

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND
ECONOMIC DEVELOPMENT DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

INTRODUCTORY SECTION

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AND ECONOMIC DEVELOPMENT DISTRICT
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AND ECONOMIC DEVELOPMENT DISTRICT
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**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2015**

Executive Committee

President

Honorable Wes Suiter, Angelina County Judge

First Vice President

Honorable Roy Boldon, Nacogdoches City Councilman

Second Vice President

Honorable Martin Nash, Tyler County Commissioner

Third Vice President

Honorable Tommy Overstreet, Polk County Commissioner

Secretary

Honorable Daphne Session, Houston County Attorney, Houston County Minority Rep.

Treasurer

Honorable Leroy Hughes, Mayor of San Augustine

Immediate Past President

Honorable Mark Allen, Jasper County Judge

Administrative Staff

Executive Director	Mr. Walter G. Diggles
Director of Administration	Ms. Cynthia Trowbridge
Controller	Ms. CaTina Boykin
Director of Area Agency on Aging	Ms. Holly Anderson
Director of Criminal Justice	Ms. Danielle Sells
Director of Regional Housing Authority	Ms. Ethel Bluit
Director of Regional Services	Mr. Rusty Phillips
Director of Retired and Senior Volunteer Program	Ms. Pam Dunn
Director of Emergency Communications	Mr. Van Bush
Director of Homeland Security	Mr. John McDowell
Director of Service to At Risk Youth	Mr. Jeff Reed
Director of Disaster Recovery	Mr. David Alvis
Director of Quality Assurance	Mr. Vander Phelps

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
FINANCE DEPARTMENT
SEPTEMBER 30, 2015**

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 DETCOG. The 2015 Finance Staff consists of:

Controller	Ms. CaTina Boykin
Senior Accountant	Ms. Renekil Hamilton
Disaster Recovery Accountant	Mr. Jason Riley
Section 8 Accountant	Ms. Julie Alexander
Data Entry Operator/Finance Assistant	Ms. Melissa Furay

FINANCIAL SECTION

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Ted A. Lankford, CPA
Glenda J. Hiers, CPA
Richard A. Rudel, CPA

Wilbur E. Alexander, CPA
(1940 - 2009)

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Jennifer L. Webster, CPA
Kimber R. Jones, CPA
Susan L. Murrell, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Deep East Texas Council of Governments and Economic Development District (DETCOG) as of and for the year ended September 30, 2015, 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements - Continued

Auditor's Responsibility - Continued

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Deep East Texas Council of Governments and Economic Development District as of September 30, 2015, the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Uncertainties Regarding FBI's Investigation and Executive Director's Indictment

As discussed in Notes L and M to the financial statements, in February 2014, the Federal Bureau of Investigation (FBI) conducted a search of DETCOG's premises in Jasper, Texas and seizure of certain documentary evidence. In December 2015, DETCOG's Executive Director was indicted. The possible outcome of these matter cannot be presently determined. Accordingly, no provision for any liability that may result from these matters has been made in the financial statements. Our opinion is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements - Continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 21 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, other financial information and the schedule of expenditures of federal and state awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other financial information on pages 51-63 and the schedule of expenditures of federal and state awards 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 other financial information on pages 51-63 and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Report on the Financial Statements - Continued

Other Matters - Continued

Other Information - Continued

The introductory section and the schedule of insurance coverage on page 64 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2016, 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Deep East Texas Council of Governments and Economic Development District's internal control over financial reporting and compliance.

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
April 22, 2016

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, 2015. 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 outflows of resources of DETCOG exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$579,844 (net position). Unrestricted net position may be used to meet DETCOG's ongoing obligations to citizens and creditors in accordance with DETCOG's fund designation and fiscal policies. The balance in unrestricted net position was a deficit of \$149,965.
- DETCOG's total net position (government-wide) decreased by \$903,437. This is due primarily to the decrease in the restricted net position for the Regional Housing Authority program of \$897,440. DETCOG's investment in capital assets decreased by \$7,632 during the year. Also, DETCOG's unrestricted net position increased by \$1,635 during the year.
- As of the close of the current fiscal year, DETCOG's governmental fund reported combined ending fund balances of \$519,541, a decrease of \$875,229 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit of \$205,708, or -1 percent of total General Fund expenditures.

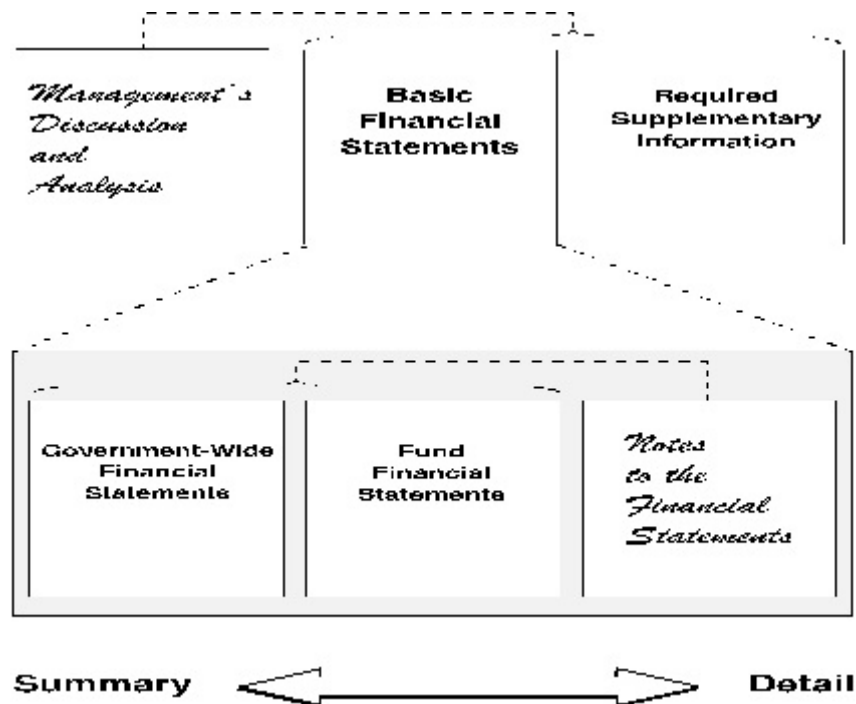
OVERVIEW OF THE FINANCIAL STATEMENTS

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:

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-1



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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Figure A-2

Major Features of DETCOG’s Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements	
	Government-Wide	Governmental Funds
Scope	Entire government (except fiduciary funds)	The activities of DETCOG that are not proprietary or fiduciary
Required Financial Statements	Statement of Net Position	Balance sheet
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/deferred outflows of resources and liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term	Only assets and deferred outflows of resources expected to be used up and only liabilities and deferred inflows of resources that come due during the year or soon thereafter; <u>no capital assets included</u>
Type of inflow/outflow information	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

Government-Wide Financial Statements

The *government-wide financial 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Government-Wide Financial Statements - Continued

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

The government-wide financial statements can be found on pages 23 - 25 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

DETCOG maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund.

DETCOG adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. DETCOG has elected to report the budgetary comparison information as part of the basic financial statements, rather than as required supplementary information.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Governmental Funds - Continued

The fund financial statements can be found on pages 26 - 30 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 31 - 48 of this report.

Other Financial Information

In addition to the basic financial statements and accompanying notes, this report also presents other financial information. Other financial information can be found on pages 51 - 64 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of DETCOG, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$579,844 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2015	2014	2015	2014
Current and other assets	\$ 4,554,829	\$ 4,770,276	\$ 4,554,829	\$ 4,770,276
Capital assets	28,203	35,835	28,203	35,835
Total assets	4,583,032	4,806,111	4,583,032	4,806,111
Long-term liabilities				
Other liabilities	4,003,188	3,322,830	4,003,188	3,322,830
Total liabilities	4,003,188	3,322,830	4,003,188	3,322,830
Net position:				
Investment in capital assets	28,203	35,835	28,203	35,835
Restricted	701,606	1,599,046	701,606	1,599,046
Unrestricted	(149,965)	(151,600)	(149,965)	(151,600)
Total net position	\$ 579,844	\$ 1,483,281	\$ 579,844	\$ 1,483,281

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

- A portion of DETCOG's net position (5 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. DETCOG uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.
- The largest portion of DETCOG's net position (121 percent) represents resources that are subject to external restrictions on how they can be used.
- Additionally, a portion of DETCOG's net position (-26 percent) represents unrestricted financial resources available for future operations.
- At the end of the current fiscal year, DETCOG is able to report a positive balance in two of the 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, 2015. Governmental activities decreased DETCOG's net position by 903,437, accounting for all of the decrease in net position.

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2015	2014	2015	2014
Revenues:				
Program Revenues:				
Charges for services	\$ 2,026,390	\$ 1,568,523	\$ 2,026,390	\$ 1,568,523
Operating grants and contributions	26,758,684	20,723,148	26,758,684	20,723,148
General Revenues:				
Membership dues	53,869	54,440	53,869	54,440
Sustaining dues	7,975	8,275	7,975	8,275
Miscellaneous income	34,597	10,475	34,597	10,475
Unrestricted investment earnings	2,813	2,902	2,813	2,902
Total revenues	<u>28,884,328</u>	<u>22,367,763</u>	<u>28,884,328</u>	<u>22,367,763</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2015	2014	2015	2014
Expenses:				
Administration	85,429	68,059	85,429	68,059
Disaster Recovery	10,435,756	3,582,253	10,435,756	3,582,253
Area Agency on Aging	4,858,816	3,826,117	4,858,816	3,826,117
Regional Housing Authority	9,868,658	10,054,939	9,868,658	10,054,939
Emergency Communications	2,337,370	2,195,960	2,337,370	2,195,960
Homeland Security	123,229	207,067	123,229	207,067
Criminal Justice	132,385	177,397	132,385	177,397
Social Services Program		27,708		27,708
Service to At Risk Youth	556,221	466,385	556,221	466,385
Retired and Senior Volunteer Program	221,593	159,044	221,593	159,044
Regional Services	268,265	121,013	268,265	121,013
Indirect Costs	900,043	916,156	900,043	916,156
Total expenses	<u>29,787,765</u>	<u>21,802,098</u>	<u>29,787,765</u>	<u>21,802,098</u>
Change in net position	(903,437)	565,665	(903,437)	565,665
Net position - beginning	<u>1,483,281</u>	<u>917,616</u>	<u>1,483,281</u>	<u>917,616</u>
Net position - ending	<u>\$ 579,844</u>	<u>\$ 1,483,281</u>	<u>\$ 579,844</u>	<u>\$ 1,483,281</u>

FINANCIAL ANALYSIS OF DETCOG'S FUNDS

Governmental Funds

The focus of DETCOG's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing DETCOG's financing requirements. In particular, *unassigned fund balances* 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 sheet on page 26, reported *combined* ending fund balances of \$519,541, which is a decrease of \$875,229 from last year's total of \$1,394,770. One hundred and twenty six percent or \$656,450 of this total is restricted due to external limitations on its use. The uses are for federal and state grants. Thirteen percent of the total or \$68,799 is considered nonspendable because it is not in spendable form. The remaining negative thirty nine percent or \$(205,708) is unassigned.

The General Fund is the operating fund of DETCOG. At the end of the current fiscal year, unassigned fund balance of the General Fund was a deficit of \$205,708, while total fund balance was \$519,541. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents -1 percent of total General Fund expenditures. Refer to page 26 of this report for a more detailed presentation of governmental fund balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

BUDGETARY HIGHLIGHTS

DETCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. DETCOG's financial plan is controlled at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, within restrictions imposed by grantor agencies. The Board approves the financial plan for revenues and expenditures in all funds. The financial plan for grants is made on a project (grant) basis, spanning more than one year. Appropriations for all projects lapse at the end of a contract period which may not coincide with the fiscal year end of DETCOG.

The budget was amended 1 time. Differences between the original budget and the final amended budget were significant (\$3,753,662 increase in projected revenues and \$3,753,662 increase in projected expenditures) and can be briefly summarized as follows:

- Increase of \$2,155,687 in federal and state grants revenue was due to the following changes:
 - Decrease of \$1,388,989 in Disaster Recovery related primarily to the projected decrease in Disaster Recovery CDBG Round 2.2 funding for the current year.
 - Increase of \$517,379 in Area Agency on Aging was due to additional federal and state funding for the Aging programs.
 - Increase of \$415,834 in Regional Housing Authority was due to an increase in anticipated revenue.
 - Increase of \$2,536,200 in 9-1-1 Emergency Communications program was primarily due to an increase in estimated FY 2014 carryover funds and FY 2015 funds to replace PSAP equipment region wide.
 - Decrease of \$27,173 in Homeland Security was primarily due to receiving less grant awards than originally anticipated.
 - Decrease of \$6,872 in Criminal Justice was due primarily to a decrease in law enforcement training revenue.
 - Increase of \$34,293 in Retired and Senior Volunteer Program was due to an increase in program funding over original estimates.
 - Increase of \$75,015 in Regional Services was due to an increase in TCEQ revenue from FY 2014 carryover funds.
- Increase of \$375,060 in local grants revenue was primarily due to the CTI Aging grant.
- Decrease of \$274,034 in DETCOG cash matching revenue was primarily due to an increase in Area Agency on Aging of \$12,782, a decrease in Regional Housing Authority of \$247,499, a decrease in Criminal Justice of \$46,708, a decrease in Retired and Senior Volunteer Program of \$18,578 and an increase in Regional Services of \$25,919.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

BUDGETARY HIGHLIGHTS - CONTINUED

- Increase of \$1,180,416 in subcontractor in-kind contributions was primarily due to additional in-kind revenue for Aging subcontractors of \$1,121,416 and Retired and Senior Volunteer Program of \$59,000.
- Increase of \$1,235,364 in equipment costs was primarily due to an increase of \$1,229,144 in 9-1-1 Emergency Communications.
- Increase of \$1,346,849 in participant and subcontractor costs was primarily due to a decrease of \$1,291,104 for Disaster Recovery, increase of \$764,080 for Area Agency on Aging, increase of \$458,580 for Regional Housing Authority, increase of \$1,260,191 for 9-1-1 Emergency Communications, increase of \$79,605 for Regional Services and increase of \$74,608 for Administration.
- Increase in other costs of \$1,357,351 was primarily due to an additional \$80,000 in local non-cash match, \$1,180,416 of in-kind expenditures for Aging subcontractors and Retired and Senior Volunteer Program, \$52,202 for other direct operations expenditures and \$65,090 for communications.

Differences between the actual results and the final amended budget were significant (\$1,623,197 decrease in actual revenues and \$747,968 decrease in actual expenditures) and can be briefly summarized as follows:

- Decrease of \$1,853,938 in federal and state grants revenue was primarily due to an increase in Disaster Recovery revenue of \$1,022,520, decrease in Area Agency on Aging revenue of \$88,194, decrease in Regional Housing Authority revenue of \$743,288, decrease in 9-1-1 Emergency Communications revenue of \$1,988,218, decrease in Criminal Justice revenue of \$13,945, decrease in Retired and Senior Volunteer Program revenue of \$19,544 and decrease in Regional Services revenue of \$15,790.
- Increase in subcontractor in-kind contributions of \$282,838 was primarily due to an increase of \$287,937 in Aging subcontractors in-kind contributions.
- Decrease of \$1,308,168 in equipment costs was primarily due to 9-1-1 Emergency Communications decrease of \$1,305,788.
- Increase in participant and subcontractor costs of \$306,722 was primarily due to Disaster Recovery increase of \$1,041,101, Area Agency on Aging decrease of \$108,578, Regional Housing Authority increase of \$107,883, 9-1-1 Emergency Communications decrease of \$657,890, and Administration decrease of \$68,258.

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

DETCOG’s investment in capital assets for its governmental activities as of September 30, 2015, amounts to \$28,203 (net of accumulated depreciation). This investment in capital assets includes land, buildings and leasehold, and furniture, fixtures and equipment.

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2015	2014	2015	2014
Land	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Buildings and leasehold	253,718	253,718	253,718	253,718
Furniture, fixtures and equipment	217,202	217,202	217,202	217,202
Less: accumulated depreciation	<u>(456,717)</u>	<u>(449,085)</u>	<u>(456,717)</u>	<u>(449,085)</u>
Total	<u>\$ 28,203</u>	<u>\$ 35,835</u>	<u>\$ 28,203</u>	<u>\$ 35,835</u>

Additional information regarding DETCOG’s capital assets can be found in the Capital Assets Note on page 43 of this report.

Long-term Debt

At September 30, 2015, DETCOG did not have any long-term debt outstanding.

ECONOMIC FACTORS

The mission of the Deep East Texas Council of Governments & Economic Development District is to combine the resources of local governments to provide opportunities for citizens to improve their quality of life. Jobs and the region’s economy play a large part in that effort. The unemployment rate in the region inched up during 2015. The downturn in oil and gas prices was the central factor that affected our regional economy. Gas exploration in our northeastern counties greatly diminished and there were layoffs in that sector’s support industries. However, consumer confidence in the 12 county region seems to have been largely unaffected. Texas Comptroller of Public Accounts, Glenn Hegar, reported there was a \$174,901,163 increase in retail sales in the 12 county region from 2014 to 2015.

Disaster recovery programs resulting from Hurricane Ike have added significantly to DETCOG’s budget the past few years. Those home building and job creating efforts that were about 25% of our annual budget are now coming to an end. Local governments will also be closing out their disaster recovery infrastructure projects. The closing out of these programs will be felt in the DETCOG region in the decrease of jobs, professional services and materials sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

ECONOMIC FACTORS - CONTINUED

Overall, we continue to be optimistic about about the DETCOG region's future. Our region has a lot to offer. We have water resources that the central Texas urban areas covet. The price of most land "Deep in the Pineywoods of East Texas" is significantly less expensive than other parts of our nation. We also have a strategic location in the central time zone along the logistics routes to and from the ports of Houston and Beaumont/Orange. High speed internet connections are now available in most of the region. DETCOG will continue to assist its local government's efforts to increase jobs and strengthen their local economies.

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 information provided in this report or requests for additional financial information should be addressed to the Assistant Executive Director, Deep East Texas Council of Governments and Economic Development District, 210 Premier Drive, Jasper, Texas 75951.

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**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	GOVERNMENTAL ACTIVITIES	TOTAL
Assets		
Cash and cash equivalents	\$ 2,256,995	\$ 2,256,995
Receivables (net of allowance for uncollectible):		
Grants	2,041,173	2,041,173
Other	187,862	187,862
Prepaid items	68,799	68,799
Capital assets (net of accumulated depreciation)	28,203	28,203
Total assets	4,583,032	4,583,032
Liabilities		
Accounts payable	2,428,297	2,428,297
Accrued compensated absences	213,630	213,630
Other accrued expenses	172,899	172,899
Unearned revenue	1,188,362	1,188,362
Total liabilities	4,003,188	4,003,188
Net Position		
Investment in capital assets	28,203	28,203
Restricted for:		
Grant programs	701,606	701,606
Unrestricted	(149,965)	(149,965)
Total net position	\$ 579,844	\$ 579,844

The accompanying notes are an integral part of this financial statement.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FUNCTIONS/PROGRAMS	EXPENSES		EXPENSES AFTER ALLOCATION OF INDIRECT COSTS
	EXPENSES	INDIRECT COST ALLOCATION	
Governmental Activities:			
Administration	\$ 85,429	\$ 19,987	\$ 105,416
Disaster Recovery	10,435,756	164,459	10,600,215
Area Agency on Aging	4,858,816	185,278	5,044,094
Regional Housing Authority	9,868,658	154,081	10,022,739
Emergency Communications	2,337,370	132,726	2,470,096
Homeland Security	123,229	25,119	148,348
Criminal Justice	132,385	15,084	147,469
Service to At Risk Youth	556,221	123,761	679,982
Retired and Senior Volunteer Program	221,593	30,534	252,127
Regional Services	268,265	33,030	301,295
Indirect Costs	900,043	(884,059)	15,984
Total governmental activities	29,787,765		29,787,765
Total	\$ 29,787,765		\$ 29,787,765

PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
\$ 94,969			\$ (10,447)	\$ (10,447)
200	\$ 10,600,015			
1,776,714	3,228,691		(38,689)	(38,689)
51,484	9,073,815		(897,440)	(897,440)
113	2,469,983			
	148,348			
	145,604		(1,865)	(1,865)
8	679,974			
102,902	128,643		(20,582)	(20,582)
	267,627		(33,668)	(33,668)
	15,984			
2,026,390	26,758,684		(1,002,691)	(1,002,691)
<u>\$2,026,390</u>	<u>\$ 26,758,684</u>		<u>(1,002,691)</u>	<u>(1,002,691)</u>

General Revenues:

Membership dues	53,869	53,869
Sustaining dues	7,975	7,975
Miscellaneous income	34,597	34,597
Unrestricted investment earnings	2,813	2,813
Total general revenues	<u>99,254</u>	<u>99,254</u>
Change in net position	(903,437)	(903,437)
Net position - beginning	<u>1,483,281</u>	<u>1,483,281</u>
Net position - ending	<u>\$ 579,844</u>	<u>\$ 579,844</u>

The accompanying notes are an integral part of this financial statement.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2015**

	GENERAL	TOTALS GOVERNMENTAL FUND
Assets		
Cash and cash equivalents	\$ 736,834	\$ 736,834
Receivables (net of allowance for uncollectible):		
Grants	1,645,539	1,645,539
Other	150,674	150,674
Due from other funds	25,421	25,421
Prepaid items	50,086	50,086
Restricted assets:		
Cash and cash equivalents	1,520,161	1,520,161
Grants receivable - net	395,634	395,634
Other receivables - net	37,188	37,188
Prepaid items	18,713	18,713
	<u>\$ 4,580,250</u>	<u>\$ 4,580,250</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 1,924,712	\$ 1,924,712
Accrued compensated absences	213,630	213,630
Other accrued expenses	13,074	13,074
Liabilities payable from restricted assets:		
Accounts payable	503,585	503,585
Other accrued expenses	159,825	159,825
Due to other funds	25,421	25,421
Unearned revenue	581,259	581,259
Unearned revenue	607,103	607,103
	<u>4,028,609</u>	<u>4,028,609</u>
Deferred Inflows of Resources		
Unavailable revenue	32,100	32,100
	<u>32,100</u>	<u>32,100</u>
Fund Balance		
Fund balance (deficit):		
Nonspendable - prepaid items	68,799	68,799
Restricted - grant programs	656,450	656,450
Unassigned	(205,708)	(205,708)
	<u>519,541</u>	<u>519,541</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,580,250</u>	<u>\$ 4,580,250</u>

The accompanying notes are an integral part of this financial statement.

**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, 2015**

Amounts reported for governmental activities in the statement of net position (page 23) are different because:

Total fund balance - governmental fund balance sheet (page 26)	\$ 519,541
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,203
Certain unearned revenues are not available to pay current period expenditures and therefore are not recognized in the governmental funds.	<u>32,100</u>
Net position of governmental activities (page 23)	<u><u>\$ 579,844</u></u>

The accompanying notes are an integral part of this financial statement.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	GENERAL	TOTALS GOVERNMENTAL FUND
Revenues		
Federal and state grants	\$ 26,008,206	\$ 26,008,206
Local grants	734,494	734,494
Membership dues	53,869	53,869
Sustaining local dues	7,975	7,975
Investment earnings	3,540	3,540
Miscellaneous income	104,798	104,798
Indirect cost pool	15,984	15,984
Grant matching funds:		
DETCOG cash matching	94,804	94,804
Local non-cash matching	310,818	310,818
Subcontractor cash contributions	117,966	117,966
Subcontractor in-kind contributions	1,547,254	1,547,254
Total revenues	28,999,708	28,999,708
Expenditures		
Administration	208,572	208,572
Disaster Recovery	10,600,215	10,600,215
Area Agency on Aging	5,044,094	5,044,094
Regional Housing Authority	10,022,739	10,022,739
Emergency Communications	2,470,096	2,470,096
Homeland Security	148,348	148,348
Criminal Justice	147,469	147,469
Service to At Risk Youth	679,982	679,982
Retired and Senior Volunteer Program	252,127	252,127
Regional Services	301,295	301,295
Total expenditures	29,874,937	29,874,937
Net change in fund balance	(875,229)	(875,229)
Fund balance - beginning	1,394,770	1,394,770
Fund balance - ending	<u>\$ 519,541</u>	<u>\$ 519,541</u>

The accompanying notes are an integral part of this financial statement.

**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, 2015**

Amounts reported for governmental activities in the statement of activities (pages 24 - 25) are different because:

Net change in fund balance - total governmental fund (page 28)	\$ (875,229)
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,632)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(20,576)</u>
Change in net position of governmental activities (page 25)	<u><u>\$ (903,437)</u></u>

The accompanying notes are an integral part of this financial statement.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Federal and state grants	\$ 25,706,457	\$ 27,862,144	\$ 26,008,206	\$ (1,853,938)
Local grants	400,000	775,060	734,494	(40,566)
Membership dues			53,869	53,869
Sustaining local dues			7,975	7,975
Investment earnings	900	750	3,540	2,790
Miscellaneous income	54,379	182,700	104,798	(77,902)
Indirect cost pool		33,756	15,984	(17,772)
Grant matching funds:				
DETCOG cash matching	373,507	99,473	94,804	(4,669)
Local non-cash matching	250,000	330,000	310,818	(19,182)
Subcontractor cash contributions		74,606	117,966	43,360
Subcontractor in-kind contributions	84,000	1,264,416	1,547,254	282,838
Total revenues	26,869,243	30,622,905	28,999,708	(1,623,197)
Expenditures				
Personnel	4,007,912	3,824,243	3,796,928	27,315
Staff travel	250,664	222,080	202,635	19,445
Contract services	67,100	93,451	127,659	(34,208)
Equipment costs	191,658	1,427,022	118,854	1,308,168
Participant and subcontractor costs	20,982,691	22,329,540	22,636,262	(306,722)
Other costs	1,369,218	2,726,569	2,897,795	(171,226)
DETCOG cash matching			94,804	(94,804)
Total expenditures	26,869,243	30,622,905	29,874,937	747,968
Net change in fund balance			(875,229)	(875,229)
Fund balance - beginning	1,394,770	1,394,770	1,394,770	
Fund balance - ending	\$ 1,394,770	\$ 1,394,770	\$ 519,541	\$ (875,229)

The accompanying notes are an integral part of this financial statement.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(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 1968 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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(B) Government-Wide and Fund Financial Statements

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

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

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

(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 judgements, 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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation -
Continued**

DETCOG reports the following major governmental fund:

The *General Fund* is DETCOG's operating fund. It accounts for all financial resources of the general government.

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

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

1. Deposits

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

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

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
- Continued**

2. Receivables and Payables - Continued

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

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 Commission on State Emergency Communications are classified as restricted assets on the balance sheet. These funds are restricted for use in the Emergency Communications program.

Funds set aside in accordance with a grant agreement with the United States Department of Housing and Urban Development are also classified as restricted assets. These funds are restricted for use in the Regional Housing Authority program.

5. Capital Assets

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

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

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
- Continued**

5. Capital Assets - Continued

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
Building and leasehold improvements	4 - 15
Furniture, fixtures and equipment	3 - 7

6. Compensated Absences

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

7. Deferred Outflows and Inflows of Resources

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

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 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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Sometimes DETCOG will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
- Continued**

9. Net Position Flow Assumption

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

10. Source of Funds

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

11. Revenues and Expenditures

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

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

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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
- Continued**

11. Revenues and Expenditures - Continued

Indirect Costs and Employee Benefits - Indirect costs and employee benefits are charged, as expended, to indirect and employee benefit 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 percentages used in the allocation process are approved by the Texas Department on Aging and Disability Services.

12. Interfund Activity

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

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

14. Risk Management

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

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**(D) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
- Continued**

14. Risk Management - Continued

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

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

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Budgetary Information

DETCOG's annual budget for the General Fund is prepared based on estimated expenditures for each individual program summarized by program category. 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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

(A) Budgetary Information - Continued

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

(B) Compliance and Accountability

1. 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:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

<u>Fund</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

(3) DETAILED NOTES ON ALL FUNDS

(A) Cash, Cash Equivalents and Investments

At September 30, 2015, DETCOG's carrying amount for cash deposits was \$2,256,545 and the bank balance was \$2,355,640. DETCOG's cash deposits at September 30, 2015 were entirely covered by FDIC insurance, NCUA insurance or by pledged collateral held by the pledging financial institution's agent bank in DETCOG's name. At September 30, 2015, DETCOG's financial statements include amounts in demand deposits, savings and money market accounts.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(A) Cash, Cash Equivalents and Investments - Continued

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

1. Due From and To Other Funds

Due from and to other funds at September 30, 2015, consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
Administration	Emergency Communications	\$ 25,421	Short-term advance
	Total	<u>\$ 25,421</u>	

2. Transfers From and To Other Funds

There were no transfers between funds during the year ended September 30, 2015.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(C) Grants Receivable

The following is a summary of grants receivable at September 30, 2015:

	COMPLETED GRANTS RECEIVABLE	OPEN GRANTS RECEIVABLE	TOTAL
Disaster Recovery		\$ 1,090,524	\$ 1,090,524
Area Agency on Aging	\$ 194,491	170,268	364,759
Regional Housing Authority		5,999	5,999
Emergency Communications	389,635		389,635
Homeland Security		89,038	89,038
Criminal Justice	2,352	5,506	7,858
Service to At Risk Youth	1,000	58,601	59,601
Retired and Senior Volunteer Program		11,416	11,416
Regional Services	214	22,129	22,343
	587,692	1,453,481	2,041,173
Less allowance for uncollectible			
Total grants receivable	<u>\$ 587,692</u>	<u>\$ 1,453,481</u>	<u>\$ 2,041,173</u>

(D) Other Receivables

The following is a summary of other receivables at September 30, 2015:

HUD fraud recovery	\$ 122,071
Landlords	54,156
Dues	9,741
Local entities	140,670
Employees	254
Other	<u>5,097</u>
	331,989
Less allowance for uncollectible	<u>(144,127)</u>
Total other receivables	<u>\$ 187,862</u>

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(E) Capital Assets

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

	BALANCE 09/30/14	ADDITIONS/ (PROVISIONS)	RETIREMENTS	BALANCE 09/30/15
Governmental Activities:				
Nondepreciable Assets:				
Land	\$ 14,000			\$ 14,000
Total nondepreciable assets	14,000			14,000
Depreciable Assets:				
Building and leasehold improvements	253,718			253,718
Furniture, fixtures and equipment	217,202			217,202
Total depreciable assets	470,920			470,920
Less accumulated depreciation	(449,085)	\$ (7,632)		(456,717)
Total capital assets being depreciated, net	21,835	(7,632)		14,203
Total capital assets	\$ 35,835	\$ (7,632)		\$ 28,203

Depreciation expense for the year ended September 30, 2015 totaled \$7,632 and was charged to functions/programs of the government-wide statement of activities as follows:

Governmental Activities:	
Indirect costs	<u>\$ 7,632</u>
Total depreciation expense	<u><u>\$ 7,632</u></u>

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(F) Unearned Revenue

The following is a summary of unearned revenue at September 30, 2015 for governmental funds:

PROGRAM	OPEN GRANTS	LOCAL AND OTHER	TOTAL
Disaster Recovery	\$ 172	\$ 191,096	\$ 191,268
Area Agency on Aging		64,897	64,897
Emergency Communications	581,009	250	581,259
Criminal Justice	313		313
Service to At Risk Youth		730	730
Social Services Program	109,791	8,543	118,334
Regional Services	193	2,021	2,214
Administration	160,343	69,004	229,347
Total	<u>\$ 851,821</u>	<u>\$ 336,541</u>	<u>\$ 1,188,362</u>

(G) Deferred Inflows of Resources

Deferred inflows of resources at September 30, 2015 consisted of the following:

	<u>AMOUNT</u>
Regional Housing Authority: Unavailable revenue	<u>\$ 32,100</u>
Total deferred inflows of resources	<u><u>\$ 32,100</u></u>

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(H) Restricted Fund Balance

	EMERGENCY COMMUNICATIONS	REGIONAL HOUSING AUTHORITY	TOTAL
Restricted assets:			
Cash and cash equivalents	\$ 646,981	\$ 873,180	\$ 1,520,161
Grants receivable	389,635	5,999	395,634
Other receivables		37,188	37,188
Prepaid items	5,657	13,056	18,713
	<hr/>		
Total restricted assets	1,042,273	929,423	1,971,696
	<hr/>		
Liabilities payable from restricted assets:			
Accounts payable	435,593	67,992	503,585
Other accrued expenses		159,825	159,825
Due to other funds	25,421		25,421
Unearned revenue	581,259		581,259
	<hr/>		
Total liabilities payable from restricted assets	1,042,273	227,817	1,270,090
	<hr/>		
Deferred inflows of resources:			
Unavailable revenue		32,100	32,100
	<hr/>		
Nonspendable fund balance		13,056	13,056
	<hr/>		
Total restricted fund balance		\$ 656,450	\$ 656,450
	<hr/> <hr/>		

The Commission on State Emergency Communications requires the excess of emergency fees and other earned revenue over expenditures be reported as restricted fund balance. The Emergency Communications program restricted fund balance was \$0 at September 30, 2015.

The U.S. Department of Housing and Urban Development (HUD) requires that an operating reserve be maintained to account for the excess of administrative and other fees earned over administrative expenditures related to Section 8 program funds since any excess fund balance is restricted to expenditure for the Regional Housing Authority program. The nonspendable and restricted fund balance totaled \$13,056 and \$656,450, respectively, at September 30, 2015.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(I) 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. DETCOG also leases equipment under noncancelable operating leases. Future minimum lease payments for noncancelable operating leases as of September 30, 2015 are as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
2016	\$ 2,468	\$ 2,468
2017	1,852	1,852
2018	1,852	1,852
2019	1,852	1,852
2020	<u>617</u>	<u>617</u>
Total Minimum Rentals	<u>\$ 8,641</u>	<u>\$ 8,641</u>

Rental expense under operating leases for the year ended September 30, 2015 was \$205,061 for office space and \$27,693 for equipment.

(J) Employees Retirement 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. DETCOG made contributions of 7.50% of the Executive Director's earnings and 7% for all other employees' earnings to the plan for the year ended September 30, 2015. Employees hired after October 1, 2000 are not fully vested in the plan until they have been employed by DETCOG for 7 years. All other participants are 100% vested in the plan. The plan allows employees to make voluntary contributions. DETCOG's contributions of \$182,204, less forfeitures of \$30,445, were charged to the employee benefit cost pool for the year ended September 30, 2015. Employee contributions were \$42,775 for the year ended September 30, 2015.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(K) Related Party Transactions

The Executive Director of DETCOG has previously disclosed to DETCOG that he is a current board member of Walter G. Diggles Foundation, First National Bank of Jasper, East Texas Coalition, Three Rivers Council, Boy Scouts of America, W. G. Diggles & Associates, Inc., Hands Up Partners, Inc., New Lighthouse Church of God in Christ Ministries, Deep East Texas Region 100 Club, Deep East Texas Certified Development Corporation, Deep East Texas Regional Housing Development Corporation, Faye's Home Health Care Agency, Preservation Texas and Region 5 Health and Services Chip and Medicaid Advisory Committee. There were no federal or state grant funds awarded to any of these related organizations for the year ended September 30, 2015. First National Bank of Jasper is DETCOG's depository bank.

The Executive Director of DETCOG has previously disclosed to DETCOG that he is a past board member of the Deep East Texas Foundation, Hope Center of North Lufkin, Piney Woods Outreach Center, Family Services of Southeast Texas, OneStar Foundation, Boys and Girls Clubs of Deep East Texas, Boys and Girls Club of Jasper, Lakes Area Hospice, Jasper Newton Community Health Center, State Bar of Texas District 3 Grievance Committee, OneStar National Service Commission, State Bar Grievance Committee, District 3, Deep East Texas Regional Health Center, Jasper Kiwanis Club, Health Disparities Task Force HHSC, and Houston District SBA Advisory Committee. For the year ended September 30, 2015, DETCOG recorded expenditures of \$55,092 to the Deep East Texas Foundation through the Area Agency on Aging programs. No expenditures were made by DETCOG to any other of these organizations, except for the Deep East Texas Foundation.

(L) Subsequent Event

In December 2015, DETCOG's Executive Director was indicted and charged individually with wire fraud, theft from a program that receives federal funding and money laundering. In December 2015, DETCOG's Board of Directors placed the Executive Director on administrative leave. Effective January 25, 2016, the Executive Director retired from DETCOG.

(M) Contingencies

In February 2014, the Federal Bureau of Investigation (FBI) conducted a search of DETCOG's premises in Jasper, Texas and seizure of certain documentary evidence. In December 2015, DETCOG's Executive Director was indicted. The possible outcome of the FBI's investigation and indictment of DETCOG's Executive Director cannot be presently determined. Accordingly, no provision for any liability that may result from these matters has been made in the financial statements.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2015**

3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(M) Contingencies - Continued

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

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

Subrecipients expending \$500,000 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, 2015 have not been completed. Based on prior experience, DETCOG management believes that DETCOG will not incur significant losses from possible grant disallowances.

OTHER FINANCIAL INFORMATION

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**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2015**

	REGIONAL HOUSING AUTHORITY	OTHER	TOTAL GENERAL FUND
Assets			
Cash and cash equivalents		\$ 736,834	\$ 736,834
Receivables (net of allowance for uncollectible):			
Grants		1,645,539	1,645,539
Other		150,674	150,674
Due from other funds		25,421	25,421
Prepaid items		50,086	50,086
Restricted assets:			
Cash and cash equivalents	\$ 873,180	646,981	1,520,161
Grants receivable - net	5,999	389,635	395,634
Other receivables - net	37,188		37,188
Prepaid items	13,056	5,657	18,713
Total assets	\$ 929,423	\$ 3,650,827	\$ 4,580,250
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable		\$ 1,924,712	\$ 1,924,712
Accrued compensated absences		213,630	213,630
Other accrued expenses		13,074	13,074
Liabilities payable from restricted assets:			
Accounts payable	\$ 67,992	435,593	503,585
Other accrued expenses	159,825		159,825
Due to other funds		25,421	25,421
Unearned revenue		581,259	581,259
Unearned revenue		607,103	607,103
Total liabilities	227,817	3,800,792	4,028,609
Deferred Inflows of Resources			
Unavailable revenue		32,100	32,100
Total deferred inflows of resources		32,100	32,100
Fund Balance			
Fund balance (deficit):			
Nonspendable - prepaid items	13,056	55,743	68,799
Restricted - grant programs	656,450		656,450
Unassigned		(205,708)	(205,708)
Total fund balance	669,506	(149,965)	519,541
Total liabilities, deferred inflows of resources and fund balance	\$ 929,423	\$ 3,650,827	\$ 4,580,250

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	REGIONAL HOUSING AUTHORITY	OTHER	TOTAL GENERAL FUND
Revenues			
Federal and state grants	\$ 9,073,815	\$ 16,934,391	\$ 26,008,206
Local grants		734,494	734,494
Membership dues		53,869	53,869
Sustaining local dues		7,975	7,975
Investment earnings	605	2,935	3,540
Miscellaneous income	71,455	33,343	104,798
Indirect cost pool		15,984	15,984
Grant matching funds:			
DETCOG cash matching		94,804	94,804
Local non-cash match		310,818	310,818
Subcontractor cash contributions		117,966	117,966
Subcontractor in-kind contributions		1,547,254	1,547,254
Total revenues	9,145,875	19,853,833	28,999,708
Expenditures			
Administration		208,572	208,572
Disaster Recovery		10,600,215	10,600,215
Area Agency on Aging		5,044,094	5,044,094
Regional Housing Authority	10,022,739		10,022,739
Emergency Communications		2,470,096	2,470,096
Homeland Security		148,348	148,348
Criminal Justice		147,469	147,469
Service to At Risk Youth		679,982	679,982
Retired and Senior Volunteer Program		252,127	252,127
Regional Services		301,295	301,295
Total expenditures	10,022,739	19,852,198	29,874,937
Net change in fund balance	(876,864)	1,635	(875,229)
Fund balance - beginning	1,546,370	(151,600)	1,394,770
Fund balance - ending	<u>\$ 669,506</u>	<u>\$ (149,965)</u>	<u>\$ 519,541</u>

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING BALANCE SHEET - FINANCIAL DATA SCHEDULE - REAC
REGIONAL HOUSING AUTHORITY
SEPTEMBER 30, 2015**

REAC LINE NO.		HOUSING CHOICE VOUCHERS	FAMILY SELF- SUFFICIENCY PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE PAYMENTS - IKE	TOTAL
Assets						
113	Cash - other restricted	\$ 73,227		\$ 119,823	\$ 520,305	\$ 713,355
115	Cash - restricted for payment of current liabilities	159,825				159,825
121	Accounts receivable - PHA projects	5,088				5,088
122	Accounts receivable - HUD other		\$ 5,999			5,999
125	Accounts receivable - miscellaneous	54,156				54,156
126.2	Allowance for doubtful accounts - other	(52,356)				(52,356)
128	Fraud recovery	122,071				122,071
128.1	Allowance for doubtful accounts - fraud	(91,771)				(91,771)
142	Prepaid items	13,056				13,056
144	Inter program due from			290,680		290,680
	Total assets	<u>\$ 283,296</u>	<u>\$ 5,999</u>	<u>\$ 410,503</u>	<u>\$ 520,305</u>	<u>\$1,220,103</u>
Liabilities, Deferred Inflows of Resources and Fund Balance						
Liabilities						
312	Accounts payable - <= 90 days	\$ 67,992				\$ 67,992
345	Other current liabilities	159,825				159,825
347	Inter program due to	284,681	\$ 5,999			290,680
300	Total liabilities	<u>512,498</u>	<u>5,999</u>			<u>518,497</u>
400	Deferred inflows of resources	<u>32,100</u>				<u>32,100</u>
Fund Balance						
508.3	Nonspendable fund balance	13,056				13,056
509.3	Restricted fund balance	21,375		\$ 410,503	\$ 520,305	952,183
510.3	Unassigned fund balance	(295,733)				(295,733)
513	Total fund balance	<u>(261,302)</u>		<u>410,503</u>	<u>520,305</u>	<u>669,506</u>
600	Total liabilities, deferred inflows of resources and fund balance	<u>\$ 283,296</u>		<u>\$ 410,503</u>	<u>\$ 520,305</u>	<u>\$1,220,103</u>

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - FINANCIAL DATA SCHEDULE - REAC
REGIONAL HOUSING AUTHORITY
SEPTEMBER 30, 2015**

REAC LINE NO.		HOUSING CHOICE VOUCHERS	FAMILY SELF- SUFFICIENCY PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE PAYMENTS - IKE	TOTAL
Revenues						
70600	HUD PHA operating grants	\$ 9,029,808	\$ 44,007			\$ 9,073,815
71400	Fraud recovery	19,238				19,238
71500	Other revenue	52,217				52,217
72000	Investment income - restricted	605				605
70000	Total revenues	<u>9,101,868</u>	<u>44,007</u>			<u>9,145,875</u>
Expenditures						
91100	Administrative salaries	393,064				393,064
91200	Auditing fees	4,749				4,749
91500	Employee benefit contributions - administrative	157,226				157,226
91600	Office expenses	213,445				213,445
91800	Travel	8,260				8,260
91810	Allocated overhead	154,081				154,081
91900	Other - administrative	34,736				34,736
92100	Tenant services - salaries		31,434			31,434
92300	Employee benefit contributions - tenant services		12,573			12,573
94200	Ordinary maintenance and operations- materials and other	7,850				7,850
96140	All other insurance	1,098				1,098
96200	Other general expenses	35,741				35,741
97300	Housing assistance payments	8,965,910				8,965,910
97350	HAP portability-in	2,572				2,572
90000	Total expenditures	<u>9,978,732</u>	<u>44,007</u>			<u>10,022,739</u>
	Net change in fund balance	(876,864)				(876,864)
11030	Fund balance - beginning	<u>615,562</u>		\$ 410,503	\$ 520,305	<u>1,546,370</u>
	Fund balance - ending	<u>\$ (261,302)</u>		<u>\$ 410,503</u>	<u>\$ 520,305</u>	<u>\$ 669,506</u>

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF INDIRECT COSTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Salaries	\$ 411,697	\$ 370,620	\$ 378,541	\$ (7,921)
Benefits	164,679	148,248	151,416	(3,168)
Staff travel	55,445	44,945	31,222	13,723
Contract services	21,000	25,000	15,589	9,411
Space costs	127,703	163,800	156,391	7,409
Equipment costs	3,000	3,000	620	2,380
Participant and subcontractor costs			6,348	(6,348)
Other costs:				
Legal	10,000	10,000	8,979	1,021
Supplies	17,000	17,000	9,312	7,688
Postage	7,000	6,000	3,908	2,092
Printing and copying	10,000	5,000	2,294	2,706
Communications	18,000	24,800	24,594	206
Equipment lease and maintenance	3,500	500		500
Audit	48,000	53,608	53,608	
Member relations	15,000	8,000	5,410	2,590
Dues and subscriptions	15,500	18,000	17,419	581
Insurance	7,500	9,000	8,980	20
Depreciation	2,500	1,500	7,632	(6,132)
Public notices	1,000	4,000	5,083	(1,083)
Publications	9,500	6,000	3,826	2,174
Staff development	6,000	4,000	6,015	(2,015)
Storage space rental		2,520	2,520	
Other		1,200	336	864
Total indirect costs	\$ 954,024	\$ 926,741	\$ 900,043	\$ 26,698
Indirect Costs Allocation:				
Indirect costs charged to grants	\$ 954,023	\$ 892,985	\$ 884,059	\$ (8,926)
Indirect costs carryover	31,834	55,956	55,957	1
Indirect costs carried forward	(31,833)	(22,200)	(39,973)	(17,773)
Total indirect costs allocation	\$ 954,024	\$ 926,741	\$ 900,043	\$ (26,698)
Indirect Cost Rate Oct. 1 - Sep. 30:				
Salaries and benefits			<u>28.00%</u>	
Indirect and Administrative Costs as a Percentage of Modified Direct Operations			<u>2.97%</u>	

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF EMPLOYEE BENEFITS - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Health and accident insurance	\$ 666,277	\$ 595,121	\$ 625,221	\$ (30,100)
Long term disability and life insurance	31,892	31,892	32,488	(596)
Workers' compensation insurance	7,500	9,500	10,471	(971)
Payroll taxes	229,587	218,822	198,161	20,661
Retirement	184,865	178,653	151,759	26,894
Total employee benefits	\$1,120,121	\$1,033,988	\$1,018,100	\$ 15,888
Basis for Employee Benefits Allocation:				
Salaries at regular rate			\$2,712,092	
Salaries at other rates			<u> </u>	
Total salaries			<u>\$2,712,092</u>	
Employee Benefits Allocation:				
Employee benefits at regular rate			\$1,084,836	
Employee benefits at other rates			<u> </u>	
Employee benefits charged to grants			1,084,836	
Employee benefits carryover			53,634	
Employee benefits carried forward			<u>(120,370)</u>	
Total employee benefits			<u>\$1,018,100</u>	
Employee benefit regular rate			<u>40.00%</u>	
Personnel:				
Salaries			\$2,712,092	
Employee benefits			<u>1,084,836</u>	
Total personnel			<u>\$3,796,928</u>	

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
GRANTOR AGENCIES/GRANT PROGRAMS
ABBREVIATION KEY
SEPTEMBER 30, 2015**

ABBREVIATION FEDERAL

CDBG	Community Development Block Grant
EDA	Economic Development Administration (U. S. Department of Commerce)
HUD	U. S. Department of Housing and Urban Development
HHS	U. S. Department of Health and Human Services
FEMA	Federal Emergency Management Agency
RSVP	Retired and Senior Volunteer Program

STATE

DADS	Texas Department on Aging and Disability Services
CJD	Texas Office of the Governor - Criminal Justice Division
TDHHS	Texas Department of Health and Human Services Commission
CSEC	Texas Commission on State Emergency Communications
GLO	Texas General Land Office
TDHCA	Texas Department of Housing and Community Affairs
TCEQ	Texas Commission on Environmental Quality
DFPS	Texas Department of Family and Protective Services

OTHER

AAA	Area Agency on Aging
ADRC	Aging Disability Resource Center
CDBG	Community Development Block Grant
CTI	Community - Base Care Transition Program
DETRCDC	Deep East Texas Regional Certified Development Corporation
DHAP	Disaster Housing Assistance Payments
DVP	Disaster Voucher Program
FSS	Family Self Sufficiency Program
HCV	Housing Choice Vouchers
Housing	Regional Housing Authority
MOD	Method of Distribution
REAC	Real Estate Assessment Center
STAR	Service to At Risk Youth
TIRN	Texas Information and Referral Network
UCAP	Universal Child Abuse and Neglect Prevention

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

PROGRAM	G/L NUMBER	PERSONNEL	INDIRECT COSTS	STAFF TRAVEL	CONTRACT SERVICES
Administration					
Indirect Cost Pool	101-15	\$ 529,957	\$ (884,059)	\$ 31,222	\$ 15,589
Rent Related Pools	102-15	71,383	19,987		
County Commissioners and County Judges	106-15				
Gulf Coast Strategic Highway	109-15				76,169
Local Enterprise	111-15				
Deep East Texas Reception	115-15			9	
Memorial Scholarship	120-15				
DETCOG cash matching	6699				
Local expenditures	Various				
Capital outlay and depreciation	N/A				
Total Administration		601,340	(864,072)	31,231	91,758
Disaster Recovery					
Disaster Recovery GLO Rnd 2.2	126-13	559,130	156,556	12,114	
CDBG Economic Development	135-10	156	44		
CDBG Economic Development	135-13	28,069	7,859	507	
Total Disaster Recovery		587,355	164,459	12,621	
Area Agency on Aging					
ADRC	319-15	59,385	16,628	6,856	
ADRC	319-16	4,485	1,256	173	
TIRN 2-1-1	325-15	128,745	17,188	2,610	
TIRN 2-1-1	325-16	13,511	3,783	842	
AAA Administration	350-15	113,664	31,826	8,012	
AAA Support Services	360-15	298,633	83,617	29,926	
AAA Nutrition Services	370-15	24,477	6,854		
AAA Transportation	380-15				
AAA Caregiver Support	390-15	33,888	9,488	1,481	
CTI	360-15	52,280	14,638	10,278	87
Total Area Agency on Aging		729,068	185,278	60,178	87
Regional Housing Authority					
Housing Choice Vouchers	405-15				
Housing Choice Vouchers - Admin	406-15	44,007			
Family Self Sufficiency Program	406-15	550,289	154,081	16,110	33,673
Total Regional Housing Authority		594,296	154,081	16,110	33,673

SPACE COSTS	EQUIPMENT COSTS	PARTICIPANT AND SUBCONTRACTOR COSTS	OTHER COSTS AND MATCH	TOTAL EXPENDITURES	GRANT REVENUES	LOCAL REVENUES	TOTAL REVENUES
\$ 156,391 (659,392)	\$ 620	\$ 6,348	\$ 159,916 568,022	\$ 15,984		\$ 15,984	\$ 15,984
			37	37		37	37
				76,169		76,169	76,169
						140	140
			16,614	16,623		16,623	16,623
			2,000	2,000		2,000	2,000
			94,804	94,804		53,869	53,869
			10,587	10,587		45,385	45,385
			(7,632)	(7,632)			
(503,001)	620	6,348	844,348	208,572		210,207	210,207
26,950		9,283,797	41,334	10,079,881	\$ 10,079,881		10,079,881
				200		200	200
5,910		466,200	11,589	520,134	520,134		520,134
32,860		9,749,997	52,923	10,600,215	10,600,015	200	10,600,215
9,847		3,675	2,479	98,870	98,870		98,870
1,883			40	7,837	7,837		7,837
25,265		5,500	8,657	187,965	187,965		187,965
1,698		500	6	20,340	20,340		20,340
21,860			13,085	188,447	141,245	47,202	188,447
68,010		315,846	570,064	1,366,096	821,658	544,438	1,366,096
11,129		961,189	1,003,333	2,006,982	1,004,525	1,002,457	2,006,982
		28,778	24,455	53,233	28,778	24,455	53,233
8,717		127,381	198,875	379,830	182,979	196,851	379,830
3,604		651,149	2,458	734,494		734,494	734,494
152,013		2,094,018	1,823,452	5,044,094	2,494,197	2,549,897	5,044,094
		8,965,910		8,965,910	8,056,631	32,589	8,089,220
				44,007	44,007		44,007
152,772		553	105,344	1,012,822	973,177	39,471	1,012,648
152,772		8,966,463	105,344	10,022,739	9,073,815	72,060	9,145,875

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

PROGRAM	G/L NUMBER	PERSONNEL	INDIRECT COSTS	STAFF TRAVEL	CONTRACT SERVICES
Emergency Communications					
9-1-1 Emergency Services	501-14		(5,811)		
9-1-1 Emergency Services	501-15	432,640	126,950	25,884	1,800
9-1-1 Emergency Services	501-16	41,382	11,587	1,079	
Total Emergency Communications		474,022	132,726	26,963	1,800
Homeland Security					
Homeland Security Planning	594-14	33,921	9,498	2,183	
Homeland Security Planning	594-15	54,860	15,361	3,750	
Homeland Security Planning	594-16	929	260	167	
Total Homeland Security		89,710	25,119	6,100	
Criminal Justice					
CJD Planner	601-15	16,837	4,715	365	
CJD Planner	601-16	1,065	298	499	
Law Enforcement Training	608-14	33,322	9,330	1,140	
Law Enforcement Training	608-16	895	251		
Purchased Juvenile Services	609-15		490		
Total Criminal Justice		52,119	15,084	2,004	
Service to At Risk Youth					
STAR/UCAP	705-15	408,230	114,305	32,642	
STAR/UCAP	705-16	33,774	9,456	5,140	
Total Service to At Risk Youth		442,004	123,761	37,782	
Retired and Senior Volunteer Program					
RSVP - Federal	801-14	39,576	11,082	681	300
RSVP - Federal	801-15	45,885	12,848	4,472	41
RSVP - State	802-15	23,588	6,604	3,998	
Total Retired and Senior Volunteer Program		109,049	30,534	9,151	341

SPACE COSTS	EQUIPMENT COSTS	PARTICIPANT AND SUBCONTRACTOR COSTS	OTHER COSTS AND MATCH	TOTAL EXPENDITURES	GRANT REVENUES	LOCAL REVENUES	TOTAL REVENUES
				(5,811)	(5,811)		(5,811)
48,234	112,014	1,588,057	32,202	2,367,781	2,367,684	97	2,367,781
4,779		44,709	4,590	108,126	108,110	16	108,126
53,013	112,014	1,632,766	36,792	2,470,096	2,469,983	113	2,470,096
9,436			4,273	59,311	59,311		59,311
10,326			3,315	87,612	87,612		87,612
			69	1,425	1,425		1,425
19,762			7,657	148,348	148,348		148,348
11,107			1,454	34,478	32,615	1,863	34,478
1,230			252	3,344	3,344		3,344
6,142		32,039	835	82,808	82,806	2	82,808
700			3	1,849	1,849		1,849
		24,500		24,990	24,990		24,990
19,179		56,539	2,544	147,469	145,604	1,865	147,469
44,236	6,220		18,336	623,969	623,961	8	623,969
5,010			2,633	56,013	56,013		56,013
49,246	6,220		20,969	679,982	679,974	8	679,982
2,765			93,893	148,297	42,014	106,283	148,297
3,264			3,130	69,640	52,439	17,201	69,640
				34,190	34,190		34,190
6,029			97,023	252,127	128,643	123,484	252,127

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

PROGRAM	G/L NUMBER	PERSONNEL	INDIRECT COSTS	STAFF TRAVEL	CONTRACT SERVICES
Regional Services					
EDA Administration Planning	903-15	14,062	3,937	81	
EDA Administration Planning	903-16	52,623	14,734	374	
Regional Review - TxCDBG	905-15	6,010	1,683		
Regional Review - TxCDBG	905-16	445	124		
TCEQ	906-15	41,384	11,588	40	
TCEQ	906-16	3,441	964		
Transportation Planning	913-15				
Total Regional Services		117,965	33,030	495	
Total		<u>\$ 3,796,928</u>		<u>\$ 202,635</u>	<u>\$ 127,659</u>

SPACE COSTS	EQUIPMENT COSTS	PARTICIPANT AND SUBCONTRACTOR COSTS	OTHER COSTS AND MATCH	TOTAL EXPENDITURES	GRANT REVENUES	LOCAL REVENUES	TOTAL REVENUES
359			327	18,766	13,939	4,827	18,766
5,154			953	73,838	45,000	28,838	73,838
1,911			21	9,625	9,625		9,625
760				1,329	1,329		1,329
8,548		130,131	243	191,934	191,934		191,934
1,395				5,800	5,800		5,800
			3	3		3	3
18,127		130,131	1,547	301,295	267,627	33,668	301,295
	\$ 118,854	\$ 22,636,262	\$ 2,992,599	\$ 29,874,937	\$26,008,206	\$ 2,991,502	\$ 28,999,708

See independent auditor's report on other financial information.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
SEPTEMBER 30, 2015**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	General Liability	10/01/14 to 10/01/15	\$1,000,000 Deductible \$0
Texas Municipal League	Errors and Omissions	10/01/14 to 10/01/15	\$1,000,000 Deductible \$1,000
Texas Municipal League	Auto Liability	10/01/14 to 10/01/15	\$500,000
Texas Municipal League	Auto Physical Damage	10/01/14 to 10/01/15	Actual cash value Deductible \$250
Texas Municipal League	Real and Personal Property	10/01/14 to 10/01/15	\$6,190,845 Deductible \$250
The Fidelity and Deposit Company	Commercial Crime Policy Employee Theft	9/01/14 to 8/31/15 9/01/15 to 8/31/16	\$500,000 Deductible \$5,000
Deep East Texas Self Insurance Fund	Workers' Compensation	7/01/14 to 6/30/15 7/01/15 to 6/30/16	Statutory

See independent auditor's report on other financial information.

SINGLE AUDIT SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Deep East Texas Council of Governments and Economic Development District (DETCOG) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise DETCOG's basic financial statements, and have issued our report thereon dated April 22, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

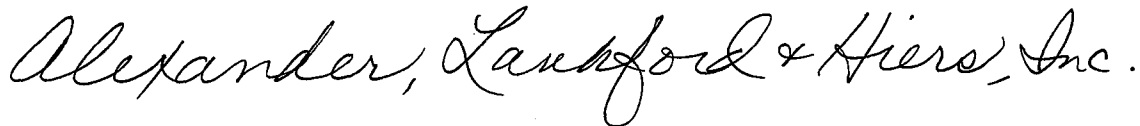
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* - CONTINUED**

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.



ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
April 22, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133, 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR - CONTINUED**

Report on Compliance for Each Major Federal and State Program - Continued

Auditor's Responsibility - Continued

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, 2015.

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 OMB Circular A-133 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR - CONTINUED**

Report on Internal Control Over Compliance - Continued

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

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

Alexander, Lankford & Hiers, Inc.

ALEXANDER, LANKFORD & HIERS, INC.
Certified Public Accountants

Lufkin, Texas
April 22, 2016

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**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL AWARDS				
<u>U. S. Department of Commerce</u>				
Economic Development - Support for Planning Organizations				
903-15	Direct	11.302	08-83-04759	\$ 13,939
903-16	Direct	11.302	08-83-05029	45,000
	Total for CFDA Number 11.302			<u>58,939</u>
	Total U. S. Department of Commerce			<u>58,939</u>
<u>U. S. Department of Housing and Urban Development</u>				
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii *				
126-13	Passed through Texas General Land Office	14.228	12-476-000-6641	10,079,881
135-13	Passed through Texas General Land Office	14.228	13-199-000-7349	520,134
905-15	Passed through Texas Dept. of Agriculture	14.228	C714205	9,625
905-16	Passed through Texas Dept. of Agriculture	14.228	C715205	1,329
	Total for CFDA Number 14.228			<u>10,610,969</u>
Section 8 Housing Choice Vouchers *				
405-15	Direct	14.871	TX512VO	8,056,631
406-15	Direct	14.871	TX512AF	973,177
	Total for CFDA Number 14.871			<u>9,029,808</u>
406-15	Family Self-Sufficiency Program Direct	14.896	TX512FSH657A014	<u>44,007</u>
	Total U. S. Department of Housing and Urban Development			<u>19,684,784</u>
<u>U. S. Department of Health and Human Services</u>				
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation				
360-15	Passed through Texas Dept. on Aging and Disability Services	93.041	539-11-0014-00001	<u>5,669</u>
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals				
360-15	Passed through Texas Dept. on Aging and Disability Services	93.042	539-11-0014-00001	<u>24,421</u>

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**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, 2015**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL AWARDS - CONTINUED				
<u>U. S. Department of Health and Human Services - Continued</u>				
360-15	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services Passed through Texas Dept. on Aging and Disability Services	93.043	539-11-0014-00001	<u>26,491</u>
Various	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers * Passed through Texas Dept. on Aging and Disability Services	93.044	539-11-0014-00001	<u>638,048</u>
Various	Special Programs for the Aging - Title III, Part C - Nutrition Services * Passed through Texas Dept. on Aging and Disability Services	93.045	539-11-0014-00001	<u>773,335</u>
Various	National Family Caregiver Support, Title III, Part E Passed through Texas Dept. on Aging and Disability Services	93.052	539-11-0014-00001	<u>200,111</u>
370-15	Nutrition Services Incentive Program * Passed through Texas Dept. on Aging and Disability Services	93.053	539-11-0014-00001	<u>190,320</u>
360-15	Medicare Enrollment Assistance Program Passed through Texas Dept. on Aging and Disability Services	93.071	539-11-0014-00001	24,415
319-15	Passed through South East Texas Planning Commission	93.071	539-14-0475-00005	<u>10,670</u>
	Total for CFDA Number 93.071			<u>35,085</u>
319-15	Lifespan Respite Care Program Passed through South East Texas Planning Commission	93.072	539-14-0475-00005	<u>4,047</u>
360-15	State Health Insurance Assistance Program Passed through Texas Dept. on Aging and Disability Services	93.324	539-11-0014-00001	<u>90,660</u>

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**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, 2015**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL AWARDS - CONTINUED				
<u>U. S. Department of Health and Human Services -</u>				
<u>Continued</u>				
Money Follows the Person Rebalancing Demonstration				
360-15	Passed through Texas Dept. on Aging and Disability Services	93.791	539-11-0014-00001	9,877
319-15	Passed through South East Texas Planning Commission	93.791	539-14-0475-00005	24,190
319-16	Passed through South East Texas Planning Commission	93.791	539-14-0475-00005	<u>5,025</u>
	Total for CFDA Number 93.791			<u>39,092</u>
	Total U.S. Department of Health and Human Services			<u>2,027,279</u>
<u>Corporation for National and Community Service</u>				
Retired and Senior Volunteer Program				
801-14	Direct	94.002	14SRWTX011	42,014
801-15	Direct	94.002	14SRWTX011	52,439
802-15	Passed through Texas Dept. on Aging and Disability Services	94.002	13RZWTX023	<u>34,190</u>
	Total for CFDA Number 94.002			<u>128,643</u>
	Total Corporation for National and Community Service			<u>128,643</u>
<u>U.S. Department of Homeland Security</u>				
Homeland Security Grant Program *				
594-14	Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.067	EMW-2013-SS-00045	51,624
594-14	Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.067	EMW-2013-SS-00045	7,687
594-15	Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.067	EMW-2014-SS-00029	78,050
594-15	Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.067	EMW-2014-SS-00029	<u>9,562</u>
	Total for CFDA Number 97.067			<u>146,923</u>
	Total U.S. Department of Homeland Security			<u>146,923</u>
	Total Federal Awards			<u>22,046,568</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**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, 2015**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
STATE AWARDS				
<u>Texas Commission on State Emergency Communications</u>				
9-1-1 Emergency Services				
501-14	Direct		DETCOG	(5,811)
501-15	Direct		DETCOG	2,367,684
501-16	Direct		DETCOG	108,110
	Total 9-1-1 Emergency Services			<u>2,469,983</u>
	Total Texas Commission on State Emergency Communications			<u>2,469,983</u>
<u>Texas Commission on Environmental Quality</u>				
Regional Solid Waste Grants Program				
906-15	Direct		582-14-40578	191,934
906-16	Direct		582-16-60651	5,800
	Total Regional Solid Waste Grants Program			<u>197,734</u>
	Total Texas Commission on Environmental Quality			<u>197,734</u>
<u>Texas Department on Aging and Disability Services</u>				
State General Revenue				
Various 319-15	Direct		539-11-0014-00001	195,838
	Passed through South East Texas Planning Commission		539-14-0475-00005	2,812
	Total State General Revenue			<u>198,650</u>
Balancing and Incentive Program				
319-15	Passed through South East Texas Planning Commission		539-14-0475-00005	59,963
	Total Texas Department on Aging and Disability Services			<u>258,613</u>
<u>Texas Department of Family and Protective Services</u>				
Services to At Risk Youth - State General Revenue				
705-15	Direct		24028206	622,929
705-16	Direct		24028206	56,009
	Total Services to At Risk Youth - State General Revenue			<u>678,938</u>

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**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, 2015**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
STATE AWARDS - CONTINUED				
<u>Texas Department of Family and Protective Services- Continued</u>				
Services to At Risk Youth - Children's Trust Fund				
705-15	Direct		24028206	1,032
705-16	Direct		24028206	4
	Total Services to At Risk Youth - Children's Trust Fund			<u>1,036</u>
	Total Texas Department of Family and Protective Services			<u>679,974</u>
<u>Texas Health and Human Services Commission</u>				
<u>Texas I & R Network</u>				
325-15	Direct		HHSC 529-11-0001-0006	176,808
325-15	Direct		HHSC 529-11-0063-00020	11,157
325-16	Direct		HHSC 529-16-0006-00005	<u>20,340</u>
	Total Texas Health and Human Services Commission			<u>208,305</u>
<u>Texas Office of the Governor</u>				
<u>Homeland Security COG Contract</u>				
594-16	Direct		30061036	<u>1,425</u>
609-15	Direct		SF-14339-16	<u>24,990</u>
601-15	Direct		30051524	32,615
601-16	Direct		30061088	<u>3,344</u>
	Total Regional Criminal Justice Coordination			<u>35,959</u>
<u>Regional Law Enforcement Training</u>				
608-14	Direct		SF-14289-13	82,806
608-16	Direct		SF-14289-14	<u>1,849</u>
	Total Regional Law Enforcement Training			<u>84,655</u>
	Total Texas Office of the Governor			<u>147,029</u>
	Total State Awards			<u>3,961,638</u>
	Total Federal and State Awards			<u>\$ 26,008,206</u>

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**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, 2015**

(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.

(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 basic financial statements in the General Fund. Total federal and state awards per the accompanying SEFSA include all federal and state revenues.

(4) 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 Single Audit Act of 1996, OMB Circular A-133 and *Government Auditing Standards*, issued by the Comptroller General of the United States.

(5) Subrecipients

Of the federal and state awards presented in the SEFSA, DETCOG provided awards to subrecipients as follows:

CFDA Number	Name of Federal or State Program	Amount
Federal:		
	Special Programs for the Aging - Title III:	
93.044	Part B - Grants for Supportive Services and Senior Centers	\$ 146,517
93.045	Part C - Nutrition Services	648,273
93.053	Nutrition Services Incentive Program	190,320
State:		
N/A	State General Revenue	122,597

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. Summary of 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

Internal control over major programs:

Material weakness(es) identified? Yes No

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

Type of auditor's report issued on compliance for major programs: **UNMODIFIED**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or TSAC? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal or State Program or Cluster
Federal:	
14.228	CDBG - State - Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
93.044	Aging Cluster Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services
93.053	Nutrition Services Incentive Program

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. Summary of Auditor's Results - Continued

Federal and State Awards - Continued

Identification of major programs - continued:

CFDA Number(s)	Name of Federal or State Program or Cluster
State:	
N/A	9-1-1 Emergency Services
N/A	Services to At Risk Youth - State General Revenue
N/A	Services to At Risk Youth - Children's Trust Fund

Dollar threshold used to distinguish between type A and type B federal programs: \$661,397

Dollar threshold used to distinguish between type A and type B state programs: \$300,000

Auditee qualified as low-risk auditee? X Yes ___ No

B. Financial Statements Findings

Findings related to the financial statements required to be reported under GAS:

None

C. Federal and State Award Findings and Questioned Costs

Required to be reported in accordance with section 510(a) of Circular A-133 or TSAC:

PROGRAM	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
None	None	\$ 0

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2015**

PROGRAM	FINDING/NONCOMPLIANCE	QUESTIONED COSTS
<p>There were no prior year audit findings relative to federal and state awards.</p>		

See accompanying independent auditor's report on schedule of expenditures of federal and state awards.