<u>156 005</u>
	<u>U.S. Department of Transportation</u> <i>State Planning and Research</i> Passed through Texas Department of Transportation:			
913-18	Short Range Transit Planning	20.505	51R08012018	4 274
913-20	Short Range Transit Planning	20.505	51008012020	76
				<u>4 350</u>
	TOTAL FEDERAL AWARDS			<u>14 659 292</u>
	STATE AWARDS			
	<u>Texas Commission on Environmental Quality</u>			
906-19	Regional Solid Waste Grants Program	N/A	582-19-80535	231 749
906-20	Regional Solid Waste Grants Program	N/A	582-20-10210	7 091
				<u>238 840</u>
	<u>Texas Health and Human Services Commission</u>			
Various	State General Revenue	N/A	539-16-0011-00001	158 816
370-20	State General Revenue - HDM Rate Increase	N/A	539-16-0011-00001	2 878
319-20	State General Revenue - Deep East Texas ADRC	N/A	HHS000270200009	7 992
320-20	State General Revenue - Southeast Texas ADRC	N/A	HHS000541100002	4 636
319-20-077	Promoting Independence - Deep East Texas ADRC	N/A	HHSC000270200009	5 728
319-20-077	Promoting Independence - Southeast Texas ADRC	N/A	HHS000541100002	946
				<u>180 996</u>
	<u>Passed through South East Texas Planning Commission</u>			
319-19	State General Revenue	N/A	539-14-0475-00005	57 665
319-19-077	Promoting Independence - Deep East Texas ADRC	N/A	539-14-0475-00005	7 916
				<u>65 581</u>
	<u>Texas Health and Human Services Commission</u>			
325-19-304	Texas I & R Network (Child Care Information & Referral)	N/A	HHSC 529-16-0006-00005	10 688
325-19-334	211 Texas Information & Referral Services	N/A	HHSC 529-16-0006-00005	177 485
325-20-304	Texas I & R Network (Child Care Information & Referral)	N/A	HHSC 529-16-0006-00005	1 244
325-20-334	211 Texas Information & Referral Services	N/A	HHSC 529-16-0006-00005	15 790
				<u>205 206</u>
	<u>Texas Department of Family and Protective Services</u>			
705-19	Services to At-Risk Youth - State General Revenue	N/A	24555373	764 988
705-20	Services to At-Risk Youth - State General Revenue	N/A	24555373	71 827
				<u>836 815</u>
	<u>Texas Office of the Governor - Criminal Justice Division</u>			
601-19	Regional Criminal Justice Coordination	N/A	30090201	27 979
601-20	Regional Criminal Justice Coordination	N/A	30001926	3 097
608-19	Regional Law Enforcement Training	N/A	SF-14289-15	100 117
608-20	Regional Law Enforcement Training	N/A	SF-14289-16	5 155
609-19	Purchase of Juvenile Justice Alternatives	N/A	3336602	23 280
				<u>159 628</u>
	<u>Texas Office of the Governor - Homeland Security</u> <u>Grants Division</u>			
594-19-594	Homeland Security COG Contract	N/A	30090226	18 681
594-20-594	Homeland Security COG Contract	N/A	30001926	3 778
				<u>22 459</u>
	<u>Texas Commission on State Emergency Communications</u>			
501-17	9-1-1 Emergency Services	N/A	DETCOG	171 119
501-18	9-1-1 Emergency Services	N/A	DETCOG	2 000
501-19	9-1-1 Emergency Services	N/A	DETCOG	2 821 770
501-20	9-1-1 Emergency Services	N/A	DETCOG	130 346
				<u>3 125 235</u>
	TOTAL STATE AWARDS			<u>4 834 760</u>
	TOTAL FEDERAL AND STATE AWARDS			<u>\$ 19 494 052</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, 2019

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)* and the *State of Texas Single Audit Circular*. 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, 2019

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 and State Type A Program? \$750,000

Auditee qualified as low risk auditee? Yes No

Identification of Major Programs:

CFDA NUMBER	NAME OF FEDERAL OR STATE PROGRAM
Federal: 14.871/14.896	Housing Vouchers Cluster
State: N/A	9-1-1 Program

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, 2019

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