



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

of the

**EAST TEXAS COUNCIL OF GOVERNMENTS**

For the Year Ended  
September 30, 2008

Judy Durland, CPA, CGFM  
Director of Finance

ETCOG Finance Department  
Sloane Bodle  
Liz Jones  
Lynda Bond  
Rhonda Barber

Member of the Government Finance Officer's Association of the United States and  
Canada

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**EAST TEXAS COUNCIL OF GOVERNMENTS**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2008**

**Page  
Number**

**INTRODUCTORY SECTION**

Letter of Transmittal .....	1 – 5
Certificate of Achievement .....	6
Organization Chart.....	7
Principal Officials .....	8
Member Governments .....	9 – 10

**FINANCIAL SECTION**

Independent Auditors’ Report.....	11 – 12
Management Discussion and Analysis .....	13 – 20

**Basic Financial Statements:**

Government-wide Financial Statements:

Statement of Net Assets.....	21
Statement of Activities.....	22 – 23

Fund Financial Statements:

Balance Sheet.....	24 – 25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	27 – 28

**(continued)**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2008**

**Page  
Number**

**FINANCIAL SECTION (Continued)**

**Basic Financial Statements: (Continued)**

Fund Financial Statements: Continued)

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities..... 29

Statement of Net Assets – Proprietary Fund..... 30

Statement of Revenues, Expenses and Changes in  
Fund Net Assets – Proprietary Fund..... 31

Statement of Cash Flows – Proprietary Fund ..... 32

Notes to Financial Statements..... 33 – 43

**Nonmajor Governmental Funds:**

Combining Balance Sheet..... 44 – 45

Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances..... 46 – 47

**Supplemental Schedules**

Schedule of Indirect Costs ..... 48

Schedule of Employee Benefits..... 49

**(continued)**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2008**

**Page  
Number**

**STATISTICAL SECTION**

Net Assets by Component.....	50
Changes in Net Assets .....	51
Fund Balances of Governmental Funds.....	52 – 53
Changes in Fund Balances – Governmental Funds .....	54
Revenues and Expenditures of Governmental Funds .....	55
Regional County Information .....	56 – 59
Employment Percent Change 1990 – 2007.....	60
Employment by County .....	61
Population Change in 1970s, 80s, and 90s, 2000 and 2010.....	62
Population – Census – 1970 – 2000 – 2010 Census Estimate .....	63
Population and Household Percent Change 2000 – 2030.....	64
Population and Household by County .....	65
Population Age Historical and Projected 1990 and 2000 Census, 2006 Estimate and 2013 Projection .....	66
Total Population Age Historical and Projected .....	67
Demographic and Economic Statistics .....	68
Principal Employers 1000+ Employees.....	69
Fulltime Employee Equivalents by Function.....	70

**(continued)**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2008**

**Page  
Number**

**STATISTICAL SECTION (Continued)**

Operating Indicators by Function .....	71
Capital Asset Statistics by Function .....	72
East Texas Workforce Development Area .....	73

**SINGLE AUDIT SECTION**

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	74 – 75
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	76 – 77
Schedule of Expenditures of Federal and State Awards .....	78 – 83
Notes to Schedule of Expenditures of Federal and State Awards .....	84 – 85
Schedule of Findings and Questioned Costs.....	86
Summary Schedule of Prior Audit Findings.....	87

# **INTRODUCTORY SECTION**

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March 24, 2009

Commissioner Jerry Galloway  
and the Executive Committee  
East Texas Council of Governments  
Kilgore, TX

Dear Ladies and Gentlemen:

The comprehensive annual financial report for the East Texas Council of Governments (ETCOG) for the fiscal year ended September 30, 2008, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with ETCOG's management. We believe the data, as presented, is accurate in all material respects, that it properly reflects the financial position and the results of operations of the Council through the measurement of financial activity of its various funds, and that all disclosures have been made to enable the reader to acquire the maximum understanding of financial affairs concerning ETCOG. These financial statements are presented annually in compliance with Office of Management and Budget's Circular A-133, the Single Audit Act of 1984, as amended, and the Council's Bylaws.

### **REPORT FORMAT**

ETCOG's financial statements have been audited by Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of ETCOG for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that ETCOG's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of ETCOG was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. ETCOG's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE COUNCIL**

In June 1970, a regional planning commission known as the East Texas Council of Governments was created under authority of State Law now recodified as Local Government Code, Chapter 391. The Council is a voluntary membership organization of local governments in a 14-county region of East Texas. The organization is one of 24 regional councils in Texas. Local governments created ETCOG to develop a systematic method of evaluating and addressing common concerns which affect several governmental jurisdictions. Cooperative efforts to resolve regional issues such as employment, water and air pollution, crime, emergency services, drainage and flooding, transportation, care of the elderly, and waste disposal have received collective action through ETCOG. The Council continues to be dedicated to improving the quality of life of the citizens of the region through cooperative efforts to enhance the physical, social, and economic environment.

ETCOG is governed by a Board of 135 delegates from member local governments. The Board of Directors is composed of locally elected officials, members representing county governments, cities, school districts and soil and water conservation districts. The Board of Directors determines policy, while the Executive Committee elected by the Board of Directors is responsible for carrying out that policy. ETCOG's Executive Committee is comprised of local elected officials who meet monthly to provide specific guidance to the Council. During 2008, ETCOG's membership was comprised of the 14 county governments, 73 cities, 26 school districts, and 14 special purpose districts, including all major general-purpose local governments in the region. According to 2008 estimates from the Texas State Data Center, these member governments represented approximately 803,804 citizens and covered an area of 9,722 square miles.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the East Texas Council of Governments operates.

## LOCAL ECONOMY

Located just 90 miles east of the Dallas-Fort Worth Metroplex, the 14-county region that comprises East Texas is uniquely positioned for economic growth. The East Texas Workforce Development Area consists of the following counties: Anderson, Camp, Cherokee, Gregg, Harrison, Henderson, Marion, Panola, Rains, Rusk, Smith, Upshur, Van Zandt and Wood. The 2000 census data shows a population of approximately 745,180 persons in the 14 counties covering approximately 10,000 square miles. While 10 of the 14 counties (covering 7,276 square miles) are rural, the region includes two standard metropolitan statistical areas – Tyler (Smith County) and Longview (Gregg County). The Tyler MSA has an estimated 2008 population of 98,493 and the Longview MSA has an estimated 2008 population of 76,885.

The population density for the Workforce Development Area is 82.3 persons per square mile, which is much more concentrated than the western areas of the State. (In comparison, the population density of the Panhandle of Texas in rural counties is about 16.4 persons per square mile.) According to a report by the State Comptrollers Office, “The population of the East Texas region is large enough to create a demand for a wide variety of services and scattered enough to make delivery in a single location problematic.”

Institutionally, East Texas is characterized by local autonomy with continuously increasing economic linkages. All of the counties are affected by the “Interstate Highway 20 Corridor,” which links the East Texas region with Dallas and Shreveport, which are in turn linked with Austin, San Antonio and Houston. There are 14 counties, and 81 cities, 12 of which have populations of 5,000 or more. Tyler and Longview are the economic centers of the region. In particular, Tyler is the leading population center of the region and a retail/marketing hub.

The Texas economy and the economy of East Texas are closely tied to that of the U. S. as a whole. In fact, the national economic outlook has a strong bearing on both local and Texas forecasts. Given the number of new and emerging consumer markets around the world, American business is increasingly looking for moneymaking opportunities outside of the United States. With this increased amount of world trade, Texas and East Texas are becoming more dependent on the global economy for much of its prosperity.

The East Texas Workforce Development Area is located in the eastern part of the state. While oil and gas production, manufacturing, lumber/agribusiness, and government remain important, the East Texas economy is becoming more like the state and national economies, whose growth is driven by the services industries, which include low skill, low-wage counter help type jobs, along with high skill, high wage jobs in the office oriented managerial, sales and personal services occupations. In 2008, the East Texas region total employment for all industries was 349,305, with projected growth to 367,460 by the year 2013. That is an expected increase of 19,640, or a 6% increase in employment.

## LONG-TERM FINANCIAL PLANNING

**Accounting System and Budgetary Control.** In developing and evaluating ETCOG's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss and that reliable financial records are maintained. We believe that adequate precautions have been taken, within cost limitations, to safeguard assets and provide reasonable assurance of proper recording of financial transactions within the Council.

As a recipient of federal and state assistance, ETCOG also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management, federal and state agencies and independent auditors.

The Board of Directors approves a financial plan for revenues and expenditures in all funds. An annual financial plan is adopted for the Special Revenue Funds in September for the next year. Financial plans for the Special Revenue Funds are made on a project (grant) basis, often spanning more than one year. Appropriations for all projects in the Special Revenue Funds lapse at the end of a contract period, which may not coincide with the fiscal year end of ETCOG. ETCOG recognizes that the financial plan must be flexible enough to adjust for revenues which do not materialize and capitalize on unforeseen opportunities as they occur. Financial plans for the Special Revenue Funds are established in accordance with the grant awards received. Amendments to the financial plan are presented to the Board of Directors in their semi-annual meeting. Control of the financial plan is maintained at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, within restrictions imposed by grantor agencies.

The financial plan for the General Fund is prepared on the modified accrual basis, except that expenditures also include amounts for depreciation on general capital assets acquired with General Fund resources and for changes in the liability for accrued vacation leave. The financial plan for the Special Revenue Funds is prepared on the same basis as the plan for the General Fund.

As stated in the Management's Discussion and Analysis, the financial plan for ETCOG is not considered a legally adopted budget. Therefore, comparative budget and actual results are not presented.

Management will increase membership dues to promote long-term stability. Since ETCOG is federally and state funded, long-term financial planning is a difficult objective.

To meet the objective of long-term financial planning, ETCOG is exploring the development of additional funding sources in areas such as housing, workforce training and cooperative purchasing. Various "fee for service" options will also be investigated.

**Risk Management.** ETCOG 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. ETCOG maintains workers' compensation and other risks of loss coverage through the Texas Municipal League Intergovernmental Risk Pool, which is a public entity risk pool. The pool is self-sustaining through member premiums and obtains reinsurance through commercial insurance companies for claims in excess of a specified dollar amount. ETCOG management believes such coverage is sufficient to preclude any significant uninsured losses to ETCOG.

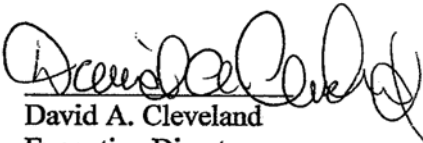
**Cash Management Policies and Practices.** ETCOG's investment policy is to minimize credit and market risks while maintaining a competitive yield on its investments. The Council's deposits are either insured by federal depository insurance or collateralized. Cash temporarily idle during the year was invested in certificates of deposit and the Texas Local Government Investment Pool (TexPool). The Council earned interest revenue of \$121,171 on its investments for the year ended September 30, 2008.

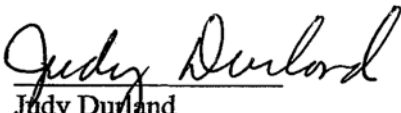
**Awards and Acknowledgements.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the East Texas Council of Governments for its comprehensive annual financial report for the fiscal year ended September 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been accomplished without the dedication and efficiency of the ETCOG's Financial, Administrative, and Program Management Staff. Special acknowledgement should also be given to ETCOG's independent auditors, Pattillo, Brown, and Hill, L.L.P, whose expertise greatly assisted in the completion of this report. Finally, we would like to thank the members of the Executive Committee for their interest and support in planning and conducting ETCOG's financial operations in a responsible and progressive manner.

**Respectfully submitted.**

  
David A. Cleveland  
Executive Director

  
Judy Durland  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

East Texas  
Council of Governments

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



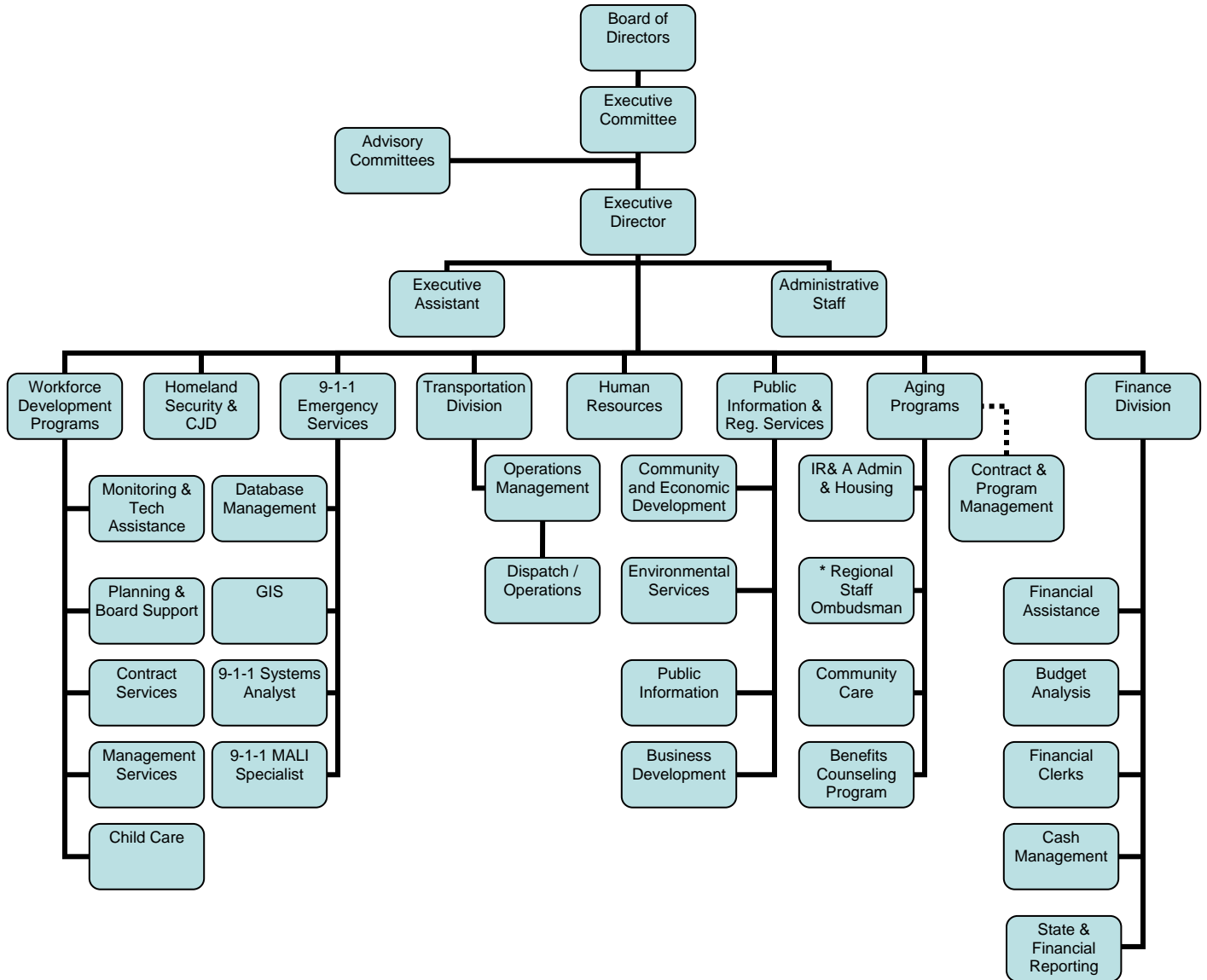
President

Executive Director

# EAST TEXAS COUNCIL OF GOVERNMENTS

## ORGANIZATION CHART

SEPTEMBER 30, 2008



**EAST TEXAS COUNCIL OF GOVERNMENTS**

**PRINCIPAL OFFICIALS**

**OFFICERS OF THE EXECUTIVE COMMITTEE  
2008**

Bill Hale  
Chairman – Commissioner  
Rusk County

Vacant  
1<sup>st</sup> Vice-Chairman

Jerry Galloway  
2<sup>nd</sup> Vice-Chairman – Commissioner  
Wood County

Terry Tolar  
3<sup>rd</sup> Vice-Chairman – Mayor  
Grand Saline

George Wilkins  
Secretary – Treasurer  
Upshur – Gregg Counties – Soil & Water Conservation District #417

**ADMINISTRATIVE STAFF**

Executive Director	David Cleveland
Director of Workforce Development Programs	Wendell Holcombe
Director of Area Agency on Aging	Claude Andrews
Director of Finance	Judy Durland
Director of Criminal Justice & Homeland Security	Angela Norton
Director of Public Information & Regional Services	Luke Kimbrough
Director of 911 Emergency Services	Carolyn Flores
Director of Transportation	Tommy Hibdon

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**MEMBER GOVERNMENTS**

**SEPTEMBER 30, 2008**

**COUNTIES**

Anderson  
Camp  
Cherokee  
Gregg  
Harrison  
Henderson  
Marion  
Panola  
Rains  
Rusk  
Smith  
Upshur  
Van Zandt  
Wood

**CITIES**

Alba  
Alto  
Arp  
Athens  
Beckville  
Big Sandy  
Brownsboro  
Bullard  
Canton  
Carthage  
Chandler  
Clarksville City  
Coffee City  
East Mountain  
East Tawakoni  
Edgewood  
Elkhart  
Emory  
Eustace  
Frankston  
Fruitvale  
Gallatin

**CITIES:** (Continued)

Gilmer  
Gladewater  
Grand Saline  
Gun Barrel City  
Hallsville  
Hawkins  
Henderson  
Jacksonville  
Jefferson  
Kilgore  
Lakeport  
Lindale  
Log Cabin  
Longview  
Mabank  
Malakoff  
Marshall  
Mineola  
Moore Station  
Mt. Enterprise  
Murchison  
New London  
New Summerfield  
Noonday  
Ore City  
Overton  
Palestine  
Payne Springs  
Pittsburg  
Point  
Quitman  
Reklaw  
Rusk  
Seven Points  
Star Harbor  
Tatum  
Tool  
Trinidad  
Troup

**(continued)**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**MEMBER GOVERNMENTS  
(Continued)  
SEPTEMBER 30, 2008**

**CITIES:** (Continued)

Tyler  
Van  
Warren City  
Waskom  
Wells  
Whitehouse  
White Oak  
Wills Point  
Winnsboro  
Winona  
Yantis

**INDEPENDENT SCHOOL DISTRICTS:** (Continued)

Mt. Enterprise ISD  
Neches ISD  
New Summerfield ISD  
Ore City ISD  
Overton ISD  
Rains ISD  
Slocum ISD  
Tatum ISD  
Troup ISD  
Westwood ISD  
Yantis ISD

**INDEPENDENT SCHOOL DISTRICTS**

Athens ISD  
Big Sandy ISD  
Carlisle ISD  
Carthage ISD  
Chapel Hill ISD  
Frankston ISD  
Gilmer ISD  
Gladewater ISD  
Grand Saline ISD  
Harmony ISD  
Henderson ISD  
Jefferson ISD  
Laneville ISD  
La Poynor ISD  
Longview ISD

**SPECIAL PURPOSE DISTRICTS**

Cherokee County SWCD #427  
Harrison County SWCD #412  
Upshur-Gregg SWCD #417  
Wood County SWCD #444  
East Texas Cedar Creek Fresh Water Supply District  
9-1-1 Network of East Texas  
Trinity Valley Community College  
Kilgore College  
Tyler Junior College  
Panola College

**RIVER AUTHORITIES**

Upper Neches River Municipal Water Authority  
Sabine River Authority  
Trinity River Authority

# **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
East Texas Council of Governments

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the East Texas Council of Governments as of and for the year ended September 30, 2008, which collectively comprise the Council's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Council's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council, as of September 30, 2008, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2009, on our consideration of the Council'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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 13 through 20 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section, combining nonmajor fund financial statements, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and the State of Texas Uniform Grant Management Standards, and is not a required part of the basic financial statements of the Council. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Pattillo, Brown & Hill, L.L.P.

March 23, 2009

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## Management's Discussion and Analysis

As management of the East Texas Council of Governments, we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 5 of this report.

### FINANCIAL HIGHLIGHTS

- The assets of East Texas Council of Governments exceeded its liabilities as of September 30, 2008, by \$4,866,579 (net assets). Of this amount, \$1,270,103 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets increased by \$249,779.
- As of the close of the current fiscal year, East Texas Council of Governments' governmental funds reported combined ending fund balances of \$2,528,633, an increase of \$207,597 in comparison with the prior year.
- As of September 30, 2008, unreserved and undesignated fund balance for the General Fund was \$1,223,207.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council'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 supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** – The government-wide financial statements are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Council's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The Statement of Activities presents information showing how the Council's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found on pages 21 through 23 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. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – Governmental funds are used to account for 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 Council’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Texas Workforce Commission Fund, Texas Department of Aging and Disability Services Fund, Chapman Revolving Loan Fund, and the Commission on State Emergency Communications Fund, which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Council’s Board approves a financial plan for revenue and expenditures in all funds. Although the financial plans are reviewed and approved by the Council’s Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comparative budget and actual results are not presented in this report.

The basic governmental fund financial statements can be found on pages 24 through 32 of this report.

**Notes to the 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 the financial statements can be found on pages 33 through 43 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and other schedules that further support the information in the financial statements. The combining fund statements for nonmajor funds and other schedules can be found on pages 44 through 49 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of East Texas Council of Governments, assets exceeded liabilities by \$4,866,579 as of September 30, 2008.

## EAST TEXAS COUNCIL OF GOVERNMENTS' NET ASSETS

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Current assets	\$ 7,886,926	\$ 7,872,765	\$( 3,053)	\$ 3,378
Capital assets (net)	2,473,037	2,398,199	-	-
Total assets	<u>10,359,963</u>	<u>10,270,964</u>	<u>( 3,053)</u>	<u>3,378</u>
Long-term liabilities	129,085	101,804	-	-
Other liabilities	5,358,293	5,551,729	2,953	4,009
Total liabilities	<u>5,487,378</u>	<u>5,653,533</u>	<u>2,953</u>	<u>4,009</u>
Net assets:				
Invested in capital assets, net of related debt	2,473,037	2,398,199	-	-
Restricted	1,123,439	1,202,091	-	-
Unrestricted	<u>1,276,109</u>	<u>1,017,141</u>	<u>( 6,006)</u>	<u>( 631)</u>
Total net assets	<u>\$ 4,872,585</u>	<u>\$ 4,617,431</u>	<u>\$( 6,006)</u>	<u>\$( 631)</u>

A fairly large portion of the Council's net assets (50.7%) reflects its investments in capital assets. The Council uses these assets to provide services; consequently, these assets are not available for spending. Another portion of the Council's net assets (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (26.3%) of unrestricted net assets may be used to meet the Council's ongoing obligations.

### ANALYSIS OF FINANCIAL POSITION

Expenditures with the most significant increases occurred in the Workforce Development Grants, \$898,650 or 3.2%; Transportation Grants, \$1,032,389 or 62%; and Health & Human Services, \$757,674 or 445%. The Texas Health & Human Services Commission funded a grant to provide service for evacuees of Hurricane Rita and Katrina. The Transportation Program has been historically underfunded and as a result of efforts by state and local officials, experienced a more equitable funding formula thereby providing increased ridership in the Rural Transportation Program. The Workforce Development Grant experienced the largest increase in the Child Care Program. Over 8,000 children were served in the Child Care Program.

The second tier of increases occurred in the following divisions: Aging Program, \$219,810 or 4%; Governor's Office and Criminal Justice, \$130,485 or 49%; Environmental Quality, \$88,583 or 10%; General Government, \$70,950 or 272%; and Economic Development, \$48,022 or 75%. Increases in expenditures in these sets of grants are primarily due to carryover and timing differences with the exception of the Governor's Office, which funded a State Planning Grant of \$71,000. The Council efficiently utilized this grant to employ a housing coordinator to leverage housing repair dollars with another organization thereby providing repairs of over \$290,000 to low-income and senior citizens. General government expenditures increased due to increased match requirements, other employee benefits and automobile lease expenditures.

Decreases in expenditures were experienced in Emergency Communications, Homeland Security and Housing and Urban Development. The decreases were \$201,742 or 8% for Emergency Communications, \$46,579 or 17% for Homeland Security, and \$46,099 or 75% for Housing and Urban Development. These grants are for periods from two to three years, thus many projects will be entered and completed in subsequent periods.

The Council is 93% percent funded by federal and state grants which determine funding for the region and the availability of services to be provided.

Other business activities increased by \$101,503 or 318%. The Greyhound ticket sales office was acquired on July 1, 2007, operating only three months in the fiscal year ending September 30, 2007, whereas it was fully operational for the year ended September 30, 2008.

## ANALYSIS OF THE COUNCIL'S OPERATIONS

The following table provides a summary of the Council's operations for the years ended September 30:

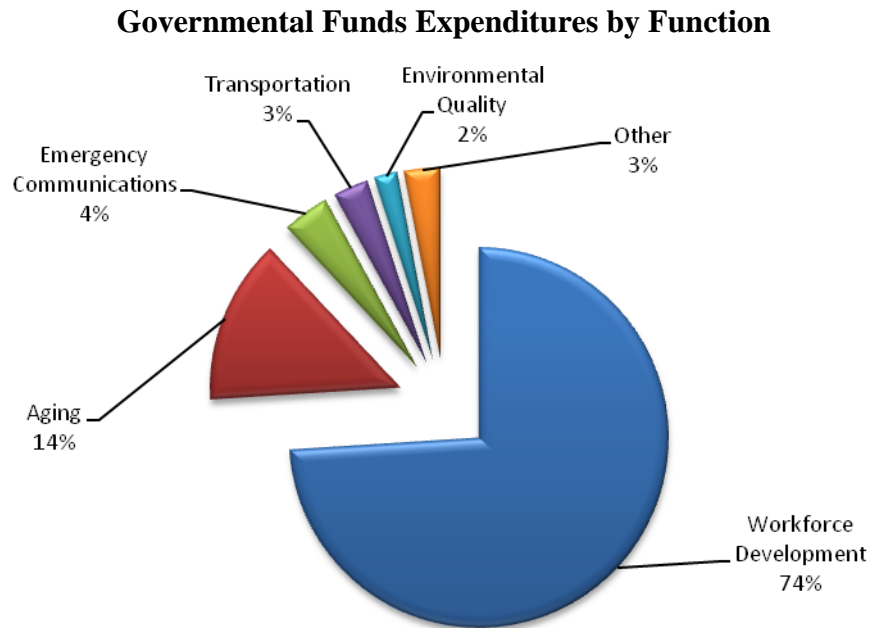
### EAST TEXAS COUNCIL OF GOVERNMENTS' CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 41,999,117	\$ 40,020,456	\$ 128,657	\$ 31,048
General revenues:				
Grants and contributions not restricted to specific programs	114,734	71,313	-	-
Investment earnings	83,399	133,605	-	850
Miscellaneous	98,022	79,966	-	-
Total revenues	<u>42,295,272</u>	<u>40,305,340</u>	<u>128,657</u>	<u>31,898</u>
Expenses after allocation of indirect costs:				
General government	97,063	26,113	-	-
Workforce development	28,679,194	27,780,544	-	-
Aging	5,766,234	5,546,424	-	-
Emergency communications	2,195,057	2,396,799	-	-
Health and human services	927,642	169,968	-	-
Environmental quality	933,420	844,837	-	-
Transportation	2,695,154	1,662,765	-	-
Homeland security	219,721	266,300	-	-
Criminal justice	399,304	268,819	-	-
Housing and urban development	15,163	61,262	-	-
Economic development	112,166	64,144	-	-
Greyhound	-	-	134,032	32,529
Total expenses	<u>42,040,118</u>	<u>39,087,975</u>	<u>134,032</u>	<u>32,529</u>
Change in net assets	255,154	1,217,365	( 5,375)	( 631)
Net assets, beginning	<u>4,617,431</u>	<u>3,400,066</u>	<u>( 631)</u>	<u>-</u>
Net assets, ending	<u>\$ 4,872,585</u>	<u>\$ 4,617,431</u>	<u>\$( 6,006)</u>	<u>\$( 631)</u>

## FINANCIAL ANALYSIS OF THE COUNCIL’S FUNDS

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

At the end of the current fiscal year, East Texas Council of Governments’ governmental funds reported combined ending fund balances of \$2,528,633.



### CAPITAL ASSETS

The East Texas Council of Governments’ investment in capital assets for its governmental activities as of September 30, 2008, amounts to \$2,473,037 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment:

	2008	2007
Land	\$ 11,495	\$ 11,495
Buildings	785,594	785,594
Equipment	4,583,136	3,951,621
Less: accumulated depreciation	( 2,907,188)	( 2,350,511)
Total capital assets	\$ 2,473,037	\$ 2,398,199

Additional information on the Council’s capital assets can be found in Note 4, page 41 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The East Texas Council of Governments (Council) is dependent on federal and state funding, which can vary widely from year to year. The federal economic condition and federal budget can impact the reauthorization of funds available to local governments.

The **American Recovery and Reinvestment Act of 2009** is a spending bill enacted by the 111th United States Congress and signed into law by President Barack Obama on February 17, 2009. The Act of Congress is intended to provide a stimulus to the U. S. economy in the wake of the economic downturn. The Act includes several provisions affecting the Council, including expansion of unemployment benefits, employment training, transportation, criminal justice, economic development and other social welfare provisions. It is estimated the Council will receive over \$7,000,000, while not all specific regional funding has been determined.

### **Transportation**

The Council's Rural Transit District (RTD) will receive \$1.32 million for vehicle replacement from the Texas Department of Transportation (TXDOT) Stimulus allocation. This funding will replace 16 of the RTD's 41 vehicle fleet.

### **Aging**

The East Texas Area Agency on Aging (AAA), administered by East Texas Council of Governments, will receive grants for the establishment and operation of nutrition projects for seniors. Federally, AAA programs will receive \$100 million, with \$5.6 million allocated to Texas AAA programs. Of the federal total, \$65 million is for Congregate Nutrition Services, \$32 million for Home Delivered Nutrition Services, and \$3 million for Native American Nutrition Services. The Department on Aging and Disability Services (DADS) will use \$280,400 for state administration and must provide \$70,100 to match these funds. The remaining is passed along to 28 AAAs for service based on the state's funding formula. Allocation to the East Texas AAA has not been announced.

### **Criminal Justice**

The Council's region will receive \$1,247,656 of additional Criminal Justice Program funding from the Byrne Justice Assistance Recovery Act. In addition, the Council has been offered a 13-month contract in the amount of \$54,399 to hire an additional Criminal Justice Planner to provide technical assistance to applicants and grantees, coordinate the Criminal Justice Advisory Committee meetings at which local grant applications will be prioritized, perform preliminary grant reviews on applications, and perform in-region monitoring of the eventual grants.

The State of Texas has been allocated \$147 million in Justice Assistance Grant funding. Of this amount, 40% will go directly to specific communities through direct allocations and the other 60% (about \$90 million) will be administered by the Texas Criminal Justice Division (CJD). Of that \$90 million, \$40 million will be allocated among the 24 councils of government to be scored and prioritized locally. The Council's allocation mentioned above is part of this \$40 million.

In addition to the amounts discussed above, Texas should receive about \$2 million in additional Victims of Crime Act (VOCA) funding, and up to \$9 million in additional Violence Against Women Act (VAWA) funding; these amounts will be added to the pool to be used for the grant applications already ranked by the Criminal Justice Advisory Committee.

## **Economic, Housing and Urban Development**

East Texas Council of Governments serves as the regional planning organization for economic development in East Texas. The Council was notified of \$150 million to Economic Development Administration (EDA) for economic development assistance to states, cities, and counties. Of the total, \$50 million is for economic adjustment assistance for areas of the nation that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring. Up to \$50 million may be transferred to regional economic development commissions. The Council will assist eligible entities in applying for the available funds.

The Council administers the East Texas Regional Development Company, which makes loans to small businesses throughout the State of Texas through the Small Business Administration (SBA) 504 program. In the Stimulus Package, SBA has waived all of the fees associated with the 504 loan program up to \$636 million in order to stimulate small business lending. It is expected that fees will return in December. Refinancing under the 504 loan program is also being made available through the Stimulus Package. Certified Development Companies are expecting to make these loans available in a few months.

The Department of Energy (DOE) is estimated to receive \$24.9 billion in federal funding for energy efficiency and renewable energy conservation block grants, weatherization assistance, transportation electrification, and other projects. The Council will assist eligible entities in applying for the available funds.

## **Workforce Development**

The Workforce Solutions East Texas Board is one of 28 local Workforce Solutions Boards located throughout the state. The Board serves Henderson, Van Zandt, Rains, Wood, Upshur, Camp, Marion, Harrison, Panola, Gregg, Rusk, Cherokee, Anderson and Smith Counties. The Council serves as the administrating agency of the Workforce Solutions East Texas Board. Planning estimates allocated from the Texas Workforce Commission to the Workforce Solutions East Texas Board is as follows:

- \$1.4 million in Workforce Investment Act (WIA) funds to provide training and services for dislocated workers;
- \$904,675 in WIA funds to provide training and services to low income adults;
- \$1.97 million in WIA funds to provide training and services for economically disadvantaged youth;
- \$421,054 in Wagner-Peyser funds to provide temporary staffing at East Texas Workforce Solutions centers to assist with claimants on Unemployment Insurance; and
- \$252,633 in Wagner-Peyser funds to provide temporary staffing at East Texas Workforce Solutions centers to assist with center services.

All funding amounts, requirements and grant periods for the stimulus proceeds have not been made available to the Council.

As stated previously, the East Texas Council of Governments contracts as fiscal and administrative entity for the Work Solutions East Texas Workforce Board. This contract expires September 30, 2009.

However, it is anticipated the contract will be renewed. Loss of this contract would result in a loss of revenue of approximately \$33.7 million.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of the Council's finances. If you have questions about this report or need any additional information, contact the Council's Director of Finance at 3800 Stone Road, Kilgore, Texas, 75662. An electronic version of this report may be viewed at [ETCOG.org](http://ETCOG.org).

**BASIC  
FINANCIAL STATEMENTS**

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# EAST TEXAS COUNCIL OF GOVERNMENTS

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit
<b>ASSETS</b>				
Cash and investments	\$ 2,817,277	\$ 7,562	\$ 2,824,839	\$ 125,287
Receivables:				
Grantors	4,606,266	-	4,606,266	-
Notes	181,987	-	181,987	-
Other	234,149	-	234,149	-
Internal balances	10,615	( 10,615)	-	-
Due from component unit	36,632	-	36,632	-
Capital assets:				
Land	11,495	-	11,495	-
Buildings	785,594	-	785,594	-
Equipment	4,583,136	-	4,583,136	-
Less: accumulated depreciation	( 2,907,188)	-	( 2,907,188)	-
Total capital assets	2,473,037	-	2,473,037	-
 Total assets	10,359,963	( 3,053)	10,356,910	125,287
<b>LIABILITIES</b>				
Accounts payable	5,003,503	2,953	5,006,456	20,538
Unearned revenue	354,790	-	354,790	-
Due to primary government	-	-	-	36,632
Long-term liabilities:				
Due within one year:	64,543	-	64,543	-
Due in more than one year:	64,542	-	64,542	-
Total liabilities	5,487,378	2,953	5,490,331	57,170
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,473,037	-	2,473,037	-
Restricted for grant use	1,123,439	-	1,123,439	-
Unrestricted	1,276,109	( 6,006)	1,270,103	68,117
 Total net assets	\$ 4,872,585	\$( 6,006)	\$ 4,866,579	\$ 68,117

**The accompanying notes are an integral part of these financial statements.**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Charges for Services	Program Revenue  Operating Grants and Contributions
<b>Primary government</b>					
Governmental activities:					
General government	\$ 97,043	\$ 20	\$ 97,063	\$ -	\$ -
Workforce development	28,380,198	298,996	28,679,194	-	28,963,453
Aging	5,645,983	120,251	5,766,234	-	5,742,666
Emergency communications	2,095,860	99,197	2,195,057	-	1,901,163
Health and human services	926,003	1,639	927,642	-	907,346
Environmental quality	899,171	34,249	933,420	-	933,420
Transportation	2,406,194	288,960	2,695,154	88,614	2,724,455
Homeland security	192,352	27,369	219,721	-	219,721
Criminal justice	380,520	18,784	399,304	-	399,304
Housing and urban development	13,050	2,113	15,163	-	35,178
Economic development	93,858	18,308	112,166	-	83,797
Indirect costs	<u>909,886</u>	<u>( 909,886)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>42,040,118</u>	<u>-</u>	<u>42,040,118</u>	<u>88,614</u>	<u>41,910,503</u>
Business-type activities:					
Greyhound	<u>133,820</u>	<u>212</u>	<u>134,032</u>	<u>128,657</u>	<u>-</u>
Total primary government	<u>\$ 42,173,938</u>	<u>\$ 212</u>	<u>\$ 42,174,150</u>	<u>\$ 217,271</u>	<u>\$ 41,910,503</u>
<b>Component unit</b>					
East Texas Regional					
Development Company	\$ <u>82,559</u>	<u>6,818</u>	\$ <u>89,377</u>	\$ <u>94,177</u>	\$ <u>-</u>
Total component unit	<u>\$ 82,559</u>	<u>\$ 6,818</u>	<u>\$ 89,377</u>	<u>\$ 94,177</u>	<u>\$ 94,177</u>
<b>General revenues:</b>					
Membership dues					
Investment earnings					
Miscellaneous					
Total general revenues					
Change in net assets					
Net assets - beginning					
Net assets - ending					

**The accompanying notes are an integral part of these financial statements.**

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Component Unit
\$( 97,063)	\$ -	\$( 97,063)	\$ -
284,259	-	284,259	-
( 23,568)	-	( 23,568)	-
( 293,894)	-	( 293,894)	-
( 20,296)	-	( 20,296)	-
-	-	-	-
117,915	-	117,915	-
-	-	-	-
-	-	-	-
20,015	-	20,015	-
( 28,369)	-	( 28,369)	-
-	-	-	-
<u>( 41,001)</u>	<u>-</u>	<u>( 41,001)</u>	<u>-</u>
<u>-</u>	<u>( 5,375)</u>	<u>( 5,375)</u>	<u>-</u>
<u>( 41,001)</u>	<u>( 5,375)</u>	<u>( 46,376)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,800</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,800</u>
114,734	-	114,734	-
83,399	-	83,399	7,760
98,022	-	98,022	-
<u>296,155</u>	<u>-</u>	<u>296,155</u>	<u>7,760</u>
255,154	( 5,375)	249,779	12,560
<u>4,617,431</u>	<u>( 631)</u>	<u>4,616,800</u>	<u>55,557</u>
<u>\$ 4,872,585</u>	<u>\$( 6,006)</u>	<u>\$ 4,866,579</u>	<u>\$ 68,117</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2008**

	<u>General Fund</u>	<u>Texas Workforce Commission</u>	<u>Commission on State Emergency Communications</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,371,349	\$ 349,839	\$ -
Accounts receivable:			
Grantors	-	2,652,111	374,502
Other	1,167	230,471	-
Notes	-	-	-
Due from other funds	331,939	-	-
Due from component unit	<u>36,632</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>1,741,087</u>	 <u>3,232,421</u>	 <u>374,502</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	517,880	3,138,381	160,414
Due to other funds	-	-	9,543
Deferred revenue	<u>-</u>	<u>94,040</u>	<u>204,545</u>
Total liabilities	<u>517,880</u>	<u>3,232,421</u>	<u>374,502</u>
Fund balances:			
Reserved for notes receivable	-	-	-
Unreserved, reported in:			
General fund	1,223,207	-	-
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,223,207</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 1,741,087</u>	 <u>\$ 3,232,421</u>	 <u>\$ 374,502</u>

**The accompanying notes are an integral part of these financial statements.**

Texas Department of Aging and Disability Services	Chapman Revolving Loan	Other Governmental Funds	Total Governmental Funds
\$ 31,650	\$ 634,672	\$ 429,767	\$ 2,817,277
515,412	-	1,064,241	4,606,266
1,097	996	418	234,149
-	181,987	-	181,987
-	-	-	331,939
-	-	-	36,632
<u>548,159</u>	<u>817,655</u>	<u>1,494,426</u>	<u>8,208,250</u>
432,527	959	753,342	5,003,503
-	-	311,781	321,324
-	-	56,205	354,790
<u>432,527</u>	<u>959</u>	<u>1,121,328</u>	<u>5,679,617</u>
-	181,987	-	181,987
-	-	-	1,223,207
<u>115,632</u>	<u>634,709</u>	<u>373,098</u>	<u>1,123,439</u>
<u>115,632</u>	<u>816,696</u>	<u>373,098</u>	<u>2,528,633</u>
<u>\$ 548,159</u>	<u>\$ 817,655</u>	<u>\$ 1,494,426</u>	<u>\$ 8,208,250</u>

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**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

Total fund balance, governmental funds	\$ 2,528,633
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.	2,473,037
Some liabilities, (such as compensated absences), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets.	<u>( 129,085)</u>
Net assets of governmental activities in the Statement of Net Assets	\$ <u>4,872,585</u>

**The accompanying notes are an integral part of these financial statements.**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>General Fund</u>	<u>Texas Workforce Commission</u>	<u>Commission on State Emergency Communications</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 28,885,343	\$ 1,897,299
Matching funds	-	-	-
Program income	-	-	-
Membership dues	114,734	-	-
Miscellaneous	<u>119,145</u>	<u>-</u>	<u>3,864</u>
Total revenues	<u>233,879</u>	<u>28,885,343</u>	<u>1,901,163</u>
<b>EXPENDITURES</b>			
Current:			
General government	65,051	-	-
Workforce development	-	28,885,343	-
Aging	-	-	-
Emergency communications	-	-	1,901,163
Transportation	-	-	-
Environmental quality	-	-	-
Homeland security	-	-	-
Criminal justice	-	-	-
Health and human services	-	-	-
Housing and urban development	-	-	-
Economic development	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>65,051</u>	<u>28,885,343</u>	<u>1,901,163</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>168,828</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from insurance	37,224	-	-
Transfers in	14	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>37,238</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	206,066	-	-
<b>FUND BALANCES, BEGINNING</b>	<u>1,017,141</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,223,207</u>	<u>\$ -</u>	<u>\$ -</u>

**The accompanying notes are an integral part of these financial statements.**

Texas Department of Aging and Disability Services	Chapman Revolving Loan	Other Governmental Funds	Total Governmental Funds
\$ 3,754,145	\$ -	\$ 4,923,100	\$ 39,459,887
1,631,188	-	425,313	2,056,501
357,333	-	5,982	363,315
-	-	-	114,734
-	20,015	120,587	263,611
<u>5,742,666</u>	<u>20,015</u>	<u>5,474,982</u>	<u>42,258,048</u>
-	-	-	65,051
-	-	78,110	28,963,453
5,807,109	-	30,347	5,837,456
-	-	-	1,901,163
-	-	2,733,432	2,733,432
-	-	933,420	933,420
-	-	219,721	219,721
-	-	399,304	399,304
-	-	907,346	907,346
-	-	15,163	15,163
-	28,369	83,797	112,166
<u>5,807,109</u>	<u>28,369</u>	<u>5,400,640</u>	<u>42,087,675</u>
( 64,443)	( 8,354)	74,342	170,373
-	-	-	37,224
2,377	-	-	2,391
( 2,391)	-	-	( 2,391)
( 14)	-	-	37,224
( 64,457)	( 8,354)	74,342	207,597
<u>180,089</u>	<u>825,050</u>	<u>298,756</u>	<u>2,321,036</u>
<u>\$ 115,632</u>	<u>\$ 816,696</u>	<u>\$ 373,098</u>	<u>\$ 2,528,633</u>

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## EAST TEXAS COUNCIL OF GOVERNMENTS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds:	\$ 207,597
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation expense in the current period.	74,838
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>( 27,281)</u>
Change in net assets of governmental activities	<u>\$ 255,154</u>

**The accompanying notes are an integral part of these financial statements.**

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**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUND**

**SEPTEMBER 30, 2008**

	<u>Nonmajor Enterprise Fund</u>
	<u>Greyhound</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ <u>7,562</u>
Total current assets	<u>7,562</u>
 Total assets	 <u>7,562</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,953
Due to other funds	<u>10,615</u>
Total current liabilities	<u>13,568</u>
 Total liabilities	 <u>13,568</u>
 <b>NET ASSETS</b>	
Unrestricted	( <u>6,006</u> )
 Total net assets	 \$( <u><u>6,006</u></u> )

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

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**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Nonmajor Enterprise Fund</u>
	<u>Greyhound</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ <u>128,657</u>
Total operating revenues	<u>128,657</u>
<b>OPERATING EXPENSES</b>	
Cost of sales and services	<u>134,032</u>
Total operating expenses	<u>134,032</u>
<b>OPERATING LOSS</b>	( 5,375)
<b>CHANGE IN NET ASSETS</b>	( 5,375)
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>( 631)</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u>\$ ( 6,006)</u>

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

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Nonmajor Enterprise Fund</u>	<u>Greyhound</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 128,818	
Cash payments to suppliers	( 135,088)	
Cash provided by operating activities	<u>( 6,270)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from other funds	<u>3,626</u>	
Cash provided by noncapital financing activities	<u>3,626</u>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	( 2,644)	
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>10,206</u>	
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 7,562</u>	
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$( 5,375)	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Increase (decrease) in accounts payable	( 1,056)	
Decrease (increase) in accounts receivable	<u>161</u>	
Total adjustments	<u>( 895)</u>	
Net cash used by operating activities	<u>\$( 6,270)</u>	

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

# EAST TEXAS COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Texas Council of Governments (the "Council") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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 the Council.

#### A. Description of the Reporting Entity

The East Texas Council of Governments is a political subdivision of the State of Texas and a voluntary association of local governments within the 14-county East Texas Region. The Council was established in 1970 to study and resolve area-wide problems through the cooperation and coordinated action of member cities, counties, school districts and special purpose districts of the East Texas region. Membership in the Council is voluntary. Any county, city or special purpose district within the East Texas region may become a member of the independent association by passing a resolution to join the Council and paying annual dues. Each member government is entitled to have voting representation on the Board of Directors, which is the Council's governing body.

The Council's basic financial statements include the accounts of all the Council operations. The criteria for including organizations within the Council's reporting entity, as set forth in GASB No. 14 "The Financial Reporting Entity," is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Various local agencies for which grants and funding are issued by the Council have not been included within the financial statements because the Council 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. The following organization has been included within the Council's reporting entity:

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### A. Reporting Entity (Continued)

#### **Discretely Presented Component Unit**

The accompanying comprehensive annual financial report includes the financial activities of the East Texas Council of Governments, the primary government, and its component unit, the East Texas Regional Development Company. Financial information for the Council and this component unit is accounted for in the accompanying financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The Council's Board members appoint a voting majority of ETRDC's Board and is able to impose its will on ETRDC. Separate financial statements are produced for ETRDC and may be obtained from the Company's administrative office.

The East Texas Regional Development Company (ETRDC) was organized by ETCOG in 1983 under the provisions of the Small Business Administration's Section 503 Certified Development Company Loan Program. ETRDC is a nonprofit corporation, which makes long-term loans to small businesses in conjunction with private sector lenders.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Other items not properly included among program revenue are reported instead as *general revenue*.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Separate financial statements are provided for governmental and proprietary 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* as are the proprietary fund financial statements. Revenue is 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Council reports the following major governmental funds:

The General Fund is the Council's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Texas Workforce Commission Fund is used to account for federal and state grants awarded to East Texas Council of Governments by the Texas Workforce Commission.

The Commission on State Emergency Communications Fund is used to account for state grants awarded to East Texas Council of Governments by the Commission on State Emergency Communications.

The Texas Department of Aging and Disability Services Fund is used to account for federal and state grants awarded to East Texas Council of Governments by the Texas Department of Aging and Disability Services.

The Chapman Revolving Loan Fund is used to account for the Chapman Revolving Loan program.

Additionally, the Council reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

The Proprietary Fund accounts for the activities of the Council's Greyhound bus line ticket-agency.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The Council has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Greyhound Fund are charges for Greyhound bus tickets. Operating expenses for Enterprise Funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. **Assets, Liabilities and Net Assets or Equity**

**Cash and Cash Equivalents**

Cash and 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 the Council's financial statements include amounts in demand deposits and certificates of deposits. Interest earned is based on the amount of funds invested.

State statutes authorize the Council to invest in obligations of the United States, its agencies, certificates of deposits with banks and savings and local associations, banker's acceptances, commercial paper, mutual funds, investment pools and repurchase agreements with underlying collateral of government securities. Investments for the Council are reported at fair value.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Assets, Liabilities and Net Assets or Equity** (Continued)

**Grants Receivable**

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2008.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” The Council had no long-term interfund loans (noncurrent portion) that are generally reported as “advances from and to other funds.” Interfund receivables and payables between governmental funds are eliminated in the Statement of Net Assets.

**Restricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Council’s policy is to apply restricted net assets first.

**Deferred Revenue**

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2008.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Equipment	3 - 7

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities and Net Assets or Equity (Continued)

#### **Compensated Absences**

Employees earn ten (10) days of vacation per year during the first 5 years of employment. After 5 full years of employment, an employee earns 15 days of vacation per year. Employees may accrue up to a maximum of 20 days in the first 5 years of employment and 30 days thereafter. Employees will be paid for accrued vacation upon voluntary termination of employment provided they have been in a permanent fulltime position for six months or more. For all funds, this liability reflects amounts attributable to cumulative employee services already rendered.

Employees are eligible for 15 sick leave days per year and can accrue up to a maximum amount of 90 days. Employees are not compensated for accumulated sick days upon termination of employment. Sick pay is charged to expenditures as taken, with no accrual made for unused sick leave.

#### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Indirect Costs**

General and administrative costs are recorded in the General Fund as indirect costs in the ETCOG accounting system and allocated to Special Revenue Funds based upon a negotiated indirect cost rate. Indirect costs are defined by Office of Management and Budget (*OMB*) Circular A-87, Attachment "A" as costs "*(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved.*" ETCOG's indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by a state cognizant agency. It is ETCOG's policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during ETCOG's fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized with the cognizant agency.

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$74,838 difference are as follows:

Capital outlay	\$ 801,335
Depreciation expense	( 726,497)
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 74,838</u>

**3. BUDGETARY INFORMATION**

ETCOG’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 revenue and expenditures in all funds. The financial plan for the Special Revenue Funds is made on a project (grant) basis, spanning more than one year. Appropriations for all projects in the Special Revenue Funds lapse at the end of a contract period which may not coincide with the fiscal year-end of ETCOG. The appropriations for the General Fund lapse at the fiscal year-end. Although the financial plans are reviewed and approved by ETCOG’s Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comprehensive budget and actual results are not presented in this report.

**4. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

As of September 30, 2008, the primary government had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 947,611	45

As of September 30, 2008, the discretely presented component unit had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 46,043	45

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### E. Assets, Liabilities and Net Assets or Equity (Continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Council 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. Statutes authorize the Council to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the Council to have independent auditors perform test procedures related to investment practices as provided by the Act. The Council is in substantial compliance with the requirements of the Act and with local policies.

The Council's investment pool is 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

*Interest Rate Risk.* In accordance with its investment policy, the Council manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of any individual investment to one year, unless otherwise provided in a specific investment strategy that complies with current law.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of September 30, 2008, the Council's \$2,622,481 bank balance was collateralized with securities held by the pledging financial institution or by FDIC insurance. As of September 30, 2008, ETRDC's bank balance of \$79,244 was covered by FDIC insurance.

*Credit Risk.* It is the Council's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The Council's investment pool was rated AAAM by Standard and Poor's Investors Service.

*Concentration of Credit Risk.* The Council's policy is to diversify its portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

(continued)

**4. DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets**

Primary government capital asset activity for the year ended September 30, 2008, is as follows:

**Governmental activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Land	\$ 11,495	\$ -	\$ -	\$ 11,495
Total non-depreciable assets	<u>11,495</u>	<u>-</u>	<u>-</u>	<u>11,495</u>
Depreciable assets:				
Buildings	785,594	-	-	785,594
Furniture, fixtures and equipment	<u>3,951,621</u>	<u>801,335</u>	<u>169,820</u>	<u>4,583,136</u>
Total depreciable assets	<u>4,737,215</u>	<u>801,335</u>	<u>169,820</u>	<u>5,368,730</u>
Total assets	<u>4,748,710</u>	<u>801,335</u>	<u>169,820</u>	<u>5,380,225</u>
Less accumulated depreciation:				
Buildings	429,782	20,857	-	450,639
Furniture, fixtures and equipment	<u>1,920,729</u>	<u>705,640</u>	<u>169,820</u>	<u>2,456,549</u>
Total accumulated depreciation	<u>2,350,511</u>	<u>726,497</u>	<u>169,820</u>	<u>2,907,188</u>
Total capital assets, net	<u>\$ 2,398,199</u>	<u>\$ 74,838</u>	<u>\$ -</u>	<u>\$ 2,473,037</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 4,730
Emergency communications	379,950
Aging	28,996
Workforce development	15,024
Transportation	277,501
Health and human services	<u>20,296</u>
Total depreciation expense - governmental activities	<u>\$ 726,497</u>

**Interfund Transactions**

**Interfund Transfers In/Out:**

The balances recorded as transfers result from local matching funds provided in accordance with the terms and provisions of various grant contracts.

(continued)

**4. DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets** (Continued)

A summary of interfund transfers as of September 30, 2008, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 14	\$ -
Texas Department of Aging and Disability Services	<u>2,377</u>	<u>2,391</u>
	<u>\$ 2,391</u>	<u>\$ 2,391</u>

**Interfund Receivables and Payables:**

The following is a summary of interfund receivables and payables:

	<u>Due from</u>	<u>Due to</u>
Major Funds:		
General	\$ 331,939	\$ -
Commission on State Emergency Communication	-	9,543
Nonmajor Governmental Funds	-	311,781
Nonmajor Enterprise Funds	<u>-</u>	<u>10,615</u>
	<u>\$ 331,939</u>	<u>\$ 331,939</u>

All interfund receivables and payables resulted from the time lag between the dates that reimbursable expenditures occur and payments between funds are made.

**Long-term Debt**

A summary of long-term liability activity for the year ended September 30, 2008, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
<b>Primary Government:</b>					
Governmental activities:					
Compensated absences	\$ <u>101,804</u>	\$ <u>136,825</u>	\$ <u>109,544</u>	\$ <u>129,085</u>	\$ <u>64,543</u>
	<u>\$ 101,804</u>	<u>\$ 136,825</u>	<u>\$ 109,544</u>	<u>\$ 129,085</u>	<u>\$ 64,543</u>

The compensated absences liability will be liquidated primarily by the General Fund.

## 5. OTHER INFORMATION

### **Risk Management**

ETCOG 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. ETCOG maintains workers' compensation and other risks of loss coverage through commercial insurance carriers. ETCOG management believes such coverage is sufficient to preclude any significant uninsured losses to ETCOG. There were no significant reductions in insurance coverage from coverage in the prior year. There were no insurance settlements, which exceeded insurance coverage in any of the past three years.

### **Contingencies**

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

Agencies expending \$500,000 or more in ETCOG grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to ETCOG. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursements of the disallowed costs either from ETCOG or the subcontractor. ETCOG generally has the right of recovery from the subcontracted agencies.

Audits of the Council's expenditures for the year ended September 30, 2008, have not been completed. Based on prior experience, ETCOG management believes that ETCOG will not incur significant losses from possible grant disallowances.

### **Retirement Plan**

The East Texas Council of Governments provides benefits for all of its fulltime employees through a defined contribution plan. The Plan is administered by International City Management Association Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. ETCOG contributes an amount equal to 12% of the employee's compensation each year and employees contribute an amount equal to 8% of their compensation each year for a total of 20%. At the beginning of employment, 70% goes to the retirement plan account and 30% is used to purchase universal life insurance. After this initial calculation, the insurance payments remain constant as the employee's annual salary increases, therefore, the contributions to the retirement plan account increase as a percentage to the total contribution amount. ETCOG's contributions for each employee (and earnings allocated to the employee's account) are fully vested after five years continuous service. ETCOG's contributions for, and earnings forfeited by, employees who leave employment before five years of service may be segregated in a special account. The ETCOG Executive Committee is responsible and has the authority to amend the plan provisions and contribution requirements.

The East Texas Council of Government's total covered payroll for the fiscal year ended September 30, 2008, was \$2,776,228. ETCOG made the required 12% contribution, which amounted to \$333,148. Employees made the required 8% contribution of \$222,098. The total 20% contribution (employer and employee) amounted to \$555,246. Of this, \$454,283 went to the retirement plan and \$100,963 went to the purchase of universal life insurance.

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# **COMBINING STATEMENTS**

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

***Governor's Office of Criminal Justice Fund*** – This fund is used to account for federal and state grants awarded to East Texas Council of Governments by the State of Texas Governor's Office: Criminal Justice Division.

***Texas Department of Transportation Fund*** – This fund is used to account for state grants awarded to East Texas Council of Governments by the Texas Department on Aging.

***Texas Department of Health Fund*** – This fund is used to account for state grants awarded to East Texas Council of Governments by the Texas Department of Health.

***Texas Department of Human Services Fund*** – This fund is used to account for state funds awarded to East Texas Council of Governments by the Texas Department of Human Services.

***Texas Commission on Environmental Quality Fund*** – This fund is used to account for state grants awarded to East Texas Council of Governments by the Texas Commission on Environmental Quality.

***Texas Health and Human Services Commission Fund*** – This fund is used to account for federal grants awarded to East Texas Council of Governments by the Texas Health and Human Services Commission.

***Economic Development Administration Fund*** – This fund is used to account for federal grants awarded to East Texas Council of Governments by the Economic Development Administration.

***State Energy Conservation Office Fund*** – This fund is used to account for state grants awarded to East Texas Council of Governments by the State Energy Conservation Office.

***U. S. Department of Homeland Security Fund*** – This fund is used to account for federal grants awarded to East Texas Council of Governments by the U. S. Department of Homeland Security.

***U. S. Department of Housing and Urban Development Fund*** – This fund is used to account for federal grants awarded to East Texas Council of Governments by the U. S. Department of Housing and Urban Development.

***Texas Veterans Commission Fund*** – This fund is used to account for state grants awarded to East Texas Council of Governments by the Texas Veterans Commission.

***Miscellaneous Grants and Contracts Fund*** – This fund is used to account for various local grants awarded to the East Texas Council of Governments.

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2008**

	<u>Governor's Office of Criminal Justice</u>	<u>Texas Department of Transportation</u>	<u>Texas Department of Health</u>	<u>Texas Department of Human Services</u>	<u>Texas Commission on Environmental Quality</u>
<b>ASSETS</b>					
Cash and investments	\$ -	\$ -	\$ 204,666	\$ 41,229	\$ 95,278
Accounts receivable:					
Grantors	193,627	342,651	-	-	48,357
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 193,627</u>	<u>\$ 342,651</u>	<u>\$ 204,666</u>	<u>\$ 41,229</u>	<u>\$ 143,635</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 98,264	\$ 82,867	\$ -	\$ -	\$ 106,135
Due to other funds	95,363	172,031	-	-	-
Deferred revenue	<u>-</u>	<u>6,444</u>	<u>-</u>	<u>-</u>	<u>37,500</u>
Total liabilities	<u>193,627</u>	<u>261,342</u>	<u>-</u>	<u>-</u>	<u>143,635</u>
Fund balances:					
Unreserved	<u>-</u>	<u>81,309</u>	<u>204,666</u>	<u>41,229</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>81,309</u>	<u>204,666</u>	<u>41,229</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 193,627</u>	<u>\$ 342,651</u>	<u>\$ 204,666</u>	<u>\$ 41,229</u>	<u>\$ 143,635</u>

<u>Texas Health and Human Services Commission</u>	<u>Economic Development Administration</u>	<u>State Energy Conservation Office</u>	<u>U. S. Department of Homeland Security</u>	<u>U. S. Department of Housing and Urban Development</u>	<u>Texas Veterans Commission</u>	<u>Miscellaneous Grants and Contracts</u>	<u>Totals</u>
\$ 21,495	\$ -	\$ 3,840	\$ -	\$ -	\$ 9,287	\$ 53,972	\$ 429,767
394,824	20,240	-	60,052	4,490	-	-	1,064,241
<u>-</u>	<u>-</u>	<u>-</u>	<u>418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>418</u>
<u>\$ 416,319</u>	<u>\$ 20,240</u>	<u>\$ 3,840</u>	<u>\$ 60,470</u>	<u>\$ 4,490</u>	<u>\$ 9,287</u>	<u>\$ 53,972</u>	<u>\$ 1,494,426</u>
\$ 416,319	\$ 2,659	\$ 563	\$ 28,285	\$ 320	\$ 9,287	\$ 8,643	\$ 753,342
-	8,032	-	32,185	4,170	-	-	311,781
<u>-</u>	<u>8,984</u>	<u>3,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,205</u>
<u>416,319</u>	<u>19,675</u>	<u>3,840</u>	<u>60,470</u>	<u>4,490</u>	<u>9,287</u>	<u>8,643</u>	<u>1,121,328</u>
<u>-</u>	<u>565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,329</u>	<u>373,098</u>
<u>-</u>	<u>565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,329</u>	<u>373,098</u>
<u>\$ 416,319</u>	<u>\$ 20,240</u>	<u>\$ 3,840</u>	<u>\$ 60,470</u>	<u>\$ 4,490</u>	<u>\$ 9,287</u>	<u>\$ 53,972</u>	<u>\$ 1,494,426</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Governor's Office of Criminal Justice	Texas Department of Transportation	Texas Department of Health	Texas Department of Human Services	Texas Commission on Environmental Quality
<b>REVENUES</b>					
Intergovernmental	\$ 398,979	\$ 2,316,291	\$ -	\$ -	\$ 917,955
Matching funds	-	400,174	-	-	-
Program income	-	5,982	-	-	-
Miscellaneous	325	90,622	-	-	8,290
Total revenues	<u>399,304</u>	<u>2,813,069</u>	<u>-</u>	<u>-</u>	<u>926,245</u>
<b>EXPENDITURES</b>					
Current:					
Workforce development	-	-	-	-	-
Environmental quality	-	-	-	-	926,245
Transportation	-	2,733,432	-	-	-
Homeland security	-	-	-	-	-
Criminal justice	399,304	-	-	-	-
Housing and urban development	-	-	-	-	-
Aging	-	-	-	-	-
Health and human services	-	-	-	-	-
Economic development	-	-	-	-	-
Total expenditures	<u>399,304</u>	<u>2,733,432</u>	<u>-</u>	<u>-</u>	<u>926,245</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	79,637	-	-	-
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>1,672</u>	<u>204,666</u>	<u>41,229</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ 81,309</u>	<u>\$ 204,666</u>	<u>\$ 41,229</u>	<u>\$ -</u>

<u>Texas Health and Human Services Commission</u>	<u>Economic Development Administration</u>	<u>State Energy Conservation Office</u>	<u>U. S. Department of Homeland Security</u>	<u>U. S. Department of Housing and Urban Development</u>	<u>Texas Veterans Commission</u>	<u>Miscellaneous Grants and Contracts</u>	<u>Totals</u>
\$ 907,346	\$ 58,658	\$ 7,175	\$ 219,721	\$ 15,163	\$ 78,110	\$ 3,702	\$ 4,923,100
-	25,139	-	-	-	-	-	425,313
-	-	-	-	-	-	-	5,982
-	-	-	-	-	-	21,350	120,587
<u>907,346</u>	<u>83,797</u>	<u>7,175</u>	<u>219,721</u>	<u>15,163</u>	<u>78,110</u>	<u>25,052</u>	<u>5,474,982</u>
-	-	-	-	-	78,110	-	78,110
-	-	7,175	-	-	-	-	933,420
-	-	-	-	-	-	-	2,733,432
-	-	-	219,721	-	-	-	219,721
-	-	-	-	-	-	-	399,304
-	-	-	-	15,163	-	-	15,163
-	-	-	-	-	-	30,347	30,347
907,346	-	-	-	-	-	-	907,346
<u>-</u>	<u>83,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,797</u>
<u>907,346</u>	<u>83,797</u>	<u>7,175</u>	<u>219,721</u>	<u>15,163</u>	<u>78,110</u>	<u>30,347</u>	<u>5,400,640</u>
-	-	-	-	-	-	( 5,295)	74,342
-	565	-	-	-	-	50,624	298,756
<u>\$ -</u>	<u>\$ 565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,329</u>	<u>\$ 373,098</u>

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# **SUPPLEMENTAL SCHEDULES**

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**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF INDIRECT COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Salaries	\$ 411,067
Benefits	<u>59,037</u>
Total Personnel	470,104
Group hospitalization	61,980
Pension costs	56,791
Minor office equipment/supply	23,158
Computer maintenance	33,736
Staff travel	10,270
Executive committee travel	5,866
Allocated space costs	22,212
Office supplies	45,073
Insurance and bonding	2,307
Public education	3,330
Books and subscriptions	2,684
Printing and publications	4,598
Leases	20,244
Storage building	1,512
Repairs and maintenance	1,657
Advertising and public notice	8,427
Membership dues	18,099
Registration fees	5,566
Telephone	21,526
Postage	28,352
Meetings and conferences	8,901
Legal and audit fees	31,546
Other contract services	18,080
Data base services	<u>10,897</u>
Total Indirect Costs	<u>916,916</u>
Less amount allocated to component unit	( 6,818)
Less amount allocated to enterprise fund	<u>( 212)</u>
Total Indirect Costs Allocated to Special Revenue Funds	\$ <u>909,886</u>
Computation of Indirect Cost Rate:	
Direct personnel costs	\$ <u>3,278,922</u>
Allocation rate	27.75%
Indirect costs as a percentage of qualifying costs	2.3%

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EMPLOYEE BENEFITS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**EMPLOYEE BENEFITS**

Disability	\$	20,264
Workman's compensation insurance		21,866
Vacation		120,309
Holidays, sick leave, other		230,226
Employment taxes		<u>8,966</u>
Total Employee Benefits		401,631
Less amount allocated to indirect cost pool	(	59,037)
Less amount allocated to component unit	(	2,620)
Less amount allocated to enterprise fund	(	<u>97</u> )
Total Employee Benefits Allocated to Special Revenue Funds	\$	<u><u>339,877</u></u>
Chargeable time		<u><u>2,181,456</u></u>
Benefit rate		15.58%

# **STATISTICAL SECTION**

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# STATISTICAL SECTION

## (Unaudited)

This part of the East Texas Council of Government’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Council’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the Council’s financial performance and well-being have changed over time.	50
Revenue Capacity All of the Council’s significant revenue is provided by other governments. It does not impose any taxes or charge any significant fees of its own. Accordingly, revenue capacity schedules are not presented in the statistical section.	
Debt Capacity For the purposes of the statistical section, debt is limited to long-term debt instruments, such as bonds, notes, loans and capital leases. The Council has no debt. Therefore, debt capacity information is not presented in the statistical section.	
Demographic and Economic Indicators These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council’s financial activities take place.	56
Operating Information These schedules contain service and capital asset data to help the reader understand how the information in the Council’s financial report relates to the services the East Texas Council of Governments provides and the resources it utilizes to provide these services.	70

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**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NET ASSETS BY COMPONENT**

**LAST FIVE FISCAL YEARS**

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Governmental activities:</b>					
Invested in capital assets, net of related debt	\$ 1,066,250	\$ 1,365,348	\$ 1,467,687	\$ 2,398,199	\$ 2,473,037
Restricted	1,175,194	1,199,484	1,174,134	1,202,091	1,123,439
Unrestricted	<u>606,955</u>	<u>653,585</u>	<u>758,245</u>	<u>1,017,141</u>	<u>1,276,109</u>
Total governmental activities net assets	\$ <u>2,848,399</u>	\$ <u>3,218,417</u>	\$ <u>3,400,066</u>	\$ <u>4,617,431</u>	\$ <u>4,872,585</u>
<b>Business-type activities:</b>					
Unrestricted	\$ -	\$ -	\$ -	\$ ( 631)	\$ ( 6,006)
Total business-type activities net assets	\$ -	\$ -	\$ -	\$ ( 631)	\$ ( 6,006)
<b>Primary government:</b>					
Invested in capital assets, net of related debt	\$ 1,066,250	\$ 1,365,348	\$ 1,467,687	\$ 2,398,199	\$ 2,473,037
Restricted	1,175,194	1,199,484	1,174,134	1,202,091	1,123,439
Unrestricted	<u>606,955</u>	<u>653,585</u>	<u>758,245</u>	<u>1,016,510</u>	<u>1,270,103</u>
Total primary government net assets	\$ <u>2,848,399</u>	\$ <u>3,218,417</u>	\$ <u>3,400,066</u>	\$ <u>4,616,800</u>	\$ <u>4,866,579</u>

Note:

The Council began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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# EAST TEXAS COUNCIL OF GOVERNMENTS

## CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>EXPENSES</b>					
Governmental activities:					
General government	\$ 51,872	\$ 33,614	\$ 71,165	\$ 26,113	\$ 97,063
Workforce development	25,532,371	26,540,117	27,951,947	27,780,544	28,679,194
Housing and urban development	71,449	70,195	149,064	61,262	15,163
Emergency communications	1,629,740	1,403,002	1,573,968	2,396,799	2,195,057
Economic development	71,064	60,328	65,681	64,144	112,166
Environmental quality	973,470	884,574	1,185,765	844,837	933,420
Aging	5,152,070	5,173,324	5,164,906	5,546,424	5,766,234
Transportation	892,394	843,724	1,272,852	1,662,765	2,695,154
Homeland security	329,259	727,030	1,139,388	266,300	219,721
Criminal justice	230,724	345,671	295,087	268,819	399,304
Health and human services	-	-	12,674	169,968	927,642
Total governmental activities expenses	<u>34,934,413</u>	<u>36,081,579</u>	<u>38,882,497</u>	<u>39,087,975</u>	<u>42,040,118</u>
Business-type activities:					
Greyhound	-	-	-	32,529	134,032
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,529</u>	<u>134,032</u>
<b>PROGRAM REVENUES</b>					
Governmental activities:					
Operating grants and contributions	<u>34,858,702</u>	<u>36,307,282</u>	<u>38,838,134</u>	<u>40,020,456</u>	<u>41,910,503</u>
Total governmental activities program revenues	<u>34,858,702</u>	<u>36,307,282</u>	<u>38,838,134</u>	<u>40,020,456</u>	<u>41,910,503</u>
Business-type activities:					
Charges for services	-	-	-	31,048	217,271
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,048</u>	<u>217,271</u>
<b>NET (EXPENSE) REVENUES</b>					
Governmental activities:	( 75,711)	225,703	( 44,363)	932,481	( 129,615)
Business-type activities:	-	-	-	( 1,481)	83,239
Total primary government net (expense) revenues	<u>( 75,711)</u>	<u>225,703</u>	<u>( 44,363)</u>	<u>931,000</u>	<u>( 46,376)</u>
<b>GENERAL REVENUES</b>					
Governmental activities:					
Grants and contributions not restricted to specific program	72,163	71,513	71,513	71,313	114,734
Investment earnings	19,344	42,603	110,878	133,605	83,399
Miscellaneous	<u>27,488</u>	<u>30,199</u>	<u>43,621</u>	<u>79,966</u>	<u>98,022</u>
Total governmental activities general revenues	<u>118,995</u>	<u>144,315</u>	<u>226,012</u>	<u>284,884</u>	<u>296,155</u>
Business-type activities:					
Investment earnings	-	-	-	850	-
Total business-type activities general revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>850</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>					
Governmental activities	43,284	370,018	181,649	1,217,365	166,540
Business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 631)</u>	<u>83,239</u>
Total primary government	<u>\$ 43,284</u>	<u>\$ 370,018</u>	<u>\$ 181,649</u>	<u>\$ 1,216,734</u>	<u>\$ 249,779</u>

Note: The Council began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

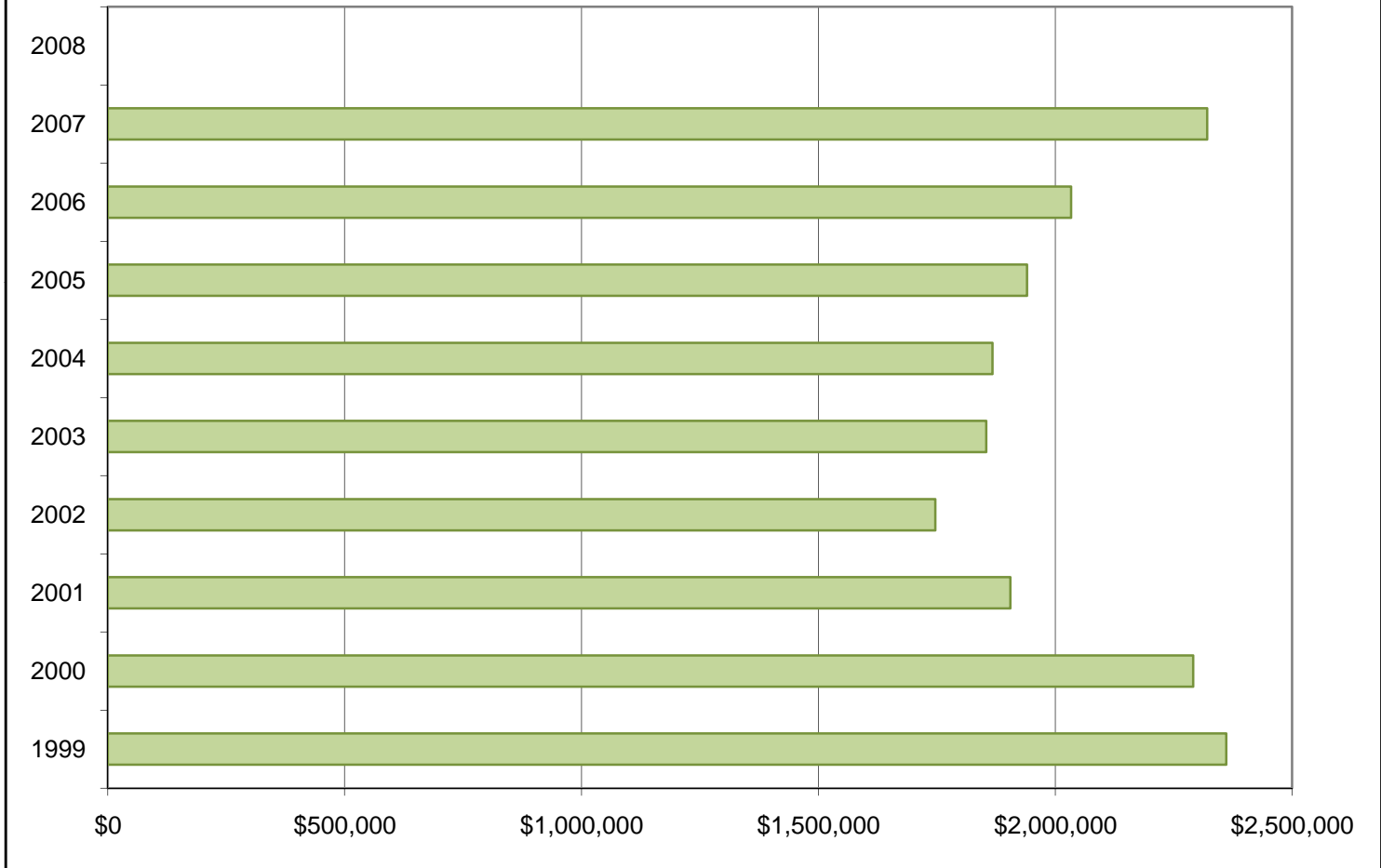
**EAST TEXAS COUNCIL OF GOVERNMENTS**

**FUND BALANCES  
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 18,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>532,237</u>	<u>550,445</u>	<u>610,548</u>	<u>642,819</u>	<u>664,600</u>	<u>692,436</u>	<u>740,946</u>	<u>859,714</u>	<u>1,017,141</u>	<u>1,223,207</u>
Total general fund	<u>\$ 551,156</u>	<u>\$ 550,445</u>	<u>\$ 610,548</u>	<u>\$ 642,819</u>	<u>\$ 664,600</u>	<u>\$ 692,436</u>	<u>\$ 740,946</u>	<u>\$ 859,714</u>	<u>\$ 1,017,141</u>	<u>\$ 1,223,207</u>
All other governmental funds										
Reserved	\$ 1,312,845	\$ 1,038,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,904	\$ 190,341	\$ 181,987
Unreserved, reported in:										
Special revenue funds	<u>496,867</u>	<u>702,767</u>	<u>1,294,506</u>	<u>1,104,312</u>	<u>1,189,683</u>	<u>1,175,194</u>	<u>1,199,484</u>	<u>827,230</u>	<u>1,113,554</u>	<u>1,123,439</u>
Total all other governmental funds	<u>\$ 1,809,712</u>	<u>\$ 1,741,129</u>	<u>\$ 1,294,506</u>	<u>\$ 1,104,312</u>	<u>\$ 1,189,683</u>	<u>\$ 1,175,194</u>	<u>\$ 1,199,484</u>	<u>\$ 1,174,134</u>	<u>\$ 1,303,895</u>	<u>\$ 1,305,426</u>
Total primary government	<u>\$ 2,360,868</u>	<u>\$ 2,291,574</u>	<u>\$ 1,905,054</u>	<u>\$ 1,747,131</u>	<u>\$ 1,854,283</u>	<u>\$ 1,867,630</u>	<u>\$ 1,940,430</u>	<u>\$ 2,033,848</u>	<u>\$ 2,321,036</u>	<u>\$ 2,528,633</u>

**East Texas Council of Governments  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years**



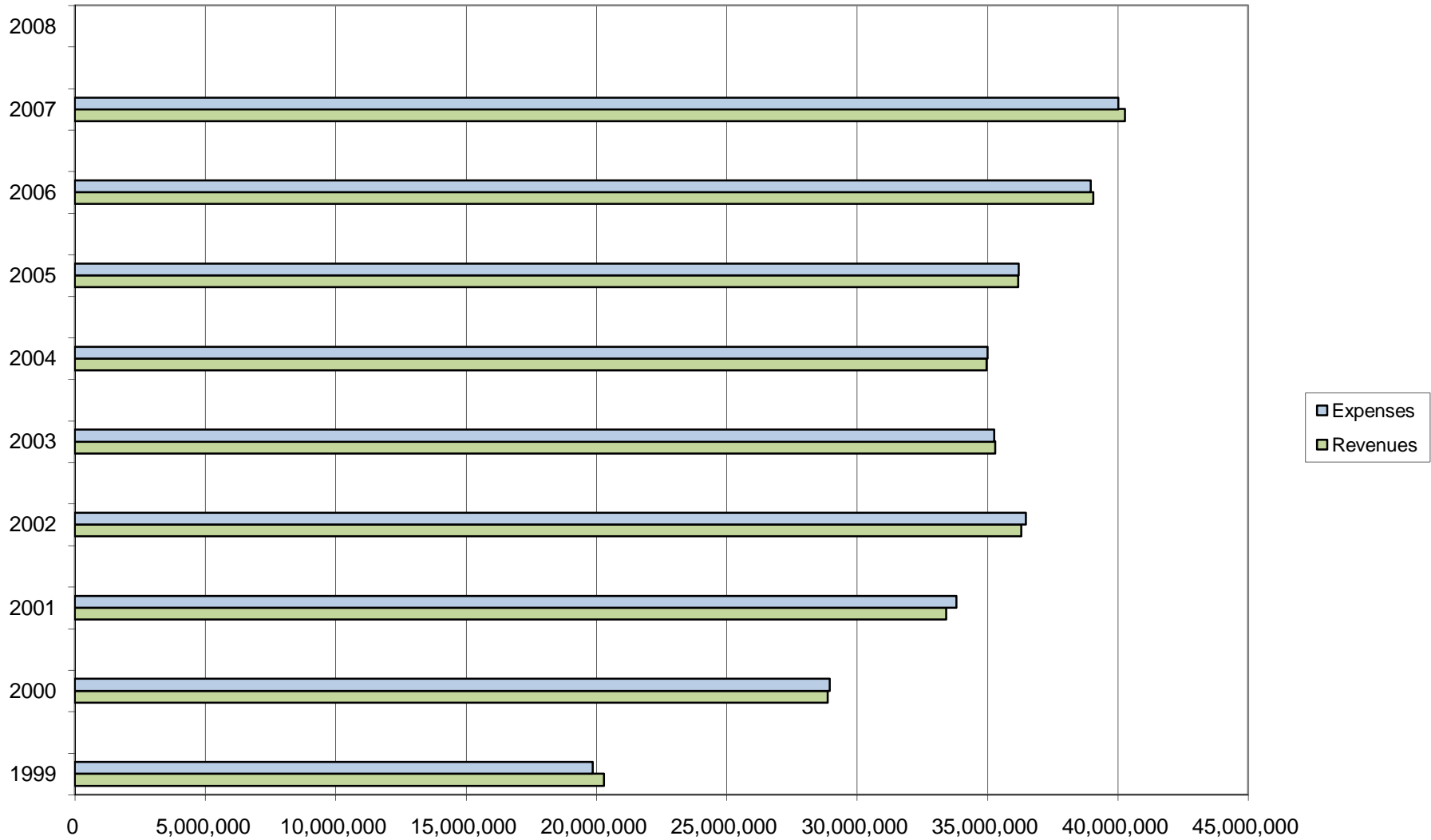
## EAST TEXAS COUNCIL OF GOVERNMENTS

### CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

#### LAST TEN FISCAL YEARS

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REVENUES</b>										
Intergovernmental	\$ 18,682,148	\$ 27,598,815	\$ 31,245,264	\$ 34,860,565	\$ 33,554,163	\$ 33,337,623	\$ 34,273,581	\$ 37,132,766	\$ 37,944,479	\$ 39,459,887
Membership dues	64,940	64,940	64,919	71,988	71,363	71,863	71,513	71,513	71,313	114,734
Matching funds/program income	1,279,910	948,126	1,813,679	1,170,418	1,618,330	1,470,086	1,662,400	1,472,611	2,010,154	2,419,816
Miscellaneous	263,685	267,812	295,077	206,860	51,332	98,124	182,943	387,256	251,903	263,611
Total revenues	<u>20,290,683</u>	<u>28,879,693</u>	<u>33,418,939</u>	<u>36,309,831</u>	<u>35,295,188</u>	<u>34,977,696</u>	<u>36,190,437</u>	<u>39,064,146</u>	<u>40,277,849</u>	<u>42,258,048</u>
<b>EXPENDITURES</b>										
General government	109,726	136,211	113,284	121,195	171,456	24,386	15,891	46,414	32,542	65,051
Workforce development/JTPA	11,982,974	21,239,255	26,018,914	27,850,013	26,182,392	25,530,201	26,537,947	27,949,777	27,778,736	28,963,453
Aging, health, DHS	4,572,360	4,210,121	4,032,875	5,394,917	5,124,494	5,145,318	5,158,130	5,138,498	5,652,102	6,744,802
Emergency communications	1,267,816	1,373,177	1,363,170	1,046,204	1,505,772	1,642,456	1,607,680	1,425,756	3,416,130	1,901,163
Environmental quality	835,847	501,462	809,319	902,815	827,183	973,470	884,574	1,185,765	844,837	933,420
Transportation	723,857	764,499	1,099,952	753,561	952,701	957,337	764,012	1,546,750	1,633,280	2,733,432
Homeland security	-	-	-	-	139,113	349,727	761,702	1,167,936	266,300	219,721
Criminal justice	179,384	279,873	224,953	230,128	212,154	230,724	345,671	295,087	268,819	399,304
Housing and urban development	84,164	372,083	76,726	102,409	71,824	71,449	70,195	149,064	61,262	15,163
Economic development	97,060	72,307	66,266	66,512	68,828	71,064	60,328	65,681	64,144	112,166
Total expenditures	<u>19,853,188</u>	<u>28,948,988</u>	<u>33,805,459</u>	<u>36,467,754</u>	<u>35,255,917</u>	<u>34,996,132</u>	<u>36,206,130</u>	<u>38,970,728</u>	<u>40,018,152</u>	<u>42,087,675</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>										
<b>EXPENDITURES</b>	<u>437,495</u>	<u>( 69,295)</u>	<u>( 386,520)</u>	<u>( 157,923)</u>	<u>39,271</u>	<u>( 18,436)</u>	<u>( 15,693)</u>	<u>93,418</u>	<u>259,697</u>	<u>170,373</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from capital lease	-	-	-	-	-	31,783	88,493	-	-	-
Proceeds from insurance	-	-	-	-	-	-	-	-	27,491	37,224
Transfers in	-	75,167	74,362	87,345	77,388	985,907	75,110	46,516	57,438	2,391
Transfers out	<u>( 199,362)</u>	<u>( 75,167)</u>	<u>( 74,362)</u>	<u>( 87,345)</u>	<u>( 77,388)</u>	<u>( 985,907)</u>	<u>( 75,110)</u>	<u>( 46,516)</u>	<u>( 57,438)</u>	<u>( 2,391)</u>
Total other financing sources (uses)	<u>( 199,362)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,783</u>	<u>88,493</u>	<u>-</u>	<u>27,491</u>	<u>37,224</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 238,133</u>	<u>\$ ( 69,295)</u>	<u>\$ ( 386,520)</u>	<u>\$ ( 157,923)</u>	<u>\$ 121,695</u>	<u>\$ 13,347</u>	<u>\$ 72,800</u>	<u>\$ 93,418</u>	<u>\$ 287,188</u>	<u>\$ 207,597</u>

**East Texas Council of Governments  
Revenues and Expenditures of Governmental Funds  
Last Ten Fiscal Years**



EAST TEXAS COUNCIL OF GOVERNMENTS

REGIONAL COUNTY INFORMATION

<b>Anderson County</b>	
<b>Area (Sq. miles) 1</b>	1,071
<b>County Seat 1</b>	Palestine
<b>Population, 2007 2</b>	56,353
<b>Anglo</b>	
Male	18,976
Female	15,843
<b>Black</b>	
Male	9,260
Female	3,732
<b>Hispanic</b>	
Male	5,727
Female	2,303
<b>Other</b>	
Male	275
Female	237
<b>Vital Statistics, 2006 3</b>	
Marriages	404
Divorces	159
Births	670
Deaths	550
<b>Unemployment Rate, Annual Average 2007 1</b>	5.2%

<b>Camp County</b>	
<b>Area (Sq. miles) 1</b>	198
<b>County Seat 1</b>	Pittsburg
<b>Population, 2007 2</b>	12,790
<b>Anglo</b>	
Male	3,884
Female	4,092
<b>Black</b>	
Male	1,075
Female	1,218
<b>Hispanic</b>	
Male	1,387
Female	1069
<b>Other</b>	
Male	36
Female	29
<b>Vital Statistics, 2006 3</b>	
Marriages	103
Divorces	29
Births	199
Deaths	134
<b>Unemployment Rate, Annual Average 2007 1</b>	4.6%

<b>Cherokee County</b>	
<b>Area (Sq. miles) 1</b>	1,052
<b>County Seat 1</b>	Rusk
<b>Population, 2007 2</b>	48,852
<b>Anglo</b>	
Male	15,696
Female	16,479
<b>Black</b>	
Male	4,074
Female	3,560
<b>Hispanic</b>	
Male	4,982
Female	3,668
<b>Other</b>	
Male	176
Female	217
<b>Vital Statistics, 2006 3</b>	
Marriages	333
Divorces	196
Births	772
Deaths	447
<b>Unemployment Rate, Annual Average 2007 1</b>	4.9%

<b>Gregg County</b>	
<b>Area (Sq. miles) 1</b>	274
<b>County Seat 1</b>	Longview
<b>Population, 2007 2</b>	118,164
<b>Anglo</b>	
Male	35,993
Female	38,751
<b>Black</b>	
Male	11,553
Female	12,738
<b>Hispanic</b>	
Male	9,432
Female	7,732
<b>Other</b>	
Male	940
Female	1,025
<b>Vital Statistics, 2006 3</b>	
Marriages	1,158
Divorces	465
Births	1,861
Deaths	1,209
<b>Unemployment Rate, Annual Average 2007 1</b>	3.8%

1: Texas Association of Counties  
 2: Texas State Data Center  
 3: Texas Dept. of Health Services

EAST TEXAS COUNCIL OF GOVERNMENTS

REGIONAL COUNTY INFORMATION

<b>Harrison County</b>	
<b>Area (Sq. miles) 1</b>	899
<b>County Seat 1</b>	Marshall
<b>Population, 2007 2</b>	64,100
<b>Anglo</b>	
Male	21,220
Female	21,962
<b>Black</b>	
Male	7,058
Female	7,899
<b>Hispanic</b>	
Male	3,058
Female	2,409
<b>Other</b>	
Male	233
Female	261
<b>Vital Statistics, 2006 3</b>	
Marriages	462
Divorces	122
Births	830
Deaths	634
<b>Unemployment Rate, Annual Average 2007 1</b>	4.5%

<b>Henderson County</b>	
<b>Area (Sq. miles) 1</b>	874
<b>County Seat 1</b>	Athens
<b>Population, 2007 2</b>	79,162
<b>Anglo</b>	
Male	32,693
Female	32,905
<b>Black</b>	
Male	2,479
Female	2,641
<b>Hispanic</b>	
Male	4,197
Female	3,530
<b>Other</b>	
Male	346
Female	371
<b>Vital Statistics, 2006 3</b>	
Marriages	561
Divorces	165
Births	990
Deaths	804
<b>Unemployment Rate, Annual Average 2007 1</b>	4.6%

<b>Marion County</b>	
<b>Area (Sq. miles) 1</b>	381
<b>County Seat 1</b>	Jefferson
<b>Population, 2007 2</b>	10,706
<b>Anglo</b>	
Male	3,918
Female	3,937
<b>Black</b>	
Male	1,152
Female	1,324
<b>Hispanic</b>	
Male	141
Female	112
<b>Other</b>	
Male	56
Female	66
<b>Vital Statistics, 2006 3</b>	
Marriages	100
Divorces	58
Births	82
Deaths	159
<b>Unemployment Rate, Annual Average 2007 1</b>	4.7%

<b>Panola County</b>	
<b>Area (Sq. miles) 1</b>	801
<b>County Seat 1</b>	Carthage
<b>Population, 2007 2</b>	23,322
<b>Anglo</b>	
Male	8,621
Female	9,104
<b>Black</b>	
Male	2,068
Female	2,293
<b>Hispanic</b>	
Male	621
Female	462
<b>Other</b>	
Male	66
Female	87
<b>Vital Statistics, 2006 3</b>	
Marriages	230
Divorces	84
Births	296
Deaths	255
<b>Unemployment Rate, Annual Average 2007 1</b>	3.9%

1: Texas Association of Counties  
 2: Texas State Data Center  
 3: Texas Dept. of Health Services

EAST TEXAS COUNCIL OF GOVERNMENTS

REGIONAL COUNTY INFORMATION

<b>Rains County</b>	
<b>Area (Sq. miles) 1</b>	232
<b>County Seat 1</b>	Emory
<b>Population, 2007 2</b>	10,687
<b>Anglo</b>	
Male	4,843
Female	4,847
<b>Black</b>	
Male	141
Female	129
<b>Hispanic</b>	
Male	335
Female	278
<b>Other</b>	
Male	50
Female	64
<b>Vital Statistics, 2006 3</b>	
Marriages	76
Divorces	49
Births	119
Deaths	108
<b>Unemployment Rate, Annual Average 2007 1</b>	4.4%

<b>Rusk County</b>	
<b>Area (Sq. miles) 1</b>	924
<b>County Seat 1</b>	Henderson
<b>Population, 2007 2</b>	48,272
<b>Anglo</b>	
Male	16,722
Female	16,567
<b>Black</b>	
Male	4,828
Female	4,149
<b>Hispanic</b>	
Male	3,210
Female	2,468
<b>Other</b>	
Male	161
Female	167
<b>Vital Statistics, 2006 3</b>	
Marriages	291
Divorces	215
Births	653
Deaths	523
<b>Unemployment Rate, Annual Average 2007 1</b>	4.2%

<b>Smith County</b>	
<b>Area (Sq. miles) 1</b>	929
<b>County Seat 1</b>	Tyler
<b>Population, 2007 2</b>	197,415
<b>Anglo</b>	
Male	59,403
Female	64,651
<b>Black</b>	
Male	17,182
Female	19,836
<b>Hispanic</b>	
Male	17,262
Female	15,746
<b>Other</b>	
Male	1,547
Female	1,788
<b>Vital Statistics, 2006 3</b>	
Marriages	1,847
Divorces	512
Births	2,889
Deaths	1,473
<b>Unemployment Rate, Annual Average 2007 1</b>	4.2%

<b>Upshur County</b>	
<b>Area (Sq. miles) 1</b>	588
<b>County Seat 1</b>	Gilmer
<b>Population, 2007 2</b>	37,393
<b>Anglo</b>	
Male	15,388
Female	15,597
<b>Black</b>	
Male	1,731
Female	2,041
<b>Hispanic</b>	
Male	1,201
Female	1,070
<b>Other</b>	
Male	166
Female	199
<b>Vital Statistics, 2006 3</b>	
Marriages	269
Divorces	227
Births	501
Deaths	444
<b>Unemployment Rate, Annual Average 2007 1</b>	4.1%

1: Texas Association of Counties  
 2: Texas State Data Center  
 3: Texas Dept. of Health Services

EAST TEXAS COUNCIL OF GOVERNMENTS

REGIONAL COUNTY INFORMATION

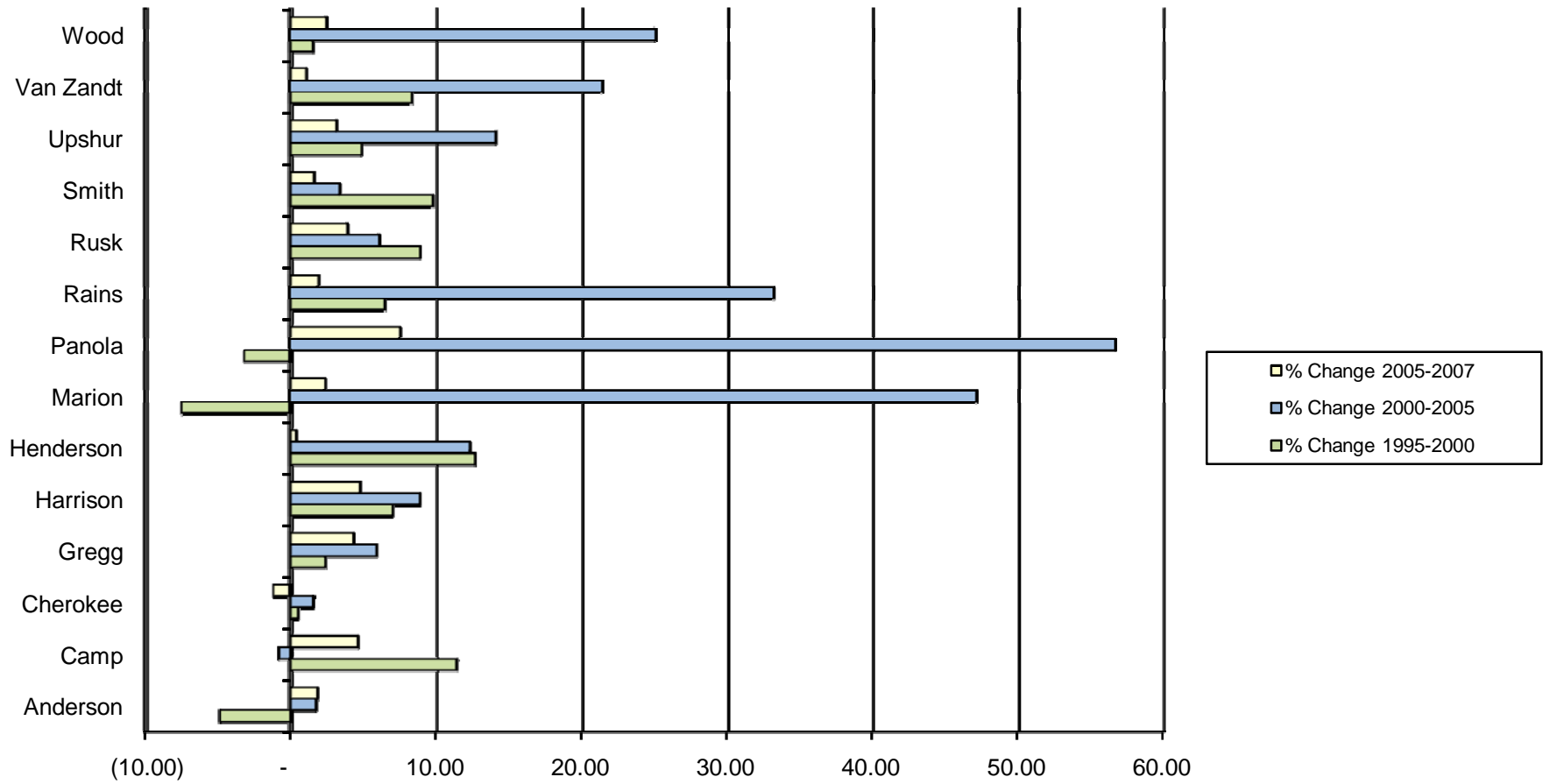
<b>Van Zandt County</b>	
<b>Area (Sq. miles) 1</b>	849
<b>County Seat 1</b>	Canton
<b>Population, 2007 2</b>	52,208
<b>Anglo</b>	
Male	22,630
Female	23,285
<b>Black</b>	
Male	729
Female	773
<b>Hispanic</b>	
Male	2,599
Female	1,810
<b>Other</b>	
Male	189
Female	193
<b>Vital Statistics, 2006 3</b>	
Marriages	377
Divorces	267
Births	559
Deaths	585
<b>Unemployment Rate, Annual Average 2007 1</b>	4.0%

<b>Wood County</b>	
<b>Area (Sq. miles) 1</b>	650
<b>County Seat 1</b>	Quitman
<b>Population, 2007 2</b>	41,965
<b>Anglo</b>	
Male	17,637
Female	18,645
<b>Black</b>	
Male	1,196
Female	1,223
<b>Hispanic</b>	
Male	1,702
Female	1,271
<b>Other</b>	
Male	149
Female	142
<b>Vital Statistics, 2006 3</b>	
Marriages	268
Divorces	118
Births	438
Deaths	508
<b>Unemployment Rate, Annual Average 2007 1</b>	4.6%

1: Texas Association of Counties  
 2: Texas State Data Center  
 3: Texas Dept. of Health Services

# EAST TEXAS COUNCIL OF GOVERNMENTS

## EMPLOYMENT PERCENT CHANGE



**EAST TEXAS COUNCIL OF GOVERNMENTS  
EMPLOYMENT BY COUNTY**

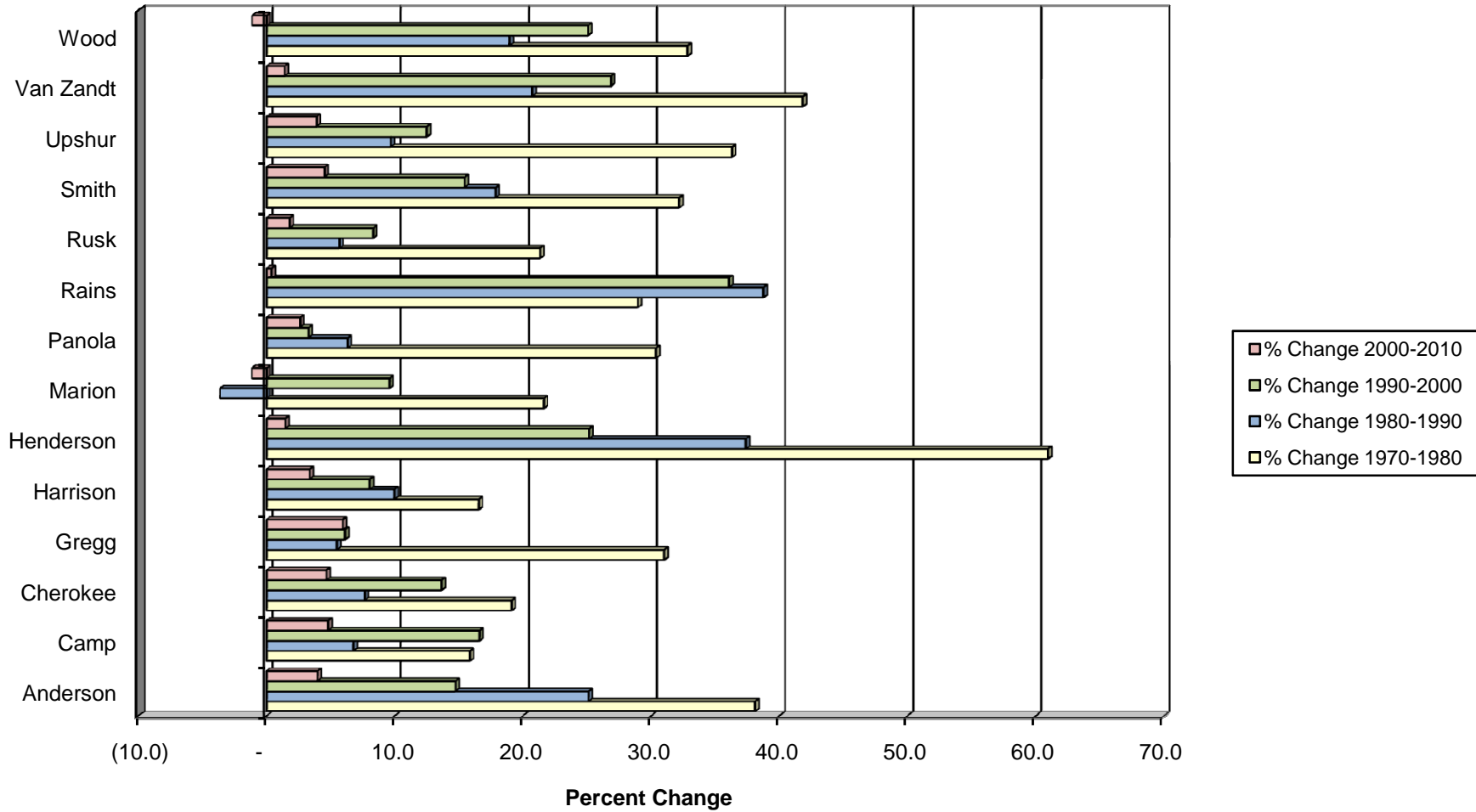
<b>Employment <sup>1</sup></b>							
	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>% Change 1995-2000</b>	<b>% Change 2000-2005</b>	<b>% Change 2005-2007</b>
Anderson	19,511	18,562	18,877	19,223	(4.86)	1.70	1.83
Camp	4,612	5,137	5,097	5,330	11.38	(0.78)	4.57
Cherokee	19,169	19,263	19,559	19,332	0.49	1.54	(1.16)
Gregg	53,484	54,730	57,938	60,440	2.33	5.86	4.32
Harrison	25,400	27,168	29,580	30,979	6.96	8.88	4.73
Henderson	25,858	29,123	32,698	32,815	12.63	12.28	0.36
Marion	3,531	3,267	4,807	4,919	(7.48)	47.14	2.33
Panola	7,331	7,099	11,123	11,956	(3.16)	56.68	7.49
Rains	3,418	3,639	4,846	4,937	6.47	33.17	1.88
Rusk	18,771	20,431	21,669	22,505	8.84	6.06	3.86
Smith	80,372	88,219	91,157	92,582	9.76	3.33	1.56
Upshur	15,007	15,732	17,948	18,513	4.83	14.09	3.15
Van Zandt	18,430	19,956	24,226	24,477	8.28	21.40	1.04
Wood	13,184	13,385	16,735	17,140	1.52	25.03	2.42
<b>WDA</b>	<b>308,078</b>	<b>325,711</b>	<b>356,260</b>	<b>365,148</b>	<b>5.72</b>	<b>9.38</b>	<b>2.49</b>

Source

1: TX Workforce Commission (Local Areas Unemployment Statistics) [www.tracer2.com/cgi/dataAnalysis](http://www.tracer2.com/cgi/dataAnalysis)

## EAST TEXAS COUNCIL OF GOVERNMENTS

### Population Change in 1970s, 80s, 90s, 2000 and 2010



## EAST TEXAS COUNCIL OF GOVERNMENTS

### Population - Census 1970-2000 2010 Census Estimate

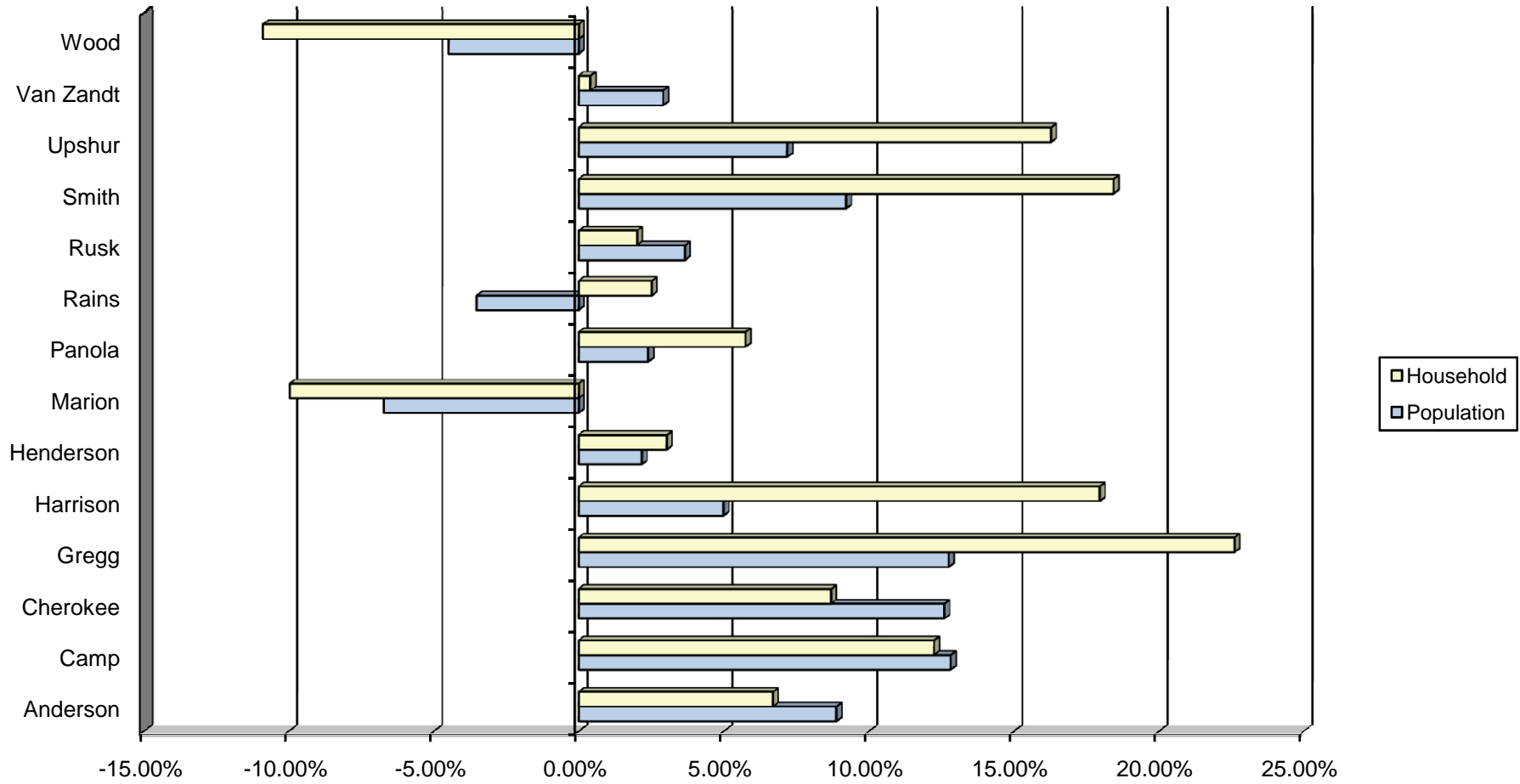
	1970 Census	1980 Census	1990 Census	2000 Census	2010 Census Estimate*	% Change 1970-1980	% Change 1980-1990	% Change 1990-2000	% Change 2000-2010
Anderson	27,789	38,381	48,024	55,109	57,303	38.1	25.1	14.8	4.0
Camp	8,005	9,275	9,904	11,549	12,105	15.9	6.8	16.6	4.8
Cherokee	32,008	38,127	41,049	46,659	48,840	19.1	7.7	13.7	4.7
Gregg	75,929	99,487	104,948	111,379	117,999	31.0	5.5	6.1	5.9
Harrison	44,841	52,265	57,483	62,110	64,201	16.6	10.0	8.0	3.4
Henderson	26,466	42,606	58,543	73,277	74,351	61.0	37.4	25.2	1.5
Marion	8,517	10,360	9,984	10,941	10,817	21.6	(3.6)	9.6	(1.1)
Panola	15,894	20,724	22,035	22,756	23,351	30.4	6.3	3.3	2.6
Rains	3,752	4,839	6,715	9,139	9,174	29.0	38.8	36.1	0.4
Rusk	34,102	41,382	43,735	47,372	48,226	21.3	5.7	8.3	1.8
Smith	97,096	128,366	151,309	174,706	182,600	32.2	17.9	15.5	4.5
Upshur	20,976	28,595	31,370	35,291	36,671	36.3	9.7	12.5	3.9
Van Zandt	22,155	31,426	37,944	48,140	48,820	41.8	20.7	26.9	1.4
Wood	18,589	24,697	29,380	36,752	36,340	32.9	19.0	25.1	(1.1)
WDA	436,119	570,530	652,423	745,180	770,798	30.8	14.4	14.2	3.4
Texas	11,196,730	14,229,191	16,986,510	20,851,820	22,802,983	27.1	19.4	22.8	9.4

Source: Census Bureau and Texas State Data Center

\* 2010 Census Estimates updated in 2008 (0 migration scenario) by Texas State Data Center

# EAST TEXAS COUNCIL OF GOVERNMENTS

## Population and Household Percent Change 2000-2030



**EAST TEXAS COUNCIL OF GOVERNMENTS  
POPULATION & HOUSEHOLD BY COUNTY**

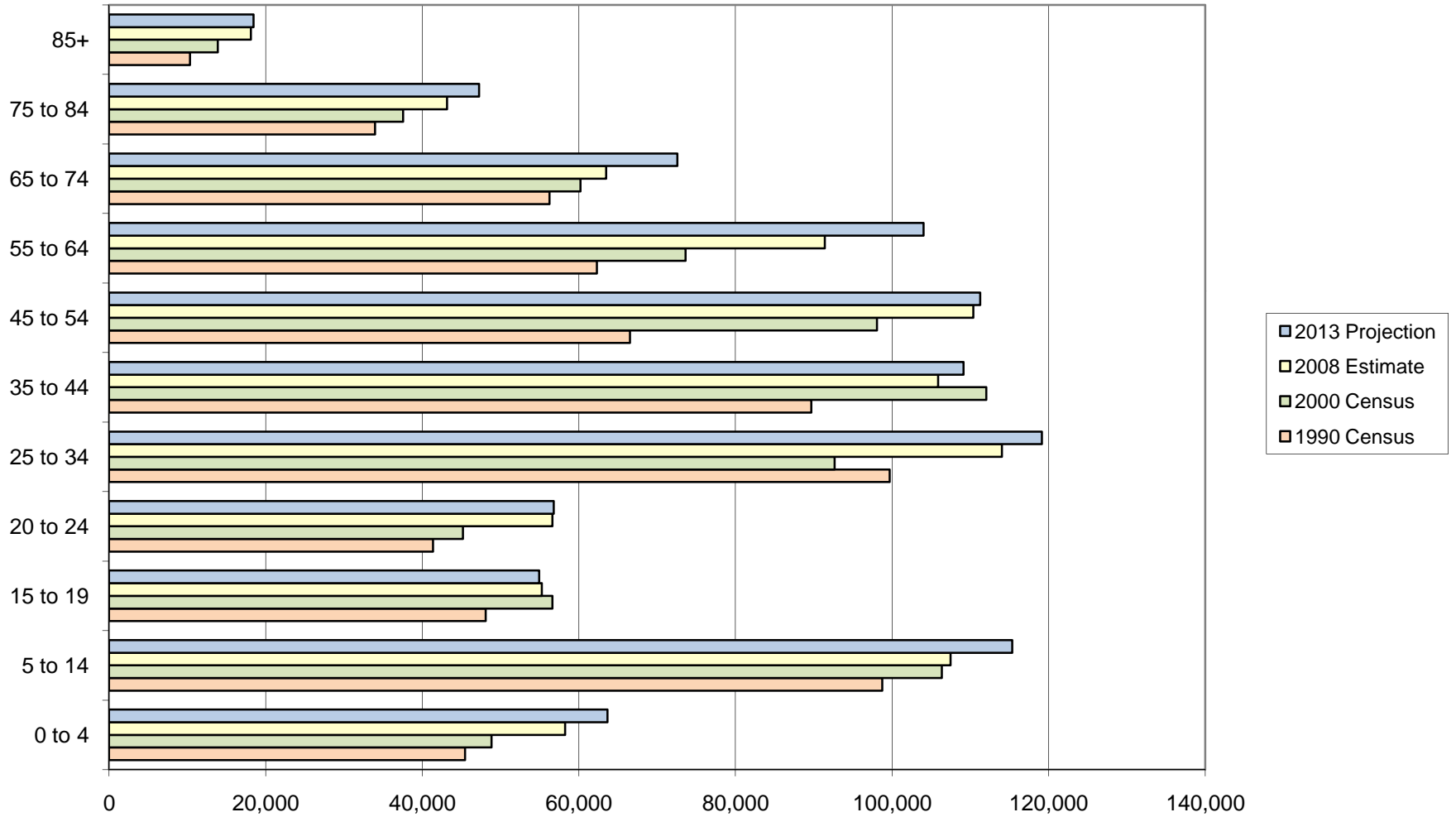
	<b>Population Forecast</b>		
	<b>2000</b>	<b>2030*</b>	<b>% Change</b>
Anderson	55,109	60,007	8.89%
Camp	11,549	13,030	12.82%
Cherokee	46,659	52,541	12.61%
Gregg	111,379	125,587	12.76%
Harrison	62,110	65,211	4.99%
Henderson	73,277	74,873	2.18%
Marion	10,941	10,205	-6.73%
Panola	22,756	23,302	2.40%
Rains	9,139	8,818	-3.51%
Rusk	47,372	49,106	3.66%
Smith	174,706	190,815	9.22%
Upshur	35,291	37,830	7.19%
Van Zandt	48,140	49,541	2.91%
Wood	36,752	35,101	-4.49%
<b>WDA</b>	<b>745,180</b>	<b>795,967</b>	<b>6.82%</b>

	<b>Household Forecast</b>		
	<b>2000</b>	<b>2030*</b>	<b>%Change</b>
Anderson	15,678	16,728	6.70%
Camp	4,336	4,867	12.25%
Cherokee	16,651	18,100	8.70%
Gregg	42,687	52,335	22.60%
Harrison	23,087	27,234	17.96%
Henderson	28,804	29,679	3.04%
Marion	4,610	4,151	-9.96%
Panola	8,821	9,328	5.75%
Rains	3,617	3,708	2.52%
Rusk	17,364	17,713	2.01%
Smith	65,692	77,803	18.44%
Upshur	13,290	15,454	16.28%
Van Zandt	18,195	18,269	0.41%
Wood	14,583	12,997	-10.88%
<b>WDA</b>	<b>277,415</b>	<b>308,366</b>	<b>11.16%</b>

\* 2030 Population & Household Projections based on 2000 Census, 0 Migration Scenario

Source: Texas State Data Center, Population Estimates and Projections Programs

**East Texas Council of Governments  
Population Age Historical and Projected  
1990 and 2000 Census, 2008 Estimate and 2013 Projection**



**East Texas Council of Governments  
Total Population Age Historical and Projected  
1990 and 2000 Census, 2008 Estimate and 2013 Projection**

Age Group	1990 Census		2000 Census		2008 Estimate		2013 Projection		Percent Change	
	Population	%	Population	%	Population	%	Population	%	1990 to 2000	2008 to 2013
0 to 4	45,463	7.00%	48,866	6.60%	58,252	7.10%	63,671	7.30%	7.50%	9.30%
5 to 14	98,741	15.10%	106,354	14.30%	107,484	13.00%	115,342	13.20%	7.70%	7.30%
15 to 19	48,123	7.40%	56,640	7.60%	55,290	6.70%	54,930	6.30%	17.70%	-0.70%
20 to 24	41,376	6.30%	45,203	6.10%	56,633	6.90%	56,804	6.50%	9.30%	0.30%
25 to 34	99,693	15.30%	92,684	12.40%	114,046	13.80%	119,127	13.70%	-7.00%	4.50%
35 to 44	89,690	13.70%	112,034	15.00%	105,876	12.80%	109,118	12.50%	24.90%	3.10%
45 to 54	66,524	10.20%	98,062	13.20%	110,385	13.40%	111,275	12.80%	47.40%	0.80%
55 to 64	62,307	9.60%	73,642	9.90%	91,430	11.10%	104,023	11.90%	18.20%	13.80%
65 to 74	56,244	8.60%	60,225	8.10%	63,501	7.70%	72,584	8.30%	7.10%	14.30%
75 to 84	33,967	5.20%	37,572	5.00%	43,170	5.20%	47,259	5.40%	10.60%	9.50%
85+	10,331	1.60%	13,898	1.90%	18,124	2.20%	18,465	2.10%	34.50%	1.90%

In 1990, the median age of the total population in the study area was 34.3 and in 2000, it was 37.1. The median age in 2008 is 37 and it is predicted to change in five years to 37.3. In 2008, females represented 50.4% of the population with a median age of 38.5 and males represented 49.6% of the population with a median age of 35.5 years. In 2008, the most prominent age group in this geography is Age 25 to 34 years. The age group least represented in this geography is 15 to 19 years.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population <sub>1</sub>	Personal Income (in thousands) <sub>2</sub>	Per Capita Personal Income <sub>3</sub>	Gross Sales All Industries <sub>4</sub>	Gross Sales, All Industries Subject to State Tax <sub>5</sub>	Total Employed <sub>6</sub>	Unemployment Rate <sub>7</sub>
2007	801,389	NA	NA	31,510,488,251	7,747,288,124	365,148	4.4
2006	759,774	23,708,065	27,826	27,784,135,121	7,278,104,246	362,951	4.9
2005	757,082	21,786,493	25,658	25,661,141,470	6,576,967,019	358,710	5.3
2004	754,330	20,593,617	22,337	22,635,455,313	6,042,674,290	352,357	5.1
2003	751,642	19,383,744	21,392	21,297,054,428	5,545,857,086	343,323	6.1
2002	749,245	18,621,654	20,886	18,021,691,968	5,362,595,811	334,357	5.8
2001	747,237	18,305,462	22,677	19,970,863,173	5,491,864,293	330,342	4.8
2000	745,180	17,734,964	23,800	19,558,447,428	5,232,245,032	325,710	5.1
1999	737,956	16,360,532	22,642	18,187,572,672	5,041,024,732	323,273	6.0
1998	729,879	15,646,979	21,438	14,902,582,834	5,043,395,916	321,093	6.4

Source: 1: Texas State Data Center, 0 Migration Scenario

2: Regional Economic Info System, Bureau of Economic Analysis, U.S. Department of Commerce

3: Regional Economic Info System, Bureau of Economic Analysis, U.S. Department of Commerce

4: Texas Comptroller of Public Accounts - [www.window.state.tx.us/taxinfo/sales/index.html](http://www.window.state.tx.us/taxinfo/sales/index.html)

5: Texas Comptroller of Public Accounts - [www.window.state.tx.us/taxinfo/sales/index.html](http://www.window.state.tx.us/taxinfo/sales/index.html)

6: Texas Workforce Commission

7: Texas Workforce Commission, Annual Average

NA: Information not available as of February 10, 2008

**East Texas Council of Governments  
Principal Employers 1000+ Employees  
September 30, 2008**

<b>Company Information</b>	<b>Employees</b>	<b>NAICS</b>
<b><u>Brookshire Grocery CO</u></b> 1600 W Southwest Loop 323 Tyler, TX 75701-8500 Smith County	<b>1000+</b>	<b>4451, 3118, 4239, 4461</b>
<b><u>Eastman Chemical CO</u></b> 300 Kodak Blvd Longview, TX 75602 Gregg County	<b>1000+</b>	<b>3251, 3252, 3261, 3251</b>
<b><u>ETMC Regional Healthcare Syst</u></b> 1000 S Beckham Ave Tyler, TX 75701-1908 Smith County	<b>1000+</b>	<b>6221, 6219</b>
<b><u>Good Shepherd Medical Center</u></b> 700 E. Marshall Ave. Longview, TX 75601-5572 Gregg County	<b>1000+</b>	<b>6221</b>
<b><u>Longview High School</u></b> 201 E Tomlinson Pkwy Longview, TX 75605 Gregg County	<b>1000+</b>	<b>6111</b>
<b><u>Rusk State Hospital</u></b> 1601 Hwy 69 N Rusk, TX 75785 Cherokee County	<b>1000+</b>	<b>6221</b>
<b><u>Target Distribution</u></b> 13786 Harvey Rd Tyler, TX 75706 Smith County	<b>1000+</b>	<b>5418</b>
<b><u>Trane Residential Systems</u></b> 6200 Troup Hwy Tyler, TX 75707-1948 Smith County	<b>1000+</b>	<b>3334, 5416, 2382</b>
<b><u>Trinity Mother Frances Health</u></b> 536 S Beckham Ave Tyler, TX 75702-8310 Smith County	<b>1000+</b>	<b>6221</b>
<b><u>Tyler Pipe</u></b> 11721 US Hwy 69 N Tyler, TX 75706 Smith County	<b>1000+</b>	<b>3329, 3261, 3315</b>
<b><u>United Technologies (Carrier)</u></b> 1700 E Duncan St Tyler, TX 75702 Smith County	<b>1000+</b>	<b>3334, 2382</b>
<b><u>University of Texas Health Center</u></b> 11937 US Hwy 271 Tyler, TX 75708 Smith County	<b>1000+</b>	<b>6221, 6113, 6211</b>

Source: <http://socrates.cdr.state.tx.us/iSocrates/Employers/EmployerContacts2.asp>

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**FULLTIME EMPLOYEE EQUIVALENTS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	6.99	7.80	8.36	8.60	9.27	8.84	8.23	8.81	9.57	14.43
Workforce development	16.77	19.24	20.19	22.13	251.58	22.05	21.49	22.01	22.01	25.74
Housing and urban development	1.02	0.55	0.62	0.46	0.49	0.48	0.47	0.35	0.50	0.35
Emergency communications	3.16	3.28	2.66	2.55	3.16	3.12	5.86	5.48	6.51	8.28
Economic development	2.91	2.98	2.86	2.80	2.56	1.88	1.73	2.41	1.58	2.23
Environmental quality	2.14	2.21	2.34	2.99	3.13	3.11	3.24	2.99	2.48	2.92
Aging	8.06	8.15	8.24	9.65	10.11	9.16	8.06	9.79	9.75	10.34
Transportation	1.19	1.03	1.20	1.02	0.98	1.72	2.08	1.76	3.77	23.45
Homeland security	-	-	-	-	0.05	1.33	3.63	3.94	2.77	2.34
Criminal justice	1.26	1.23	1.45	1.44	1.40	1.20	1.03	1.05	0.92	1.36
Health and human services	-	-	-	-	-	-	-	0.08	0.07	0.15

**East Texas Council of Governments**  
**OPERATING INDICATORS BY FUNCTION**  
 Last Six Years

<u>Workforce Development</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of Children Served	7171	7545	8062	8393	8853	8895
Total Population Served at Workforce Centers	78344	84197	91185	84844	74662	65443
WIA Adults Served	689	764	924	540	368	358
WIA Adults Entering Employment	288	241	302	282	147	122
WIA Dislocated Workers Served	191	805	616	166	280	595
WIA Dislocated Workers Entering Employment	61	195	390	98	100	129
WIA Youth Served	502	604	596	235	170	140
WIA Youth Entering Employment	77	58	161	86	65	35
TANF Participants Served	4200	3401	2370	1664	1507	990
TANF Participants Entering Employment	2235	1926	1326	955	910	625
Food Stamp Participants Served	849	752	573	456	371	526
Food Stamp Participants Entering Employment	446	394	350	308	256	334
Reintegrated Offenders (RIO) Served	1934	2392	2583	2160	1785	2280
RIO Secured Employment	1014	1181	1394	1309	1185	1277

<u>Aging</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Information & Referral	n/a	n/a	3,662	5,602	3,993	5,214
Care Coordination	1,344	1,498	1,040	1,176	1,899	1,493
Legal Assistance over 60	241	233	160	512	230	117
Legal Awareness	n/a	n/a	2,439	8,537	1,972	1,528
Caregiver Education & Training	216	1,611	37	677	49	151
Caregiver Support Coordination	1,379	1,139	955	1,018	1,294	1,652
Congregate Meals	168,601	156,201	130,984	107,584	99,489	93,892
Home Delivered Meals	398,477	377,329	399,365	401,399	429,580	447,348
Transportation	31,528	27,599	28,602	20,088	20,504	21,607
Residential Repairs	196	79	85	97	133	150
Homemaker	11,516	11,444	10,104	10,339	10,580	8,003
Personal Assistance	2,948	2,713	1,408	1,120	1,485	695
Health Maintenance	112	61	57	68	46	66
Health Screening	17	74	n/a	219	336	432
Nutrition Education	n/a	n/a	n/a	292	145	255
Emergency Response	459	495	485	456	436	362
Adult Day Care	1,230	1,273	1,030	1,190	474	52
Caregiver Respite in Home	26,416	15,704	14,929	12,715	12,453	12,175
Caregiver Respite Institutional	4,128	5,136	3,672	5,832	7,608	4,032
Instruction & Training	n/a	n/a	347	375	n/a	365
Participant Assessment	304	366	243	378	376	351
Caregiver Information Services	0	0	0	222	819	593

<u>Criminal Justice</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Peace Officers Receiving Training	3217	3476	1888	1733	1660	2217

<u>Emergency Communications</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Calls Received	158909	123716	179974	193090	187025	191642

<u>Transportation</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of Trips	37174	26567	27737	39962	53038	81013

<u>Environmental Quality</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total Tons of Material Diverted	111	393	393	500	500	543
Total Number of Illegal Dump Sites Cleaned Up	97	774	775	693	692	566

<u>Economic Development/Housing &amp; Urban Development</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debentures Funded	14	14	14	21	20	N/A
Actual Job Retention/Creation from Debentures Funded	308	216	388	439	402	N/A

Information is not available prior to 9-30-2003  
 n/a Information is not available at 2-10-2009

**East Texas Council of Governments**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**Last Six Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>General Government</u></b>						
Buildings	1	1	1.59	1.59	1.59	1.59
Office Equipment	-	-	1	1	1	1
<b><u>Workforce Development</u></b>						
Office Equipment	1	1	1	1	1	1
Building Improvements Signage						1
Mobile Unit						1
<b><u>Housing &amp; Urban Development</u></b>						
	-	-	-	-	-	-
<b><u>Emergency Communications</u></b>						
PSAP Equipment	21	23	26	26	25	25
Recorders	-	-	-	-	-	5
Office Equipment	-	-	-	-	1	2
<b><u>Economic Development</u></b>						
Office Equipment	1	1	-	-	-	-
<b><u>Environmental Quality</u></b>						
	-	-	-	-	-	-
<b><u>Aging</u></b>						
Buildings	1	1	2.41	2.41	2.41	2.41
Transportation Vans	3	3	3	3	3	11
Office Equipment	1	1	2	1	1	7
<b><u>Transportation</u></b>						
Transportation Vans	13	17	18	33	33	38
Digital Dispatch Equipment	-	-	-	-	1	1
Office Equipment	1	1	1	1	1	1
<b><u>Homeland Security</u></b>						
Office Equipment	-	2	6	9	9	9
<b><u>Criminal Justice</u></b>						
	-	-	-	-	-	-

Note: Assets in excess of \$5,000

Assets purchased with grant funds but reported by subrecipients are not included.

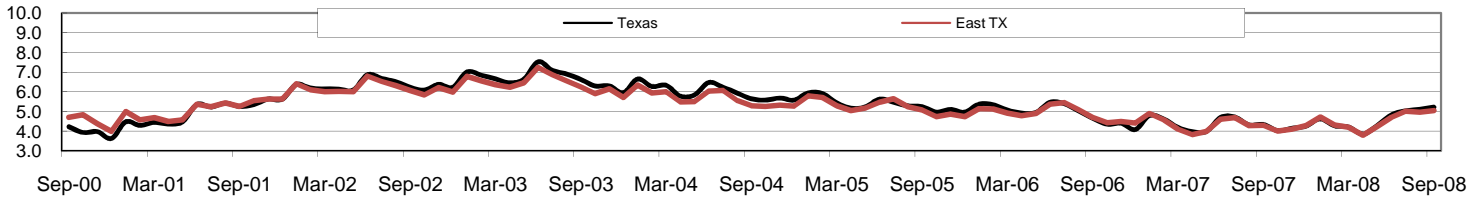
Information prior to 9-30-2003 is not available.

# East Texas Workforce Development Area

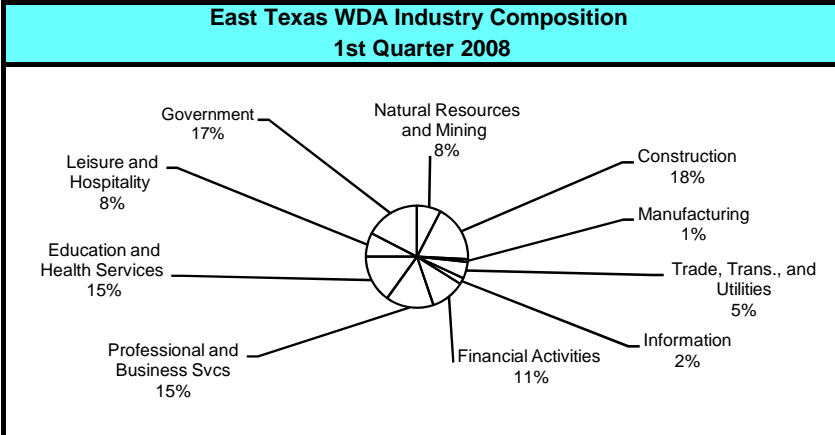
## September 2008

East Texas WDA					Texas			
	CLF	Employed	Unemployed	Rate	CLF	Employed	Unemployed	Rate
Sep-08	392,668	372,855	19,813	5.0	11,798,015	11,181,587	616,428	5.2
Aug-08	391,622	372,155	19,467	5.0	11,785,443	11,181,710	603,733	5.1
Sep-07	382,704	366,244	16,460	4.3	11,542,138	11,040,158	501,980	4.3

### Historical Unemployment Rates



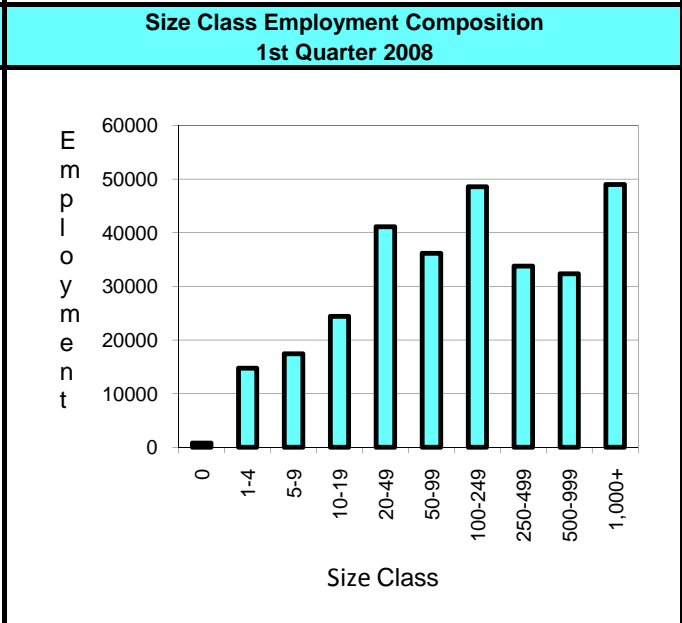
Total Claims					Average Weekly Wage			
	Sep-08	Aug-08	Sep-07	OTY		East TX	Change	Texas
Initial	3,081	2,123	1,409	1,672	1st Qtr 2008	\$682.85	0.00	\$902.56
Continued	8,881	9,168	8,520	361	2008 Average	\$682.85	8.77	\$871.92
<b>Continued Claims for the Week of the 12th</b>					2007 Average	\$674.08		\$911.41
Continued	2,278	2,377	1,932	346				



- ### Top 10 Private Employers in the WDA 1st Quarter 2008
- BROOKSHIRE GROCERY CO
  - CARRIER CORPORATION
  - CB&I CONSTRUCTORS
  - EAST TEXAS MEDICAL CENTER
  - GOOD SHEPHERD MEDICAL CENTER
  - JORDAN HOME CARE LTD
  - MOTHER FRANCES HOSPITAL REGIONAL HEALTH
  - TEXAS EASTMAN DIVISION
  - TRINITY TANK CAR INC
  - WAL-MART ASSOCIATES INC

### NAICS COVERED EMPLOYMENT QUARTERLY DATA 1st Quarter 2008

SUPER SECTOR	Total	Change Quarter	Year
Construction	18,074	281	1,592
Education and Health Services	43,234	-610	-220
Federal	2,200	18	21
Financial Activities	12,347	-326	-25
Information	4,808	146	68
Leisure and Hospitality	25,862	-465	1,489
Local	36,165	-341	692
Manufacturing	36,063	-51	64
Natural Resources and Mining	17,813	1,354	1,811
Nonclassified	103	30	-363
Other Services	8,258	135	198
Professional and Business Services	22,970	292	1,060
State	10,239	5	308
Trade, Transportation and Utilities	60,075	-546	1,790
<b>TOTAL</b>	<b>298,211</b>	<b>-78</b>	<b>8,485</b>



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# **SINGLE AUDIT SECTION**

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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**

To the Board of Directors  
East Texas Council of Governments  
Kilgore, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the East Texas Council of Governments as of and for the year ended September 30, 2008, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 23, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council'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*.

This report is intended solely for the information and use of the executive committee, management, others within the entity, and appropriate federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

March 23, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

Board of Directors  
East Texas Council of Governments  
Kilgore, Texas

**Compliance**

We have audited the compliance of East Texas Council of Governments (the “Council”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended September 30, 2008. The Council’s major federal and state programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Council’s management. Our responsibility is to express an opinion on the Council’s compliance based on our audit.

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; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the *State of Texas Uniform Grant Management Standards* (“UGMS”). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal and state program occurred. An audit includes examining on a test basis, evidence about the Council’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council’s compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2008.

## Internal Control Over Compliance

The management of the East Texas Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Council's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Directors, management, others within the Council, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

March 23, 2009

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards:			
<u>U. S. Department of Agriculture</u>			
Passed through Texas Workforce Commission:			
Food Stamp E & T 10/31/07	10.561	0807FSE000	\$ 41,302
Food Stamp E & T 10/31/08	10.561	0808FSE000	297,894
Transportation - TANF/FSET 08/31/08	10.561	0808DOT000	13,633
Food Stamp E & T ABAWD 10/31/08	10.561	0808FSA000	154,783
Total Passed through Texas Workforce Commission			<u>507,612</u>
Total U. S. Department of Agriculture			<u>507,612</u>
<u>U. S. Department of Commerce</u>			
Passed through Economic Development Administration			
District Planning Assistance Program 12/31/08	11.302	08-83-04062	<u>58,658</u>
Total Passed through Economic Development Administration			<u>58,658</u>
Total U. S. Department of Commerce			<u>58,658</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Office of Rural and Community Affairs:			
Texas Community Development Program 08/31/08	14.228	C77213	14,184
Texas Community Development Program 08/31/09	14.228	C78213	979
Total Passed through Office of Rural and Community Affairs			<u>15,163</u>
Total U. S. Department of Housing and Urban Development			<u>15,163</u>
<u>U. S. Department of Justice</u>			
Passed through the Governor's Office Criminal Justice Division:			
Regional Juvenile Detention Program 08/31/08	16.540	JA-06-J20-14235-09	51,335
Regional Juvenile Detention Program 08/31/09	16.540	JA-07-J20-14235-10	638
Total Passed through the Governor's Office Criminal Justice Division			<u>51,973</u>
Total U. S. Department of Justice			<u>51,973</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

(Continued)

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards: (Continued)			
<u>U. S. Department of Labor</u>			
Passed through Texas Workforce Commission:			
Employment Services 12/31/07	17.207	0807WPA000	\$ 82,126
Employment Services 12/31/08	17.207	0808WPA000	282,229
ET Advanced Manufacturing Assessment 01/14/08	17.207	0807WPB000	38,115
Trade Act 10/31/07	17.245	0807TRA000	9,361
Trade Act 10/31/08	17.245	0808TRA000	699,133
Performance Incentive Award 12/31/07	17.258	0807PIA000	2,426
WIA Adult 06/30/08	17.258	0806WPF000	311,896
WIA Adult 06/30/09	17.258	0807WPF000	2,138,212
WIA Adult 06/30/10	17.258	0808WIA000	312,497
WIA Statewide Activities 12/31/07	17.258	0807WSA000	1,283
WIA Statewide Activities 03/31/08	17.258	0807WSA001	45,009
WIA Statewide Common Branding 06/30/08	17.258	0807WBI000	8,913
WIA Statewide Alternative 12/31/08	17.258	0808WSA000	29,662
WIA Youth 06/30/08	17.259	0806WPF000	927,628
WIA Youth 06/30/09	17.259	0807WPF000	963,715
WIA Youth 06/30/10	17.259	0808WIY000	355,933
WIA Statewide Activities 12/31/07	17.259	0807WSA000	2,204
WIA Statewide Activities 03/31/08	17.259	0807WSA001	48,656
WIA Statewide Common Branding 06/30/08	17.259	0807WBI000	9,634
WIA Statewide Alternative 12/31/08	17.259	0808WSA000	31,521
Performance Incentive Award 12/31/07	17.260	0807PIA000	3,024
WIA Dislocated Worker 06/30/08	17.260	0806WPF000	( 41,490)
WIA Dislocated Worker 06/30/09	17.260	0807WPF000	1,931,004
WIA Dislocated Worker 06/30/10	17.260	0808WID000	570,237
WIA Statewide Activities 12/31/07	17.260	0807WSA000	2,188
WIA Statewide Activities 03/31/08	17.260	0807WSA001	57,844
WIA Statewide Common Branding 06/30/08	17.260	0807WBI000	11,453
WIA Statewide Alternative 12/31/08	17.260	0808WSA000	36,916
NEG Hurricane Ike 6/30/09	17.260	0809NEG000	21,270
Disability Navigation Project 06/30/08	17.266	0807DPN000	25,620
Disability Navigation Project 06/30/09	17.266	0808DPN000	628
Total Passed through Texas Workforce Commission			<u>8,918,847</u>
Total U. S. Department of Labor			<u>8,918,847</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards: (Continued)			
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
VCR - Rural 08/31/08	20.500	51710F7207	\$ 120,000
Rural Transportation 08/31/08	20.509	51710F7242	529,706
Rural Transportation 08/31/09	20.509	51810F7096	846,818
Elderly & Disabled - Atlanta and Tyler District 08/31/09	20.513	51810F7210	4,500
Elderly & Disabled - Atlanta and Tyler District 08/31/08	20.513	51710F7171	180,918
Total Passed through Texas Department of Transportation			<u>1,681,942</u>
Total U. S. Department of Transportation			<u>1,681,942</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of			
Aging and Disability Services:			
Title VII, Elder Abuse 09/30/08	93.041	N/A	14,616
Title VII, Ombudsman Services 09/30/08	93.042	N/A	58,089
Title III, Part D, 09/30/08	93.043	N/A	72,555
Title III, Part B, 09/30/08	93.044	N/A	959,399
Title III, Part C, 09/30/08	93.045	N/A	1,586,839
Title III, Part E, Caregiver 09/30/08	93.052	N/A	447,112
Nutrition Service Incentive Program 09/30/08	93.053	N/A	340,346
CMS Basic 03/31/08	93.779	N/A	20,336
CMS Basic 03/31/09	93.779	N/A	26,653
Total Passed through Texas Department of Aging and Disability Services			<u>3,525,945</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**(Continued)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Awards: (Continued)			
<u>U. S. Department of Health and Human Services (Continued)</u>			
Passed through Texas Health and Human Services Commission:			
SSBG - Rita and Katrina 12/31/08	93.667	529-06-0432-00001	\$ <u>907,346</u>
Total Passed through Texas Health and Human Services Commission			<u>907,346</u>
Passed through Texas Workforce Commission:			
TANF 10/31/07	93.558	0807TAN000	134,221
TANF 10/31/08	93.558	0808TAN000	2,210,902
Performance Incentive Award 12/31/07	93.558	0807PIA000	37,500
Learning Disabilities 03/31/08	93.558	0806TLD000	53,273
TANF Stipend 04/30/09	93.558	0808CPE000	22,080
Child Care 10/31/08	93.558	0808CCF000	62,449
Child Care 10/31/07	93.575	0807CCF000	42,344
Child Care 10/31/08	93.575	0808CCF000	5,277,605
Child Care 10/31/07	93.596	0807CCF000	24,254
Child Care 10/31/08	93.596	0808CCF000	4,581,696
Child Care Local Match 12/31/07	93.596	0807CCM000	1,511,445
Child Care Local Match 12/31/08	93.596	0808CCM000	<u>1,566,724</u>
Total Passed through Texas Workforce Commission			<u>15,524,493</u>
Total U. S. Department of Health and Human Services			<u>19,957,784</u>
<u>U. S. Department of Homeland Security</u>			
Passed through the Office of the Governor, Division of Emergency Management:			
Homeland Security 02/28/09	97.073	2006-GE-T6-0068	118,730
Homeland Security 02/28/10	97.073	2007-GE-T7-0024	<u>100,991</u>
Total Passed through the Office of the Governor, Division of Emergency Management			<u>219,721</u>
Total U. S. Department of Homeland Security			<u>219,721</u>
Total Federal Awards			<u>31,411,700</u>

**(continued)**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

(Continued)

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

State Grantor/Program Title	Grantor's Number	Expenditures
<u>State Awards:</u>		
<u>Texas Department of Aging and Disability Services:</u>		
State General Revenue 09/30/08	N/A	\$ 133,891
SGR Title III - E 09/30/08	N/A	55,000
State Highway Fund/Transportation 09/30/08	N/A	12,851
Housing Bond/Residential Repair 08/31/09	N/A	24,080
Total Texas Department of Aging and Disability Services		<u>225,822</u>
<u>Office of the Governor; Criminal Justice Division:</u>		
Police Training 08/31/08	SF-08-A10-14265-08	209,424
Police Training 08/31/09	SF-09-A10-14265-09	5,874
Criminal Justice 8/31/08	SF-08-I97-14386-09	52,377
Criminal Justice 08/31/09	SF-09-I97-14386-10	3,391
State Planning 08/31/08	PF-08-X99-20081-01	71,000
State Planning 08/31/09	PF-09-X99-20081-02	4,940
Total Office of the Governor; Criminal Justice Division		<u>347,006</u>
<u>Texas Commission on Environmental Quality:</u>		
Solid Waste/Landfill 08/31/09	582-8-86688	315,206
Air Quality 08/31/08	582-6-70890	536,234
Air Quality 08/31/09	582-6-86229	66,515
Total Texas Commission on Environmental Quality		<u>917,955</u>
<u>Commission on State Emergency Communications:</u>		
911 08/31/07	N/A	18,010
911 08/31/08	N/A	1,780,117
911 08/31/09	N/A	99,172
Total Commission on State Emergency Communications		<u>1,897,299</u>
<u>State Energy Conservation Office:</u>		
Clean Cities 10/31/07	41817.520.01.03	7,175
Total State Energy Conservation Office		<u>7,175</u>
<u>Texas Department of Transportation:</u>		
Rural Transportation 08/31/08	51810F7017	517,596
Rural Transportation 08/31/09	51910F7017	57,486
Transportation Rodeo 06/30/08	51851F7221	772
TxDOT Planning 08/31/08	10-7XXF7001	58,495
Total Texas Department of Transportation		<u>634,349</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

State Grantor/Program Title	Grantor's Number	Expenditures
State Awards:		
<u>Texas Workforce Commission:</u>		
Food Stamp E & T 10/31/08	0808FSE000	\$ 114,883
Transportation - TANF/FSET 08/31/08	0808DOT000	170,752
Project Rio 10/31/07	0807RIO000	22,798
Project Rio 10/31/08	0808RIO000	244,654
Child Care DFPS 08/31/08	0808CCP000	1,121,225
Child Care DFPS 08/31/09	0809CCP000	118,928
Child Care 10/31/07	0807CCF000	7,174
Child Care 10/31/08	0808CCF000	<u>2,124,203</u>
Total Texas Workforce Commission		<u>3,924,617</u>
<u>Texas Veterans Commission:</u>		
Veterans Services 09/30/08	07ETWDB	<u>78,110</u>
Total Texas Veterans Commission		<u>78,110</u>
Total State Awards		<u>8,032,333</u>
Total Federal and State Awards		<u>\$ 39,444,033</u>

# **EAST TEXAS COUNCIL OF GOVERNMENTS**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**SEPTEMBER 30, 2008**

### **1. GENERAL**

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of East Texas Council of Governments. The Council'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 government 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 presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

**(continued)**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NOTES TO SCHEDULE OF EXPENDITURES OF  
FEDERAL AND STATE AWARDS  
(Continued)  
SEPTEMBER 30, 2008**

**3. PASS-THROUGH EXPENDITURES**

Of the federal and state expenditures presented in the Schedule, the Council provided awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount
State Administrative Matching Grants for Food Stamp Program	10.561	\$ 441,325
Transportation	10.561	13,633
Juvenile Justice and Delinquency Prevention	16.540	46,172
Labor Certificate for Alien Workers	17.207	367,078
Trade Adjustment Assistance Workers	17.245	668,365
WIA Statewide	17.258, 17.259, 17.260	279,370
WIA Cluster	17.258, 17.259, 17.260	6,892,819
Performance Incentive Award	17.258, 17.259, 17.260	42,950
NEG Hurricane Ike	17.260	21,270
Disability Navigation Project	17.266	22,278
Aging Cluster	93.041, 93.042, 93.043, 93.044, 93.045	2,131,574
National Family Caregiver Support	93.052	341,996
Nutrition Services Incentive Program	93.053	340,346
Temporary Assistance for Needy Families	93.558	2,184,677
Child Care Cluster	93.575, 93.596	15,763,310
SSBG-Rita and Katrina	93.667	899,467
Police Training	State	144,309
Solid Waste/Landfill	State	159,372
Transportation	State	170,752
Residential Repair	State	65,769
Air Quality	State	460,669
CSEC	State	1,240,834
Veterans Services	State	70,425
Project RIO	State	239,744
Food Stamp	State	<u>112,196</u>
		<u>\$ 33,120,700</u>

**4. NEGATIVE AMOUNTS**

Due to a revision in the allocation of certain costs, the funding agent has retroactively allocated certain grant expenditures. As a result of this, the effected grants reflect a negative balance on the current Schedule of Expenditures of Federal and State Awards.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Summary of Auditors' Results**

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and state awards as defined by the State of Texas Uniform Grant Management Standards	None
Dollar threshold considered between Type A and Type B federal and state programs	Federal - \$941,172 State - \$300,000
Low risk auditee statement	The Council was classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Uniform Grant Management Standards
Major federal programs	Rural Transportation, CFDA #20.509 Child Care and Development Block Grant, CFDA #93.575 Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA #93.596
Major state programs	Texas Workforce Commission - Child Care TxDOT - Rural Transportation

**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Auditing Standards**

None

**Findings and Questioned Costs for Federal and State Awards**

None

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

None