

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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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, 2014**

Executive Committee

President

Honorable Wes Suiter, Angelina County Judge

First Vice President

Honorable Roy Bolton, 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, 2014**

The Finance team's primary goal and objective is to comply with general accepting 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 2014 Finance Staff consists of:

Controller	Ms. CaTina Boykin
Accounts Payable/Payroll 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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Yvette Sidnell, CPA
Jennifer L. Webster, CPA
Kimber R. Jones, CPA
Susan L. Murrell, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors of
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, 2014, 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, 2014, the respective changes in financial position and the respective 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 Matters

Uncertainties Regarding FBI's Investigation

As discussed in Note K to the financial statements, on February 5, 2014, the Federal Bureau of Investigation (FBI) conducted a search of DETCOG's premises in Jasper, Texas and seizure of certain documentary evidence. The possible outcome of this matter cannot be presently determined. Accordingly, no provision for any liability that may result from the FBI's investigation has been made in the financial statements. Our opinion is not modified with respect to that matter.

Change in Accounting Principle

As described in Note M to the financial statements, effective October 1, 2013, DETCOG adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 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 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, except for the schedule of insurance coverage, 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, except for the schedule of insurance coverage, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements taken 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 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 17, 2015, 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 the 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 17, 2015

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, 2014. 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 \$1,483,281 (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 \$98,924.
- DETCOG's total net position (government-wide) increased by \$565,665. This is due primarily to the increase in the restricted net position for the Regional Housing Authority program of \$610,499. DETCOG's investment in capital assets decreased by \$4,483 during the year. Also, DETCOG's unrestricted net position decreased by \$40,351 during the year.
- As of the close of the current fiscal year, DETCOG's governmental fund reported combined ending fund balances of \$1,394,770, an increase of \$573,247 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 \$183,096, or -1 percent of total General Fund expenditures.

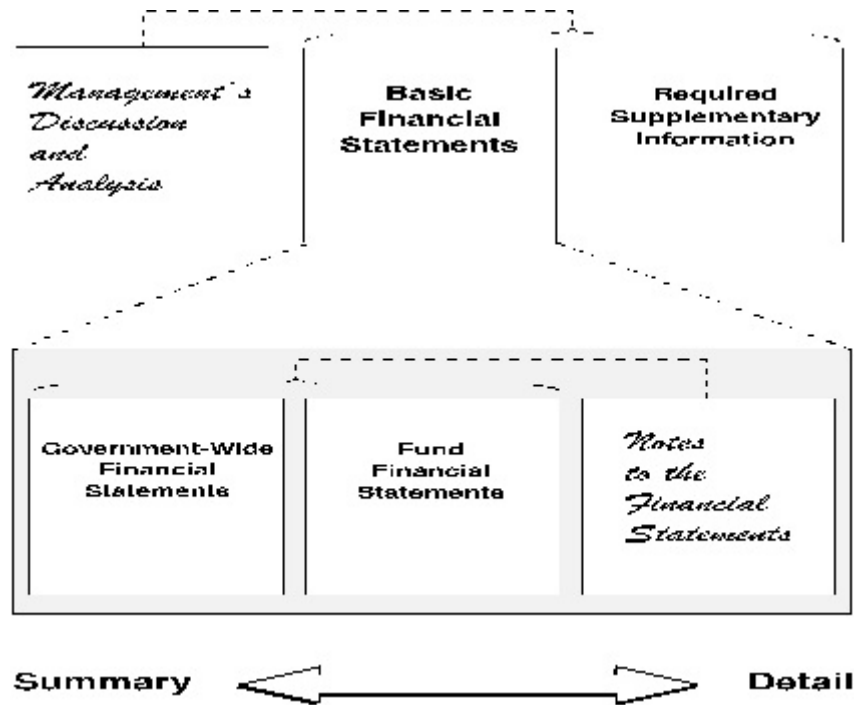
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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 \$1,483,281 at the close of the most recent fiscal year. The following table reflects the condensed Statement of Net Position.

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2014	2013	2014	2013
Current and other assets	\$ 4,770,276	\$ 2,821,800	\$ 4,770,276	\$ 2,821,800
Capital assets	35,835	40,318	35,835	40,318
Total assets	<u>4,806,111</u>	<u>2,862,118</u>	<u>4,806,111</u>	<u>2,862,118</u>
Long-term liabilities				
Other liabilities	3,257,285	1,878,326	3,257,285	1,878,326
Total liabilities	<u>3,257,285</u>	<u>1,878,326</u>	<u>3,257,285</u>	<u>1,878,326</u>
Deferred inflows of resources	65,545	66,176	65,545	66,176
Net position:				
Investment in capital assets	35,835	40,318	35,835	40,318
Restricted	1,546,370	935,871	1,546,370	935,871
Unrestricted	(98,924)	(58,573)	(98,924)	(58,573)
Total net position	<u>\$ 1,483,281</u>	<u>\$ 917,616</u>	<u>\$ 1,483,281</u>	<u>\$ 917,616</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

- A portion of DETCOG's net position (3 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 (104 percent) represents resources that are subject to external restrictions on how they can be used.
- Additionally, a portion of DETCOG's net position (-7 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, 2014. Governmental activities increased DETCOG's net position by \$565,665, accounting for all of the increase in net position.

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2014	2013	2014	2013
Revenues:				
Program Revenues:				
Charges for services	\$ 1,568,523	\$ 1,429,849	\$ 1,568,523	\$ 1,429,849
Operating grants and contributions	20,723,148	18,386,555	20,723,148	18,386,555
General Revenues:				
Membership dues	54,440	54,884	54,440	54,884
Sustaining dues	8,275	6,675	8,275	6,675
Miscellaneous income	10,475	80,507	10,475	80,507
Unrestricted investment earnings	2,902	3,036	2,902	3,036
Total revenues	<u>22,367,763</u>	<u>19,961,506</u>	<u>22,367,763</u>	<u>19,961,506</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2014	2013	2014	2013
Expenses:				
Administration	68,059	623,975	68,059	623,975
Disaster Recovery	3,582,253	804,283	3,582,253	804,283
Area Agency on Aging	3,826,117	3,584,052	3,826,117	3,584,052
Regional Housing Authority	10,054,939	11,585,209	10,054,939	11,585,209
Emergency Communications	2,195,960	2,031,353	2,195,960	2,031,353
Homeland Security	207,067	193,890	207,067	193,890
Criminal Justice	177,397	149,196	177,397	149,196
Social Services Program	27,708	66,669	27,708	66,669
Service to At Risk Youth	466,385	449,307	466,385	449,307
Retired and Senior Volunteer Program	159,044	135,227	159,044	135,227
Regional Services	121,013	229,579	121,013	229,579
Indirect Costs	916,156	938,868	916,156	938,868
Total expenses	21,802,098	20,791,608	21,802,098	20,791,608
Change in net position	565,665	(830,102)	565,665	(830,102)
Net position - beginning	917,616	1,747,718	917,616	1,747,718
Net position - ending	<u>\$ 1,483,281</u>	<u>\$ 917,616</u>	<u>\$ 1,483,281</u>	<u>\$ 917,616</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 \$1,394,770, which is an increase of \$573,247 from last year's total of \$821,523. One hundred and ten percent or \$1,532,894 of this total is restricted due to external limitations on its use. The uses are for federal and state grants. Three percent of the total or \$44,972 is considered nonspendable because it is not in spendable form. The remaining negative thirteen percent or \$(183,096) 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 \$183,096, while total fund balance reached \$1,394,770. 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 4 times. Differences between the original budget and the final amended budget were significant (\$1,576,592 increase in projected revenues and \$984,836 increase in projected expenditures) and can be briefly summarized as follows:

- Increase of \$323,236 in federal and state grants revenue was primarily due to the following changes:
 - Increase of \$29,138 in Disaster Recovery related primarily to the projected increase in Disaster Recovery GLO Round 2.2 funding for the current year.
 - Increase of \$125,801 in Area Agency on Aging was due to additional federal and state funding for the Aging programs.
 - Decrease of \$17,378 in Regional Housing Authority was due to an increase in anticipated revenue.
 - Increase of \$250,001 in 9-1-1 Emergency Communications program was primarily due to an increase in estimated FY 2013 carryover funds and FY 2014 funds.
 - Decrease of \$30,787 in Homeland Security was primarily due to receiving less grant awards than originally anticipated.
 - Increase of \$12,280 in Criminal Justice was due primarily to an increase in purchased juvenile services.
 - Decrease of \$3,606 in Social Services Programs was due to less projected funding for Community Health Choice program.
 - Increase of \$11,969 in Retired and Senior Volunteer was due to an increase in program funding over original estimates.
 - Decrease of \$54,182 in Regional Services was due to a decrease in EDA of \$20,000 and transportation planning of \$34,182.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

BUDGETARY HIGHLIGHTS - CONTINUED

- Increase of \$404,530 in local grants revenue was primarily due to the CTI Aging grant.
- Increase of \$666,286 in local non-cash match revenue was primarily due to additional local non-cash match for Aging subcontractors in 2014.
- Increase of \$122,182 in subcontractor in-kind contributions was primarily due to additional in-kind revenue for Aging subcontractors of \$133,182 and less in-kind revenue for RSVP of \$11,000.
- Increase in other costs of \$1,025,542 was primarily due to an additional \$666,286 in local non-cash match and \$133,030 of in-kind expenditures for Aging subcontractors, \$144,737 for other direct operations expenditures and \$69,918 for communications.

Differences between the actual results and the final amended budget were significant (\$1,233,949 decrease in actual revenues and \$1,115,642 decrease in actual expenditures) and can be briefly summarized as follows:

- Decrease of \$1,786,763 in federal and state grants revenue was primarily due to a decrease in Disaster Recovery revenue of \$753,325, decrease in Area Agency on Aging revenue of \$118,036, decrease in Regional Housing Authority revenue of \$127,019, decrease in Emergency Communications revenue of \$629,186, decrease in Homeland Security revenue of \$75,849, decrease in Social Services Program revenue of \$28,894, increase in Retired and Senior Volunteer Program revenue of \$14,832 and a decrease in Regional Services revenue of \$73,954.
- Decrease in local non-cash match revenue of \$421,078 was primarily due to recording less local non-cash match for Aging subcontractors than anticipated.
- Increase in subcontractor in-kind contributions of \$892,035 was primarily due to an increase of \$892,550 in Aging subcontractors in-kind contributions.
- Decrease of \$534,250 in equipment costs was primarily due to Emergency Communications decrease of \$561,268 and Homeland Security increase of \$15,351.
- Decrease in participant and subcontractor costs of \$916,546 was primarily due to Disaster Recovery decrease of \$735,417, Area Agency on Aging decrease of \$66,529, Regional Housing Authority increase of \$23,968, Emergency Communications decrease of \$57,276, Homeland Security decrease of \$37,889, Regional Services decrease of \$56,327 and Administration increase of \$14,153.
- Increase in other costs of \$509,803 was primarily due to additional in-kind expenditures of \$892,035 and less local non-cash matching expenditures of \$421,078.

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, 2014, amounts to \$35,835 (net of accumulated depreciation). This investment in capital assets includes land, buildings and leasehold, and furniture, fixtures and equipment.

	GOVERNMENTAL ACTIVITIES		TOTAL	
	2014	2013	2014	2013
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	209,109	217,202	209,109
Less: accumulated depreciation	(449,085)	(436,509)	(449,085)	(436,509)
Total	<u>\$ 35,835</u>	<u>\$ 40,318</u>	<u>\$ 35,835</u>	<u>\$ 40,318</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, 2014, DETCOG did not have any long-term debt outstanding.

ECONOMIC FACTORS

The Deep East Texas Council of Governments' mission is to combine the resources of local governments to provide a window of opportunity for helping citizens improve their quality of life. The Texas Workforce Commission reported the unemployment rate for Texas at 4.4% for most of 2014. Texas continues to be a model for economic growth and prosperity across the nation, however, the rural deep east Texas region is struggling to emerge from the recent "Great Recession." The projected loss of jobs in our region's most populous county (Angelina) and the slow growth in jobs and population throughout the region indicate an over \$85 million drop in taxable sales in the twelve counties from 2013 to 2014 according to the latest census data. DETCOG's budget over the past few years has been above normal due to our Hurricane Ike Disaster Recovery funds used for job creation and housing assistance. Over the next couple of years, our \$25 million dollar Disaster Recovery program will be phased out. This program represents about 25% of our total annual budget. In addition, local governments will be closing out their infrastructure projects as well. This will result into a negative economic impact that will be felt by the region as the Hurricane Ike Disaster Recovery programs come to a close.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

ECONOMIC FACTORS - CONTINUED

However, these programs will have a positive impact on property appraisals, a short term impact on construction work, and will continue to impact the region's economy and temporary job creation throughout the Deep East Texas region. Challenges due to the loss of the principal industry driver for decades, Forestry, will continue to impact the employment opportunities for that specific labor market.

The region's tourism industry continues to grow and fuel the recovery of almost the entire DETCOG region. Our water and natural resources will provide a very promising future for the region as we work together in marketing our assets to the urban and suburban areas of the state. DETCOG plans to expand its economic development efforts in 2015 and encourage the cities and counties in the region to focus on helping their local business create and retain jobs.

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 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, 2014**

	GOVERNMENTAL ACTIVITIES	TOTAL
Assets		
Cash and cash equivalents	\$ 2,475,904	\$ 2,475,904
Receivables (net of allowance for uncollectible):		
Grants	2,069,338	2,069,338
Other	180,062	180,062
Prepaid items	44,972	44,972
Capital assets (net of accumulated depreciation)	35,835	35,835
Total assets	4,806,111	4,806,111
Liabilities		
Accounts payable	1,758,441	1,758,441
Accrued compensated absences	217,696	217,696
Other accrued expenses	135,990	135,990
Unearned revenue	1,145,158	1,145,158
Total liabilities	3,257,285	3,257,285
Deferred Inflows of Resources		
2015 Dues revenue	65,545	65,545
Net Position		
Investment in capital assets	35,835	35,835
Restricted for:		
Grant programs	1,546,370	1,546,370
Unrestricted	(98,924)	(98,924)
Total net position	\$ 1,483,281	\$ 1,483,281

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, 2014**

FUNCTIONS/PROGRAMS	EXPENSES		EXPENSES AFTER ALLOCATION OF INDIRECT COSTS
	EXPENSES	INDIRECT COST ALLOCATION	
Governmental Activities:			
Administration	\$ 68,059	\$ 22,324	\$ 90,383
Disaster Recovery	3,582,253	175,921	3,758,174
Area Agency on Aging	3,826,117	161,737	3,987,854
Regional Housing Authority	10,054,939	194,147	10,249,086
Emergency Communications	2,195,960	127,827	2,323,787
Homeland Security	207,067	31,942	239,009
Criminal Justice	177,397	26,455	203,852
Social Services Program	27,708	3,915	31,623
Service to At Risk Youth	466,385	102,570	568,955
Retired and Senior Volunteer Program	159,044	30,676	189,720
Regional Services	121,013	26,020	147,033
Indirect Costs	916,156	(903,534)	12,622
Total governmental activities	21,802,098		21,802,098
Total	\$ 21,802,098		\$ 21,802,098

PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
\$ 57,200	\$ 5,071		\$ (28,112)	\$ (28,112)
(1,927)	3,760,101			
1,329,009	2,621,899		(36,946)	(36,946)
122,102	10,734,384		607,400	607,400
366	2,323,421			
	239,009			
28,399	175,453			
31,623				
2	568,953			
1,591	159,120		(29,009)	(29,009)
158	123,115		(23,760)	(23,760)
	12,622			
1,568,523	20,723,148		489,573	489,573
<u>\$ 1,568,523</u>	<u>\$ 20,723,148</u>		<u>489,573</u>	<u>489,573</u>

General Revenues:

Membership dues	54,440	54,440
Sustaining dues	8,275	8,275
Miscellaneous income	10,475	10,475
Unrestricted investment earnings	2,902	2,902
	<u>76,092</u>	<u>76,092</u>
Total general revenues		
	<u>76,092</u>	<u>76,092</u>
Change in net position	565,665	565,665
Net position - beginning	917,616	917,616
	<u>917,616</u>	<u>917,616</u>
Net position - ending	<u>\$ 1,483,281</u>	<u>\$ 1,483,281</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, 2014**

	GENERAL	TOTALS GOVERNMENTAL FUND
Assets		
Cash and cash equivalents	\$ 125,506	\$ 125,506
Receivables (net of allowance for uncollectible):		
Grants	1,907,794	1,907,794
Other	121,662	121,662
Due from other funds	91,530	91,530
Prepaid items	31,376	31,376
Restricted assets:		
Cash and cash equivalents	2,350,398	2,350,398
Grants receivable - net	161,544	161,544
Other receivables - net	58,400	58,400
Prepaid items	13,596	13,596
	<u>\$ 4,861,806</u>	<u>\$ 4,861,806</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 1,541,755	\$ 1,541,755
Accrued compensated absences	217,696	217,696
Other accrued expenses	14,984	14,984
Liabilities payable from restricted assets:		
Accounts payable	216,686	216,686
Other accrued expenses	121,006	121,006
Due to other funds	91,530	91,530
Unearned revenue	555,670	555,670
Unearned revenue	589,488	589,488
	<u>3,348,815</u>	<u>3,348,815</u>
Deferred Inflows of Resources		
Unavailable revenue	52,676	52,676
2015 Dues revenue	65,545	65,545
	<u>118,221</u>	<u>118,221</u>
Fund Balance		
Fund balance (deficit):		
Nonspendable - prepaid items	44,972	44,972
Restricted - grant programs	1,532,894	1,532,894
Unassigned	(183,096)	(183,096)
	<u>1,394,770</u>	<u>1,394,770</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,861,806</u>	<u>\$ 4,861,806</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, 2014**

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)	\$ 1,394,770
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,835
Certain unearned revenues are not available to pay current period expenditures and therefore are not recognized in the governmental funds.	<u>52,676</u>
Net position of governmental activities (page 23)	<u><u>\$ 1,483,281</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, 2014**

	GENERAL	TOTALS GOVERNMENTAL FUND
Revenues		
Federal and state grants	\$ 20,254,352	\$ 20,254,352
Local grants	456,174	456,174
Membership dues	54,440	54,440
Sustaining local dues	8,275	8,275
Investment earnings	3,885	3,885
Miscellaneous income	131,004	131,004
Indirect cost pool	12,622	12,622
Grant matching funds:		
DETCOG cash matching	89,715	89,715
Local non-cash matching	245,208	245,208
Subcontractor cash contributions	124,685	124,685
Subcontractor in-kind contributions	1,080,217	1,080,217
Total revenues	22,460,577	22,460,577
Expenditures		
Administration	188,237	188,237
Disaster Recovery	3,758,174	3,758,174
Area Agency on Aging	3,987,854	3,987,854
Regional Housing Authority	10,249,086	10,249,086
Emergency Communications	2,323,787	2,323,787
Homeland Security	239,009	239,009
Criminal Justice	203,852	203,852
Social Services Program	31,623	31,623
Service to At Risk Youth	568,955	568,955
Retired and Senior Volunteer Program	189,720	189,720
Regional Services	147,033	147,033
Total expenditures	21,887,330	21,887,330
Net change in fund balance	573,247	573,247
Fund balance - beginning	821,523	821,523
Fund balance - ending	\$ 1,394,770	\$ 1,394,770

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, 2014**

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)	\$ 573,247
Capital outlays are not reported as expenses in the statement of activities.	8,093
The depreciation of capital assets used in governmental activities is not reported in the funds.	(12,576)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(3,099)</u>
Change in net position of governmental activities (page 25)	<u><u>\$ 565,665</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, 2014**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Federal and state grants	\$ 21,717,879	\$ 22,041,115	\$ 20,254,352	\$ (1,786,763)
Local grants		404,530	456,174	51,644
Membership dues	56,635	56,635	54,440	(2,195)
Sustaining local dues	9,575	9,575	8,275	(1,300)
Investment earnings	349	799	3,885	3,086
Miscellaneous income	201,275	160,040	131,004	(29,036)
Indirect cost pool	8,895	20,227	12,622	(7,605)
Grant matching funds:				
DETCOG cash matching	57,326	92,131	89,715	(2,416)
Local non-cash matching		666,286	245,208	(421,078)
Subcontractor cash contributions		55,006	124,685	69,679
Subcontractor in-kind contributions	66,000	188,182	1,080,217	892,035
Total revenues	22,117,934	23,694,526	22,460,577	(1,233,949)
Expenditures				
Personnel	4,048,512	3,992,972	3,841,331	151,641
Staff travel	261,449	242,592	222,653	19,939
Contract services	50,800	54,300	105,036	(50,736)
Equipment costs	966,753	1,001,753	467,503	534,250
Participant and subcontractor costs	15,560,624	15,588,227	14,671,681	916,546
Other costs	954,066	1,979,608	2,489,411	(509,803)
DETCOG cash matching	175,932	143,520	89,715	53,805
Total expenditures	22,018,136	23,002,972	21,887,330	1,115,642
Net change in fund balance	99,798	691,554	573,247	(118,307)
Fund balance - beginning	821,523	821,523	821,523	
Fund balance - ending	<u>\$ 921,321</u>	<u>\$ 1,513,077</u>	<u>\$ 1,394,770</u>	<u>\$ (118,307)</u>

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, 2014**

(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, 2014**

(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, 2014**

(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 and Net Position or 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 funds 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."

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(D) Assets, Liabilities and Net Position or 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, 2014.

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, 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(D) Assets, Liabilities and Net Position or 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:

<u>ASSETS</u>	<u>YEARS</u>
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/Inflows of Resources

GASB Statement No. 65 requires certain items to be reported as deferred outflows/inflows of resources in the government-wide and governmental fund financial statements. The government-wide financial statements include deferred inflows of resources for 2015 dues revenue. For governmental funds, assets recorded before the revenues are available and dues collected or reported as receivables before the period for which they are levied are reported as deferred inflows of resources.

8. Fund Balances

Fund balances of the governmental fund are 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).

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(D) Assets, Liabilities and Net Position or Fund Balance - Continued

8. Fund Balances - Continued

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, 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(D) Assets, Liabilities and Net Position or 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 deferred inflows of resources. 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, 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(D) Assets, Liabilities and Net Position or 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 funds. 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. 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, 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(D) Assets, Liabilities and Net Position or Fund Balance - Continued

14. Risk Management - Continued

DETCOG is a member that purchases workers' compensation coverage through the Deep East Texas Self Insurance Fund (DETSIF), a public entity risk pool, which is self-sustained through member premiums. DETSIF reinsures to statutory limits through commercial companies for claims in excess of \$1,000,000. DETSIF contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. Members of DETSIF have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premium. However, if DETSIF's assets were exhausted, members would be contingently liable for their portion of DETSIF's liabilities. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, DETSIF has adequate assets to cover its 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, \$2,000,000 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.

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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

(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, 2014, DETCOG’s carrying amount for cash deposits was \$2,475,454 and the bank balance was \$2,953,310. DETCOG’s cash deposits at September 30, 2014 and during the year ended September 30, 2014 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, 2014, DETCOG’s financial statements include amounts in demand deposits, savings and money market accounts.

DETCOG is required by Texas Government Code Chapter 2256, the Public Funds Investment Act (“Act”), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(A) Cash, Cash Equivalents and Investments - Continued

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, DETCOG adhered to the requirements of the Act. Additionally, investment practices of DETCOG were in accordance with local policies.

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) Grants Receivable

The following is a summary of grants receivable at September 30, 2014:

	COMPLETED GRANTS RECEIVABLE	OPEN GRANTS RECEIVABLE	TOTAL
Disaster Recovery		\$ 1,397,152	\$ 1,397,152
Area Agency on Aging	\$ 96,267	186,785	283,052
Emergency Communications		161,544	161,544
Homeland Security		93,102	93,102
Criminal Justice	2,352	21,488	23,840
Service to At Risk Youth	26,702	56,411	83,113
Retired and Senior Volunteer Program		10,735	10,735
Regional Services	4,336	7,393	11,729
Administration	5,071		5,071
	134,728	1,934,610	2,069,338
Less allowance for uncollectible			
Total grants receivable	<u>\$ 134,728</u>	<u>\$ 1,934,610</u>	<u>\$ 2,069,338</u>

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(C) Other Receivables

The following is a summary of other receivables at September 30, 2014:

HUD fraud recovery	\$	131,148	
Landlords		48,490	
Dues		6,137	
Local entities		115,311	
Employees		214	
Other		<u>5,724</u>	
		307,024	
Less allowance for uncollectible		<u>(126,962)</u>	
Total other receivables	\$	<u><u>180,062</u></u>	

(D) Interfund Receivables and Payables

1. Due From and To Other Funds

Due from and to other funds at September 30, 2014, consisted of the following:

DUE FROM	DUE TO	AMOUNT	PURPOSE
Administration	Emergency Communications	<u>\$ 91,530</u>	Short-term advance
	Total	<u><u>\$ 91,530</u></u>	

2. Transfers From and To Other Funds

There were no transfers between funds during the year ended September 30, 2014.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(E) Capital Assets

Capital assets activity for the year ended September 30, 2014 is as follows:

	BALANCE 09/30/13	ADDITIONS/ (PROVISIONS)	RETIREMENTS	BALANCE 09/30/14
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	209,109	\$ 8,093		217,202
Total depreciable assets	462,827	8,093		470,920
Less accumulated depreciation	(436,509)	(12,576)		(449,085)
Total capital assets being depreciated, net	26,318	(4,483)		21,835
Total capital assets	\$ 40,318	\$ (4,483)		\$ 35,835

Depreciation expense for the year ended September 30, 2014 totaled \$12,576 and was charged to functions/programs of the government-wide statement of activities as follows:

Governmental Activities:	
Administration:	
Rent related pools	\$ 4,900
Indirect costs	7,676
Total depreciation expense	\$ 12,576

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(F) Unearned Revenue

The following is a summary of unearned revenue at September 30, 2014 for governmental funds:

PROGRAM	COMPLETED GRANTS	OPEN GRANTS	LOCAL AND OTHER	TOTAL
Disaster Recovery	\$ 5,961	\$ 7,778	\$ 179,642	\$ 193,381
Area Agency on Aging	1,070	20,222	35,860	57,152
Regional Housing Authority	104,421		202	104,623
Emergency Communications		451,047		451,047
Homeland Security		1,593		1,593
Criminal Justice	35		4,630	4,665
Service to At Risk Youth		282	9,152	9,434
Social Services Program		109,791	8,543	118,334
Retired and Senior Volunteer Program		1		1
Regional Services		79,605	8,626	88,231
Administration		109,591	7,106	116,697
Total	<u>\$ 111,487</u>	<u>\$ 779,910</u>	<u>\$ 253,761</u>	<u>\$ 1,145,158</u>

(G) Deferred Inflows of Resources

Deferred inflows of resources at September 30, 2014 consisted of the following:

	<u>AMOUNT</u>
Administration:	
2015 Dues revenue	\$ 65,545
Regional Housing Authority:	
Unavailable revenue	<u>52,676</u>
Total deferred inflows of resources	<u>\$ 118,221</u>

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

(3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(H) Restricted Fund Balance

	EMERGENCY COMMUNICATIONS	REGIONAL HOUSING AUTHORITY	TOTAL
Restricted assets:			
Cash and cash equivalents	\$ 554,271	\$ 1,796,127	\$ 2,350,398
Grants receivable	161,544		161,544
Other receivables		58,400	58,400
Prepaid items	120	13,476	13,596
Total restricted assets	<u>715,935</u>	<u>1,868,003</u>	<u>2,583,938</u>
Liabilities payable from restricted assets:			
Accounts payable	173,358	43,328	216,686
Other accrued expenses		121,006	121,006
Due to other funds	91,530		91,530
Unearned revenue	451,047	104,623	555,670
Total liabilities payable from restricted assets	<u>715,935</u>	<u>268,957</u>	<u>984,892</u>
Deferred inflows of resources:			
Unavailable revenue		52,676	52,676
Nonspendable fund balance		13,476	13,476
Total restricted fund balance		<u>\$ 1,532,894</u>	<u>\$ 1,532,894</u>

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, 2014.

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 \$13,476 and \$1,532,894, respectively, at September 30, 2014.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

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. The operating leases can be cancelled with ninety days written notice, cancelled with written notice if not appropriated in the current year budget, renewed or replaced by other leases. Rental expense under operating leases for the year ended September 30, 2014 was \$200,807 for office space and \$34,453 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, 2014. 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 \$194,819 were charged to the employee benefit cost pool for the year ended September 30, 2014. Employee contributions were \$30,704 for the year ended September 30, 2014.

(K) Contingencies

On February 5, 2014, the Federal Bureau of Investigation (FBI) conducted a search of DETCOG's premises in Jasper, Texas and seizure of certain documentary evidence. The FBI's investigation apparently relates to DETCOG or its personnel and is still ongoing at this time. The possible outcome of the FBI's investigation cannot be presently determined. Accordingly, no provision for any liability that may result from the FBI's investigation has been made in the financial statements.

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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(K) Contingencies - Continued

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, 2014 have not been completed. Based on prior experience, DETCOG management believes that DETCOG will not incur significant losses from possible grant disallowances.

(L) Related Party Transactions

The Executive Director of DETCOG has 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, 2014. First National Bank of Jasper is DETCOG's depository bank.

The Executive Director of DETCOG has 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, 2014, DETCOG recorded expenditures of \$53,262 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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2014**

3) DETAILED NOTES ON ALL FUNDS - CONTINUED

(M) Change in Accounting Principle

Effective October 1, 2013, DETCOG adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. With the adoption of this statement, DETCOG reclassified unavailable revenue and 2015 dues revenue to deferred inflows of resources in the governmental funds and the government-wide financial statements. There was no change in the net position or fund balance of DETCOG as a result of the adoption of the statement.

OTHER FINANCIAL INFORMATION

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**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
COMBINING BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2014**

	REGIONAL HOUSING AUTHORITY	OTHER	TOTAL GENERAL FUND
Assets			
Cash and cash equivalents		\$ 125,506	\$ 125,506
Receivables (net of allowance for uncollectible):			
Grants		1,907,794	1,907,794
Other		121,662	121,662
Due from other funds		91,530	91,530
Prepaid items		31,376	31,376
Restricted assets:			
Cash and cash equivalents	\$ 1,796,127	554,271	2,350,398
Grants receivable - net		161,544	161,544
Other receivables - net	58,400		58,400
Prepaid items	13,476	120	13,596
Total assets	\$ 1,868,003	\$ 2,993,803	\$ 4,861,806
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable		\$ 1,541,755	\$ 1,541,755
Accrued compensated absences		217,696	217,696
Other accrued expenses		14,984	14,984
Liabilities payable from restricted assets:			
Accounts payable	\$ 43,328	173,358	216,686
Other accrued expenses	121,006		121,006
Due to other funds		91,530	91,530
Unearned revenue	104,623	451,047	555,670
Unearned revenue		589,488	589,488
Total liabilities	268,957	3,079,858	3,348,815
Deferred Inflows of Resources			
Unavailable revenue	52,676		52,676
2015 Dues revenue		65,545	65,545
Total deferred inflows of resources	52,676	65,545	118,221
Fund Balance			
Fund balance (deficit):			
Nonspendable - prepaid items	13,476	31,496	44,972
Restricted - grant programs	1,532,894		1,532,894
Unassigned		(183,096)	(183,096)
Total fund balance	1,546,370	(151,600)	1,394,770
Total liabilities, deferred inflows of resources and fund balance	\$ 1,868,003	\$ 2,993,803	\$ 4,861,806

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, 2014**

	REGIONAL HOUSING AUTHORITY	OTHER	TOTAL GENERAL FUND
Revenues			
Federal and state grants	\$ 10,734,384	\$ 9,519,968	\$ 20,254,352
Local grants		456,174	456,174
Membership dues		54,440	54,440
Sustaining local dues		8,275	8,275
Investment earnings	458	3,427	3,885
Miscellaneous income	124,743	6,261	131,004
Indirect cost pool		12,622	12,622
Grant matching funds:			
DETCOG cash matching		89,715	89,715
Local non-cash match		245,208	245,208
Subcontractor cash contributions		124,685	124,685
Subcontractor in-kind contributions		1,080,217	1,080,217
	<u>10,859,585</u>	<u>11,600,992</u>	<u>22,460,577</u>
Expenditures			
Administration		188,237	188,237
Disaster Recovery		3,758,174	3,758,174
Area Agency on Aging		3,987,854	3,987,854
Regional Housing Authority	10,249,086		10,249,086
Emergency Communications		2,323,787	2,323,787
Homeland Security		239,009	239,009
Criminal Justice		203,852	203,852
Social Services Program		31,623	31,623
Service to At Risk Youth		568,955	568,955
Retired and Senior Volunteer Program		189,720	189,720
Regional Services		147,033	147,033
	<u>10,249,086</u>	<u>11,638,244</u>	<u>21,887,330</u>
Net change in fund balance	610,499	(37,252)	573,247
Fund balance - beginning	<u>935,871</u>	<u>(114,348)</u>	<u>821,523</u>
Fund balance - ending	<u>\$ 1,546,370</u>	<u>\$ (151,600)</u>	<u>\$ 1,394,770</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
REGIONAL HOUSING AUTHORITY
SEPTEMBER 30, 2014**

REAC LINE NO.		HOUSING CHOICE VOUCHERS	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE PAYMENTS - IKE	TOTAL
	Assets				
113	Cash - other restricted	\$ 744,556	\$ 410,503	\$ 520,305	\$ 1,675,364
115	Cash - restricted for payment of current liabilities	120,763			120,763
121	Accounts receivable - PHA projects	5,724			5,724
125	Accounts receivable - miscellaneous	48,490			48,490
126.2	Allowance for doubtful accounts - other	(47,913)			(47,913)
128	Fraud recovery	131,148			131,148
128.1	Allowance for doubtful accounts - fraud	(79,049)			(79,049)
142	Prepaid items	13,476			13,476
144	Inter program due from	290,568			290,568
	Total assets	<u>\$ 1,227,763</u>	<u>\$ 410,503</u>	<u>\$ 520,305</u>	<u>\$ 2,158,571</u>
	Liabilities, Deferred Inflows of Resources and Fund Balance				
	Liabilities				
312	Accounts payable - <= 90 days	\$ 43,328			\$ 43,328
331	Accounts payable - HUD PHA programs	104,421			104,421
342	Unearned revenue	202			202
345	Other current liabilities	120,763			120,763
346	Accrued liabilities - other	243			243
347	Inter program due to	290,568			290,568
300	Total liabilities	<u>559,525</u>			<u>559,525</u>
	Deferred Inflows of Resources				
400	Deferred inflows of resources	<u>52,676</u>			<u>52,676</u>
	Fund Balance				
508.3	Nonspendable fund balance	13,476			13,476
509.3	Restricted fund balance	602,086	\$ 410,503	\$ 520,305	1,532,894
513	Total fund balance	<u>615,562</u>	<u>410,503</u>	<u>520,305</u>	<u>1,546,370</u>
600	Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,227,763</u>	<u>\$ 410,503</u>	<u>\$ 520,305</u>	<u>\$ 2,158,571</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
REGIONAL HOUSING AUTHORITY
SEPTEMBER 30, 2014**

REAC LINE NO.		HOUSING CHOICE VOUCHERS	DISASTER HOUSING ASSISTANCE GRANT	DISASTER HOUSING ASSISTANCE PAYMENTS - IKE	TOTAL
	Revenues				
70600	HUD PHA operating grants	\$ 10,734,384			\$ 10,734,384
71400	Fraud recovery	31,983			31,983
71500	Other revenue	92,760			92,760
72000	Investment income - restricted	458			458
70000	Total revenues	<u>10,859,585</u>			<u>10,859,585</u>
	Expenditures				
91100	Administrative salaries	489,006			489,006
91200	Auditing fees	9,110			9,110
91400	Advertising and marketing	2,169			2,169
91500	Employee benefit contributions - administrative	185,822			185,822
91600	Office expenses	261,038			261,038
91800	Travel	19,596			19,596
91810	Allocated overhead	194,147			194,147
91900	Other - administrative	37,531			37,531
92100	Tenant services - salaries	13,445			13,445
92300	Employee benefit contributions - tenant services	5,109			5,109
94200	Ordinary maintenance and operations - materials and other	11,909			11,909
96140	All other insurance	1,063			1,063
96200	Other general expenses	73,060			73,060
97300	Housing assistance payments	8,912,866			8,912,866
97350	HAP portability-in	33,215			33,215
90000	Total expenditures	<u>10,249,086</u>			<u>10,249,086</u>
	Net change in fund balance	<u>610,499</u>			<u>610,499</u>
11030	Fund balance - beginning	783,410		\$ 152,461	935,871
11040	Prior period adjustment for 2012 transfers	<u>(778,347)</u>	<u>\$ 410,503</u>	<u>367,844</u>	
11030	Fund balance - beginning	<u>5,063</u>	<u>410,503</u>	<u>520,305</u>	<u>935,871</u>
	Fund balance - ending	<u>\$ 615,562</u>	<u>\$ 410,503</u>	<u>\$ 520,305</u>	<u>\$ 1,546,370</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, 2014**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Salaries	\$ 424,642	\$ 424,642	\$ 405,172	\$ 19,470
Benefits	161,364	161,364	153,965	7,399
Staff travel	54,670	54,670	31,437	23,233
Contract services	21,000	25,000	21,078	3,922
Space costs	126,371	133,871	134,912	(1,041)
Equipment costs	5,500	2,000		2,000
Participant and subcontractor costs			10,539	(10,539)
Other costs:				
Legal	8,500	9,000	12,499	(3,499)
Supplies	19,000	19,000	11,433	7,567
Postage	7,000	4,700	4,125	575
Printing and copying	15,000	6,000	3,194	2,806
Communications	21,000	16,500	15,414	1,086
Equipment lease and maintenance	4,000	200		200
Audit	48,000	64,000	63,225	775
Member relations	15,000	8,000	4,274	3,726
Dues and subscriptions	15,500	15,500	14,087	1,413
Insurance	7,500	8,700	8,382	318
Depreciation	7,500	7,500	7,676	(176)
Public notices	1,000	1,000	8	992
Publications	9,500	5,000	3,791	1,209
Staff development	4,079	5,500	8,425	(2,925)
Storage space rental	2,520	2,520	2,520	
Total indirect costs	\$ 978,646	\$ 974,667	\$ 916,156	\$ 58,511
Indirect Costs Allocation:				
Indirect costs charged to grants	\$ 969,751	\$ 937,923	\$ 903,534	\$ (34,389)
Indirect costs carryover	68,578	68,578	68,579	1
Indirect costs carried forward	(59,683)	(31,834)	(55,957)	(24,123)
Total indirect costs allocation	\$ 978,646	\$ 974,667	\$ 916,156	\$ (58,511)
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>4.22%</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, 2014**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Health and accident insurance	\$ 660,318	\$ 660,318	\$ 611,230	\$ 49,088
Long term disability and life insurance	32,352	31,892	31,524	368
Workers' compensation insurance	7,500	7,500	7,420	80
Payroll taxes	235,188	201,406	219,601	(18,195)
Retirement	194,218	188,430	194,819	(6,389)
Total employee benefits	<u>\$1,129,576</u>	<u>\$1,089,546</u>	<u>\$1,064,594</u>	<u>\$ 24,952</u>
Basis for Employee Benefits Allocation:				
Salaries at regular rate			\$2,783,573	
Salaries at other rates			<u> </u>	
Total salaries			<u>\$2,783,573</u>	
Employee Benefits Allocation:				
Employee benefits at regular rate			\$1,057,758	
Employee benefits at other rates			<u> </u>	
Employee benefits charged to grants			1,057,758	
Employee benefits carryover			60,470	
Employee benefits carried forward			<u>(53,634)</u>	
Total employee benefits			<u>\$1,064,594</u>	
Employee benefit regular rate				
			<u>38.00%</u>	
Personnel:				
Salaries			\$2,783,573	
Employee benefits			<u>1,057,758</u>	
Total personnel			<u>\$3,841,331</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, 2014**

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
CBO	Community Based Organization
CDBG	Community Development Block Grant
COPS	Public Safety Partnership and Community Policing Grant
DETRCDC	Deep East Texas Regional Certified Development Corporation
DHAP	Disaster Housing Assistance Payments
DVP	Disaster Voucher Program
FSS	Family Self Sufficiency
HCV	Housing Choice Vouchers
Housing	Regional Housing Authority
MOD	Method of Distribution
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, 2014**

PROGRAM	G/L NUMBER	PERSONNEL	INDIRECT COSTS	STAFF TRAVEL	CONTRACT SERVICES
Administration					
Indirect Cost Pool	101-14	\$ 559,137	\$ (903,534)	\$ 31,437	\$ 21,078
Rent Related Pools	102-14	79,727	22,324	338	
County Commissioners and County Judges	106-14				
Gulf Coast Strategic Highway	109-14				54,956
Local Enterprise	111-14				
Memorial Scholarship	120-14				
DETCOG cash matching	6699				
Local expenditures	Various				
Capital outlay and depreciation	N/A				
Total Administration		638,864	(881,210)	31,775	76,034
Disaster Recovery					
Disaster Recovery GLO	126-10				
Disaster Recovery GLO Rnd 2.2	126-13	536,641	150,259	6,759	
Disaster Recovery MOD/A1	131-10			135	
CDBG Economic Development	135-10	11,791	3,301	63	
CDBG Economic Development	135-13	79,858	22,361	1,164	
Total Disaster Recovery		628,290	175,921	8,121	
Area Agency on Aging					
TIRN 2-1-1	325-14	129,546	20,303	5,588	
TIRN 2-1-1	325-15	12,737	3,566		
AAA Administration	350-14	115,428	32,320	3,832	
AAA Support Services	360-14	251,416	70,396	40,723	
AAA Nutrition Services	370-14	23,980	6,715		
AAA Transportation	380-14				
AAA Caregiver Support	390-14	35,267	9,875	1,111	
CTI	360-14	66,294	18,562	12,056	
Total Area Agency on Aging		634,668	161,737	63,310	
Service to At Risk Youth					
STAR/UCAP	705-14	331,164	92,726	31,783	
STAR/UCAP	705-15	35,156	9,844	2,952	
Total Service to At Risk Youth		366,320	102,570	34,735	

SPACE COSTS	EQUIPMENT COSTS	PARTICIPANT AND SUBCONTRACTOR COSTS	OTHER COSTS AND MATCH	TOTAL EXPENDITURES	GRANT REVENUES	LOCAL REVENUES	TOTAL REVENUES
\$ 134,912 (664,825)		\$ 10,539 3,614	\$ 159,053 558,822	\$ 12,622		\$ 12,622	\$ 12,622
			44	44		44	44
				54,956		54,956	54,956
						200	200
			2,000	2,000		2,000	2,000
			89,715	89,715		54,440	54,440
			33,383	33,383	\$ 5,071	21,652	26,723
	\$ 8,093		(12,576)	(4,483)			
(529,913)	8,093	14,153	830,441	188,237	5,071	145,914	150,985
					2,428	(2,428)	
27,117		1,121,430	70,008	1,912,214	1,912,214		1,912,214
				135	135		135
			625	15,780	15,279	501	15,780
10,999		1,698,109	17,554	1,830,045	1,830,045		1,830,045
38,116		2,819,539	88,187	3,758,174	3,760,101	(1,927)	3,758,174
19,160		5,500	7,055	187,152	184,485	2,667	187,152
2,724		500	51	19,578	19,578		19,578
32,319			12,331	196,230	146,606	49,624	196,230
68,922	4,191	190,819	406,864	1,033,331	645,361	387,970	1,033,331
6,983		954,248	781,747	1,773,673	992,611	781,062	1,773,673
		21,027	13,387	34,414	21,027	13,387	34,414
6,190	883	130,673	132,198	316,197	184,951	131,246	316,197
4,687	500	320,519	4,661	427,279		427,279	427,279
140,985	5,574	1,623,286	1,358,294	3,987,854	2,194,619	1,793,235	3,987,854
41,537		12	15,322	512,544	512,542	2	512,544
7,134			1,325	56,411	56,411		56,411
48,671		12	16,647	568,955	568,953	2	568,955

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, 2014**

PROGRAM	G/L NUMBER	PERSONNEL	INDIRECT COSTS	STAFF TRAVEL	CONTRACT SERVICES
Regional Housing Authority					
Housing Choice Vouchers	405-13				
Housing Choice Vouchers	405-14				
Housing Choice Vouchers - FSS	406-13	18,554			
Housing Choice Vouchers - FSS	406-14				
Housing Choice Vouchers - Admin	406-13				
Housing Choice Vouchers - Admin	406-14	674,828	194,147	31,505	28,489
Total Regional Housing Authority		693,382	194,147	31,505	28,489
Emergency Communications					
9-1-1 Emergency Services	501-13				
9-1-1 Emergency Services	501-14	421,664	118,066	21,890	
9-1-1 Emergency Services	501-15	34,862	9,761	2,606	
Total Emergency Communications		456,526	127,827	24,496	
Homeland Security					
Homeland Security Planning	594-12				
Homeland Security Planning	594-13	59,211	16,579	4,381	
Homeland Security Planning	594-14	54,869	15,363	6,256	
Total Homeland Security		114,080	31,942	10,637	
Criminal Justice					
CJD Planner	601-14	35,400	9,912	327	
CJD Planner	601-15	3,999	1,120		
Law Enforcement Training	608-14	53,335	14,933	1,434	
Purchased Juvenile Services	609-14		490		
Total Criminal Justice		92,734	26,455	1,761	
Social Services Program					
Community Health Choice	722-13	13,981	3,915	1,099	
Total Social Services Program		13,981	3,915	1,099	

SPACE COSTS	EQUIPMENT COSTS	PARTICIPANT AND SUBCONTRACTOR COSTS	OTHER COSTS AND MATCH	TOTAL EXPENDITURES	GRANT REVENUES	LOCAL REVENUES	TOTAL REVENUES
		26,966		26,966	76,380		76,380
		8,885,900		8,885,900	9,703,875	25,268	9,729,143
				18,554	17,930		17,930
					200		200
			74	74		3,477	3,477
165,765		4,995	217,863	1,317,592	935,999	96,456	1,032,455
165,765		8,917,861	217,937	10,249,086	10,734,384	125,201	10,859,585
	256,631	344,273		600,904	600,904		600,904
47,628	143,354	845,550	19,586	1,617,738	1,617,413	325	1,617,738
4,919		49,608	3,389	105,145	105,104	41	105,145
52,547	399,985	1,239,431	22,975	2,323,787	2,323,421	366	2,323,787
	15,377			15,377	15,377		15,377
8,610	38,474		3,989	131,244	131,244		131,244
10,580			5,320	92,388	92,388		92,388
19,190	53,851		9,309	239,009	239,009		239,009
13,370			1,348	60,357	31,958	28,399	60,357
2,270			5	7,394	7,394		7,394
7,374		32,899	1,136	111,111	111,111		111,111
		24,500		24,990	24,990		24,990
23,014		57,399	2,489	203,852	175,453	28,399	203,852
11,841			787	31,623		31,623	31,623
11,841			787	31,623		31,623	31,623

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, 2014**

PROGRAM	G/L NUMBER	PERSONNEL	INDIRECT COSTS	STAFF TRAVEL	CONTRACT SERVICES
Retired and Senior Volunteer Program					
RSVP - Federal	801-13	47,018	13,165	3,630	300
RSVP - Federal	801-14	37,118	10,393	4,091	163
RSVP - State	802-14	24,360	6,821	4,666	
RSVP - State	802-15	1,060	297	665	50
Total Retired and Senior Volunteer Program		109,556	30,676	13,052	513
Regional Services					
EDA Administration Planning	903-14	19,648	5,501		
EDA Administration Planning	903-15	42,323	11,850	1,514	
Regional Review - TxCDBG	905-14	5,425	1,519		
Regional Review - TxCDBG	905-15	1,124	315		
TCEQ	906-14	21,947	6,145	405	
TCEQ	906-15	2,412	675	243	
Transportation Planning	913-14	51	15		
Total Regional Services		92,930	26,020	2,162	
Total		<u>\$ 3,841,331</u>		<u>\$ 222,653</u>	<u>\$ 105,036</u>

SPACE COSTS	EQUIPMENT COSTS	PARTICIPANT AND SUBCONTRACTOR COSTS	OTHER COSTS AND MATCH	TOTAL EXPENDITURES	GRANT REVENUES	LOCAL REVENUES	TOTAL REVENUES
2,638			25,510	92,261	55,160	37,101	92,261
3,321			4,039	59,125	36,732	22,393	59,125
			415	36,262	36,262		36,262
				2,072	2,072		2,072
5,959			29,964	189,720	130,226	59,494	189,720
7,090			154	32,393	23,885	8,508	32,393
4,399			1,148	61,234	46,061	15,173	61,234
4,152			105	11,201	11,201		11,201
384			6	1,829	1,829		1,829
7,018			313	35,828	35,670	158	35,828
782			357	4,469	4,469		4,469
			13	79		79	79
23,825			2,096	147,033	123,115	23,918	147,033
	\$ 467,503	\$ 14,671,681	\$ 2,579,126	\$ 21,887,330	\$20,254,352	\$ 2,206,225	\$ 22,460,577

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, 2014**

INSURER	RISK COVERED	PERIOD COVERED	AMOUNT OF INSURANCE
Texas Municipal League	General Liability	10/01/13 to 10/01/14	\$1,000,000 Deductible \$0
Texas Municipal League	Errors and Omissions	10/01/13 to 10/01/14	\$1,000,000 Deductible \$1,000
Texas Municipal League	Auto Liability	10/01/13 to 10/01/14	\$500,000
Texas Municipal League	Auto Physical Damage	10/01/13 to 10/01/14	Actual cash value Deductible \$250
Texas Municipal League	Real and Personal Property	10/01/13 to 10/01/14	\$6,515,345 Deductible \$250
The Fidelity and Deposit Company	Commercial Crime Policy Employee Theft	9/01/13 to 8/31/14 9/01/14 to 8/31/15	\$500,000 Deductible \$5,000
Deep East Texas Self Insurance Fund	Workers' Compensation	7/01/13 to 6/30/14 7/01/14 to 6/30/15	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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities 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, 2014, and the related notes to the financial statements, which collectively comprise DETCOG's basic financial statements, and have issued our report thereon dated April 17, 2015.

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 of 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity'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 17, 2015

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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**

Members of the 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, 2014. 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, 2014.

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 17, 2015

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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, 2014**

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				
903-14	Direct	11.302	08-83-04759	\$ 23,885
903-15	Direct	11.302	08-83-04759	46,061
	Total for CFDA Number 11.302			<u>69,946</u>
	Total U. S. Department of Commerce			<u>69,946</u>
<u>U. S. Department of Housing and Urban Development</u>				
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii *				
126-10	Passed through Texas General Land Office	14.228	10-5281-000-5287	2,428
126-13	Passed through Texas General Land Office	14.228	12-476-000-6641	1,912,214
131-10	Passed through Texas General Land Office	14.228	09-327-000-5346	135
135-10	Passed through Texas General Land Office	14.228	10-5312-000-5320	15,279
135-13	Passed through Texas General Land Office	14.228	13-199-000-7349	1,830,045
905-14	Passed through Texas Dept. of Agriculture	14.228	C713205	11,201
905-15	Passed through Texas Dept. of Agriculture	14.228	C714205	1,829
	Total for CFDA Number 14.228			<u>3,773,131</u>
Section 8 Housing Choice Vouchers *				
405	Direct	14.871	TX24512VO	9,780,255
406	Direct	14.871	TX512AF	935,999
406	Direct	14.871	TX512FSF	18,130
	Total for CFDA Number 14.871			<u>10,734,384</u>
	Total U. S. Department of Housing and Urban Development			<u>14,507,515</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				
360-14	Passed through Texas Dept. on Aging and Disability Services	93.041	539-11-0014-00001	5,871
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals				
360-14	Passed through Texas Dept. on Aging and Disability Services	93.042	539-11-0014-00001	24,446

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, 2014**

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>				
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services				
360-14	Passed through Texas Dept. on Aging and Disability Services	93.043	539-11-0014-00001	23,066
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers *				
Various	Passed through Texas Dept. on Aging and Disability Services	93.044	539-11-0014-00001	548,692
Special Programs for the Aging - Title III, Part C - Nutrition Services *				
Various	Passed through Texas Dept. on Aging and Disability Services	93.045	539-11-0014-00001	797,284
National Family Caregiver Support, Title III, Part E				
Various	Passed through Texas Dept. on Aging and Disability Services	93.052	539-11-0014-00001	161,103
Nutrition Services Incentive Program *				
370-14	Passed through Texas Dept. on Aging and Disability Services	93.053	539-11-0014-00001	196,521
Medicare Enrollment Assistance Program				
360-14	Passed through Texas Dept. on Aging and Disability Services	93.071	539-11-0014-00001	22,054
State Health Insurance Assistance Program				
360-14	Passed through Texas Dept. on Aging and Disability Services	93.324	539-11-0014-00001	40,502
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations				
360-14	Passed through Texas Dept. on Aging and Disability Services	93.779	539-11-0014-00001	18,148
Money Follows the Person Rebalancing Demonstration				
360-14	Passed through Texas Dept. on Aging and Disability Services	93.791	539-11-0014-00001	<u>13,545</u>
Total U.S. Department of Health and Human Services				<u>1,851,232</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, 2014**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL AWARDS - CONTINUED				
<u>Corporation for National and Community Service</u>				
Retired and Senior Volunteer Program				
801-13	Direct	94.002	11SRWTX008	55,160
801-14	Direct	94.002	14SRWTX011	36,732
802	Direct	94.002	13RZWTX023	38,334
	Total for CFDA Number 94.002			<u>130,226</u>
	Total Corporation for National and Community Service			<u>130,226</u>
<u>U.S. Department of Homeland Security</u>				
Homeland Security Grant Program *				
594-12 & 594-13	Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.067	EMW-2011-SS-00019	125,643
594-14	Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.067	EMW-2013-SS-00045	83,533
594-14	Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.067	EMW-2014-SS-00029	8,854
	Total for CFDA Number 97.067			<u>218,030</u>
594-13	Homeland Security Grant Program Passed through Texas Dept. of Public Safety - Division of Homeland Security	97.073	EMW-2012-SS-00018	<u>20,979</u>
	Total U.S. Department of Homeland Security			<u>239,009</u>
	Total Federal Awards			<u>16,797,928</u>
* Indicates clustered program under OMB Circular A-133 Compliance Supplement				
STATE AWARDS				
<u>Texas Commission on State Emergency</u>				
<u>Communications</u>				
9-1-1 Emergency Services				
501-13	Direct		DETCOG	600,904
501-14	Direct		DETCOG	1,617,413
501-15	Direct		DETCOG	105,104
	Total for 9-1-1 Emergency Services			<u>2,323,421</u>
	Total Texas Commission on State Emergency Communications			<u>2,323,421</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, 2014**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
STATE AWARDS - CONTINUED				
<u>Texas Commission on Environmental Quality</u>				
<u>Regional Solid Waste Grants Program</u>				
906	Direct		582-14-40578	40,139
	Total Texas Commission on Environmental Quality			40,139
<u>Texas Department on Aging and Disability Services</u>				
<u>State General Revenue</u>				
Various	Direct		539-11-0014-00001	139,324
	Total Texas Department on Aging and Disability Services			139,324
<u>Texas Department of Family and Protective Services</u>				
<u>Services to At Risk Youth - State General Revenue</u>				
705	Direct		24028206	568,102
<u>Services to At Risk Youth - Children's Trust Fund</u>				
705	Direct		24028206	851
	Total Texas Department of Family and Protective Services			568,953
<u>Texas Health and Human Services Commission</u>				
<u>Texas I & R Network</u>				
325	Direct		HHSC 529-11- 0001-0006	193,393
<u>Texas I & R Network (Child Care Information & Referral)</u>				
325	Direct		HHSC 529-11- 0063-00020	10,670
	Total Texas Health and Human Services Commission			204,063

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, 2014**

G/L NUMBER	GRANT TITLE	CFDA NUMBER	GRANT NUMBER/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
STATE AWARDS - CONTINUED				
<u>Texas Office of the Governor</u>				
Purchase of Juvenile Justice Alternatives				
609-14	Direct		SF-14339-15	24,990
Regional Criminal Justice Coordination				
601-14	Direct		30041204	31,958
601-15	Direct		30051524	7,394
Total for Regional Criminal Justice Coordination				39,352
Regional Law Enforcement Training				
608-14	Direct		SF-14289-13	111,111
State Planning Assistance Grants Program				
999-14	Direct		PF-2003505	5,071
Total Texas Office of the Governor				180,524
Total State Awards				3,456,424
Total Federal and State Awards				\$ 20,254,352

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, 2014**

(1) General

The Schedule of Expenditures of Federal and State Awards 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 Schedule of Expenditures of Federal and State Awards.

(2) Basis of Accounting

The Schedule of Expenditures of Federal and State Awards 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 Schedule of Expenditures of Federal and State Awards 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.

**DEEP EAST TEXAS COUNCIL OF GOVERNMENTS
AND ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	<u>X</u> None Reported

Noncompliance material to financial statements noted?

	___ Yes	<u>X</u> No
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Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?	___ Yes	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	<u>X</u> 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	<u>X</u> No
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Identification of major programs:

CFDA Number(s)	Name of Federal or State Program or Cluster
Federal:	
14.871	Section 8 Housing Choice Vouchers
State:	
N/A	9-1-1 Emergency Services

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, 2014**

A. Summary of Auditor's Results - Continued

Federal and State Awards - Continued

Dollar threshold used to distinguish between
type A and type B federal programs: \$503,938

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, 2014**

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.