



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

EAST TEXAS COUNCIL OF GOVERNMENTS

For the Year Ended
September 30, 2007

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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INTRODUCTORY SECTION

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January 31, 2008

Commissioner Bill Hale
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, 2007, 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, 2007, 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, 2007, 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 2007, 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 2007 estimates from the Texas State Data Center, these member governments represented approximately 802,803 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 2007 population of 197,093 and the Longview MSA has an estimated 2007 population of 205,096.

The population density for the Workforce Development Area is 82.58 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 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 2002, the East Texas region total employment for all industries was 325,700, with projected growth to 387,100 by the year 2012. That is an expected increase of 61,400, or a 19% 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 \$199,273 on its investments for the year ended September 30, 2007.

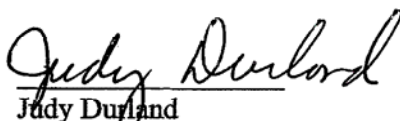
Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the East Texas Council of Governments for its comprehensive annual financial report for the fiscal year ended September 30, 2006. 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, 2006

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.



Oliver S. Cox

President

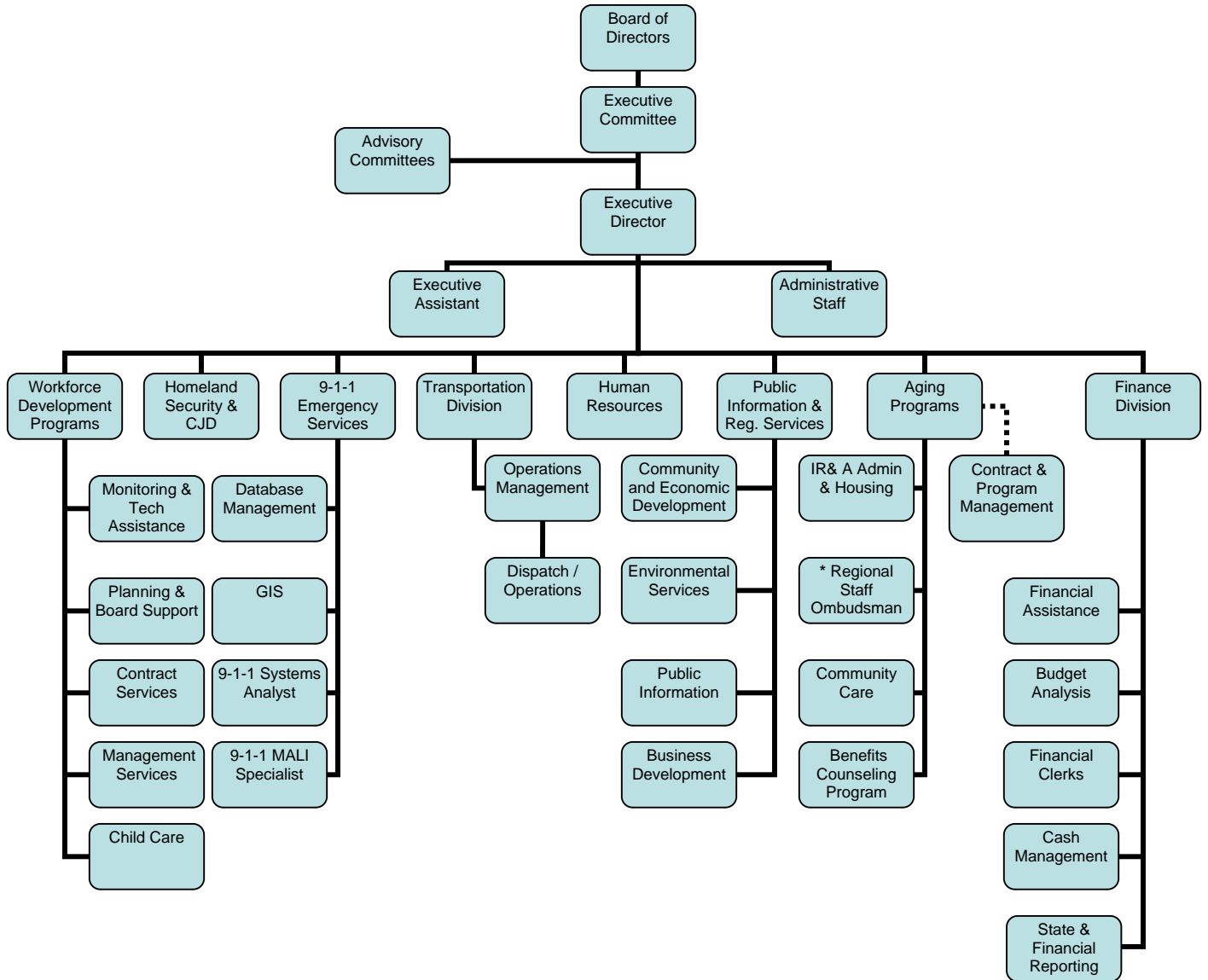
Jeffrey R. Egan

Executive Director

EAST TEXAS COUNCIL OF GOVERNMENTS

ORGANIZATION CHART

SEPTEMBER 30, 2007



EAST TEXAS COUNCIL OF GOVERNMENTS

PRINCIPAL OFFICIALS

**OFFICERS OF THE EXECUTIVE COMMITTEE
2007**

Carson Joines
Chairman – Mayor
City of Carthage

Bill Hale
1st Vice-Chairman – Commissioner
Rusk County

John Paul Tallent
2nd Vice-Chairman – Mayor
City of Gladewater

Jerry Galloway
3rd Vice-Chairman – Commissioner
Wood County

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	Roxanne McKinley

EAST TEXAS COUNCIL OF GOVERNMENTS

MEMBER GOVERNMENTS

SEPTEMBER 30, 2007

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
Caney City
Canton
Carthage
Chandler
Clarksville City
Coffee City
East Mountain
East Tawakoni
Easton
Edgewood
Elkhart
Emory
Eustace
Frankston

CITIES: (Continued)

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

(continued)

EAST TEXAS COUNCIL OF GOVERNMENTS

**MEMBER GOVERNMENTS
(Continued)
SEPTEMBER 30, 2007**

CITIES: (Continued)

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

INDEPENDENT SCHOOL DISTRICTS: (Continued)

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
Mt. Enterprise 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

Neches and Trinity Valleys Groundwater Conservation
District
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 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, 2007, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council, as of September 30, 2007, 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 20, 2008, 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 18 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 20, 2008

**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, 2007. 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, 2007, by \$4,617,431 (net assets). Of this amount, \$1,017,147 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets increased by \$1,217,365.
- As of the close of the current fiscal year, East Texas Council of Governments' governmental funds reported combined ending fund balances of \$2,321,036, an increase of \$287,188 in comparison with the prior year.
- As of September 30, 2007, unreserved and undesignated fund balance for the General Fund was \$1,017,141.

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 19 through 21 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 19 through 30 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 31 through 41 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 42 through 45 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 \$4,617,431 as of September 30, 2007.

EAST TEXAS COUNCIL OF GOVERNMENTS' NET ASSETS

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Current assets	\$ 7,872,765	\$ 9,198,764	\$ 3,378	\$ -
Capital assets (net)	2,398,199	1,512,070	-	-
Total assets	<u>10,270,964</u>	<u>10,710,834</u>	<u>3,378</u>	<u>-</u>
Long-term liabilities	101,804	145,852	-	-
Other liabilities	5,551,729	7,164,916	4,009	-
Total liabilities	<u>5,653,533</u>	<u>7,310,768</u>	<u>4,009</u>	<u>-</u>
Net assets:				
Invested in capital assets, net of related debt	2,398,199	1,467,687	-	-
Restricted	1,202,091	1,174,134	-	-
Unrestricted	<u>1,017,141</u>	<u>758,245</u>	<u>(631)</u>	<u>-</u>
Total net assets	<u>\$ 4,617,431</u>	<u>\$ 3,400,066</u>	<u>\$(631)</u>	<u>\$ -</u>

A fairly large portion of the Council's net assets (52%) 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 (26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (22%) of unrestricted net assets may be used to meet the Council's ongoing obligations.

ANALYSIS OF FINANCIAL POSITION

The overall financial condition of the East Texas Council of Governments improved from the prior year with ending net assets increasing by \$1,217,365 or 36%. The Council experienced an increase in revenue of \$1,211,688 or 3%. This increase is primarily attributable to an increase in federal and state funding for various programs and services. Expenses increased from the prior year by \$205,478 or .5%.

An overall decline occurred in the Workforce development grants of \$171,403 or .6%. Declines in Workforce development grants were a result of fewer revenues for the National Emergency Grants to assist Hurricane Rita and Katrina evacuees.

Aging expenditures increased by \$381,518 or 7.4% thereby increasing services in the meal program, residential repair and various other services for the elderly.

Emergency communications increased by \$822,831 or 52% due to the expansion of mapping and network services, wireless phase II planning and replacement of 911 point of service equipment in the region.

Health and Human Services increased by \$157,294 as a result of funding for a Social Services Block Grant for misplaced Rita and Katrina hurricane evacuees.

Environmental quality declined by \$340,928 or 29%. Air quality studies are performed by vendor arrangement and payable upon completion of strategically planned objectives which were lower for 2007.

The East Texas Council of Governments became the service provider for the Rural Transportation program effective September 1, 2007. This resulted in the employment of 35 additional employees and the responsibility of daily program activities. Prior to September 1, 2007, grants funds were passed through to a subrecipient for daily operations. Transportation increased by \$389,913 or 31% from 2006.

Homeland security decreased by \$873,088 or 76.6% as a result of the completion of state mandated emergency plans and replacement of equipment in the prior year.

Housing and urban development declined by \$87,802 or 59% as a result of the completion in 2006 of a Disaster Recovery Grant to fund and improve emergency shelters for hurricane evacuees and other disaster related emergencies.

ANALYSIS OF THE COUNCIL'S OPERATIONS

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

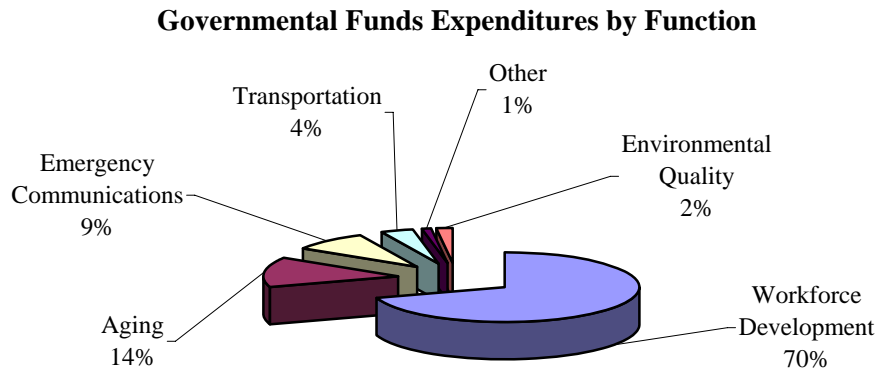
EAST TEXAS COUNCIL OF GOVERNMENTS' CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 40,020,456	\$ 38,838,134	\$ 31,048	\$ -
General revenues:				
Grants and contributions not restricted to specific programs	71,313	71,513	-	-
Investment earnings	133,605	110,878	850	-
Miscellaneous	79,966	43,621	-	-
Total revenues	<u>40,305,340</u>	<u>39,064,146</u>	<u>31,898</u>	<u>-</u>
Expenses after allocation of indirect costs:				
General government	26,113	71,165	-	-
Workforce development	27,780,544	27,951,947	-	-
Aging	5,546,424	5,164,906	-	-
Emergency communications	2,396,799	1,573,968	-	-
Health and human services	169,968	12,674	-	-
Environmental quality	844,837	1,185,765	-	-
Transportation	1,662,765	1,272,852	-	-
Homeland security	266,300	1,139,388	-	-
Criminal justice	268,819	295,087	-	-
Housing and urban development	61,262	149,064	-	-
Economic development	64,144	65,681	-	-
Greyhound	-	-	32,529	-
Total expenses	<u>39,087,975</u>	<u>38,882,497</u>	<u>32,529</u>	<u>-</u>
Change in net assets	1,217,365	181,649	(631)	-
Net assets, beginning	<u>3,400,066</u>	<u>3,218,417</u>	<u>-</u>	<u>-</u>
Net assets, ending	<u>\$ 4,617,431</u>	<u>\$ 3,400,066</u>	<u>\$(631)</u>	<u>\$ -</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 \$2,321,036.



CAPITAL ASSETS

The East Texas Council of Governments’ investment in capital assets for its governmental activities as of September 30, 2007, amounts to \$2,398,199 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment:

	2007	2006
Land	\$ 11,495	\$ 11,495
Buildings	785,594	785,594
Equipment	3,951,621	3,084,314
Less: accumulated depreciation	(2,350,511)	(2,369,333)
Total capital assets	\$ 2,398,199	\$ 1,512,070

Additional information on the Council’s capital assets can be found in Note 4, pages 38 – 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The East Texas Council of Governments is dependent on federal and state funding, which can vary widely from year to year. The federal economic condition and federal budget deficits can impact the reauthorization of funds available to local governments. Additionally, the East Texas Council of Governments contracts as the fiscal entity for the East Texas Workforce Development Board. This contract expires September 30, 2008. However, it is anticipated the contract will be renewed. Loss of this contract would result in a loss of revenue of approximately \$27.8 million per year.

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.

**BASIC
FINANCIAL STATEMENTS**

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EAST TEXAS COUNCIL OF GOVERNMENTS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit
ASSETS				
Cash and equivalents	\$ 3,375,368	\$ 10,206	\$ 3,385,574	\$ 71,772
Receivables:				
Grantors	2,582,013	-	2,582,013	-
Notes	190,341	-	190,341	-
Other	1,699,071	161	1,699,232	3,839
Internal balances	6,989	(6,989)	-	-
Due from component unit	18,983	-	18,983	-
Capital assets:				
Land	11,495	-	11,495	-
Buildings	785,594	-	785,594	-
Equipment	3,951,621	-	3,951,621	-
Less: accumulated depreciation	(2,350,511)	-	(2,350,511)	-
Total capital assets	2,398,199	-	2,398,199	-
 Total assets	10,270,964	3,378	10,274,342	75,611
LIABILITIES				
Accounts payable	5,108,820	4,009	5,112,829	1,071
Unearned revenue	442,909	-	442,909	-
Due to primary government	-	-	-	18,983
Long-term liabilities:				
Due within one year:	50,902	-	50,902	-
Due in more than one year:	50,902	-	50,902	-
Total liabilities	5,653,533	4,009	5,657,542	20,054
NET ASSETS				
Invested in capital assets, net of related debt	2,398,199	-	2,398,199	-
Restricted for grant use	1,202,091	-	1,202,091	-
Unrestricted	1,017,141	(631)	1,016,510	55,557
 Total net assets	\$ 4,617,431	\$(631)	\$ 4,616,800	\$ 55,557

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, 2007

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Program Revenue	
				Charges for Services	Operating Grants and Contributions
Primary government					
Governmental activities:					
General government	\$ 24,707	\$ 1,406	\$ 26,113	\$ -	\$ -
Workforce development	27,447,427	333,117	27,780,544	-	27,778,736
Aging	5,395,971	150,453	5,546,424	-	5,549,874
Emergency communications	2,293,267	103,532	2,396,799	-	3,416,130
Health and human services	168,981	987	169,968	-	149,592
Environmental quality	806,313	38,524	844,837	-	844,837
Transportation	1,605,508	57,257	1,662,765	-	1,633,280
Homeland security	223,797	42,503	266,300	-	266,300
Criminal justice	256,351	12,468	268,819	-	268,819
Housing and urban development	50,900	10,362	61,262	-	48,744
Economic development	52,866	11,278	64,144	-	64,144
Indirect costs	<u>761,887</u>	<u>(761,887)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>39,087,975</u>	<u>-</u>	<u>39,087,975</u>	<u>-</u>	<u>40,020,456</u>
Business-type activities:					
Greyhound	<u>32,529</u>	<u>-</u>	<u>32,529</u>	<u>31,048</u>	<u>-</u>
Total primary government	<u>\$ 39,120,504</u>	<u>\$ -</u>	<u>\$ 39,120,504</u>	<u>\$ 31,048</u>	<u>\$ 40,020,456</u>
Component unit					
East Texas Regional Development Company					
	\$ <u>77,274</u>	\$ <u>9,296</u>	\$ <u>86,570</u>	\$ <u>-</u>	\$ <u>67,304</u>
Total component unit	<u>\$ 77,274</u>	<u>\$ 9,296</u>	<u>\$ 86,570</u>	<u>\$ -</u>	<u>\$ 67,304</u>

General revenues:

Grants and contributions not restricted to specific programs

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
\$(26,113)	\$ -	\$(26,113)	\$ -
(1,808)	-	(1,808)	-
3,450	-	3,450	-
1,019,331	-	1,019,331	-
(20,376)	-	(20,376)	-
-	-	-	-
(29,485)	-	(29,485)	-
-	-	-	-
-	-	-	-
(12,518)	-	(12,518)	-
-	-	-	-
-	-	-	-
<u>932,481</u>	<u>-</u>	<u>932,481</u>	<u>-</u>
<u>-</u>	<u>(1,481)</u>	<u>(1,481)</u>	<u>-</u>
<u>\$ 932,481</u>	<u>(1,481)</u>	<u>931,000</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,266)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,266)</u>
71,313	-	71,313	-
133,605	-	133,605	19,862
79,966	850	80,816	-
<u>284,884</u>	<u>850</u>	<u>285,734</u>	<u>19,862</u>
1,217,365	(631)	1,216,734	596
<u>3,400,066</u>	<u>-</u>	<u>3,400,066</u>	<u>54,961</u>
<u>\$ 4,617,431</u>	<u>\$(631)</u>	<u>\$ 4,616,800</u>	<u>\$ 55,557</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>General Fund</u>	<u>Texas Workforce Commission</u>	<u>Commission on State Emergency Communications</u>
ASSETS			
Cash and cash equivalents	\$ 1,015,203	\$ 888,993	\$ 410,378
Accounts receivable:			
Grantors	-	1,308,838	223,200
Other	2,224	1,627,188	-
Notes	-	-	-
Due from other funds	308,356	-	-
Due from component unit	<u>18,983</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 1,344,766</u>	 <u>\$ 3,825,019</u>	 <u>\$ 633,578</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	327,625	3,477,125	633,578
Due to other funds	-	-	-
Deferred revenue	<u>-</u>	<u>347,894</u>	<u>-</u>
Total liabilities	<u>327,625</u>	<u>3,825,019</u>	<u>633,578</u>
Fund balances:			
Reserved for notes receivable	-	-	-
Unreserved, reported in:			
General fund	1,017,141	-	-
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,017,141</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 1,344,766</u>	 <u>\$ 3,825,019</u>	 <u>\$ 633,578</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
\$ -	\$ 634,383	\$ 426,411	\$ 3,375,368
448,175	-	601,800	2,582,013
63,200	996	5,463	1,699,071
-	190,341	-	190,341
-	-	-	308,356
-	-	-	18,983
<u>\$ 511,375</u>	<u>\$ 825,720</u>	<u>\$ 1,033,674</u>	<u>\$ 8,174,132</u>
327,984	670	341,838	5,108,820
52	-	301,315	301,367
3,250	-	91,765	442,909
<u>331,286</u>	<u>670</u>	<u>734,918</u>	<u>5,853,096</u>
-	190,341	-	190,341
-	-	-	1,017,141
<u>180,089</u>	<u>634,709</u>	<u>298,756</u>	<u>1,113,554</u>
<u>180,089</u>	<u>825,050</u>	<u>298,756</u>	<u>2,321,036</u>
<u>\$ 511,375</u>	<u>\$ 825,720</u>	<u>\$ 1,033,674</u>	<u>\$ 8,174,132</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, 2007

Total fund balance, governmental funds	\$ 2,321,036
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.	2,398,199
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>(101,804)</u>
Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>4,617,431</u></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, 2007

	<u>General Fund</u>	<u>Texas Workforce Commission</u>	<u>Commission on State Emergency Communications</u>
REVENUES			
Intergovernmental	\$ -	\$ 27,670,306	\$ 3,399,815
Matching funds	-	20,000	-
Program income	-	-	-
Membership dues	71,313	-	-
Miscellaneous	<u>148,603</u>	<u>-</u>	<u>16,315</u>
Total revenues	<u>219,916</u>	<u>27,690,306</u>	<u>3,416,130</u>
EXPENDITURES			
Current:			
General government	32,542	-	-
Workforce development	-	27,690,306	-
Aging	-	-	-
Emergency communications	-	-	3,416,130
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>32,542</u>	<u>27,690,306</u>	<u>3,416,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>187,374</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from insurance	27,491	-	-
Transfers in	-	-	-
Transfers out	<u>(57,438)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(29,947)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	157,427	-	-
FUND BALANCES, BEGINNING	<u>859,714</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,017,141</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
\$ 3,652,832	\$ -	\$ 3,221,526	\$ 37,944,479
1,486,280	-	92,319	1,598,599
410,762	-	793	411,555
-	-	-	71,313
-	33,982	53,003	251,903
<u>5,549,874</u>	<u>33,982</u>	<u>3,367,641</u>	<u>40,277,849</u>
-	-	-	32,542
-	-	88,430	27,778,736
5,469,022	-	33,408	5,502,430
-	-	-	3,416,130
-	-	1,633,280	1,633,280
-	-	844,837	844,837
-	-	266,300	266,300
-	-	268,819	268,819
-	-	149,672	149,672
-	41,717	19,545	61,262
-	-	64,144	64,144
<u>5,469,022</u>	<u>41,717</u>	<u>3,368,435</u>	<u>40,018,152</u>
<u>80,852</u>	<u>(7,735)</u>	<u>(794)</u>	<u>259,697</u>
-	-	-	27,491
52,655	-	4,783	57,438
-	-	-	(57,438)
<u>52,655</u>	<u>-</u>	<u>4,783</u>	<u>27,491</u>
133,507	(7,735)	3,989	287,188
<u>46,582</u>	<u>832,785</u>	<u>294,767</u>	<u>2,033,848</u>
<u>\$ 180,089</u>	<u>\$ 825,050</u>	<u>\$ 298,756</u>	<u>\$ 2,321,036</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, 2007

Net change in fund balances - total governmental funds:	\$ 287,188
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.	963,454
Governmental funds report repayment of capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	44,383
The Statement of Activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report losses on the disposal of capital assets.	(77,325)
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>335</u>
Change in net assets of governmental activities	<u>\$ 1,217,365</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, 2007

	<u>Nonmajor Enterprise Fund</u>
	<u>Greyhound</u>
ASSETS	
Current assets:	
Cash and investments	\$ 10,206
Accounts receivable - net of allowances for uncollectibles	<u>161</u>
Total current assets	<u>10,367</u>
 Total assets	 <u>10,367</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	4,009
Due to other funds	<u>6,989</u>
Total current liabilities	<u>10,998</u>
 Total liabilities	 <u>10,998</u>
 NET ASSETS	
Unrestricted	(<u>631</u>)
 Total net assets	 \$(<u><u>631</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, 2007

		<u>Nonmajor Enterprise Fund</u>
		<u>Greyhound</u>
OPERATING REVENUES		
Charges for services	\$	<u>31,048</u>
Total operating revenues		<u>31,048</u>
OPERATING EXPENSES		
Cost of sales and services		<u>32,529</u>
Total operating expenses		<u>32,529</u>
OPERATING LOSS		(1,481)
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income		<u>850</u>
Total nonoperating revenues (expenses)		<u>850</u>
CHANGE IN NET ASSETS		(631)
TOTAL NET ASSETS, BEGINNING		<u>-</u>
TOTAL NET ASSETS, ENDING	\$(<u><u>631</u></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, 2007

	<u>Nonmajor Enterprise Fund</u>
	<u>Greyhound</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 30,887
Cash payments to suppliers	(28,520)
Cash provided by operating activities	<u>2,367</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from contributions	850
Cash received from other funds	<u>6,989</u>
Cash provided by noncapital financing activities	<u>7,839</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,206
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 10,206</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$(1,481)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease (increase) in customer receivable	(161)
Increase (decrease) in accounts payable	<u>4,009</u>
Total adjustments	<u>3,848</u>
Net cash provided by operating activities	<u>\$ 2,367</u>

The accompanying notes are an integral part of this statement.

EAST TEXAS COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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)

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.

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, 2007.

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.

(continued)

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

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

Deferred Revenue

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2007.

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

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.

(continued)

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

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

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 \$963,453 difference are as follows:

Capital outlay	\$ 1,545,133
Depreciation expense	<u>581,680</u>
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><u>963,453</u></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, 2007, the primary government had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 773,518	34

As of September 30, 2007, 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	\$ 54,336	34

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.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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, 2007, the Council's \$5,014,605 deposit balance was collateralized with securities held by the pledging financial institution or by FDIC insurance. As of September 30, 2007, ETRDC's deposit balance of \$17,436 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.

Capital Assets

Primary government capital asset activity for the year ended September 30, 2007, is as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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>3,084,314</u>	<u>1,545,133</u>	<u>677,826</u>	<u>3,951,621</u>
Total depreciable assets	<u>3,869,908</u>	<u>1,545,133</u>	<u>677,826</u>	<u>4,737,215</u>
Total assets	<u>3,881,403</u>	<u>1,545,133</u>	<u>677,826</u>	<u>4,748,710</u>
Less accumulated depreciation:				
Buildings	408,925	20,857	-	429,782
Furniture, fixtures and equipment	<u>1,960,408</u>	<u>560,822</u>	<u>600,501</u>	<u>1,920,729</u>
Total accumulated depreciation	<u>2,369,333</u>	<u>581,679</u>	<u>600,501</u>	<u>2,350,511</u>
Total capital assets, net	<u>\$ 1,512,070</u>	<u>\$ 963,454</u>	<u>\$ 77,325</u>	<u>\$ 2,398,199</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Governmental activities:

General government	\$ 4,731
Emergency communications	298,426
Aging	43,994
Workforce development	1,808
Transportation	212,424
Health and human services	<u>20,296</u>
Total depreciation expense - governmental activities	<u>\$ 581,679</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.

A summary of interfund transfers as of September 30, 2007, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ -	\$ 57,438
Texas Department of Aging and Disability Services	52,655	-
Other Governmental Funds	<u>4,783</u>	<u>-</u>
	<u>\$ 57,438</u>	<u>\$ 57,438</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	\$ 308,356	\$ -
Texas Department of Aging and Disability Services	-	52
Other Governmental Funds	-	301,315
Other Enterprise Funds	<u>-</u>	<u>6,989</u>
	<u>\$ 308,356</u>	<u>\$ 308,356</u>

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt

A summary of long-term liability activity for the year ended September 30, 2007, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
Primary Government:					
Governmental activities:					
Capital leases	\$ 44,383	\$ -	\$ 44,383	\$ -	\$ -
Compensated absences	<u>101,469</u>	<u>115,117</u>	<u>114,782</u>	<u>101,804</u>	<u>50,902</u>
	<u>\$ 145,852</u>	<u>\$ 115,117</u>	<u>\$ 159,165</u>	<u>\$ 101,804</u>	<u>\$ 50,902</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, 2007, have not been completed. Based on prior experience, ETCOG management believes that ETCOG will not incur significant losses from possible grant disallowances.

(continued)

5. OTHER INFORMATION

Retirement Plan

The East Texas Council of Governments provides benefits for all of its full-time 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, 2007, was \$2,198,246. ETCOG made the required 12% contribution, which amounted to \$263,790. Employees made the required 8% contribution of \$175,860. The total 20% contribution (employer and employee) amounted to \$439,650. Of this, \$354,010 went to the retirement plan and \$85,640 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, 2007

	Governor's Office of Criminal Justice	Texas Department of Transportation	Texas Department of Health	Texas Department of Human Services	Texas Commission on Environmental Quality
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 204,666	\$ 41,229	\$ 101,757
Accounts receivable:					
Grantors	24,508	330,512	-	-	47,362
Other	<u>-</u>	<u>4,309</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>24,508</u>	\$ <u>334,821</u>	\$ <u>204,666</u>	\$ <u>41,229</u>	\$ <u>149,119</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 17,366	\$ 145,776	\$ -	\$ -	\$ 68,249
Due to other funds	7,142	182,253	-	-	-
Deferred revenue	<u>-</u>	<u>5,120</u>	<u>-</u>	<u>-</u>	<u>80,870</u>
Total liabilities	<u>24,508</u>	<u>333,149</u>	<u>-</u>	<u>-</u>	<u>149,119</u>
Fund balances:					
Unreserved	<u>-</u>	<u>1,672</u>	<u>204,666</u>	<u>41,229</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>1,672</u>	<u>204,666</u>	<u>41,229</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>24,508</u>	\$ <u>334,821</u>	\$ <u>204,666</u>	\$ <u>41,229</u>	\$ <u>149,119</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>
\$ -	\$ 2,575	\$ 5,724	\$ -	\$ -	\$ 19,836	\$ 50,624	\$ 426,411
78,289	-	-	114,365	6,764	-	-	601,800
<u>-</u>	<u>-</u>	<u>250</u>	<u>121</u>	<u>76</u>	<u>707</u>	<u>-</u>	<u>5,463</u>
<u>\$ 78,289</u>	<u>\$ 2,575</u>	<u>\$ 5,974</u>	<u>\$ 114,486</u>	<u>\$ 6,840</u>	<u>\$ 20,543</u>	<u>\$ 50,624</u>	<u>\$ 1,033,674</u>
\$ 60,505	\$ 1,688	\$ 521	\$ 27,099	\$ 91	\$ 20,543	\$ -	\$ 341,838
17,784	-	-	87,387	6,749	-	-	301,315
<u>-</u>	<u>322</u>	<u>5,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,765</u>
<u>78,289</u>	<u>2,010</u>	<u>5,974</u>	<u>114,486</u>	<u>6,840</u>	<u>20,543</u>	<u>-</u>	<u>734,918</u>
<u>-</u>	<u>565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,624</u>	<u>298,756</u>
<u>-</u>	<u>565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,624</u>	<u>298,756</u>
<u>\$ 78,289</u>	<u>\$ 2,575</u>	<u>\$ 5,974</u>	<u>\$ 114,486</u>	<u>\$ 6,840</u>	<u>\$ 20,543</u>	<u>\$ 50,624</u>	<u>\$ 1,033,674</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, 2007

	Governor's Office of Criminal Justice	Texas Department of Transportation	Texas Department of Health	Texas Department of Human Services	Texas Commission on Environmental Quality
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES					
Intergovernmental	\$ 268,819	\$ 1,554,310	\$ -	\$ -	\$ 828,587
Matching funds	-	72,252	-	-	-
Program income	-	793	-	-	-
Miscellaneous	-	5,925	-	-	15,461
Total revenues	<u>268,819</u>	<u>1,633,280</u>	<u>-</u>	<u>-</u>	<u>844,048</u>
EXPENDITURES					
Current:					
Workforce development	-	-	-	-	-
Environmental quality	-	-	-	-	844,048
Transportation	-	1,633,280	-	-	-
Homeland security	-	-	-	-	-
Criminal justice	268,819	-	-	-	-
Housing and urban development	-	-	-	-	-
Aging	-	-	-	-	-
Health and human services	-	-	-	80	-
Economic development	-	-	-	-	-
Total expenditures	<u>268,819</u>	<u>1,633,280</u>	<u>-</u>	<u>80</u>	<u>844,048</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80)</u>	<u>-</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	(80)	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>1,672</u>	<u>204,666</u>	<u>41,309</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 1,672</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>
\$ 149,592	\$ 44,077	\$ 789	\$ 266,300	\$ 14,762	\$ 88,430	\$ 5,860	\$ 3,221,526
-	20,067	-	-	-	-	-	92,319
-	-	-	-	-	-	-	793
-	-	-	-	-	-	31,617	53,003
<u>149,592</u>	<u>64,144</u>	<u>789</u>	<u>266,300</u>	<u>14,762</u>	<u>88,430</u>	<u>37,477</u>	<u>3,367,641</u>
-	-	-	-	-	88,430	-	88,430
-	-	789	-	-	-	-	844,837
-	-	-	-	-	-	-	1,633,280
-	-	-	266,300	-	-	-	266,300
-	-	-	-	-	-	-	268,819
-	-	-	-	19,545	-	-	19,545
-	-	-	-	-	-	33,408	33,408
149,592	-	-	-	-	-	-	149,672
<u>-</u>	<u>64,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,144</u>
<u>149,592</u>	<u>64,144</u>	<u>789</u>	<u>266,300</u>	<u>19,545</u>	<u>88,430</u>	<u>33,408</u>	<u>3,368,435</u>
-	-	-	-	(4,783)	-	4,069	(794)
-	-	-	-	4,783	-	-	4,783
-	-	-	-	4,783	-	-	4,783
-	-	-	-	-	-	4,069	3,989
-	565	-	-	-	-	46,555	294,767
<u>\$ -</u>	<u>\$ 565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,624</u>	<u>\$ 298,756</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, 2007

Salaries	\$ 326,076
Benefits	<u>47,341</u>
Total Personnel	373,417
Group hospitalization	69,967
Pension costs	43,808
Minor office equipment/supply	17,632
Computer maintenance	16,753
Staff travel	11,031
Executive committee travel	6,079
Allocated space costs	18,835
Office supplies	32,005
Insurance and bonding	1,459
Books and subscriptions	3,104
Printing and publications	6,502
Leases	18,905
Storage building	2,562
Repairs and maintenance	2,818
Advertising and public notice	7,148
Membership dues	20,086
Registration Fees	4,117
Telephone	16,111
Postage	30,930
Meetings and conferences	10,406
Legal and audit fees	29,497
Other contract services	18,378
Employee recruiting and moving	8,929
Data base services	<u>704</u>
Total Indirect Costs	771,183
Less amount allocated to component unit	<u>(9,296)</u>
Total Indirect Costs Allocated to Special Revenue Funds	<u>\$ 761,887</u>
Computation of Indirect Cost Rate:	
Direct personnel costs	<u>\$ 2,639,969</u>
Allocation rate	28.86%
Indirect costs as a percentage of qualifying costs	2.1%

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYEE BENEFITS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

EMPLOYEE BENEFITS

Disability	\$	26,191
Workman's compensation insurance		6,649
Vacation		128,578
Holidays, sick leave, other		185,928
Employment taxes		<u>2,928</u>
Total Employee Benefits		350,274
Less amount allocated to indirect cost pool	(47,431)
Less amount allocated to component unit	(<u>3,253</u>)
Total Employee Benefits Allocated to Special Revenue Funds	\$	<u><u>299,590</u></u>
Chargeable time		<u>1,635,690</u>
Benefit rate		18.32%

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.

Contents	Page
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.	48
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.	54
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.	68

EAST TEXAS COUNCIL OF GOVERNMENTS

NET ASSETS BY COMPONENT

LAST FIVE FISCAL YEARS

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 1,028,474	\$ 1,066,250	\$ 1,365,348	\$ 1,467,687	\$ 2,398,199
Restricted	1,189,683	1,175,194	1,199,484	1,174,134	1,202,091
Unrestricted	<u>586,958</u>	<u>606,955</u>	<u>653,585</u>	<u>758,245</u>	<u>1,017,141</u>
Total governmental activities net assets	<u>\$ 2,805,115</u>	<u>\$ 2,848,399</u>	<u>\$ 3,218,417</u>	<u>\$ 3,400,066</u>	<u>\$ 4,617,431</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(631)</u>
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (631)</u>
Primary government:					
Invested in capital assets, net of related debt	\$ 1,028,474	\$ 1,066,250	\$ 1,365,348	\$ 1,467,687	\$ 2,398,199
Restricted	1,189,683	1,175,194	1,199,484	1,174,134	1,202,091
Unrestricted	<u>586,958</u>	<u>606,955</u>	<u>653,585</u>	<u>758,245</u>	<u>1,016,510</u>
Total primary government net assets	<u>\$ 2,805,115</u>	<u>\$ 2,848,399</u>	<u>\$ 3,218,417</u>	<u>\$ 3,400,066</u>	<u>\$ 4,616,800</u>

Note:

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

EAST TEXAS COUNCIL OF GOVERNMENTS

CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS

	Fiscal Year				
	2003	2004	2005	2006	2007
EXPENSES					
Governmental activities:					
General government	\$ 95,225	\$ 51,872	\$ 33,614	\$ 71,165	\$ 26,113
Workforce development	26,184,562	25,532,371	26,540,117	27,951,947	27,780,544
Housing and urban development	71,824	71,449	70,195	149,064	61,262
Emergency communications	1,231,730	1,629,740	1,403,002	1,573,968	2,396,799
Economic development	69,575	71,064	60,328	65,681	64,144
Environmental quality	827,183	973,470	884,574	1,185,765	844,837
Aging	4,905,082	5,152,070	5,173,324	5,164,906	5,546,424
Transportation	952,701	892,394	843,724	1,272,852	1,662,765
Homeland security	139,113	329,259	727,030	1,139,388	266,300
Criminal justice	212,154	230,724	345,671	295,087	268,819
Health and human services	-	-	-	12,674	169,968
Total governmental activities expenses	<u>34,689,149</u>	<u>34,934,413</u>	<u>36,081,579</u>	<u>38,882,497</u>	<u>39,087,975</u>
Business-type activities:					
Greyhound	-	-	-	-	32,529
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,529</u>
PROGRAM REVENUES					
Governmental activities					
Charges for services	10,897	-	-	-	-
Operating grants and contributions	35,150,664	34,858,702	36,307,282	38,838,134	40,020,456
Total governmental activities program revenues	<u>35,161,561</u>	<u>34,858,702</u>	<u>36,307,282</u>	<u>38,838,134</u>	<u>40,020,456</u>
Business-type activities:					
Charges for services	-	-	-	-	31,048
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,048</u>
NET (EXPENSE) REVENUES					
Governmental activities	472,412	(75,711)	225,703	(44,363)	932,481
Business-type activities	-	-	-	-	(1,481)
Total primary government net (expense) revenues	<u>472,412</u>	<u>(75,711)</u>	<u>225,703</u>	<u>(44,363)</u>	<u>931,000</u>
GENERAL REVENUES					
Governmental activities					
Grants and contributions not restricted to specific programs	91,413	72,163	71,513	71,513	71,313
Investment earnings	28,492	19,344	42,603	110,878	133,605
Miscellaneous	13,722	27,488	30,199	43,621	79,966
Total governmental activities general revenues	<u>133,627</u>	<u>118,995</u>	<u>144,315</u>	<u>226,012</u>	<u>284,884</u>
Business-type activities:					
Investment earnings	-	-	-	-	850
Total business-type activities general revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850</u>
CHANGE IN NET ASSETS					
Governmental activities	606,039	43,284	370,018	181,649	1,217,365
Business-type activities	-	-	-	-	(631)
Total primary government	<u>\$ 606,039</u>	<u>\$ 43,284</u>	<u>\$ 370,018</u>	<u>\$ 181,649</u>	<u>\$ 1,216,734</u>

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

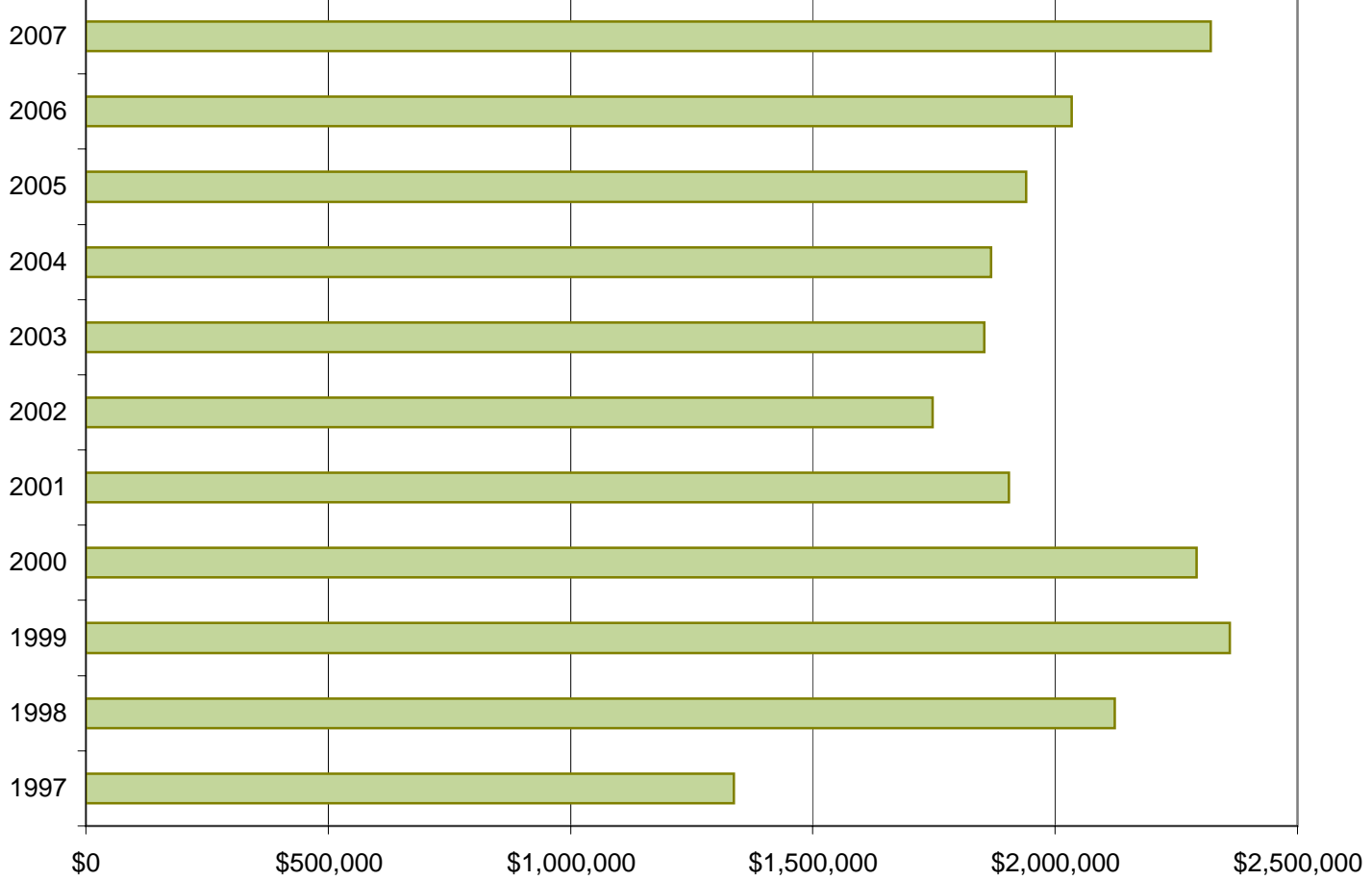
EAST TEXAS COUNCIL OF GOVERNMENTS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 18,919	\$ 18,919	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>498,950</u>	<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>
Total general fund	<u>\$ 517,869</u>	<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>
All other governmental funds										
Reserved	\$ 587,373	\$ 1,312,845	\$ 1,038,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,904	\$ 190,341
Unreserved, reported in:										
Special revenue funds	<u>1,017,491</u>	<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>
Total all other governmental funds	<u>\$ 1,604,864</u>	<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>
Total primary government	<u>\$ 2,122,733</u>	<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>

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



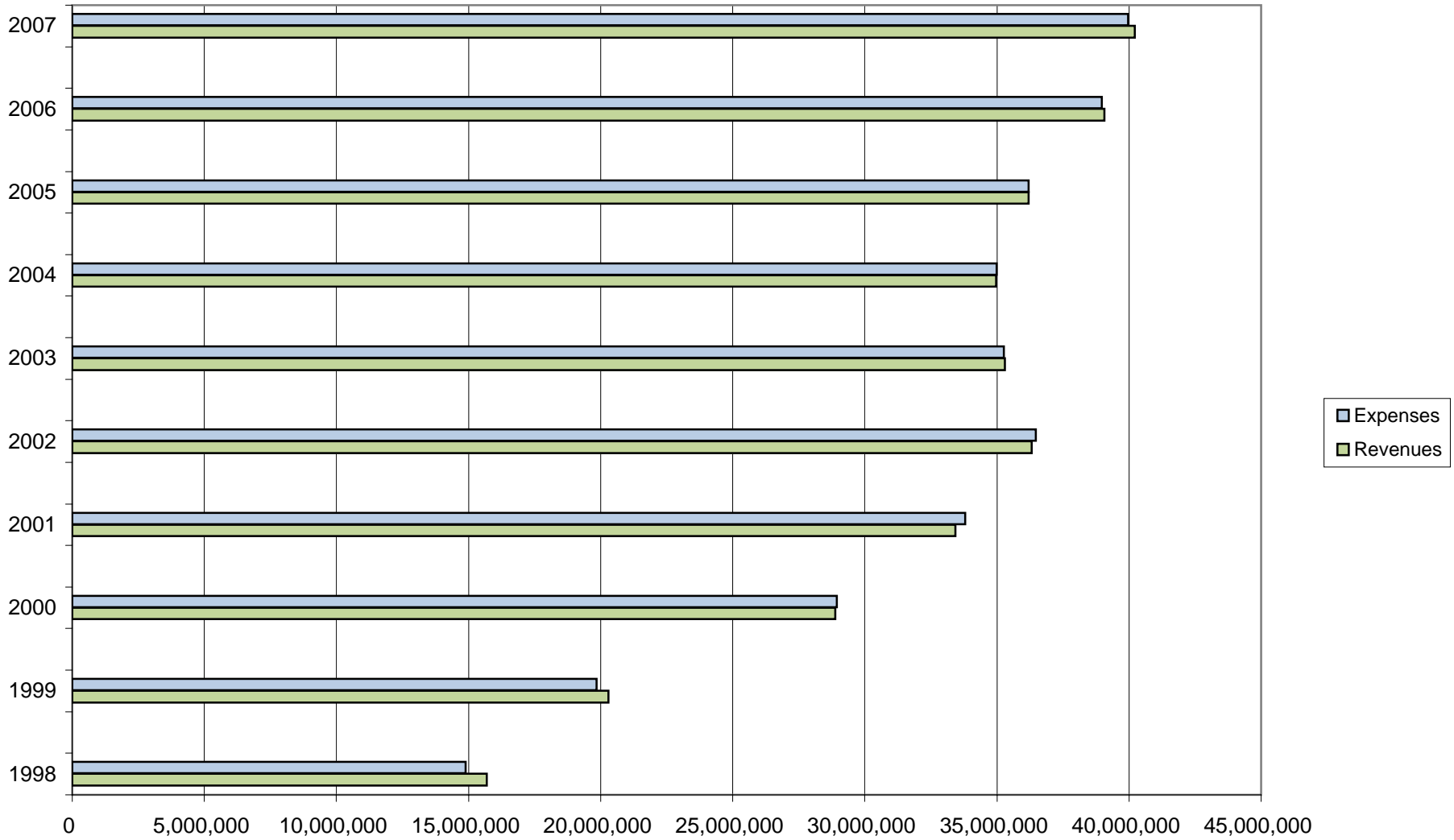
EAST TEXAS COUNCIL OF GOVERNMENTS

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES										
Intergovernmental	\$ 14,178,892	\$ 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
Membership dues	65,240	64,940	64,940	64,919	71,988	71,363	71,863	71,513	71,513	71,313
Matching funds/program income	1,203,964	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
Miscellaneous	<u>233,677</u>	<u>263,685</u>	<u>267,812</u>	<u>295,077</u>	<u>206,860</u>	<u>51,332</u>	<u>98,124</u>	<u>182,943</u>	<u>387,256</u>	<u>251,903</u>
Total revenues	<u>15,681,773</u>	<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>
EXPENDITURES										
General government	105,078	109,726	136,211	113,284	121,195	171,456	24,386	15,891	46,414	32,542
Workforce development/JTPA	7,761,803	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
Aging, health, DHS	4,394,222	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
Emergency communications	1,044,779	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
Environmental quality	653,882	835,847	501,462	809,319	902,815	827,183	973,470	884,574	1,185,765	844,837
Transportation	581,624	723,857	764,499	1,099,952	753,561	952,701	957,337	764,012	1,546,750	1,633,280
Homeland security	-	-	-	-	-	139,113	349,727	761,702	1,167,936	266,300
Criminal justice	215,554	179,384	279,873	224,953	230,128	212,154	230,724	345,671	295,087	268,819
Housing and urban development	42,554	84,164	372,083	76,726	102,409	71,824	71,449	70,195	149,064	61,262
Economic development	<u>96,084</u>	<u>97,060</u>	<u>72,307</u>	<u>66,266</u>	<u>66,512</u>	<u>68,828</u>	<u>71,064</u>	<u>60,328</u>	<u>65,681</u>	<u>64,144</u>
Total expenditures	<u>14,895,580</u>	<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>
EXCESS OF REVENUES OVER (UNDER)										
EXPENDITURES	\$ <u>786,193</u>	\$ <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>
OTHER FINANCING SOURCES (USES)										
Proceeds from capital lease	-	-	-	-	-	-	31,783	88,493	-	-
Proceeds from insurance	-	-	-	-	-	-	-	-	-	27,491
Transfers in	-	-	75,167	74,362	87,345	77,388	985,907	75,110	46,516	57,438
Transfers out	<u>-</u>	<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>
Total other financing sources (uses)	<u>-</u>	<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>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 786,193</u>	<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>

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



EAST TEXAS COUNCIL OF GOVERNMENTS

Regional County Information

Anderson County	
Area (Sq. miles) 1	1,071
County Seat 2	Palestine
Population, 2006 3	56,314
Anglo	
Male	18,999
Female	15,881
Black	
Male	9,281
Female	3,725
Hispanic	
Male	5,614
Female	2,204
Other	
Male	262
Female	236
Vital Statistics, 2004 4	
Marriages	441
Divorces	221
Births	670
Deaths	597
Unemployment Rate, Annual Average 2006 5	6.2%

Camp County	
Area (Sq. miles) 1	198
County Seat 2	Pittsburg
Population, 2006 3	12,731
Anglo	
Male	3,894
Female	4,106
Black	
Male	1,071
Female	1,225
Hispanic	
Male	1,333
Female	1014
Other	
Male	37
Female	26
Vital Statistics, 2004 4	
Marriages	118
Divorces	31
Births	193
Deaths	134
Unemployment Rate, Annual Average 2006 5	5.1%

Cherokee County	
Area (Sq. miles) 1	1,052
County Seat 2	Rusk
Population, 2006 3	48,257
Anglo	
Male	15,648
Female	16,473
Black	
Male	4,042
Female	3,556
Hispanic	
Male	4,749
Female	3,470
Other	
Male	175
Female	207
Vital Statistics, 2004 4	
Marriages	330
Divorces	193
Births	695
Deaths	548
Unemployment Rate, Annual Average 2006 5	5.4%

Gregg County	
Area (Sq. miles) 1	274
County Seat 2	Longview
Population, 2006 3	119,208
Anglo	
Male	36,421
Female	39,242
Black	
Male	11,460
Female	12,684
Hispanic	
Male	8,840
Female	7,233
Other	
Male	893
Female	970
Vital Statistics, 2004 4	
Marriages	1,280
Divorces	474
Births	1,879
Deaths	1,184
Unemployment Rate, Annual Average 2006 5	4.6%

1: TX Dept. of Transportation

2: Tx Almanac ,2004-2005

3: Tx State Data Center

4: Tx Dept. of Health Services, Vital Statistics 2004 data and 2005 preliminary data

5: ftp://ftp.bls.gov/pub/special.requests/la/laucnty06.txt

EAST TEXAS COUNCIL OF GOVERNMENTS

Regional County Information

Harrison County	
Area (Sq. miles) 1	899
County Seat 2	Marshall
Population, 2006 3	63,818
Anglo	
Male	21,206
Female	21,977
Black	
Male	7,034
Female	7,919
Hispanic	
Male	2,842
Female	2,251
Other	
Male	237
Female	249
Vital Statistics, 2004 4	
Marriages	462
Divorces	122
Births	807
Deaths	585
Unemployment Rate, Annual Average 2006 5	5.2%

Henderson County	
Area (Sq. miles) 1	874
County Seat 2	Athens
Population, 2006 3	79,704
Anglo	
Male	32,826
Female	33,254
Black	
Male	2,500
Female	2,659
Hispanic	
Male	4,017
Female	3,360
Other	
Male	341
Female	374
Vital Statistics, 2004 4	
Marriages	621
Divorces	162
Births	938
Deaths	889
Unemployment Rate, Annual Average 2006 5	5.3%

Marion County	
Area (Sq. miles) 1	381
County Seat 2	Jefferson
Population, 2006 3	10,864
Anglo	
Male	3,974
Female	4,000
Black	
Male	1,175
Female	1,362
Hispanic	
Male	139
Female	115
Other	
Male	53
Female	62
Vital Statistics, 2004 4	
Marriages	97
Divorces	45
Births	121
Deaths	127
Unemployment Rate, Annual Average 2006 5	5.4%

Panola County	
Area (Sq. miles) 1	801
County Seat 2	Carthage
Population, 2006 3	23,299
Anglo	
Male	8,601
Female	9,117
Black	
Male	2,044
Female	2,282
Hispanic	
Male	594
Female	436
Other	
Male	64
Female	87
Vital Statistics, 2004 4	
Marriages	198
Divorces	110
Births	286
Deaths	276
Unemployment Rate, Annual Average 2006 5	4.4%

1: TX Dept. of Transportation
 2: Tx Almanac ,2004-2005
 3: Tx State Data Center
 4: Tx Dept. of Health Services, Vital Statistics 2004 data and 2005 preliminary data
 5: ftp://ftp.bls.gov/pub/special.requests/la/laucnty06.txt

EAST TEXAS COUNCIL OF GOVERNMENTS

Regional County Information

Rains County	
Area (Sq. miles) 1	232
County Seat 2	Emory
Population, 2006 3	10,665
Anglo	
Male	4,827
Female	4,819
Black	
Male	148
Female	134
Hispanic	
Male	325
Female	274
Other	
Male	57
Female	61
Vital Statistics, 2004 4	
Marriages	93
Divorces	57
Births	115
Deaths	119
Unemployment Rate, Annual Average 2006 5	4.9%

Rusk County	
Area (Sq. miles) 1	924
County Seat 2	Henderson
Population, 2006 3	48,294
Anglo	
Male	16,735
Female	16,628
Black	
Male	4,832
Female	4,170
Hispanic	
Male	3,066
Female	2,337
Other	
Male	160
Female	165
Vital Statistics, 2004 4	
Marriages	338
Divorces	260
Births	618
Deaths	503
Unemployment Rate, Annual Average 2006 5	4.7%

Smith County	
Area (Sq. miles) 1	929
County Seat 2	Tyler
Population, 2006 3	197,093
Anglo	
Male	59,424
Female	64,683
Black	
Male	17,014
Female	19,657
Hispanic	
Male	16,155
Female	14,717
Other	
Male	1,456
Female	1,686
Vital Statistics, 2004 4	
Marriages	1,749
Divorces	570
Births	2,876
Deaths	1,575
Unemployment Rate, Annual Average 2006 5	4.7%

Upshur County	
Area (Sq. miles) 1	588
County Seat 2	Gilmer
Population, 2006 3	37,594
Anglo	
Male	15,423
Female	15,666
Black	
Male	1,740
Female	2,055
Hispanic	
Male	1,125
Female	1,008
Other	
Male	167
Female	195
Vital Statistics, 2004 4	
Marriages	258
Divorces	233
Births	457
Deaths	386
Unemployment Rate, Annual Average 2006 5	4.7%

1: TX Dept. of Transportation

2: Tx Almanac ,2004-2005

3: Tx State Data Center

4: Tx Dept. of Health Services, Vital Statistics 2004 data and 2005 preliminary data

5: ftp://ftp.bls.gov/pub/special.requests/la/laucnty06.txt

EAST TEXAS COUNCIL OF GOVERNMENTS

Regional County Information

Van Zandt County	
Area (Sq. miles) 1	849
County Seat 2	Canton
Population, 2006 3	52,403
Anglo	
Male	22,481
Female	23,222
Black	
Male	736
Female	778
Hispanic	
Male	2,503
Female	1,731
Other	
Male	187
Female	189
Vital Statistics, 2004 4	
Marriages	357
Divorces	230
Births	598
Deaths	567
Unemployment Rate, Annual Average 2006 5	4.6%

Wood County	
Area (Sq. miles) 1	650
County Seat 2	Quitman
Population, 2006 3	42,559
Anglo	
Male	17,544
Female	18,513
Black	
Male	1,213
Female	1,237
Hispanic	
Male	1,646
Female	1,213
Other	
Male	148
Female	147
Vital Statistics, 2004 4	
Marriages	305
Divorces	149
Births	453
Deaths	495
Unemployment Rate, Annual Average 2006 5	5.0%

1: TX Dept. of Transportation

2: Tx Almanac ,2004-2005

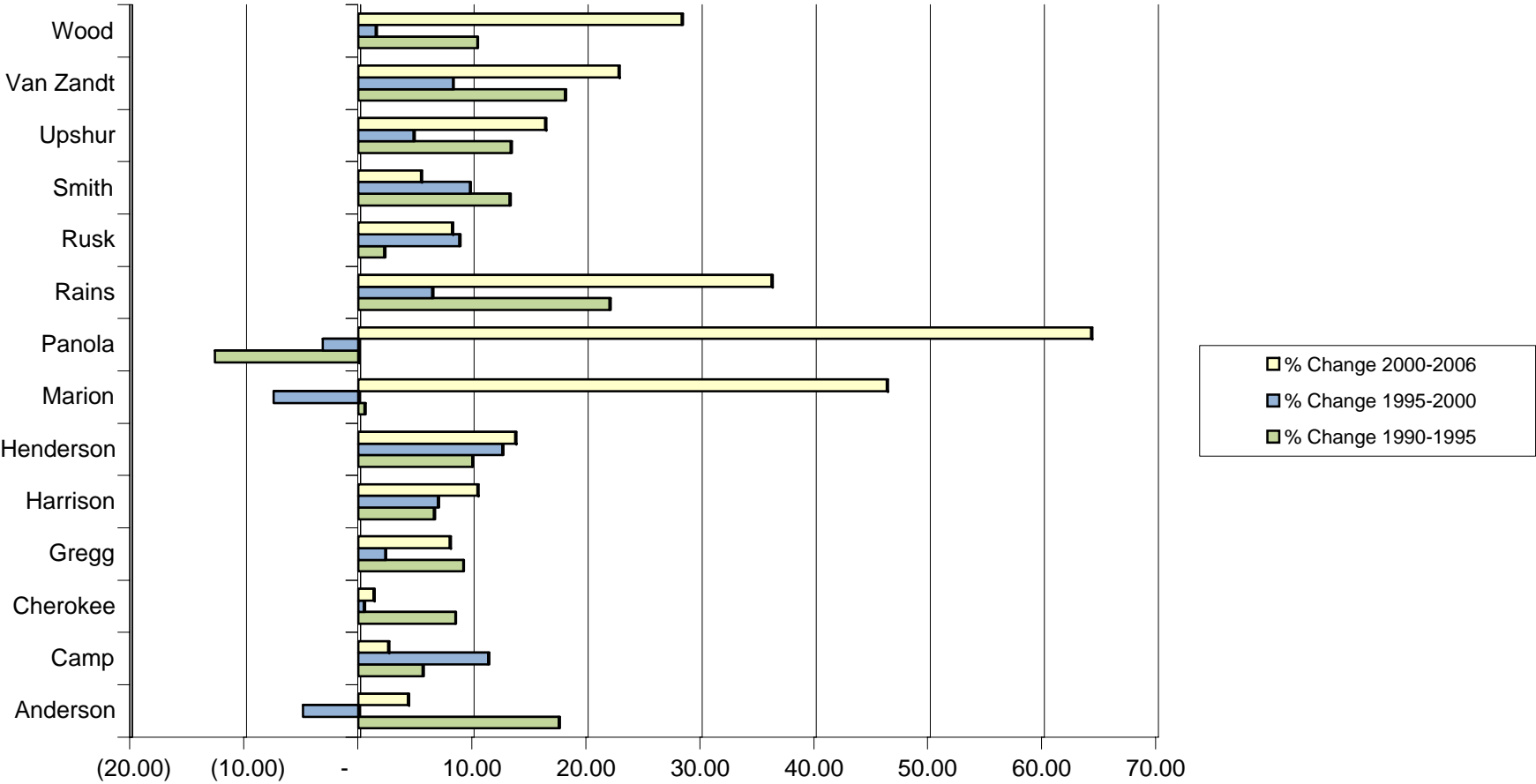
3: Tx State Data Center

4: Tx Dept. of Health Services, Vital Statistics 2004 data and 2005 preliminary data

5: ftp://ftp.bls.gov/pub/special.requests/la/laucnty06.txt

EAST TEXAS COUNCIL OF GOVERNMENTS

Employment Percent Change 1990 - 2006



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

Employment ¹							
	1990	1995	2000	2006	% Change 1990-1995	% Change 1995-2000	% Change 2000-2006
Anderson	16,595	19,511	18,562	19,371	17.57	(4.86)	4.36
Camp	4,366	4,612	5,137	5,271	5.63	11.38	2.61
Cherokee	17,671	19,169	19,263	19,519	8.48	0.49	1.33
Gregg	48,989	53,484	54,730	59,106	9.18	2.33	8.00
Harrison	23,821	25,400	27,168	30,003	6.63	6.96	10.44
Henderson	23,515	25,858	29,123	33,128	9.96	12.63	13.75
Marion	3,512	3,531	3,267	4,781	0.54	(7.48)	46.34
Panola	8,389	7,331	7,099	11,664	(12.61)	(3.16)	64.30
Rains	2,801	3,418	3,639	4,958	22.03	6.47	36.25
Rusk	18,357	18,771	20,431	22,105	2.26	8.84	8.19
Smith	70,970	80,372	88,219	93,046	13.25	9.76	5.47
Upshur	13,238	15,007	15,732	18,310	13.36	4.83	16.39
Van Zandt	15,604	18,430	19,956	24,507	18.11	8.28	22.81
Wood	11,941	13,184	13,385	17,182	10.41	1.52	28.37
WDA	279,770	308,077	325,710	362,951	10.12	5.72	11.43

Source

1: Local Areas Unemployment Statistics (LAUS) <ftp://ftp.bls.gov/pub/special.requests/la/laucnty06.txt>