

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND
ECONOMIC DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

September 30, 2018

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April 25, 2019

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, 2018 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 14, and the Notes to the Financial Statements which begin on page 29.

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, sometimes referred to as a "clean" 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 position of the governmental activities of each major fund, the discrete component unit, and the aggregate remaining funds of DETCOG as of September 30, 2018, 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. By law, 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 which served 89,164 congregate meals and 126,965 home delivered meals in 2018, transportation, health education, care coordination, caregiver support services, benefits counseling, and an ombudsman program for residents of 59 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. In 2018, our hotline served 27,955 callers, providing information about a wide variety of social 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 conducting a regional broadband planning study with the ultimate goal of ensuring that every home and business in our 12-county region has access to affordable 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 have provided \$3.7 million in forgivable loans to businesses to create new jobs. 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) is one of the largest in the country. We recruit and organize real people who volunteer their time to meet real needs in our communities. We support approximately 900 volunteers serving at more than 100 work stations including schools, senior centers, museums, food pantries, and healthcare facilities.

Disaster Recovery - Seven DETCOG counties were included in the Presidential Disaster Declaration for Hurricane Harvey. We administered the FEMA Temporary Direct Housing Program which provided housing to survivors for 18 months. We also provided emergency support through a local program funded by a contribution from the Alabama-Coushatta Tribe of Texas. We developed the regional Method of Distribution for \$43.3 million in CDBG Disaster Recovery Funds for our disaster counties. We have facilitated the distribution of more than \$300 million in federal disaster recovery funds to our region following Hurricanes Harvey, Ike, and Rita. These funds have rebuilt and improved infrastructure, rebuilt homes and helped businesses recover after the trauma of hurricanes, floods, and wildfires. We have constructed 233 new homes for hurricane survivors and rehabilitated many more. Working together as a region with one voice has resulted in a larger share of federal recovery dollars being allocated to our local communities.

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 which answered more than 440,000 emergency 9-1-1 calls last year. We also provide GIS services and support for each county's 9-1-1 mapping program.

Employer of Record Service - DETCOG began offering this new service on a limited basis during fiscal year 2018 to provide Human Resources services to small governmental entities and non-profits within the region.

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 funding for 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. During 2018, Homeland Security and Criminal Justice functioned as separate programs. For better coordination and efficiency, they have since been re-structured under the Public Safety Program.

Services to At-Risk Youth (STAR) - 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.

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. During 2018, we developed and began implementation of a transportation voucher pilot program in five counties which had no existing 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 five U.S. states. Our 2017 population was 380,459. 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. Only two of our 12 counties have an unemployment rate at or below the statewide rate, with individual county rates ranging from 3.3 to 7.4 percent. Seven of our 12 counties experienced a decline in population from 2010 to 2017. Overall, the region's population grew by 0.52 percent during that period.

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 2017 to 2018, continuing a trend of annual increases.

A major need in Deep East Texas is better access to broadband internet service and improved cellular telephone coverage. The current state of broadband in our region has a negative impact on public education, healthcare, public safety, and economic development. DETCOG has undertaken a project to develop a regional plan to address this need.

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. Construction of a new headquarters facility in Lufkin is underway. The new facility, funded by public and private grants, will be completed during fiscal year 2020. The construction and management of the new building will be administered through the Forest Country Development Corporation, a discrete component unit of DETCOG.

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. Our greatest asset continues to be the people who call Deep East Texas home.

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 invaluable 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, 2018

EXECUTIVE COMMITTEE (JULY 2018 - JUNE 2019)

Honorable Daphne Session, Houston County Attorney,
Houston County Minority Representative..... President

Honorable Bill Holder, Trinity River Authority.....President-Elect

Honorable Daryl Melton, Sabine County Judge..... Vice President

Honorable Roy Boldon, Nacogdoches City Councilman Secretary

Honorable Lynn Torres, Lufkin City CouncilwomanImmediate Past President

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
PRINCIPAL OFFICIALS - CONTINUED
As of September 30, 2018

ADMINISTRATIVE STAFF

Mr. Lonnie Hunt.....Executive Director
Ms. Holly Anderson Assistant 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 Criminal Justice
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 Bashaw..... Regional Planner
Mr. John McDowell..... Director of Emergency Preparedness

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
FINANCE DEPARTMENT
September 30, 2018

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 2018, the Finance Staff consists of:

- Ms. Cindy Chionsini Chief Financial Officer - Controller
- Ms. CaTina Boykin Assistant Controller
- Ms. Renekil Hamilton Senior Accountant
- Ms. Melissa Furay Data Entry Clerk/Program Assistant
- Ms. Donna Davidson Section 8 Accountant
- Ms. Sheila Nowlin HR/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, 2018, 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, 2018, 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 Uniform Guidance and the State of Texas Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal and state awards as required by Uniform Guidance and the State of Texas Single Audit Act are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal and state awards as required by Uniform Guidance and the State of Texas Single Audit Act are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 24, 2019, 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.

Lufkin, Texas
June 24, 2019


CERTIFIED PUBLIC ACCOUNTANTS

**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, 2018. 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 \$2,838,326 (*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 \$678,170.
- DETCOG's total net position (government-wide) increased by \$1,511,785. This is due to the increases in the net position of the Administration fund, HUD fund, and the Aging Program fund.
- As of the close of the current fiscal year, DETCOG's governmental funds reported ending fund balances of \$2,060,355, an increase of \$790,805.
- At the end of the current fiscal year, unrestricted fund balance for the Administration fund was \$513,658.
- During the year, DETCOG established the 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 has reviewed other entities and activities for possible inclusion in the reporting entity. No other entities or activities are included within DETCOG's reporting entity.

The government-wide financial statements can be found 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 23) and five non-major funds (page 53). Information is presented in the fund balance sheets and in the fund statements of revenues, expenditures and changes in fund balance for all funds.

The fund financial statements can be found in this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found 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 \$2,838,326 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position.

	2018	2017
Current and other assets	\$ 5 479 885	\$ 5 498 274
Capital assets	648 959	64 031
TOTAL ASSETS	<u>6 128 844</u>	<u>5 562 305</u>
TOTAL DEFERRED OUTFLOWS	136 997	-
Liabilities	2 133 440	3 251 668
TOTAL LIABILITIES	<u>2 133 440</u>	<u>3 251 668</u>
TOTAL DEFERRED INFLOWS	<u>1 294 075</u>	<u>984 096</u>
Net Position:		
Invested in capital assets	648 959	64 031
Restricted	1 511 197	877 517
Unassigned	678 170	384 993
TOTAL NET POSITION	<u>\$ 2 838 326</u>	<u>\$ 1 326 541</u>

A portion of DETCOG's net position (23%) 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 (53%) represents resources that are subject to external restrictions on how they can be used. At the end of the current fiscal year, DETCOG is able to report a positive balance in all three categories of net position.

Analysis of DETCOG's Operations

The following table provides a summary of DETCOG's operations for the year ended September 30. Governmental activities increased DETCOG's net position by \$1,511,785.

	2018	2017
Revenues:		
Program Revenues:		
Charges for service	\$ 230 117	\$ 391 399
Operating grants and contributions	18 839 789	19 544 431
General Revenues:		
Membership dues	73 588	53 517
Sustaining dues	5 600	7 150
Sale of building	-	105 061
Miscellaneous income	333 030	67 209
Unrestricted investment earnings	7 287	3 406
TOTAL REVENUES	<u>19 489 411</u>	<u>20 172 173</u>
Expenses after Indirect Cost Allocation:		
Administration	156 428	266 606
Disaster recovery	242 439	1 458 044
Area agency on aging	2 675 035	2 319 876
Regional housing authority	11 243 698	11 296 850
Emergency communications	2 208 691	3 047 591
Homeland security	184 942	165 579
Criminal justice	142 972	147 604
Service to at-risk youth	729 647	736 644
Retired and senior volunteer program	204 067	192 478
Regional services	189 707	306 038
TOTAL EXPENSES	<u>17 977 626</u>	<u>19 937 310</u>
CHANGE IN NET POSITION	<u>1 511 785</u>	<u>234 863</u>
Net position, beginning	1 326 541	676 207
Prior period adjustment	-	415 471
Net position, beginning - Restated	<u>1 326 541</u>	<u>1 091 678</u>
NET POSITION, ENDING	<u>\$ 2 838 326</u>	<u>\$ 1 326 541</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 \$2,060,355, which is an increase of \$790,805 from last year's fund balance total of \$1,269,550.

The Administration fund is the operating fund of DETCOG. At the end of the current fiscal year, unrestricted fund balance of the Administration fund was \$530,988.

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 \$648,959 (net of accumulated depreciation). This investment in capital assets includes land, buildings and leasehold, and furniture, fixtures and equipment.

	2018	2017
Buildings and leasehold	\$ 35 814	\$ 33 769
Furniture, fixtures and equipment	5 002 127	5 526 653
Less: Accumulated depreciation	(4 388 982)	(5 496 391)
TOTAL	\$ 648 959	\$ 64 031

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.

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 estimates revenues for fiscal year 2019 to increase by \$746,889 to \$20,236,300 and 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 2018 and 2017, revenues were \$19,489,411 and \$20,172,173, respectively.

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

Request for Information

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

BASIC FINANCIAL STATEMENTS

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
September 30, 2018

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOREST COUNTRY DEVELOPMENT CORP
ASSETS		
Cash and cash equivalents	\$ 3 007 301	\$ 126 193
Receivables (Net of Allowance for Uncollectible):		
Grants	946 684	-
Loans	1 379 000	-
Other	111 400	-
Prepaid items	35 500	-
Construction in progress	-	97 745
Building and improvements	35 814	-
Furniture and vehicles	5 002 127	-
Accumulated depreciation	(4 388 982)	-
	6 128 844	223 938
TOTAL ASSETS		
DEFERRED OUTFLOWS		
Deferred outflows	136 997	-
TOTAL DEFERRED OUTFLOWS	136 997	-
LIABILITIES		
Accounts payable	364 788	-
Accrued compensated absences	157 034	-
Loans payable	1 379 000	-
Pension liability	7 985	-
Other accrued expenses	224 633	-
	2 133 440	-
TOTAL LIABILITIES		
DEFERRED INFLOWS		
Unearned revenue	1 294 075	20 000
TOTAL DEFERRED INFLOWS	1 294 075	20 000
NET POSITION		
Net investment in capital assets	648 959	97 745
Restricted for:		
Grants	1 511 197	-
Construction	-	106 193
Unassigned	678 170	-
	2 838 326	203 938
TOTAL NET POSITION	\$ 2 838 326	\$ 203 938

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, 2018

FUNCTIONS/PROGRAMS	<u>EXPENSES</u>	<u>INDIRECT/SPACE COST ALLOCATION</u>	<u>EXPENSES AFTER ALLOCATION OF COSTS</u>
Governmental Activities:			
Administration	\$ 1 447 182	\$ (1 290 754)	\$ 156 428
Disaster recovery	185 365	57 074	242 439
Area agency on aging	2 349 913	325 122	2 675 035
Regional housing authority	10 969 570	274 128	11 243 698
Emergency communications	1 939 532	269 159	2 208 691
Homeland security	133 588	51 354	184 942
Criminal justice	109 675	33 297	142 972
Service to at-risk youth	557 305	172 342	729 647
Retired and senior volunteer program	154 905	49 162	204 067
Regional services	<u>130 591</u>	<u>59 116</u>	<u>189 707</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 17 977 626</u>	<u>\$ -</u>	<u>\$ 17 977 626</u>
Component Unit:			
Forest Country Development Corp	<u>\$ 1 087</u>	<u>\$ -</u>	<u>\$ 1 087</u>

General Revenues:
Membership dues
Sustaining dues
Miscellaneous income
Investment earnings
TOTAL GENERAL REVENUES
CHANGE IN NET POSITION
Net position - Beginning of year

NET POSITION - ENDING

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

CHARGES FOR SERVICES	PROGRAM REVENUES		NET (EXPENSE) REVENUES AND CHANGE IN NET POSITION	COMPONENT UNIT FOREST COUNTRY DEVELOPMENT CORP
	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
\$ -	\$ 111 500	\$ -	\$ (44 928)	\$ -
-	190 426	-	(52 013)	-
114 732	2 574 131	-	13 828	-
-	11 843 988	-	600 290	-
-	2 763 530	-	554 839	-
-	185 870	-	928	-
-	143 734	-	762	-
-	748 136	-	18 489	-
97 686	107 458	-	1 077	-
17 699	171 016	-	(992)	-
<u>\$ 230 117</u>	<u>\$ 18 839 789</u>	<u>\$ -</u>	<u>1 092 280</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205 000</u>	<u>-</u>	<u>203 913</u>
			73 588	-
			5 600	-
			333 030	-
			7 287	25
			419 505	25
			1 511 785	203 938
			1 326 541	-
			<u>\$ 2 838 326</u>	<u>\$ 203 938</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2018

	ADMINI- STRATION FUND	FORGIV- ABLE LOAN FUND	DISASTER ASSISTANCE FUND	AGING GRANTS FUND
ASSETS				
Cash and cash equivalents	\$ 1 030 103	\$ -	\$ (209 656)	\$ (106 681)
Receivables (Net Allowance for Uncollectible):				
Grants	68 616	-	209 656	407 049
Loans	-	1 379 000	-	-
Other	51 248	-	-	391
Due from other funds	23 871	-	-	-
Prepaid items	17 330	-	-	679
TOTAL ASSETS	1 191 168	1 379 000	-	301 438
DEFERRED OUTFLOWS				
Deferred outflows	-	-	-	-
TOTAL DEFERRED OUTFLOWS	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 1 191 168	\$ 1 379 000	\$ -	\$ 301 438
LIABILITIES				
Accounts payable	\$ 18 119	\$ -	\$ -	\$ 266 141
Loans payable	-	1 379 000	-	-
Due to other funds	-	-	-	-
Accrued compensated absences	157 034	-	-	-
Other accrued expenses	138 822	-	-	791
TOTAL LIABILITIES	313 975	1 379 000	-	266 932
DEFERRED INFLOWS				
Unavailable revenue	346 205	-	-	13 125
TOTAL DEFERRED INFLOWS	346 205	-	-	13 125
FUND BALANCES				
Fund Balance (Deficit):				
Nonspendable - Prepaid items	17 330	-	-	679
Restricted - Grant programs	-	-	-	20 702
Unrestricted	513 658	-	-	-
TOTAL FUND BALANCES	530 988	-	-	21 381
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 1 191 168	\$ 1 379 000	\$ -	\$ 301 438

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
\$ 1 566 695	\$ 795 942	\$ (49 486)	\$ (19 616)	\$ 3 007 301
13 662	795	64 918	181 988	946 684
-	-	-	-	1 379 000
28 768	-	-	30 993	111 400
-	-	-	-	23 871
16 008	-	-	1 483	35 500
<u>1 625 133</u>	<u>796 737</u>	<u>15 432</u>	<u>194 848</u>	<u>5 503 756</u>
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>1 625 133</u>	\$ <u>796 737</u>	\$ <u>15 432</u>	\$ <u>194 848</u>	\$ <u>5 503 756</u>
\$ 10 916	\$ 48 633	\$ 6 061	\$ 14 918	\$ 364 788
-	-	-	-	1 379 000
-	-	-	23 871	23 871
-	-	-	-	157 034
84 103	-	917	-	224 633
<u>95 019</u>	<u>48 633</u>	<u>6 978</u>	<u>38 789</u>	<u>2 149 326</u>
28 750	748 104	8 454	149 437	1 294 075
<u>28 750</u>	<u>748 104</u>	<u>8 454</u>	<u>149 437</u>	<u>1 294 075</u>
16 008	-	-	1 483	35 500
1 485 356	-	-	5 139	1 511 197
-	-	-	-	513 658
<u>1 501 364</u>	<u>-</u>	<u>-</u>	<u>6 622</u>	<u>2 060 355</u>
\$ <u>1 625 133</u>	\$ <u>796 737</u>	\$ <u>15 432</u>	\$ <u>194 848</u>	\$ <u>5 503 756</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, 2018

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

Total fund balances - Governmental fund balance sheet	\$ 2 060 355
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	648 959
Deferred resource outflows related to the pension are not reported in the governmental funds.	136 997
Recognition of the pension liability is not reported in the governmental funds.	<u>(7 985)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2 838 326</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, 2018

	ADMINI- STRATION FUND	FORGIV- ABLE LOAN FUND	DISASTER ASSISTANCE FUND	AGING GRANTS FUND
Revenues:				
Federal and state grants	\$ -	\$ -	\$ 183 675	\$ 2 574 133
Local grants	-	-	6 751	38 667
Program income	-	-	-	3 062
Membership dues	73 588	-	-	-
Sustaining local dues	5 600	-	-	-
Investment earnings	3 319	-	-	-
Miscellaneous income	27 823	-	-	-
Indirect cost carryforward	44 226	-	-	-
Grant matching revenues	343 145	-	-	73 008
TOTAL REVENUES	497 701	-	190 426	2 688 870
Expenditures:				
Personnel and benefits	673 244	-	108 420	590 064
Travel	29 157	-	11 684	36 918
Contract services	57 396	-	5 202	10 687
Equipment expense	37 658	-	-	-
Subcontractor expense	-	-	-	1 636 128
Other operating expense	647 320	-	8 046	70 044
Grant matching expense	103 224	-	-	22 398
TOTAL EXPENDITURES	1 547 999	-	133 352	2 366 239
CHANGE IN OPERATING EXPENSE	(1 050 298)	-	57 074	322 631
Other Financing Sources:				
Allocation to grant programs	1 290 754	-	(57 074)	(325 122)
TOTAL OTHER FINANCING SOURCES	1 290 754	-	(57 074)	(325 122)
NET CHANGE IN FUND BALANCE	240 456	-	-	(2 491)
Fund balance - Beginning	290 532	-	-	23 872
FUND BALANCE - ENDING	\$ 530 988	\$ -	\$ -	\$ 21 381

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
\$	11 845 398	\$ 2 763 530	\$ 748 136	\$ 608 076	\$ 18 722 948
	-	-	-	20 151	65 569
	1 500	-	-	-	4 562
	-	-	-	-	73 588
	-	-	-	-	5 600
	1 165	2 783	-	20	7 287
	21 209	-	-	7 122	56 154
	-	-	-	-	44 226
	-	-	-	94 734	510 887
	<u>11 869 272</u>	<u>2 766 313</u>	<u>748 136</u>	<u>730 103</u>	<u>19 490 821</u>
	485 073	523 685	472 169	370 152	3 222 807
	6 151	23 477	48 776	34 068	190 231
	3 996	4 079	534	36 876	118 770
	3 156	292 243	16 591	13 750	363 398
	73 656	1 567 797	20 313	5 500	3 303 394
	10 476 625	85 873	17 411	28 794	11 334 113
	-	-	-	41 681	167 303
	<u>11 048 657</u>	<u>2 497 154</u>	<u>575 794</u>	<u>530 821</u>	<u>18 700 016</u>
	820 615	269 159	172 342	199 282	790 805
	<u>(274 128)</u>	<u>(269 159)</u>	<u>(172 342)</u>	<u>(192 929)</u>	<u>-</u>
	<u>(274 128)</u>	<u>(269 159)</u>	<u>(172 342)</u>	<u>(192 929)</u>	<u>-</u>
	546 487	-	-	6 353	790 805
	954 877	-	-	269	1 269 550
\$	<u>1 501 364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6 622</u>	<u>\$ 2 060 355</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, 2018

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

Net change in fund balance - Total governmental funds	\$	790 805
The depreciation of capital assets used in governmental activities is not reported in the funds.		(99 009)
Purchased capital assets are an asset in the statement of activities and expenses in the funds.		683 937
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.		129 012
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>7 040</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1 511 785</u></u>

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

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

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

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

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

DETCOG reports the following major governmental funds:

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

The *grant funds* account for federal and state grants for forgivable loans, disaster assistance, aging, housing assistance, 9-1-1, and at-risk youth programs.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

1. Deposits

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

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

2. Receivables and Payables

On the governmental fund financial statements, activity between programs that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

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

Grants receivable represent amounts due from federal and state agencies for the various programs administered by DETCOG. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2018.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

6. Compensated Absences

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

7. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide statement of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement section represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. DETCOG only has pension related deferred outflows that qualify for reporting in this category for a total of \$136,997.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Revenues and Expenditures

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

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

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

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

Indirect Costs, Employee Benefits and Space Costs - Indirect costs, employee benefits and space costs are charged, as expended, to indirect, employee benefit and space cost pools. The indirect cost pool is allocated based on percentages of salaries and benefits to each grant. The employee benefit pool is allocated to grant programs as a percentage of actual direct salaries charged to each grant. The space costs 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Risk Management

DETCOG is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. DETCOG maintains commercial insurance coverage covering each of those risks of loss except for workers' compensation, liability insurance and property insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to DETCOG. Settled claims did not exceed this commercial coverage during the last three fiscal years.

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

DETCOG maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool (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 level. DETCOG's management is authorized to transfer budgeted amounts within programs, subject to grant restrictions.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

B. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

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

VIOLATION
None

Deficit Fund Balance or Fund Net Position of Individual Funds

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

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

At September 30, DETCOG's carrying amount for cash deposits was \$3,007,301 and the bank balance was \$3,365,423. 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.

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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Transfers From and To Other Funds

The general fund allocated indirect and space costs of \$1,290,754 to the grant funds during the year ended September 30.

C. Grants Receivable

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

	CLOSED GRANTS RECEIVABLE	OPEN GRANTS RECEIVABLE	TOTAL
Disaster Recovery	\$ -	\$ 209 656	\$ 209 656
Area Agency on Aging	215 713	191 336	407 049
Regional Housing Authority	-	13 662	13 662
Emergency Communications	-	795	795
Homeland Security	19 904	10 528	30 432
Criminal Justice	-	14 519	14 519
Service to At-Risk Youth	-	64 918	64 918
Retired and Senior Volunteer Program	-	56 644	56 644
Regional Services	-	80 393	80 393
Administration	-	68 616	68 616
TOTAL GRANTS RECEIVABLE	\$ 235 617	\$ 711 067	\$ 946 684

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, 2018, DETCOG has six active loans. The following is a summary of transactions for the year ended September 30, 2018.

	LOANS RECEIVABLE	LOANS PAYABLE
Balance at October 1, 2017	\$ 1 845 200	\$ 1 845 200
Loans forgiven	(466 200)	(466 200)
Balance at September 30, 2018	<u>\$ 1 379 000</u>	<u>\$ 1 379 000</u>

The loans are comprised of the following individual issues:

C&R Refrigeration	\$ 125 000
Pinto Pony	354 000
Atkinson Candy	250 000
Corrigan OSB	250 000
Fredonia Hospitality	250 000
Best Friends Community Services	150 000
TOTAL	<u>\$ 1 379 000</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Other Receivables

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

HUD fraud recovery	\$	45 326
Landlords		6 088
Dues		24 576
Local entities		57 946
Employees		110
		134 046
Less allowance for uncollectible		(22 646)
TOTAL OTHER RECEIVABLES	\$	111 400

F. Capital Assets

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

	BALANCE 09/30/2017	INCREASES	DECREASES	BALANCE 09/30/2018
Depreciable Assets:				
Building and Leasehold Improvements:				
Administration	\$ 33 769	\$ 2 045	\$ -	\$ 35 814
TOTAL BUILDING AND LEASEHOLD IMPROVEMENTS	33 769	2 045	-	35 814
Furniture, Fixtures and Equipment:				
Administration	128 642	31 162	-	159 804
Area agency on aging	7 215	-	-	7 215
Regional housing authority	64 201	2 835	(7 215)	59 821
Emergency communications	3 873 561	633 379	(1 199 203)	3 307 737
Homeland security	1 443 039	-	-	1 443 039
Services to at-risk youth	9 995	14 516	-	24 511
TOTAL FURNITURE, FIXTURES AND EQUIPMENT	5 526 653	681 892	(1 206 418)	5 002 127
TOTAL DEPRECIABLE ASSETS	5 560 422	683 937	(1 206 418)	5 037 941
Accumulated Depreciation:				
Administration	(170 856)	(5 820)	9 816	(166 860)
Area agency on aging	(7 215)	-	-	(7 215)
Regional housing authority	(15 356)	(8 419)	7 215	(16 560)
Emergency communications	(3 858 497)	(92 986)	1 199 203	(2 752 280)
Homeland security	(1 443 039)	-	-	(1 443 039)
Services to at-risk youth	(1 428)	(1 600)	-	(3 028)
TOTAL ACCUMULATED DEPRECIATION	(5 496 391)	(108 825)	1 216 234	(4 388 982)
TOTAL CAPITAL ASSETS	\$ 64 031	\$ 575 112	\$ 9 816	\$ 648 959

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 \$172,567 for office space and \$20,279 for equipment.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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, 2018, DETCOG made annual contributions of \$10 for each employee in 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	8.10% (Gross 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, 2017 actuarial valuation analysis for DETCOG. This information may also be found in the DETCOG December 31, 2017 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, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**Table 1
 Merit Salary Increases***

Years of Service	Entry Age			
	Before 30	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.

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, 2018

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 2018 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	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

(1) Target asset allocation adopted at the April 2018 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

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	\$	150 758	\$	131 880	\$	115 909
Fiduciary net position	\$	123 896	\$	123 895	\$	123 896
Net pension liability/(asset)	\$	26 862	\$	7 985	\$	(7 987)

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, 2016	\$	-	\$	-	\$	-
Changes for the Year:						
Service cost		121 170		-		121 170
Interest on total pension liability ⁽¹⁾		9 788		-		9 788
Effect of plan changes ⁽²⁾		-		-		-
Effect of economic/demographic gains or losses		808		-		808
Effect of assumptions changes or inputs		789		-		789
Refund of contributions		(675)		(675)		-
Benefit payments		-		-		-
Administrative expenses		-		(82)		82
Member contributions		-		60 551		(60 551)
Net investment income		-		1 937		(1 937)
Employer contributions		-		60 551		(60 551)
Other ⁽³⁾		-		1 613		(1 613)
Balances as of December 31, 2017	\$	<u>131 880</u>	\$	<u>123 895</u>	\$	<u>7 985</u>

(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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Pension Expense and Deferred Inflows/Outflows

As of December 31, 2017, 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	\$ -	\$ 707
Change of assumptions	-	690
Net difference between projected and actual earnings	-	2 325
Contributions made subsequent to measurement date	-	133 275
	\$ -	\$ 136 997

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

Year Ended September 30,		
2019	\$	781
2020	\$	781
2021	\$	781
2022	\$	781
2023	\$	200
Thereafter	\$	398

Membership Information

Membership Class	
Inactive employees entitled to but not yet receiving benefits	-
Active employees	57
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.

Management has evaluated subsequent events through April 25, 2019, 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.

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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, 2018 have not been completed. Based on prior experience, DETCOG management believes that DETCOG will not incur significant losses from possible grant disallowances.

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

	2017
Total Pension Liability:	
Service cost	\$ 121 170
Interest (on the total pension liability)	9 788
Effect of plan changes	-
Effect of assumption changes or inputs	789
Effect of economic/demographic (gains) or losses	808
Benefit payments/refunds of contributions	(675)
NET CHANGE IN TOTAL PENSION LIABILITY	131 880
Total pension liability - Beginning	-
TOTAL PENSION LIABILITY - ENDING	131 880
 Fiduciary Net Position:	
Contributions - Employer	60 551
Contributions - Member	60 551
Investment income net of investment expenses	1 937
Benefit payments/refunds of contributions	(675)
Administrative expenses	(82)
Other	1 613
NET CHANGE IN PLAN FIDUCIARY	
NET POSITION	123 895
Plan fiduciary net position - Beginning	-
PLAN FIDUCIARY NET POSITION - ENDING	123 895
 NET PENSION LIABILITY - ENDING	\$ 7 985
 Plan fiduciary net position as a percentage of total pension liability	93.95%
Covered employee payroll	\$ 865 019
Net pension liability as a percentage of covered employee payroll	0.92%

Additional years will be provided as they become available.

See independent auditors' report.

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

YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2017	\$ 60 205	\$ 60 551	\$ (346)	\$ 865 019	7.0%

Additional years will be provided as they become available.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS
 September 30, 2018

	EMPLOYER OF RECORD FUND	HOMELAND SECURITY GRANTS FUND	CRIMINAL JUSTICE GRANTS FUND	RSVP GRANTS FUND	REGIONAL SERVICES GRANTS FUND	TOTAL NON MAJOR FUNDS
ASSETS						
Cash and cash equivalents	\$ -	\$ (28 040)	\$ 26 261	\$ (57 403)	\$ 39 566	\$ (19 616)
Receivables (Net Allowance for Uncollectibles):						
Grants	-	30 432	14 519	56 644	80 393	181 988
Other	30 493	-	-	-	500	30 993
Prepaid items	-	-	-	1 483	-	1 483
TOTAL ASSETS	\$ <u>30 493</u>	\$ <u>2 392</u>	\$ <u>40 78</u>	\$ <u>724</u>	\$ <u>120 459</u>	\$ <u>194 848</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ 1 436	\$ 3 887	\$ 724	\$ 8 871	\$ 14 918
Due to other funds	<u>23 871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23 871</u>
TOTAL LIABILITIES	<u>23 871</u>	<u>1 436</u>	<u>3 887</u>	<u>724</u>	<u>8 871</u>	<u>38 789</u>
 Deferred Inflows:						
Unavailable revenue	<u>-</u>	<u>956</u>	<u>36 893</u>	<u>-</u>	<u>111 588</u>	<u>149 437</u>
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>956</u>	<u>36 893</u>	<u>-</u>	<u>111 588</u>	<u>149 437</u>
 Fund Balance:						
Nonspendable - Prepaid items	-	-	-	1 483	-	1 483
Restricted - Grant programs	<u>6 622</u>	<u>-</u>	<u>-</u>	<u>(1 483)</u>	<u>-</u>	<u>5 139</u>
TOTAL FUND BALANCES	<u>6 622</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6 622</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	 \$ <u>30 493</u>	 \$ <u>2 392</u>	 \$ <u>40 780</u>	 \$ <u>724</u>	 \$ <u>120 459</u>	 \$ <u>194 848</u>

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, 2018

	EMPLOYER OF RECORD FUND	HOMELAND SECURITY GRANTS FUND	CRIMINAL JUSTICE GRANTS FUND	RSVP GRANTS FUND	REGIONAL SERVICES GRANTS FUND	TOTAL NON MAJOR FUNDS
Revenues:						
Federal and state grants	\$ -	\$ 185 870	\$ 143 734	\$ 107 457	\$ 171 015	\$ 608 076
Local grants	-	-	-	13 046	7 105	20 151
Investment earnings	-	-	-	-	20	20
Miscellaneous income	6 622	-	-	-	500	7 122
Grant matching revenues	-	-	-	84 640	10 094	94 734
TOTAL REVENUES	<u>6 622</u>	<u>185 870</u>	<u>143 734</u>	<u>205 143</u>	<u>188 734</u>	<u>730 103</u>
Expenditures:						
Personnel and benefits	-	103 352	57 966	95 782	113 052	370 152
Travel	-	10 606	6 871	10 976	5 615	34 068
Contract services	-	-	24 674	4 977	7 225	36 876
Equipment expense	-	12 400	1 350	-	-	13 750
Subcontractor expense	-	5 500	-	-	-	5 500
Other operating expense	-	2 658	19 576	2 565	3 995	28 794
Grant matching expense	-	-	-	41 681	-	41 681
TOTAL EXPENDITURES	<u>-</u>	<u>134 516</u>	<u>110 437</u>	<u>155 981</u>	<u>129 887</u>	<u>530 821</u>
CHANGE IN OPERATING EXPENSE	<u>6 622</u>	<u>51 354</u>	<u>33 297</u>	<u>49 162</u>	<u>58 847</u>	<u>199 282</u>
Other Financing Sources:						
Allocation to grant programs	-	(51 354)	(33 297)	(49 162)	(59 116)	(192 929)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>(51 354)</u>	<u>(33 297)</u>	<u>(49 162)</u>	<u>(59 116)</u>	<u>(192 929)</u>
NET CHANGE IN FUND BALANCE	6 622	-	-	-	(269)	6 353
Fund balance - Beginning	-	-	-	-	269	269
FUND BALANCE - ENDING	<u>\$ 6 622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6 622</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, 2018

REAC LINE NO.		HOUSING CHOICE VOUCHERS	FAMILY SELF- SUFFICIENCY PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE GRANT - IKE	TOTAL
ASSETS						
111	Cash - Unrestricted	\$ 206 230	\$ -	\$ -	\$ -	\$ 206 230
113	Cash - Other restricted	632 192	-	131 680	520 305	1 284 177
115	Cash - Restricted for payment of current liabilities	76 288	-	-	-	76 288
122	Accounts receivable - HUD other	-	13 662	-	-	13 662
125	Accounts receivable - Miscellaneous	6 088	-	-	-	6 088
128	Fraud recovery	45 326	-	-	-	45 326
128.1	Allowance for doubtful accounts - Fraud	(22 646)	-	-	-	(22 646)
142	Prepaid items	16 008	-	-	-	16 008
144	Due from others	13 662	-	278 823	-	292 485
	TOTAL ASSETS	<u>\$ 973 148</u>	<u>\$ 13 662</u>	<u>\$ 410 503</u>	<u>\$ 520 305</u>	<u>\$ 1 917 618</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities:						
312	Accounts payable	\$ 10 916	\$ -	\$ -	\$ -	\$ 10 916
345	Other current liabilities	84 103	-	-	-	84 103
347	Due to others	278 823	13 662	-	-	292 485
300	TOTAL LIABILITIES	<u>373 842</u>	<u>13 662</u>	<u>-</u>	<u>-</u>	<u>387 504</u>
Deferred Inflows:						
400	Deferred inflows	28 750	-	-	-	28 750
Fund Balance:						
508.3	Nonspendable fund balances	16 008	-	-	-	16 008
509.3	Restricted fund balances	554 548	-	410 503	520 305	1 485 356
513	TOTAL FUND BALANCES	<u>570 556</u>	<u>-</u>	<u>410 503</u>	<u>520 305</u>	<u>1 501 364</u>
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 973 148</u>	<u>\$ 13 662</u>	<u>\$ 410 503</u>	<u>\$ 520 305</u>	<u>\$ 1 917 618</u>

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - FINANCIAL DATA SCHEDULE - REAC
 REGIONAL HOUSING AUTHORITY
 September 30, 2018

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	\$ 11 777 501	\$ 67 897	\$ -	\$ -	\$ 11 845 398
71100	Investment income - Unrestricted	1 165	-	-	-	1 165
71400	Fraud recovery	10 078	-	-	-	10 078
71500	Other revenue	12 631	-	-	-	12 631
70000	TOTAL REVENUES	<u>11 801 375</u>	<u>67 897</u>	<u>-</u>	<u>-</u>	<u>11 869 272</u>
Expenditures:						
91100	Administrative salaries	309 294	-	-	-	309 294
91500	Employee benefit contributions - Administrative	107 882	-	-	-	107 882
91600	Office expenses	131 800	-	-	-	131 800
91800	Travel	7 037	-	-	-	7 037
91810	Allocated overhead	177 052	-	-	-	177 052
91900	Other - Administrative	1 415	-	-	-	1 415
92100	Tenant services salaries	-	50 339	-	-	50 339
92300	Employee benefit contributions - Tenant services	-	17 558	-	-	17 558
96140	Other insurance	528	-	-	-	528
96200	Other general expenses	162 445	-	-	-	162 445
97300	Housing assistance payments	10 289 676	-	-	-	10 289 676
97350	HAP portability - In	67 759	-	-	-	67 759
90000	TOTAL EXPENDITURES	<u>11 254 888</u>	<u>67 897</u>	<u>-</u>	<u>-</u>	<u>11 322 785</u>
NET CHANGE IN FUND BALANCE						
		546 487	-	-	-	546 487
11030	Fund balance - Beginning	<u>24 069</u>	<u>-</u>	<u>410 503</u>	<u>520 305</u>	<u>954 877</u>
	FUND BALANCE - ENDING	<u>\$ 570 556</u>	<u>\$ -</u>	<u>\$ 410 503</u>	<u>\$ 520 305</u>	<u>\$ 1 501 364</u>

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 GRANTOR AGENCIES/GRANT PROGRAMS
 ABBREVIATION KEY
 September 30, 2018

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

See independent auditors' report.

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
INTERNAL SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
For the Year Ended September 30, 2018
(UNAUDITED)

	GENERAL ADMINISTRATION	DISASTER RECOVERY	AREA AGENCY ON AGING	REGIONAL HOUSING AUTHORITY
Revenues:				
Local revenue	\$ 422 555	\$ 4	\$ 93 959	\$ 74 921
Grant revenues	-	204 729	2 597 403	11 845 006
TOTAL REVENUE	422 555	204 733	2 691 362	11 919 927
Expenditures:				
Personnel	646 124	116 848	590 065	485 073
Indirect costs	(797 680)	42 649	215 374	177 052
Staff travel	28 926	11 955	37 229	7 037
Contract services	22 490	-	3 750	35 875
Space costs	(361 039)	18 857	109 748	97 076
Equipment costs	1 867	-	6 670	2 835
Participant and subcontractor costs	26 159	-	1 672 056	10 455 025
Other costs and match	657 403	14 424	56 470	61 402
TOTAL EXPENDITURES	224 250	204 733	2 691 362	11 321 375
NET CARRYFORWARD (LOSS)	\$ 198 305	\$ -	\$ -	\$ 598 552
TOTAL DIRECT EXPENDITURES	\$ 1 382 969	\$ 143 227	\$ 2 366 240	\$ 11 047 247

See independent auditors' report.

EMERGENCY COMMUNICATIONS	HOMELAND SECURITY	CRIMINAL JUSTICE	SERVICES TO AT-RISK YOUTH	RETIRED AND SENIOR VOLUNTEER PROGRAM	REGIONAL SERVICES	TOTAL
\$ 2 783	\$ -	\$ -	\$ -	\$ 97 687	\$ 17 988	\$ 709 897
<u>2 763 530</u>	<u>185 870</u>	<u>143 734</u>	<u>748 137</u>	<u>107 458</u>	<u>171 016</u>	<u>18 766 883</u>
<u>2 766 313</u>	<u>185 870</u>	<u>143 734</u>	<u>748 137</u>	<u>205 145</u>	<u>189 004</u>	<u>19 476 780</u>
523 685	103 352	57 967	472 169	95 782	113 053	3 204 118
191 145	37 723	21 648	172 342	34 960	41 264	136 477
23 477	10 606	3 406	48 776	11 119	5 722	188 253
8 997	-	-	268	26	-	71 406
70 822	13 631	11 659	-	14 202	17 524	(7 520)
277 546	12 400	1 350	14 516	-	-	317 184
1 640 520	5 500	46 408	-	-	7 000	13 852 668
30 121	2 658	1 296	40 066	49 056	4 441	917 337
<u>2 766 313</u>	<u>185 870</u>	<u>143 734</u>	<u>748 137</u>	<u>205 145</u>	<u>189 004</u>	<u>18 679 923</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 796 857
<u>\$ 2 504 346</u>	<u>\$ 134 516</u>	<u>\$ 110 427</u>	<u>\$ 575 795</u>	<u>\$ 155 983</u>	<u>\$ 130 216</u>	<u>\$ 18 550 966</u>

DEEP EAST TEXAS COUNCIL OF GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICT
 SCHEDULE OF INSURANCE COVERAGE
 (UNAUDITED)
 September 30, 2018

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	General Liability	10/01/17 to 10/01/18	\$1,000,000 Deductible \$0
Texas Municipal League	Errors and Omissions	10/01/17 to 10/01/18	\$1,000,000 Deductible \$1,000
Texas Municipal League	Auto Liability	10/01/17 to 10/01/18	\$500,000
Texas Municipal League	Auto Physical Damage	10/01/17 to 10/01/18	Actual cash value Deductible \$250
Texas Municipal League	Real and Personal Property	10/01/17 to 10/01/18	\$6,190,845 Deductible \$250
The Fidelity and Deposit Company	Commercial Crime Policy Employee Theft	09/01/17 to 08/31/18 09/01/18 to 08/31/19	\$500,000 Deductible \$5,000
Deep East Texas Self Insurance Fund	Workers' Compensation	07/01/17 to 06/30/18 07/01/18 to 06/30/19	Statutory

See independent auditors' report.

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2018, and the related notes to the financial statements, which collectively comprise DETCOG's basic financial statements, and have issued our report thereon dated June 24, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Deep East Texas Council of Governments and Economic Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DETCOG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DETCOG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
June 24, 2019

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

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

Report on Compliance for Each Major Federal and State Program

We have audited Deep East Texas Council of Governments and Economic Development District's (DETCOG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of DETCOG's major federal and state programs for the year ended September 30, 2018. DETCOG's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, Deep East Texas Council of Governments and Economic Development District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2018.

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 24, 2019


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, 2018

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	\$ 7 613
903-17	Economic Development- Support for Planning Organizations	11.302	08-83-05029	25 000
903-18	Economic Development - Support for Planning Organizations	11.302	EDA18AUS3020002	36 859
904-19	Economic Adjustment Assistance	11.307	08-79-05236	9 951
	TOTAL			79 423
<u>U.S. Department of Housing and Urban Development</u>				
Direct:				
405	Section 8 Housing Choice Vouchers - HAP	14.871	TX512VO	10 850 793
406	Section 8 Housing Choice Vouchers - Administration	14.871	TX512AF	926 315
408-17	Section 8 Housing Choice Vouchers - FSS	14.896	TX512FSH617A016	46 130
408-18	Section 8 Housing Choice Vouchers - FSS	14.896	FSS17TX0103	21 768
				11 845 006
Passed through Texas Department of Agriculture:				
905-18	Community Development Block Grant	14.228	C717205	11 288
905-19	Community Development Block Grant	14.228	C717205	583
				11 871
Passed through General Land Office:				
135-13	CDBG Economic Development	14.228	13-199-000-7349	21 054
140-18	FEMA Direct Housing	97.048	HSFE06-17-0-0002/ 18-210-003 A-1	169 046
200-18	Hurricane Harvey - Round 1 (Method of Distribution)	14.228	18-497-006-B235	14 629
				204 729
<u>U.S. Department of Health and Human Services</u>				
Passed through Texas Department on Aging and Disability Services:				
360-18	Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	539-16-0011-00001	5 695
360-18	Special Programs for the Aging - Title VII: Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	539-16-0011-00001	31 316
360-18	Special Programs for the Aging - Title III: Part D - Disease Prevention and Health Promotion Services	93.043	539-16-0011-00001	32 769
360-18, 350-18, 380-18	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	539-16-0011-00001	573 883
350-18, 370-18	Part C - Nutrition Services	93.045	539-16-0011-00001	971 783
350-18, 390-18	National Family Caregiver Support, Title III, Part E	93.052	539-16-0011-00001	236 085
370-18	Nutrition Services Incentive Program	93.053	539-16-0011-00001	184 110
Special Programs for the Aging - Title VII:				
360-18	Medicare Enrollment Assistance Program	93.071	539-16-0011-00001	13 504
360-18	State Health Insurance Assistance Program	93.324	539-16-0011-00001	74 905
				2 124 050
Passed through South East Texas Planning Commission:				
319-18	Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	39 109
319-19	Money Follows the Person Rebalancing Demonstration	93.791	539-14-0475-00005	6 180
319-18	Medicare Enrollment Assistance Program	93.071	539-14-0475-00005	9 546
				54 835
Corporation for National and Community Service Direct:				
801-17	Retired Senior Volunteer Program	94.002	14SRWTX011	14 551
801-18	Retired Senior Volunteer Program	94.002	14SRWTX011	53 236
Passed through Texas Department on Aging:				
802-18	Retired Senior Volunteer Program	94.002	15SRWTX011	36 262
802-19	Retired Senior Volunteer Program	94.002	17SRWTX035	3 409
				107 458
<u>U.S. Department of Homeland Security</u>				
Passed through Texas Office of the Governor, Homeland Security Division:				
594-17	Planning Project	97.067	HS-2958502	768
597-17	Highway Information System	97.067	HS-3040801	17 900
594-18	Planning Project	97.067	HS-2958503	142 929
				161 597

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, 2018

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES
	<u>U.S. Department of Transportation</u> <u>State Planning and Research</u>			
913-18	Passed through Texas Department of Transportation: Short Range Transit Planning	20.505	51R08012018	13 556
				<u>13 556</u>
	TOTAL FEDERAL AWARDS			<u>14 602 525</u>
	STATE AWARDS			
	<u>Texas Commission on Environmental Quality</u>			
906-18	Regional Solid Waste Grants Program	N/A	582-18-80535	48 615
906-19	Regional Solid Waste Grants Program	N/A	582-18-80535	5 161
				<u>53 776</u>
	<u>Texas Department on Aging</u>			
Various	State General Revenue	N/A	539-16-0011-00001	135 193
				<u>135 193</u>
	<u>Passed through South East Texas Planning Commission</u>			
319-18	State General Revenue	N/A	539-14-0475-00005	68 577
319-19	State General Revenue	N/A	539-14-0475-00005	7 556
				<u>76 133</u>
	<u>Texas Health and Human Services Commission</u>			
319-18	Promoting Independence	N/A	539-14-0475-00005	9 408
319-19	Promoting Independence	N/A	539-14-0475-00005	608
325-18-304	Texas I & R Network (Child Care Information & Referral)	N/A	HHSC 529-16-0006-00005	10 886
325-18-334	211 Texas Information & Referral Services	N/A	HHSC 529-16-0006-00005	173 315
325-19-304	Texas I & R Network (Child Care Information & Referral)	N/A	HHSC 529-16-0006-00005	1 173
325-19-334	211 Texas Information & Referral Services	N/A	HHSC 529-16-0006-00005	11 801
				<u>207 191</u>
	<u>Texas Department of Family and Protective Services</u>			
705-18	Services to At-Risk Youth - Children's Trust Fund	N/A	24555373	683 218
705-19	Services to At-Risk Youth - State General Revenue	N/A	24555373	64 918
				<u>748 136</u>
	<u>Texas Office of the Governor - Criminal Justice Division</u>			
601-18	Regional Criminal Justice Coordination	N/A	30071042	39 033
601-19	Regional Criminal Justice Coordination	N/A	30090201	3 654
608-18	Regional Law Enforcement Training	N/A	SF-14289-15	76 058
609-18	Purchase of Juvenile Justice Alternatives	N/A	SF-3336601	24 990
				<u>143 735</u>
	<u>Texas Office of the Governor - Homeland Security</u> <u>Grants Division</u>			
594-18	Homeland Security COG Contract	N/A	30080204	20 482
594-19	Homeland Security COG Contract	N/A	30090226	3 791
				<u>24 273</u>
	<u>Texas Commission on State Emergency Communications</u>			
501-17	9-1-1 Emergency Services	N/A	DETCOG	941 819
501-18	9-1-1 Emergency Services	N/A	DETCOG	1 688 052
501-19	9-1-1 Emergency Services	N/A	DETCOG	133 658
				<u>2 763 529</u>
	<u>Texas Community Development Block Grant Program</u>			
911-18	Hurricane Harvey Technical Assistance Grant	N/A	DR-005A1	12 390
				<u>12 390</u>
	TOTAL STATE AWARDS			<u>4 164 356</u>
	TOTAL FEDERAL AND STATE AWARDS			<u>\$ 18 766 881</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, 2018

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, 2018

A. Summary of the Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal and State Awards:

Type of auditor's report on compliance issued: Unmodified

Internal control over major programs:

Material weakness(es) identified: Yes No

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

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

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

Auditee qualified as low risk auditee? Yes No

Identification of Major Programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL OR STATE PROGRAM</u>
Federal:	
14.871/14.896	Housing Vouchers Cluster
93.041/93.042	Aging Cluster
93.043/93.044	
93.045/93.052	
93.053/93.071	
93.324	
State:	
N/A	Services to At-Risk Youth
	Aging Cluster
	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, 2018

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