



East Texas Council of Governments  
Comprehensive Annual Financial Report  
For year ended September 30, 2012



**Camp County Courthouse  
Pittsburg, Texas**

March 2013

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

of the

## **EAST TEXAS COUNCIL OF GOVERNMENTS**

For the Year Ended  
September 30, 2012

Charles Cunningham  
Director of Administrative Support Services

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

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## **INTRODUCTORY SECTION**

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April 3, 2013

Judge Thomas Cravey  
and Members of 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 (the Council) for the fiscal year ended September 30, 2012, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Council'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 the Council. 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.

## INTRODUCTION

ETCOG's financial statements have been audited by Weaver and Tidwell, L.L.P., a firm of licensed certified public accountants. 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, 2012, 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.

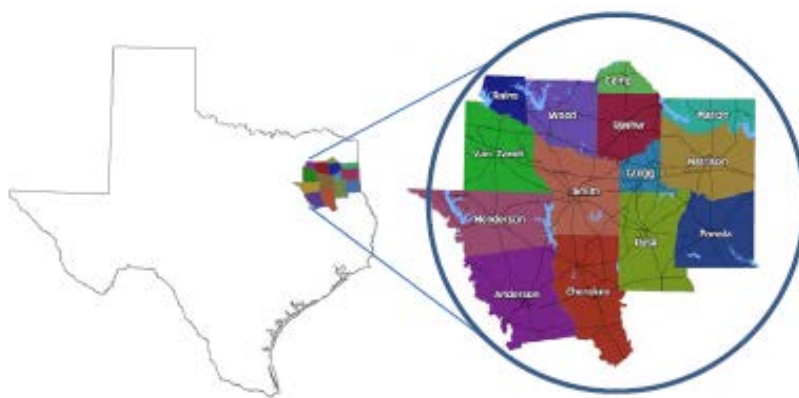
The independent audit of the financial statements of ETCOG is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation 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. The Council'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 re-codified 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 the Council 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 the Council. 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 137 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 2012, ETCOG's membership was comprised of the 14 county governments, 71 cities, 19 school districts, 2 river authorities, and 10 special purpose districts, including all major general-purpose local governments in the region. According to 2012 estimates from the Texas State Data Center, these member governments represented approximately 853,032 citizens and covered an area of 9,689 square miles. Below is a graphic representation of the ETCOG region and its location in the state of Texas.



## **FACTORS AFFECTING FINANCIAL CONDITION**

As primarily a distributor and regional administrator of grant funds received from Federal and State governments, ETCOG's actual financial condition is only marginally affected by the local economy. Not having taxing authority, nor authority to issue debt and dependent on 99.53% of its revenue coming from grant funds, changes in ETCOG's financial condition are more a function of spending policies set by state and federal legislators on programs managed by ETCOG rather than ETCOG Board established policies and control.

Unlike typical local government organizations, the COG does not own nor provide vital infrastructure in its region. Fixed assets which consist mainly of vehicles and equipment and a few buildings that house the administrative offices are generally paid for or reimbursed by grant funds. Their maintenance and future replacement are not dependent on a need to generate revenue from local sources.

ETCOG's financial condition relies more heavily on internal financial controls to ensure compliance with applicable federal and state laws and regulations thus avoiding disallowed (non-reimbursable costs), rather than managing resources to maximize government's value to the citizens it serves and maximizing returns on investments.

The above considerations notwithstanding, the following section does include brief remarks concerning the local economy.

### **LOCAL ECONOMY**

The 14-county region that comprises East Texas is located just 90 miles east of the Dallas-Fort Worth Metroplex. The East Texas Council of Governments includes the following counties: Anderson, Camp, Cherokee, Gregg, Harrison, Henderson, Marion, Panola, Rains, Rusk, Smith, Upshur, Van Zandt and Wood. The area is well positioned for economic growth and makes an excellent environment for the Council to operate. Businesses are interested in relocating to East Texas because of the low cost of doing business and the diversity of its economic base.

The 2010 census data shows a population of approximately 853,032 persons in the 14 counties covering approximately 10,000 square miles. While 10 of the 14 counties are rural (73% of the total 10,000 sq. miles), the region includes two standard metropolitan statistical areas – Tyler (Smith County) and Longview (Gregg County). The Tyler MSA has an estimated 2012 population of 215,243 and the Longview MSA has an estimated population of 215,359. The Tyler and Longview MSAs experienced job growth rates through 2012, of 22.9 percent and 23.7 percent, respectively. The Tyler area ranked second in job growth, and Longview third in a national employment study conducted by Robert Charles Lesser & Co., an independent real estate advisory firm based in Washington, D.C. The report stated that "Diversified employment bases, including energy and technology sectors, are benefiting the Texas economy as are low cost of doing business, warm climate and proximity to trading routes."

Texas and the nation returned to economic growth in 2010 and 2011. In 2011, Texas real gross domestic product grew by 2.4 percent compared with 1.6 percent GDP growth for the nation.

Diversification of many businesses into other areas has helped the Texas economy in general and the East Texas Region in particular to remain relatively stable. With its productive rural communities and abundant natural resources, the East Texas region is positioned to continue its economic growth and development. Two of the top 25 producing oil fields in the state are in East Texas, The Hawkins Field in Van Zandt and Wood counties and the East Texas Field in Cherokee, Gregg, Rusk, Smith and Upshur counties. Businesses that manufacture products to be used in oil fields have found other areas where these products can be used.

### **LONG-TERM FINANCIAL PLANNING**

In developing and evaluating the Council's accounting system, consideration is given to the adequacy of internal accounting controls. 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, the Council 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. In the 12 months of the reporting period, a full audit by the Dept. of Labor was conducted, and three annual monitoring visits by various state agencies.

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 the Council. The Council 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, if needed 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 the Council is not considered a legally adopted budget. Therefore, comparative budget and actual results are not presented.

Because the Council is mostly federally and state funded, long-term financial planning in terms of revenue forecasting specifically is quite difficult, this is particularly true when the US Congress is in gridlock over appropriations bills for COG administered programs. Without secure long term sources of funding, forecasting expenditures is problematical. Financial planning in this regard involves providing a prudent mix of full-time, part-time and contract employees to provide flexibility to add or delete employees as funding either becomes available or dries up.

Efforts to pursue funding sources outside of grants such as cooperative purchasing, Information Technology support and various “fee for service” options requires additional staff to develop the systems and procedures and marketing capability needed to make such programs successful. Because local funds are not sufficient to make significant investments in these efforts, growth of this capability is quite limited.

## **RELEVANT FINANCIAL POLICIES**

Financial policies are codified in ETCOG’s “Financial Management Guide” (FMG) that is updated periodically to reflect changes in financial management guidelines issued from time-to-time by each of our funding agencies. The Texas Workforce “Financial Manual for Grants”; the Texas Administrative Code- “Area Agency on Aging Requirements”; “Uniform Grant Management Standards”; OMB Circular A-133 and A-87 are examples of guidelines, rules and regulations that drive the development and content of our FMG.

Published findings of work performed frequently by state or federal auditing and monitoring teams, after they have completed their assigned work, at times provide guidance in tightening up specific areas in policy and regulations that may be deemed deficient by State or Federal oversight.

As the result of a Federal Department of Labor Fiscal Review, portions of the Fiscal Management Guide were re-written to increase fiscal management of staff travel and procurement and contracting of consultant services.

## **MAJOR INITIATIVES**

**Workforce Development Board East Texas** – In the Organizational Objectives Section of the 2012 Budget document, a recommendation was made to conduct a review of Workforce Operations. The purpose as reflected in the “Team Charter” for that effort stated, “The Workforce Operations Review Team will complete a thorough review of all aspects of the Workforce Division, including, but not limited to organizational structure, staffing, internal procedures, and overall management. Recommendations for changes in these areas will be made

based on the results of the review; with the objective of improving the efficiency and effectiveness of the Workforce Division.”

As a result of that study which was completed in June 2012, five major changes were proposed and adopted by the CEO Board, Workforce Solutions East Texas Board and the Executive Committee of ETCOG. They were designed to improve to a significant degree the capability of the Workforce Division to deliver services to the region. Following is a list of those five changes and plans for improving the organization:

- *Development of Workforce System Program Improvements and Enhanced Monitoring*
- *Integration of Economic Development Functions into Workforce Operations*
- *Focus on Centralization of Common Functions between Operating Divisions*
- *Absorption by ETCOG of Non-programmatic Functions Performed by Contractor*
- *Strengthening of Fiscal Management and Financial Control*

Implementation of the last three recommendations had the most profound impact on financial operations and control for the ETCOG. Prior to the change, each major division of ETCOG (Workforce, Aging, Transportation and Public Safety) handled their own, purchasing, procurement facilities management and Information Technology/ Communication functions. All of these were centralized into the new Department of Administrative Support Services to gain efficiency, economy and consistency of application.

Absorption of all accounting functions related to purchase of goods and services for programs in excess of \$26 million dollars in annual expenditures had a significant impact on the financial services staff of ETCOG. This included taking over management of 14 workforce facilities with a total of 92,000 sq. ft. of office space and \$1.6 million in annual facility costs. Prior to 2012, these functions were contracted out to the firm that managed the Workforce Programs. Problems that arose in the transition to a new Contractor argued for ETCOG taking back control of non-programmatic costs and absorbing these functions.

After discovery of \$1.35 in disallowed costs that were recovered from the Contractor, strengthening of Fiscal Management and Control was identified as a high priority. During 2012, the staff for this section was put together and began to develop necessary policies and procedures that have led to a very much higher level of oversight of the fiscal affairs of the contractor as well as better control over program expenditures.

**Areas Agency on Aging in East Texas** – The East Texas Council of Governments serves as fiscal agent and administrative unit for AAA operations. Funding is received primarily from grants provided by the US Department of Health and Human Services and approximately 6.5% from the State. Along with pass-through costs for the contractors, costs for the ETCOG AAA Division identified in the ETCOG budget, include staff and associated costs for administrative and support duties on behalf of the AAA Advisory Board.



Subsequent to a comprehensive review of past performance and new direction provided by a new Director, the AAA staff identified the following challenges and opportunities that formed the basis for new initiatives during the 2012 fiscal year:

- A new focus on empowering clients was a major component of the Benefits Counseling and Case Management programs. Senior clients were actively involved in identifying and selecting those services they want and need and were assisted in maintaining autonomy and independence to the maximum degree possible.
- Clients were encouraged to select and utilize activities and preventive health services that enhance their quality of life and when necessary, the AAA advocated and acted to protect their rights in order to prevent abuse, neglect and exploitation.
- Implemented programs designed to improve overall participation at the senior nutrition centers.
- As a result of direction from the Aging Advisory Committee efforts were made to add more nutrition providers for better coverage across the 14 county region. Attempts were made through the procurement process to expand outreach to potentially new providers with only limited success. While there is an abundance of people willing to volunteer time to assist in delivery of these services, the rural nature of most of the region results in a paucity of people with skills and management experience to expand coverage of this service where it is needed most.
- A new initiative in enhancing delivery of health services was to focus on Evidence-Based Prevention Programming activities directly related to establishing or expanding a program that would provide interventions based on the application of principles of scientific reasoning, behavior change theory and program planning. In other organizations these methods have proven effective in reducing the risk of disease, disability, and injury among older individuals.

The first year of implementation of these initiatives provided a baseline of information that will be used to develop performance measuring devices so that future efforts may be tracked and evaluated.

**Transportation** – The Federal Transit Administration's Non-Urbanized Transportation program provides the framework for public transportation programs in rural areas. This program is state and federally funded through TXDOT and the ETCOG Aging Department. ETCOG has been providing rural public transportation since 1990. ETCOG's service was provided through a subcontract until September 2007, when ETCOG brought transportation operations in-house. Although historically the transportation program's primary customers have been elderly, persons with disabilities, and low-income residents, increases in gasoline prices and the ailing economy have expanded ridership beyond the traditional rural customer base. Since assuming direct operation of transit services in September 2007, ETCOG's ridership for the September through

June period has consistently grown from 86,669 in FY 2009, to 92,205 in FY 2010, to 134,750 in FY 2011 and 134,699 in FY 2012 (through the month of May with four months to go in the year—an increase of over 55%).

While ETCOG's transportation focus has been providing rural public transportation, it recently established the East Texas Rural Planning Organization in 2011. The RPO will coordinate all multimodal transportation planning for our fourteen county region. Through the RPO, our region will speak with one voice to improve planning, project prioritization, consensus building, and funding for transportation projects. Through an MOU, a coalition of ETCOG, Ark-Tex, and Deep East Texas COGs will collaborate on transportation for the greater 35 county East Texas region.

**9-1-1 Emergency Communications Services** – Essential work tasks of this Division include daily review and updates to the 9-1-1 Statewide Database to improve maps and services; to support the 9-1-1 PSAPs (Public Safety Answering Points referred to as 9-1-1 call taking centers); to provide additional and better training and improve customer service.

During the FY 2011 cycle ETCOG was able to take advantage of the strategic release of an RFP for both MPLS (Multiprotocol Label Switching) and CPE (Customer Premise Equipment) to be able to use the CPE in a much broader, more capable manner to support all 9-1-1 centers in the ETCOG regional program and any others that wished to participate. The Emergency CallWorx solution provided a platform to install two geo-diverse hosts and initiate a host-remote configuration capable of supporting what is termed today as Next Generation (NG) 9-1-1. In fact, NG9-1-1 is NOW 9-1-1. The challenges faced in 2012 were to actually develop the network, equipment and protocols to receive texting, video, and any other future technology supporting communications.

**Public Information and Regional Services** – In addition to the reorganization and restructuring of the Workforce Division that was accomplished in 2012, the original "Public Information and Regional Services Division" which previously consisted of nine different programs with five different federal and state agencies providing funding, was reduced to two programs.

Air Quality and support of Solid Waste Programs were the only two programs that survived as regional services. The various Economic development programs were absorbed into the new Division of Regional Workforce and Economic Development; the housing programs were discontinued as the funding for them all but dried up. Public information was then taken into the office of the Executive Director.

## 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, 2011. 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 Council's Financial and Administrative Support Services, and Program Management Staff. Special acknowledgement and sincere appreciation is extended to Charles Cunningham who was instrumental in preparing much of the contents of this report and to the Council's independent auditors, Weaver and Tidwell, 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 the Council's financial operations in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David A. Cleveland", written in a cursive style.

David A. Cleveland,  
Executive Director

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# 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, 2011

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.



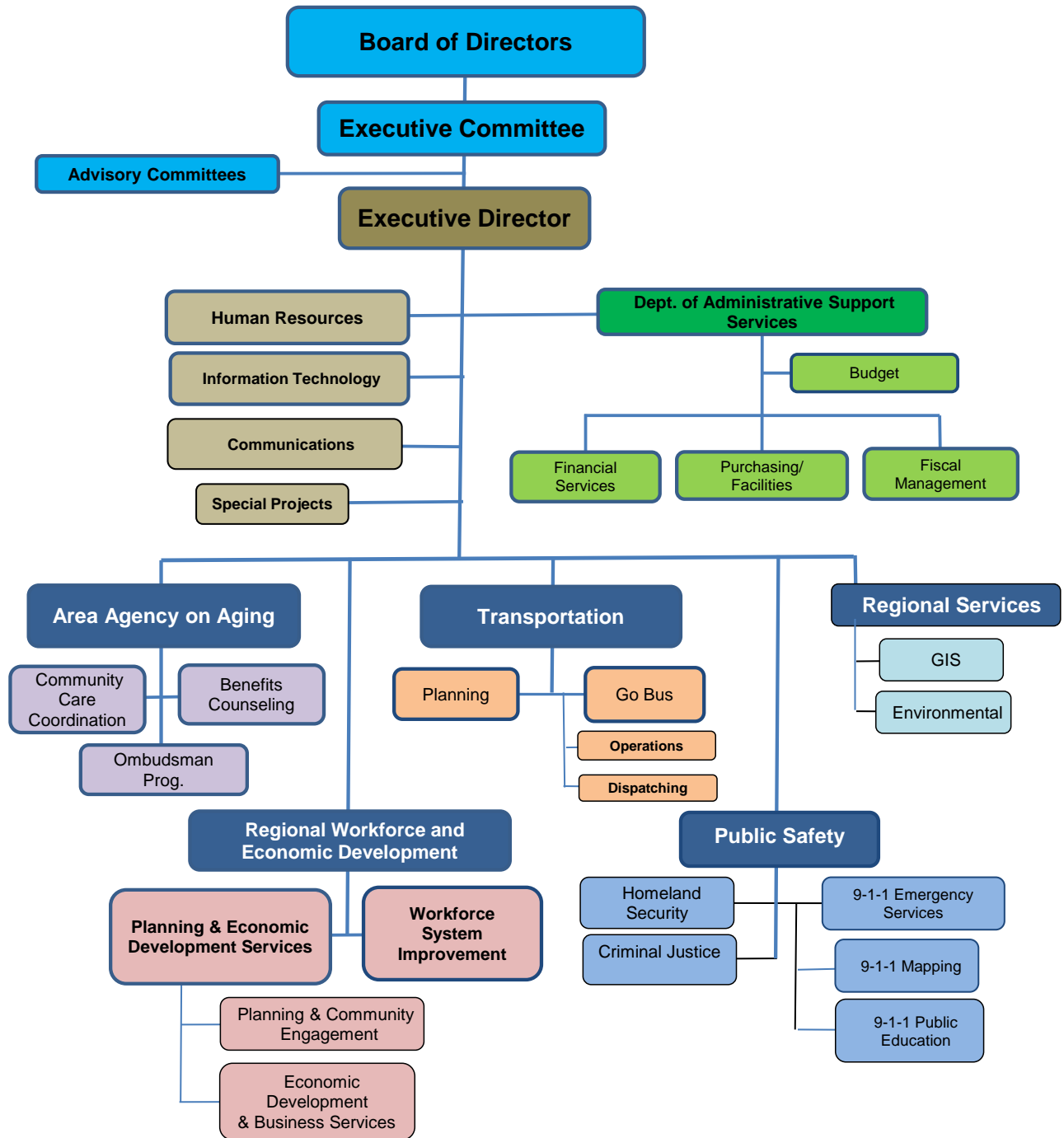
*Christopher P. Morill*

President

*Jeffrey R. Emer*

Executive Director

# EAST TEXAS COUNCIL OF GOVERNMENTS ORGANIZATIONAL CHART



EAST TEXAS COUNCIL OF GOVERNMENTS  
PRINCIPAL OFFICIALS  
OFFICERS OF THE EXECUTIVE COMMITTEE  
2012

Thomas Cravey  
Chairman- County Judge  
Camp County

Angela Raiborn  
1<sup>st</sup> Vice - Chairman - Mayor  
City of Rusk

Wade McKinney  
2<sup>nd</sup> Vice - Chairman - Commissioner  
Henderson County

Carson Joines  
3<sup>rd</sup> Vice - Chairman - Mayor  
City of Carthage

Robert Johnston  
Secretary - Treasurer - County Judge  
Anderson County

ADMINISTRATIVE STAFF

Executive Director  
Director of Administrative Support Services  
Director of Workforce Development Programs  
Director of Area Agency on Aging  
Director of Public Safety  
Director of Transportation  
Director of Human Resources

David Cleveland  
Charles Cunningham  
Wendell Holcombe  
Bettye Mitchell  
Stephanie Heffner  
John Hedrick  
Brandy Brannon

**EAST TEXAS COUNCIL OF GOVERNMENTS  
MEMBER GOVERNMENTS  
SEPTEMBER 30, 2012**

**COUNTIES:**

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

**CITIES:**

Alba	Grand Saline	Payne Springs
Alto	Gun Barrel City	Pittsburg
Arp	Hallsville	Point
Athens	Hawkins	Quitman
Beckville	Henderson	Reklaw
Big Sandy	Jacksonville	Rusk
Brownsboro	Jefferson	Seven Points
Caney	Kilgore	Star Harbor
Canton	Lakeport	Tatum
Carthage	Lindale	Tool
Chandler	Log Cabin	Trinidad
Clarksville	Longview	Troup
Coffee	Mabank	Tyler
Cuney	Malakoff	Van
East Mountain	Marshall	Warren City
East Tawakoni	Mineola	Waskom
Edgewood	Mt. Enterprise	Wells
Elkhart	Murchison	White Oak
Emory	New London	Whitehouse
Frankston	New Summerfield	Wills Point
Fruitvale	Nooday	Winnsboro
Gallatin	Ore City	Winona
Gilmer	Overton	Yantis
Gladewater	Palestine	



**EAST TEXAS COUNCIL OF GOVERNMENTS  
MEMBER GOVERNMENTS  
SEPTEMBER 30, 2012**

**INDEPENDENT SCHOOL DISTRICTS:**

Athens ISD	Longview ISD	Slocum ISD
Carthage ISD	Mt. Enterprise ISD	Tatum ISD
Frankston ISD	Neches ISD	Troup ISD
Gilmer ISD	New Summerfield ISD	Westwood ISD
Grand Saline ISD	Ore City ISD	Yantis ISD
Harmony ISD	Overton ISD	
Jefferson ISD	Rains ISD	

**SPECIAL PURPOSE DISTRICTS:**

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

**RIVER AUTHORITIES:**

Sabine River Authority  
Upper Neches River Municipal Water Authority

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
East Texas Council of Governments

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the East Texas Council of Governments (the Council) as of and for the year ended September 30, 2012, 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

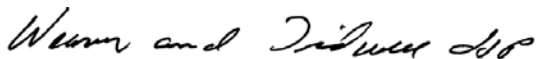
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Council, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof 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 our report dated April 3, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 17 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements as a whole. The introductory section, supplementary schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 Non-Profit Organizations", and the State of Texas Uniform Grant Management Standards, issued by the Governor's Office of Budget and Planning and is not a required part of the basic financial statements of the Council. The supplementary information and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements 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 do not express an opinion or provide any assurance on them.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
April 3, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

**Management's Discussion and Analysis**

As management of the East Texas Council of Governments (the Council), 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, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found on pages 1-9 of this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the Council exceeded its liabilities as of September 30, 2012, by \$5,508,010 (net assets). Of this amount, \$1,300,261 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The government's total net assets increased overall by a total of \$1,282,846.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$2,758,878, an increase of \$313,370 in comparison with the prior year.
- As of September 30, 2012, unassigned fund balance for the General Fund was \$1,431,946.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise 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 government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related *cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

The government-wide financial statements can be found on pages 25 through 27 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 essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike 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 information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Council maintains two 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 and Grant Fund, which are considered major funds.

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 28 through 31 of this report.

**Proprietary Funds** - The Council maintains one proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Council uses an enterprise fund to account for the activities of its Greyhound bus line ticket-agency.

The basic proprietary fund financial statements can be found on pages 32 through 34 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 35 through 46 of this report.

**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents other schedules that further support the information in the financial statements. The other schedules can be found on pages 47 and 48 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Council, assets for the period ending September 30, 2012 exceeded liabilities by \$5,508,010.

**EAST TEXAS COUNCIL OF GOVERNMENTS' NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current assets	\$ 7,364,669	\$8,668,549	\$ 23,006	\$ 18,747	\$ 7,387,675	\$ 8,687,296
Capital assets (net)	3,334,131	2,449,754	-	-	3,334,131	2,449,754
<b>Total assets</b>	<b>10,698,800</b>	<b>11,118,303</b>	<b>23,006</b>	<b>18,747</b>	<b>10,721,806</b>	<b>11,137,050</b>
Non-current liabilities	606,564	687,931	-	-	606,564	687,931
Other liabilities	4,605,791	6,223,041	1,441	914	4,607,232	6,223,955
<b>Total liabilities</b>	<b>5,212,355</b>	<b>6,910,972</b>	<b>1,441</b>	<b>914</b>	<b>5,213,796</b>	<b>6,911,886</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	2,880,817	1,935,197	-	-	2,880,817	1,935,197
Restricted	1,326,932	833,780	-	-	1,326,932	833,780
Unrestricted	1,278,696	1,438,354	21,565	17,833	1,300,261	1,456,187
<b>Total Net Assets</b>	<b>\$ 5,486,445</b>	<b>\$4,207,331</b>	<b>\$ 21,565</b>	<b>\$ 17,833</b>	<b>\$ 5,508,010</b>	<b>\$4,225,164</b>

**ANALYSIS OF FINANCIAL POSITION**

A little more than half of the Council's net assets (51%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Council uses these assets to provide services; consequently, these assets are not available for spending.

Another portion of the City's net assets (26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (23%) of unrestricted net assets may be used to meet the Council's ongoing obligations.

**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

For fiscal year ending September 30, 2012, the Council is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

Inasmuch as the Council incurs very few liabilities whose costs are not recoverable through grants, there is very little need to maintain a high net asset position for governmental activities.

**ANALYSIS OF THE COUNCIL'S OPERATIONS**

The following table provides a summary of the Council's operations for the year ended September 30, 2012:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Operating grants and contributions	\$ 37,323,053	\$ 43,548,292	\$ -	\$ -	\$ 37,323,053	\$ 43,548,292
Charges for services	-	-	108,966	121,116	108,966	121,116
					-	-
General revenues:						
Grants and contributions not restricted to specific programs	192,289	169,498	-	-	192,289	169,498
Investment earnings	17,043	15,472	-	-	17,043	15,472
Miscellaneous	241,188	73,832	-	-	241,188	73,832
<b>Total Revenues</b>	<b>37,773,573</b>	<b>43,807,094</b>	<b>108,966</b>	<b>121,116</b>	<b>37,882,539</b>	<b>43,928,210</b>
<b>Expenses after allocation of indirect costs:</b>						
General government	381,177	121,011	-	-	381,177	121,011
Workforce development	24,920,298	31,141,778	-	-	24,920,298	31,141,778
Aging	4,041,959	4,199,461	-	-	4,041,959	4,199,461
Emergency communication	1,503,874	2,194,766	-	-	1,503,874	2,194,766
Environmental quality	612,521	571,689	-	-	612,521	571,689
Transportation	4,011,678	4,560,498	-	-	4,011,678	4,560,498
Homeland security	456,933	887,446	-	-	456,933	887,446
Criminal justice	313,612	434,001	-	-	313,612	434,001
Housing and urban development	147,070	196,818	-	-	147,070	196,818
Economic development	105,337	113,572	-	-	105,337	113,572
Greyhound	-	-	105,234	111,606	105,234	111,606
<b>Total Expenses</b>	<b>36,494,459</b>	<b>44,421,040</b>	<b>105,234</b>	<b>111,606</b>	<b>36,599,693</b>	<b>44,532,646</b>
Change in net assets	1,279,114	(613,946)	3,732	9,510	1,282,846	(604,436)
Net assets, beginning	4,207,331	4,821,277	17,833	8,323	4,225,164	4,829,600
Net assets, ending	\$ 5,486,445	\$ 4,207,331	\$ 21,565	\$ 17,833	\$ 5,508,010	\$ 4,225,164

**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

The Council is over 99% percent funded by federal and state grants. While there are certainly a maximum amount of funds appropriated either annually or biennially for most programs, actual revenue drawn is a function of the amount of allowable expenditures made by the COG or passed through to Contractors. If expenditures are limited for whatever reason, there is a concomitant reduction in revenue.

Overall there was a 13% decline in funding for all programs in 2012. This reflected a trend that is expected to be seen in the coming years. Of the ten governmental activities funded, three showed increases in funding over the prior year leaving seven with decreases in funding.

An increase of 215% in local fund for General Government purposes was occasioned by the need to support two programs, Aging and Housing and Urban Development. In the first case, changes in staffing and the funding requirements a need to supplement funding to provided better nutrition programs for the elderly and provide vehicles for non-profits that support the nutrition program, accounted for approximately a third of the funds that were spent over and above normal expenditures. The Housing and Urban Development program required supplemental funding to close out several projects whose funding had timed out. Finally, the balance was used to supplement Transportation grant funds used to renovate approximately 25% of the administrative offices of ETCOG.

The approximately 20% decrease in funding for **Workforce development** related programs, was split almost evenly between reductions in the availability of funding for certain programs plus lowered expenditures. The latter was due mostly to changes in Contractors that began at the very start of the fiscal year. It took more or less three months for the new Contractor to staff up and ramp up its activities to get expenditures at normal monthly levels that were carried out for the rest of the year.

**Aging** programs expenditures were also reduced by approximately 3.7% (\$157,502). The MIPPA program was discontinued in 2012 and accounts for the reduction in expenses.

**Emergency Communications** expenditures were reduced by 31% because of a bubble of funds in the prior year that were needed to fund an extensive capital improvement project. The MPLS system deployed in 2012 was purchased in 2011 at a cost of approximately \$1.4 million dollars that would not be repeated in 2012.

**Homeland Security** grants were cut by approximately 49% which continues a trend that has been seen for these programs over the past two years. It is expected that funding for these programs will reach a floor over the next few years and unless there is another national emergency, this source will continue to be maintained at a minimum level.

Program funds for **Transportation** decreased by a net amount of \$548,820 or approximately 12%. The decrease was due to the availability of a grant that funded an extensive renovation of the ETCOG administration building that was recorded as capital assets. The renovation allowed for the accommodation of the transportation division's office staff as well as parking lot improvements to accommodate a large portion of the systems fleet of busses. Renovation funds amounted to approximately \$750,000 so there was a net decrease of about \$275,000 in

**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

operations expenses. The decrease in operational expenses were due in large part to a cost savings plan initiated in the summer of 2012 that focused on reducing the number of trips by route consolidation and use of new software for scheduling.

**Expenditures for Environmental Quality** actually increased by 7% over the previous year. While funding for Air Quality and Solid Waste Collection subsidies were being reduced, there were carry over amounts from previous years that allowed the increase in expenditures.

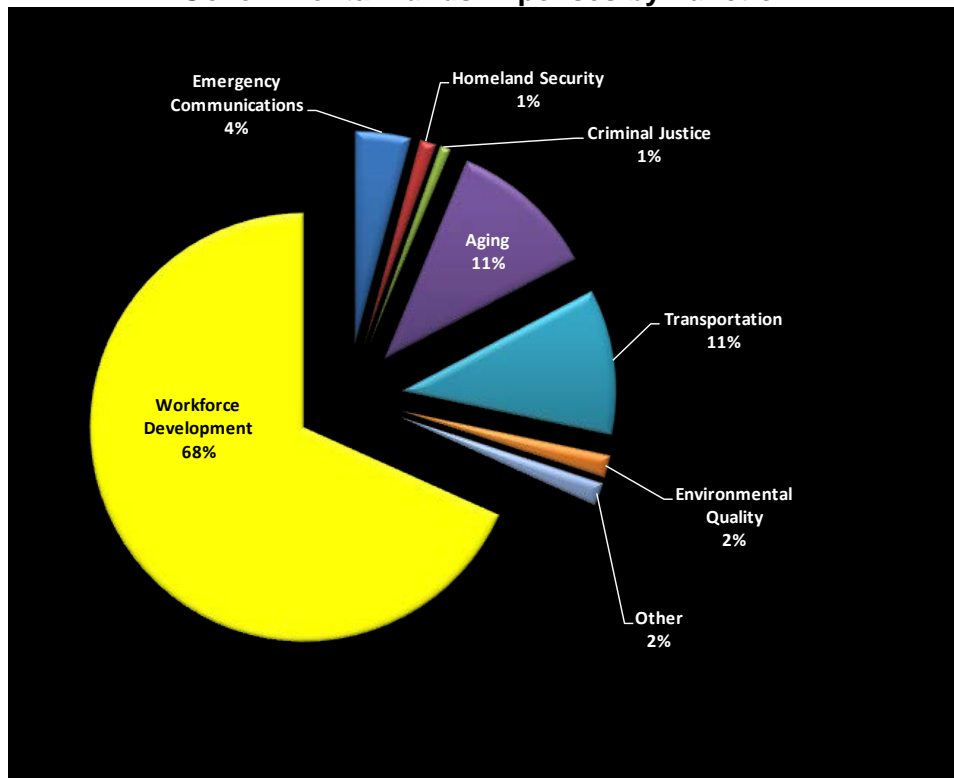
**Housing and urban development** expenditures decreased by 25%. These funding programs were part of a Hurricane recovery initiative that was scheduled to terminate in 2012.

**FINANCIAL ANALYSIS OF THE COUNCIL’S FUNDS**

**Governmental Funds** - The focus of the Council’s 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 requirement. In particular, unassigned 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, the Council’s governmental funds reported combined ending fund balances of \$2,758,878.

**Governmental Funds Expenses by Function**



**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Council's investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$3,334,131 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment.

Capital assets as of September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 145,384	\$ 156,879
Buildings	1,950,424	1,358,140
Equipment	7,187,684	6,356,693
Less: accumulated depreciation	<u>(5,949,361)</u>	<u>(5,421,958)</u>
Total capital assets	<u>\$ 3,334,131</u>	<u>\$ 2,449,754</u>

Additional information on the Council's capital assets can be found in Note 5, or page 44, of this report.

**Debt**

During 2009, the Council issued a promissory note in the amount of \$665,000 to purchase the remaining portion of the building in which its administrative offices are located and 5.25 acres of land. At the end of the current fiscal year the Council had notes payable outstanding of \$453,314.

Additional information on the Council's long term debt can be found in Note 6, or page 45, of this report.

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

The Council 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. The financial plan of the Council is drafted on a project basis that spans more than one fiscal year. Although the financial plan is reviewed and approved by the Council's board, it is not a legally adopted budget. Accordingly, budgetary information is not presented in this report.

**East Texas Council of Governments  
MD&A for period ending September 30, 2012**

**REQUESTS FOR INFORMATION**

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



## **BASIC FINANCIAL STATEMENTS**

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**EAST TEXAS COUNCIL OF GOVERNMENTS  
STATEMENT OF NET ASSETS  
September 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
<b>ASSETS</b>				
Cash and investments	\$ 2,905,235	\$ 25,383	\$ 2,930,618	\$ 125,883
Receivables:				
Grantors	4,047,854	-	4,047,854	-
Notes	3,527	-	3,527	-
Other	405,676	-	405,676	-
Internal balances	2,377	(2,377)	-	-
Due from primary government	-	-	-	59
Prepays	-	-	-	-
Capital assets:				
Nondepreciable	145,384	-	145,384	-
Depreciable, net of accumulated depreciation	3,188,747	-	3,188,747	-
<b>Total capital assets</b>	<u>3,334,131</u>	<u>-</u>	<u>3,334,131</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 10,698,800</u>	<u>\$ 23,006</u>	<u>\$ 10,721,806</u>	<u>\$ 125,942</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,550,187	\$ 1,441	\$ 3,551,628	3,846
Accrued liabilities	138,827	-	138,827	-
Unearned revenue	916,718	-	916,718	-
Due to component unit	59	-	59	-
Non-current liabilities:				
Due within one year	119,024	-	119,024	-
Due in more than one year	487,540	-	487,540	-
<b>Total liabilities</b>	<u>5,212,355</u>	<u>1,441</u>	<u>5,213,796</u>	<u>3,846</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,880,817	-	2,880,817	-
Restricted for grants	1,326,932	-	1,326,932	-
Unrestricted	1,278,696	21,565	1,300,261	122,096
<b>Total net assets</b>	<u>\$ 5,486,445</u>	<u>\$ 21,565</u>	<u>\$ 5,508,010</u>	<u>\$ 122,096</u>

The Notes to Financial Statements are an integral part of this statement.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Cost Allocation</u>	<u>Expenses After Allocation of Indirect Costs</u>
<b>PRIMARY GOVERNMENT</b>			
Governmental activities:			
General government	\$ 377,318	\$ 3,859	\$ 381,177
Workforce development	24,661,470	258,828	24,920,298
Aging	3,904,682	137,277	4,041,959
Emergency communications	1,417,920	85,954	1,503,874
Transportation	3,617,793	393,885	4,011,678
Environmental quality	591,105	21,416	612,521
Homeland security	428,957	27,976	456,933
Criminal justice	297,598	16,014	313,612
Housing and urban development	143,018	4,052	147,070
Economic development	89,902	15,435	105,337
Indirect costs	964,696	(964,696)	-
<b>Total governmental activities</b>	<u>36,494,459</u>	<u>-</u>	<u>36,494,459</u>
Business-type activities:			
Greyhound	105,234	-	105,234
<b>Total primary government</b>	<u>\$ 36,599,693</u>	<u>\$ -</u>	<u>\$ 36,599,693</u>
<b>COMPONENT UNIT</b>			
East Texas Regional			
Development Company	\$ 68,139	\$ -	\$ 68,139
<b>Total component unit</b>	<u>\$ 68,139</u>	<u>\$ -</u>	<u>\$ 68,139</u>
<b>GENERAL REVENUES</b>			
Membership dues			
Investment earnings			
Miscellaneous			
<b>Total general revenues</b>			
<b>Change in net assets</b>			
<b>NET ASSETS - beginning</b>			
<b>NET ASSETS - ending</b>			

The Notes to Financial Statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Assets**

<b>Program Revenue</b>		<b>Primary Government</b>			<b>Component Unit</b>
<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>East Texas Regional Development Company</b>
\$ -	\$ -	\$ (381,177)	\$ -	\$ (381,177)	
-	24,872,806	(47,492)	-	(47,492)	
-	3,870,146	(171,813)	-	(171,813)	
-	2,150,033	646,159	-	646,159	
-	4,943,816	932,138	-	932,138	
-	612,339	(182)	-	(182)	
-	457,838	905	-	905	
-	313,213	(399)	-	(399)	
-	1,472	(145,598)	-	(145,598)	
-	101,390	(3,947)	-	(3,947)	
-	-	-	-	-	
-	37,323,053	828,594	-	828,594	
108,966	-	-	3,732	3,732	
<u>\$ 108,966</u>	<u>\$ 37,323,053</u>	<u>\$ 828,594</u>	<u>\$ 3,732</u>	<u>\$ 832,326</u>	
\$ 69,582	\$ 11,710				\$ 13,153
<u>\$ 69,582</u>	<u>\$ 11,710</u>				<u>\$ 13,153</u>
		\$ 192,289	\$ -	\$ 192,289	\$ -
		17,043	-	17,043	160
		241,188	-	241,188	-
		450,520	-	450,520	160
		1,279,114	3,732	1,282,846	13,313
		4,207,331	17,833	4,225,164	108,783
		<u>\$ 5,486,445</u>	<u>\$ 21,565</u>	<u>\$ 5,508,010</u>	<u>\$ 122,096</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS  
BALANCE SHEET  
GOVERNMENT FUNDS  
SEPTEMBER 30, 2012**

	<b>General Fund</b>	<b>Grant Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 1,833,008	\$ 1,072,227	\$ 2,905,235
Accounts receivable:			
Grantors	-	4,047,854	4,047,854
Other	101,029	304,647	405,676
Notes	-	3,527	3,527
Due from other funds	2,377	-	2,377
<b>Total assets</b>	<b>\$ 1,936,414</b>	<b>\$ 5,428,255</b>	<b>\$ 7,364,669</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 365,582	\$ 3,184,605	\$ 3,550,187
Accrued liabilities	138,827	-	138,827
Deferred revenue	-	916,718	916,718
Due to component unit	59	-	59
<b>Total liabilities</b>	<b>504,468</b>	<b>4,101,323</b>	<b>4,605,791</b>
Fund balances:			
Restricted			
State and federal grants	-	1,326,932	1,326,932
Unassigned	1,431,946	-	1,431,946
<b>Total fund balances</b>	<b>1,431,946</b>	<b>1,326,932</b>	<b>2,758,878</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,936,414</b>	<b>\$ 5,428,255</b>	<b>\$ 7,364,669</b>

The Notes to Financial Statements are an integral part of this statement.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

Total fund balances - governmental funds	\$ 2,758,878
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	9,283,492
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Accumulated depreciation has not been included in the fund financial statements.	(5,949,361)
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Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(453,314)
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Accrued liabilities for compensated absences are not due and payable in the current period and have not been reflected in the fund financial statements.	<u>(153,250)</u>
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Net assets of governmental activities in the statement of net assets	<u><u>\$ 5,486,445</u></u>
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**EAST TEXAS COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 36,579,983	\$ 36,579,983
Matching funds	-	594,033	594,033
Program income	11,071	217,621	228,692
Membership dues	192,289	-	192,289
Investment earnings	11,563	5,480	17,043
Miscellaneous	84,906	49,003	133,909
<b>Total revenues</b>	<u>299,829</u>	<u>37,446,120</u>	<u>37,745,949</u>
<b>EXPENDITURES</b>			
Current:			
General government	209,781	37,549	247,330
Workforce development	-	24,872,616	24,872,616
Aging	-	4,018,827	4,018,827
Emergency communications	-	2,116,620	2,116,620
Transportation	-	4,526,100	4,526,100
Environmental quality	-	612,948	612,948
Homeland security	-	457,161	457,161
Criminal justice	-	313,826	313,826
Housing and urban development	-	147,070	147,070
Economic development	-	105,337	105,337
Capital outlay	70,093	-	70,093
Debt service:			
Principal repayment	61,243	-	61,243
<b>Total expenditures</b>	<u>341,117</u>	<u>37,208,054</u>	<u>37,549,171</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(41,288)</u>	<u>238,066</u>	<u>196,778</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance proceeds	-	27,624	27,624
Proceeds from sale of capital assets	88,968	-	88,968
Transfers in	-	227,462	227,462
Transfers out	(227,462)	-	(227,462)
<b>Total other financing sources (uses)</b>	<u>(138,494)</u>	<u>255,086</u>	<u>116,592</u>
<b>NET CHANGE IN FUND BALANCES</b>	(179,782)	493,152	313,370
<b>FUND BALANCES, BEGINNING</b>	<u>1,611,728</u>	<u>833,780</u>	<u>2,445,508</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,431,946</u>	<u>\$ 1,326,932</u>	<u>\$ 2,758,878</u>

The Notes to Financial Statements are an integral part of this statement.



**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, 2012**

Net change in fund balances - total governmental funds \$ 313,370

Amounts reported for governmental activities in the statement of activities are different because:

Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2012 capital outlays is to increase net assets. 1,974,453

Net book value of capital assets disposed of is not recognized as an expense in governmental funds since it does not require the use of current financial resources. (129,242)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (960,834)

Governmental funds report repayment of notes payable as an expenditure. In contrast, the government-wide financial statements treat such repayments as a reduction in long-term liabilities. 61,243

The change in compensated absences liability is not shown in the fund financial statements. The net effect of the current year's increase in liability is to decrease net assets. 20,124

Change in net assets of governmental activities \$ 1,279,114

**EAST TEXAS COUNCIL OF GOVERNMENTS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
SEPTEMBER 30, 2012**

		<u>Nonmajor Enterprise Fund</u>
		<u>Greyhound</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$	25,383
<b>Total current assets</b>		<u>25,383</u>
<b>Total assets</b>		<u>25,383</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		1,441
Due to other funds		2,377
<b>Total current liabilities</b>		<u>3,818</u>
<b>Total liabilities</b>		<u>3,818</u>
<b>NET ASSETS</b>		
Unrestricted		<u>21,565</u>
<b>Total net assets</b>	\$	<u><u>21,565</u></u>

The Notes to Financial Statements are an integral part of this statement.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<b>Nonmajor Enterprise Fund</b>
	<b>Greyhound</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 108,966
<b>Total operating revenues</b>	108,966
<b>OPERATING EXPENSES</b>	
Cost of sales and services	105,234
<b>Total operating expenses</b>	105,234
<b>OPERATING INCOME</b>	3,732
<b>TOTAL NET ASSETS, BEGINNING</b>	17,833
<b>TOTAL NET ASSETS, ENDING</b>	\$ 21,565

The Notes to 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, 2012**

	<b>Nonmajor Enterprise Fund</b>
	<b>Greyhound</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 108,966
Cash payments to suppliers	(104,707)
<b>Cash provided by operating activities</b>	<b>4,259</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash paid to other funds	(8,219)
<b>Cash used by noncapital financing activities</b>	<b>(8,219)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,960)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>29,343</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 25,383</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 3,732
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	527
<b>Total adjustments</b>	<b>527</b>
<b>Net cash provided by operating activities</b>	<b>\$ 4,259</b>

The Notes to Financial Statements are an integral part of this statement.

## **EAST TEXAS COUNCIL OF GOVERNMENTS NOTES TO FINANCIAL STATEMENTS**

### **NOTE 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.

#### **Description of the Reporting Entity**

The Council 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 Statement No. 14, "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's governing body 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. As described below, a discretely presented component unit has been included within the Council's reporting entity.

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

The accompanying comprehensive annual financial report includes the financial activities of the Council, the primary government, and its component unit, the East Texas Regional Development Company (ETRDC). 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 GASB. The Council's Board appoints 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 ETRDC's administrative office.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Discretely Presented Component Unit – Continued**

ETRDC was organized by the Council 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.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as *general revenues*.

Certain eliminations have been made 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.

**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.

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.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued**

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 revenues, 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 Grants Fund is used to account for federal and state grants awarded to the Council by various granting agencies.

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. The Council has reported the following proprietary fund:

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

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

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. 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.

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

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents in 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, 2012.

**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.

**Deferred Revenue**

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2012.



**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities and Net Assets or Equity – Continued**

**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:

Assets	Years
Buildings	20
Furniture, fixtures, and equipment	3-7

**Compensated Absences**

Employees earn 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.

**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.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities and Net Assets or Equity – Continued**

**Fund Equity**

Fund balance classifications under GASB Statement No. 54 are: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the Council classifies governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or for legal or contractual reasons, must be kept intact. This classification includes prepaid items.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes state and federal grants.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Council through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the Council's Board of Directors.

Assigned - includes fund balance amounts that are self-imposed by the Council to be used for a particular purpose.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. When multiple categories of fund balance are available for expenditure, the Council will use the most restricted category first before moving down to the next category with available funds.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 accounting system and allocated to programs 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.” The Council’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 the Council’s policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during the Council’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.

**NOTE 2. BUDGETARY INFORMATION**

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

**NOTE 3. DEPOSITS AND INVESTMENTS**

Cash and investments as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

Primary Government:	
Cash and cash equivalents	\$ 2,500,965
Investments	429,653
	2,930,618
Component Unit:	
Cash and cash equivalents	62,855
Investments	63,028
	125,883
Total cash and investments	\$ 3,056,501

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED**

Cash and investments as of September 30, 2012 consist of the following:

Deposits with financial institutions	\$	2,492,595
Certificate of deposit		71,225
Investments		492,681
		492,681
Total cash and investments	\$	3,056,501

As of September 30, 2012, the primary government had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 429,653	44

As of September 30, 2012, the discretely presented component unit had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 63,028	44

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Council to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the Council to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts and (10) common trust funds. The Act also requires the Council to have independent auditors perform test procedures related to investment practices as provided by the Act. The Council is in substantial compliance with the requirements of the Act and with local policies.

The Council's investment pool is a 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.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED**

*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, 2012, the primary government and component unit had bank deposits of \$2,769,359 and \$62,855, respectively. ETRDC's bank balance 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.

**NOTE 4. INTERFUND TRANSACTIONS**

**Interfund Transfers**

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, 2012, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ -	\$ 227,462
Grant fund	227,462	-
	<u>\$ 227,462</u>	<u>\$ 227,462</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 fund	\$ 2,377	\$ -
Nonmajor enterprise fund	-	2,377
	<u>\$ 2,377</u>	<u>\$ 2,377</u>

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

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. CAPITAL ASSETS**

Primary government capital asset activity for the year ended September 30, 2012, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 156,879	\$ -	\$ 11,495	\$ 145,384
Total capital assets not being depreciated	<u>156,879</u>	<u>-</u>	<u>11,495</u>	<u>145,384</u>
Capital assets being depreciated:				
Buildings	1,358,140	743,186	150,902	1,950,424
Furniture, fixtures and equipment	<u>6,356,693</u>	<u>1,231,267</u>	<u>400,276</u>	<u>7,187,684</u>
Total capital assets being depreciated	<u>7,714,833</u>	<u>1,974,453</u>	<u>551,178</u>	<u>9,138,108</u>
Less accumulated depreciation for:				
Buildings	602,700	66,225	64,493	604,432
Furniture, fixtures and equipment	<u>4,819,258</u>	<u>894,609</u>	<u>368,938</u>	<u>5,344,929</u>
Total accumulated depreciation	<u>5,421,958</u>	<u>960,834</u>	<u>433,431</u>	<u>5,949,361</u>
Total capital assets being depreciated, net	<u>2,292,875</u>	<u>1,013,619</u>	<u>117,747</u>	<u>3,188,747</u>
Total capital assets, net	<u>\$ 2,449,754</u>	<u>\$ 1,013,619</u>	<u>\$ 129,242</u>	<u>\$ 3,334,131</u>

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

Governmental activities:	
General government	\$ 93,723
Emergency communications	269,687
Aging	25,485
Workforce development	61,880
Transportation	<u>510,059</u>
Total depreciation expense - governmental activities	<u>\$ 960,834</u>

**NOTE 6. LONG-TERM DEBT**

A summary of long-term liability activity for the primary government for the year ended September 30, 2012, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due in One Year
Governmental activities:					
Note payable	\$ 514,557	\$ -	\$ 61,243	\$ 453,314	\$ 63,897
Compensated absences	<u>173,374</u>	<u>173,563</u>	<u>193,687</u>	<u>153,250</u>	<u>55,127</u>
	<u>\$ 687,931</u>	<u>\$ 173,563</u>	<u>\$ 254,930</u>	<u>\$ 606,564</u>	<u>\$ 119,024</u>

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

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. LONG-TERM DEBT – CONTINUED**

**Note Payable**

Note payable due in monthly installments of \$6,795 through February 29, 2019, at which time all remaining principal and accrued interest are due in full, interest at 4.16%.

\$ 453,314

Annual debt service requirements to maturity of governmental activities debt are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 63,897	\$ 17,866	\$ 81,763
2014	66,607	15,166	81,773
2015	69,430	12,351	81,781
2016	72,102	9,444	81,546
2017	75,186	6,360	81,546
2018-2021	106,092	3,523	109,615
Total	<u>\$ 453,314</u>	<u>\$ 64,710</u>	<u>\$ 518,024</u>

**NOTE 7. RISK MANAGEMENT**

The Council 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. The Council maintains workers' compensation and other risks of loss coverage through commercial insurance carriers. The Council's management believes such coverage is sufficient to preclude any significant uninsured losses. 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.

**NOTE 8. CONTINGENCIES**

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

Agencies expending \$500,000 or more in grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to the Council. 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 the Council or the subcontractor. The Council generally has the right of recovery from the subcontracted agencies.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. CONTINGENCIES – CONTINUED**

For the year ended September 30, 2012, agency costs of various amounts were disbursed for which the audits have not been received. Based on prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.

**NOTE 9. RETIREMENT PLAN**

The Council 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. The Council 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. The Council's contributions for each employee (and earnings allocated to the employee's account) are fully vested after five years continuous service. The Council's contributions for, and earnings forfeited by, employees who leave employment before five years of service may be segregated in a special account. The Council's 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, 2012, was \$3,582,038. The Council made the required 12% contribution, which amounted to \$429,845. Employees made the required 8% contribution of \$286,563.

**NOTE 10. SUBSEQUENT EVENTS**

The Council has evaluated all subsequent events through April 3, 2013, the date these financial statements were available to be issued, and determined there are no material subsequent events requiring recognition or disclosure.



## **SUPPLEMENTAL SCHEDULES**

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**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF INDIRECT COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Proposed</u>	<u>Actual</u>	<u>Difference</u>
Salaries	\$ 450,004	\$ 475,132	\$ 25,128
Fringe benefits	71,252	57,808	(13,444)
Group hospitalization	53,819	53,017	(802)
Pension costs	<u>63,344</u>	<u>59,483</u>	<u>(3,861)</u>
<b>Total personnel</b>	<u>638,419</u>	<u>645,440</u>	<u>7,021</u>
Insurance and bonding	3,000	4,330	1,330
Minor office supplies and equipment	10,000	5,790	(4,210)
Depreciation expense	8,071	8,071	-
Computer maintenance	30,000	3,496	(26,504)
Staff travel	28,000	14,699	(13,301)
Executive committee travel	13,500	12,467	(1,033)
Space costs	22,100	28,341	6,241
Office supplies	40,000	25,913	(14,087)
Public education	8,000	4,812	(3,188)
Copier costs	20,000	19,872	(128)
Training costs	10,000	5,804	(4,196)
Remote storage costs	1,500	1,440	(60)
Repairs and maintenance	4,000	386	(3,614)
Membership dues	20,000	11,883	(8,117)
Telephone	52,929	48,162	(4,767)
Meetings and conferences	10,000	8,101	(1,899)
Professional services	<u>74,000</u>	<u>123,270</u>	<u>49,270</u>
<b>Total indirect costs</b>	<u>993,519</u>	<u>972,277</u>	<u>(21,242)</u>
Less amount allocated to component unit	(11,306)	(6,286)	5,020
Less amount allocated to General Fund	<u>-</u>	<u>(1,295)</u>	<u>(1,295)</u>
<b>Total indirect costs allocated to the Grant Fund</b>	<u>\$ 982,213</u>	<u>\$ 964,696</u>	<u>\$ (17,517)</u>
Computation of Indirect Cost Rate			
Direct personnel costs	<u>4,686,950</u>	<u>4,268,694</u>	
Allocation rate	20.96%	22.60%	
Indirect costs as a percentage of qualifying costs	2.42%	2.00%	

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EMPLOYEE BENEFITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**EMPLOYEE BENEFITS**

Group disability insurance	\$	20,601
Vacation		169,002
Holidays		150,352
Sick leave		97,458
Other release time		10,321
Employment taxes		<u>34,052</u>
<b>Total employee benefits</b>		481,786
Less amount allocated to indirect costs pool		(57,808)
Less amount allocated to component unit		<u>(2,528)</u>
<b>Total employee benefits allocated to the Grant Fund</b>	<b>\$</b>	<b><u>421,450</u></b>
Chargeable time		<u>3,021,919</u>
Benefit rate		13.95%

## **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**

#### **Financial Trends**

49

These schedules contain trend information to help the reader understand how the Council's financial performance and well-being have changed over time.

#### **Revenue Capacity**

55

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**

The Council only has one note payable. 99% of the Council's revenues are grant related. Debt service expenditures as a percentage of noncapital expenditures are less than one quarter of one percent. Per capita information is not relevant. Therefore, debt capacity information is not presented in the statistical section.

#### **Demographic and Economic Indicators**

68

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council's financial activities take place.

#### **Operating Information**

72

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 Council provides and the resources it utilizes to provide these services.

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**EAST TEXAS COUNCIL OF GOVERNMENTS  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS**

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
Invested in capital assets, net of related debt	\$ 1,066,250	\$ 1,365,348	\$ 1,467,687	\$ 2,398,199	\$ 2,473,037	\$ 2,981,450	\$ 2,710,038	\$ 1,935,197	\$ 2,880,817
Restricted	1,175,194	1,199,484	1,174,134	1,202,091	1,123,439	857,690	759,872	833,780	1,474,722
Unrestricted	606,955	653,585	758,245	1,017,141	1,276,109	1,479,741	1,351,367	1,438,354	1,278,696
<b>Total governmental activities net assets</b>	<b>\$ 2,848,399</b>	<b>\$ 3,218,417</b>	<b>\$ 3,400,066</b>	<b>\$ 4,617,431</b>	<b>\$ 4,872,585</b>	<b>\$ 5,318,881</b>	<b>\$ 4,821,277</b>	<b>\$ 4,207,331</b>	<b>\$ 5,634,235</b>
Business-type activities:									
Unrestricted	\$ -	\$ -	\$ -	\$ (631)	\$ (6,006)	\$ 316	\$ 8,323	\$ 17,833	\$ 21,565
<b>Total business-type activities net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (631)</b>	<b>\$ (6,006)</b>	<b>\$ 316</b>	<b>\$ 8,323</b>	<b>\$ 17,833</b>	<b>\$ 21,565</b>
Primary government:									
Invested in capital assets, net of related debt	\$ 1,066,250	\$ 1,365,348	\$ 1,467,687	\$ 2,398,199	\$ 2,473,037	\$ 2,981,450	\$ 2,710,038	\$ 1,935,197	\$ 2,880,817
Restricted	1,175,194	1,199,484	1,174,134	1,202,091	1,123,439	857,690	759,872	833,780	1,474,722
Unrestricted	606,955	653,585	758,245	1,016,510	1,270,103	1,480,057	1,359,690	1,456,187	1,300,261
<b>Total primary government net assets</b>	<b>\$ 2,848,399</b>	<b>\$ 3,218,417</b>	<b>\$ 3,400,066</b>	<b>\$ 4,616,800</b>	<b>\$ 4,866,579</b>	<b>\$ 5,319,197</b>	<b>\$ 4,829,600</b>	<b>\$ 4,225,164</b>	<b>\$ 5,655,800</b>

Note:  
The Council began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS**

<b>EXPENSES</b>	<b>Fiscal Years</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
Governmental activities:			
General government	\$ 51,872	\$ 33,614	\$ 71,165
Workforce development	25,532,371	26,540,117	27,951,947
Housing and urban development	71,449	70,195	149,064
Emergency communications	1,629,740	1,403,002	1,573,968
Economic development	71,064	60,328	65,681
Environmental quality	973,470	884,574	1,185,765
Aging	5,152,070	5,173,324	5,164,906
Transportation	892,394	843,724	1,272,852
Homeland Security	329,259	727,030	1,139,388
Criminal justice	230,724	345,671	295,087
Health and human services	-	-	12,674
<b>Total governmental activities expenses</b>	<b>34,934,413</b>	<b>36,081,579</b>	<b>38,882,497</b>
Business-type activities:			
Greyhound	-	-	-
<b>Total business-type activities expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROGRAM REVENUES</b>			
Governmental activities:			
Charges for services	-	-	-
Operating grants and contributions	34,858,702	36,307,282	38,838,134
<b>Total governmental activities program revenues</b>	<b>34,858,702</b>	<b>36,307,282</b>	<b>38,838,134</b>
Business-type activities:			
Charges for services	-	-	-
<b>Total business-type activities program revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET (EXPENSE) REVENUES</b>			
Governmental activities	(75,711)	225,703	(44,363)
Business-type activities	-	-	-
<b>Total primary government net (expense) revenues</b>	<b>(75,711)</b>	<b>225,703</b>	<b>(44,363)</b>
<b>GENERAL REVENUES</b>			
Governmental activities:			
Grants and contributions not restricted to specific programs	72,163	71,513	71,513
Investment earnings	19,344	42,603	110,878
Miscellaneous	27,488	30,199	43,621
<b>Total governmental activities general revenues</b>	<b>118,995</b>	<b>144,315</b>	<b>226,012</b>
Business-type activities:			
Investment earnings	-	-	-
<b>Total business-type activities general revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>			
Governmental activities	43,284	370,018	181,649
Business-type activities	-	-	-
<b>Total primary government</b>	<b>\$ 43,284</b>	<b>\$ 370,018</b>	<b>\$ 181,649</b>



<b>Fiscal Years</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ 26,113	\$ 97,063	\$ 89,312	\$ 208,546	\$ 121,011	\$ 381,177
27,780,544	28,679,194	28,645,985	30,749,379	31,141,778	24,920,298
61,262	15,163	20,443	35,245	196,818	147,070
2,396,799	2,195,057	3,048,141	2,548,455	2,194,766	1,503,874
64,144	112,166	245,846	103,476	113,572	105,337
844,837	933,420	1,058,896	962,195	571,689	612,521
5,546,424	5,766,234	5,631,328	5,297,983	4,988,958	4,041,959
1,662,765	2,695,154	3,290,942	3,600,704	4,560,498	4,011,678
266,300	219,721	262,743	514,418	887,446	456,933
268,819	399,304	431,004	480,844	434,001	313,612
169,968	927,642	179,486	2,703,855	-	-
<u>39,087,975</u>	<u>42,040,118</u>	<u>42,904,126</u>	<u>47,205,100</u>	<u>45,210,537</u>	<u>36,494,459</u>
<u>32,529</u>	<u>134,032</u>	<u>117,564</u>	<u>106,464</u>	<u>111,606</u>	<u>105,234</u>
<u>32,529</u>	<u>134,032</u>	<u>117,564</u>	<u>106,464</u>	<u>111,606</u>	<u>105,234</u>
-	-	89,678	-	-	-
<u>40,020,456</u>	<u>41,910,503</u>	<u>42,976,162</u>	<u>46,453,925</u>	<u>44,337,789</u>	<u>37,470,843</u>
<u>40,020,456</u>	<u>41,910,503</u>	<u>43,065,840</u>	<u>46,453,925</u>	<u>44,337,789</u>	<u>37,470,843</u>
<u>31,048</u>	<u>217,271</u>	<u>123,886</u>	<u>114,471</u>	<u>121,116</u>	<u>108,966</u>
<u>31,048</u>	<u>217,271</u>	<u>123,886</u>	<u>114,471</u>	<u>121,116</u>	<u>108,966</u>
932,481	(129,615)	161,714	(751,175)	(872,748)	976,384
(1,481)	83,239	6,322	8,007	9,510	3,732
<u>931,000</u>	<u>(46,376)</u>	<u>168,036</u>	<u>(743,168)</u>	<u>(863,238)</u>	<u>980,116</u>
71,313	114,734	169,945	169,833	169,498	192,289
133,605	83,399	30,598	22,078	15,472	17,043
79,966	98,022	84,039	61,660	73,832	241,188
<u>284,884</u>	<u>296,155</u>	<u>284,582</u>	<u>253,571</u>	<u>258,802</u>	<u>450,520</u>
<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,217,365	166,540	446,296	(497,604)	(613,946)	1,426,904
(631)	83,239	6,322	8,007	9,510	3,732
<u>\$ 1,216,734</u>	<u>\$ 249,779</u>	<u>\$ 452,618</u>	<u>\$ (489,597)</u>	<u>\$ (604,436)</u>	<u>\$ 1,430,636</u>

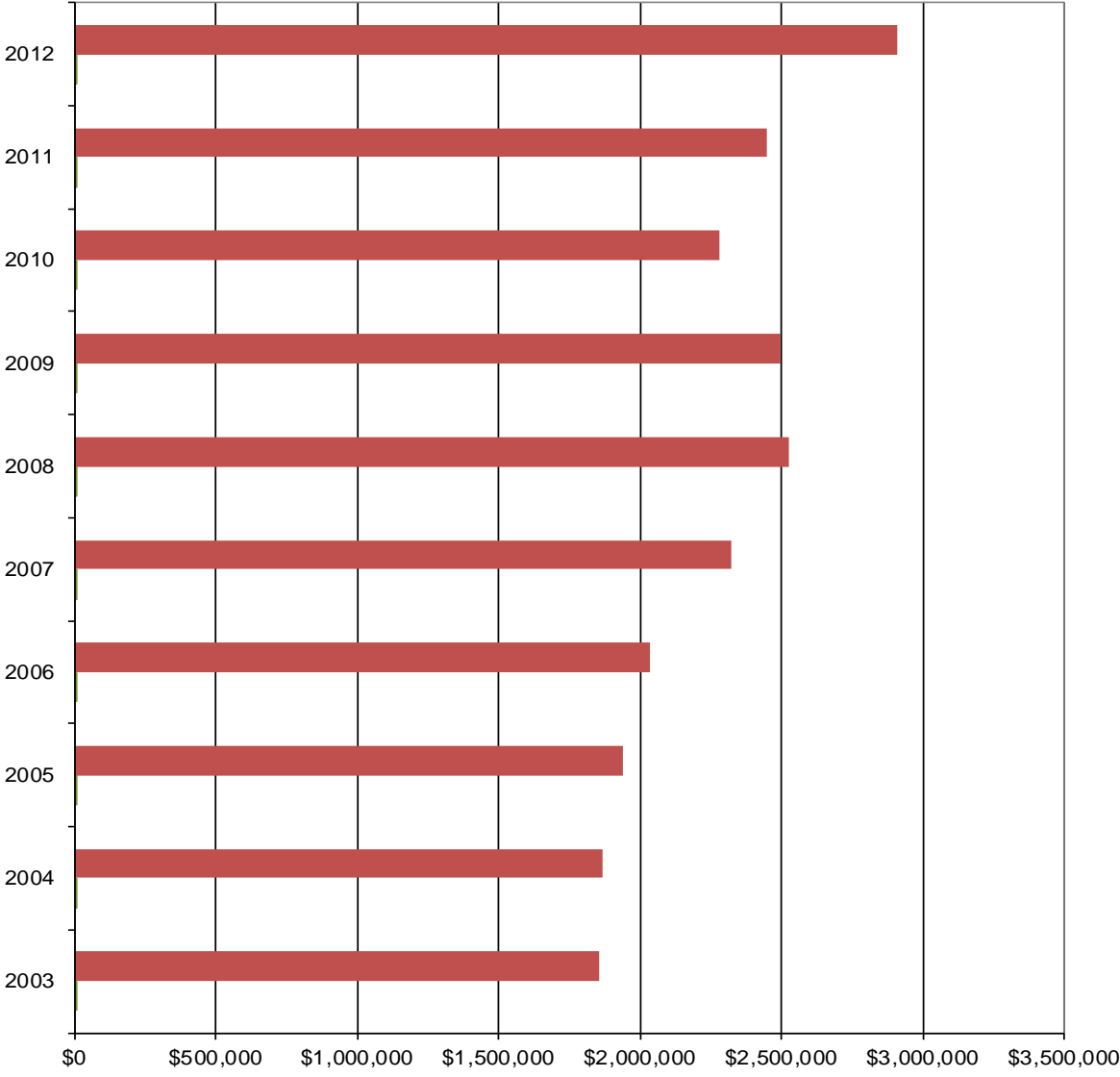
**EAST TEXAS COUNCIL OF GOVERNMENTS  
FUND BALANCES  
GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2003	2004	2005	2006
<b>General fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	664,600	692,436	740,946	859,714
Nonspendable - Prepaid items	-	-	-	-
Unassigned	-	-	-	-
<b>Total general fund</b>	<u>\$ 664,600</u>	<u>\$ 692,436</u>	<u>\$ 740,946</u>	<u>\$ 859,714</u>
<b>All other governmental funds</b>				
Reserved, reported in grant fund	\$ -	\$ -	\$ -	\$ 346,904
Unreserved	1,189,683	1,175,194	1,199,484	827,230
Restricted - State and federal grants	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 1,189,683</u>	<u>\$ 1,175,194</u>	<u>\$ 1,199,484</u>	<u>\$ 1,174,134</u>
<b>Total primary government</b>	<u>\$ 1,854,283</u>	<u>\$ 1,867,630</u>	<u>\$ 1,940,430</u>	<u>\$ 2,033,848</u>

**Note:** The Council adopted GASB Statement No. 54 in fiscal year 2011, which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.

<b>Fiscal Year</b>					
<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
\$ -	\$ -	\$ 194	\$ -	\$ -	\$ -
1,017,141	1,223,207	1,601,264	1,522,133	-	-
-	-	-	-	62,500	-
-	-	-	-	1,549,228	1,431,946
<u>\$ 1,017,141</u>	<u>\$ 1,223,207</u>	<u>\$ 1,601,458</u>	<u>\$ 1,522,133</u>	<u>\$ 1,611,728</u>	<u>\$ 1,431,946</u>
\$ 190,341	\$ 181,987	\$ 38,302	\$ 26,854	\$ -	\$ -
1,113,554	1,123,439	857,690	733,018	-	-
-	-	-	-	833,780	1,474,722
<u>\$ 1,303,895</u>	<u>\$ 1,305,426</u>	<u>\$ 895,992</u>	<u>\$ 759,872</u>	<u>\$ 833,780</u>	<u>\$ 1,474,722</u>
<u>\$ 2,321,036</u>	<u>\$ 2,528,633</u>	<u>\$ 2,497,450</u>	<u>\$ 2,282,005</u>	<u>\$ 2,445,508</u>	<u>\$ 2,906,668</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**

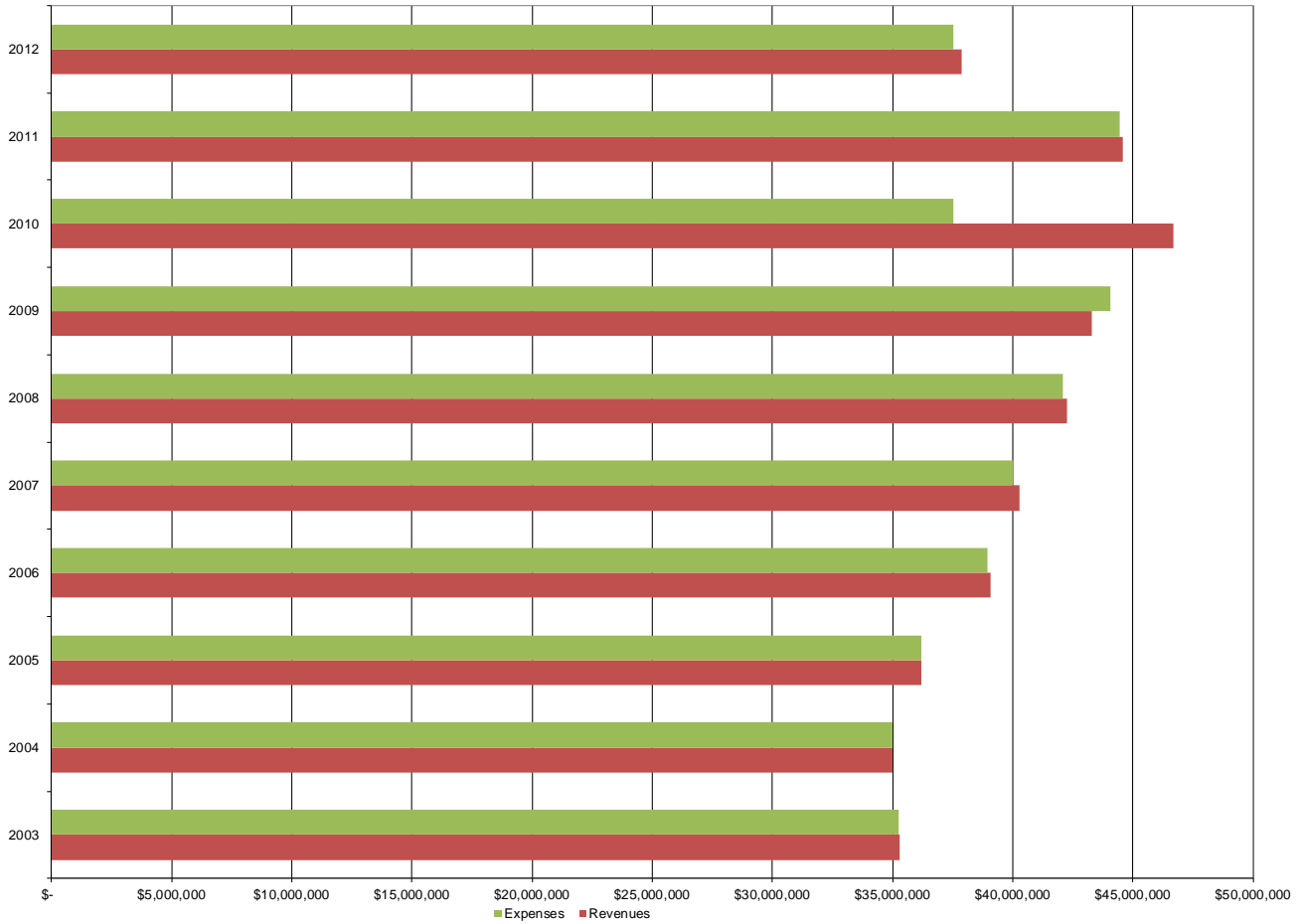
	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Intergovernmental	\$ 33,554,163	\$ 33,337,623	\$ 34,273,581	\$ 37,132,766	\$ 37,944,479	\$ 39,459,887	\$ 40,972,015	\$ 44,648,933	\$ 42,671,379	\$ 36,579,983
Membership dues	71,363	71,863	71,513	71,513	71,313	114,734	169,945	169,833	169,498	192,289
Matching funds/program income	1,618,330	1,470,086	1,662,400	1,472,611	2,010,154	2,419,816	1,948,724	1,726,866	1,473,965	970,515
Charges for services	-	-	-	-	-	-	89,678	-	-	-
Investment income	-	-	-	-	-	-	43,164	27,538	19,675	17,043
Miscellaneous	51,332	98,124	182,943	387,256	251,903	263,611	63,452	131,047	264,941	134,230
<b>Total revenues</b>	<b>35,295,188</b>	<b>34,977,696</b>	<b>36,190,437</b>	<b>39,064,146</b>	<b>40,277,849</b>	<b>42,258,048</b>	<b>43,286,978</b>	<b>46,704,217</b>	<b>44,599,458</b>	<b>37,894,060</b>
<b>Expenditures</b>										
General government	171,456	24,386	15,891	46,414	32,542	65,051	13,025	94,195	36,400	247,330
Workforce development	26,182,392	25,530,201	26,537,947	27,949,777	27,778,736	28,963,453	28,598,636	30,686,798	31,072,565	24,872,616
Aging	5,124,494	5,145,318	5,158,130	5,138,498	5,652,102	6,744,802	5,801,795	7,972,436	4,958,223	4,018,827
Emergency communications	1,505,772	1,642,456	1,607,680	1,425,756	3,416,130	1,901,163	2,812,201	2,174,575	1,852,512	2,116,620
Environmental quality	827,183	973,470	884,574	1,185,765	844,837	933,420	1,064,553	961,980	571,040	612,948
Transportation	952,701	957,337	764,012	1,546,750	1,633,280	2,733,432	4,068,938	3,253,235	3,850,571	4,526,100
Homeland security	139,113	349,727	761,702	1,167,936	266,300	219,721	266,655	514,303	886,806	457,161
Criminal justice	212,154	230,724	345,671	295,087	268,819	399,304	427,699	480,736	433,652	313,826
Housing and urban development	71,824	71,449	70,195	149,064	61,262	15,163	20,429	35,245	196,613	147,070
Economic development	68,828	71,064	60,328	65,681	64,144	112,166	248,247	103,476	113,216	105,337
Debt service										
Principal	-	-	-	-	-	-	35,221	56,415	58,807	61,564
Interest	-	-	-	-	-	-	19,142	25,131	22,600	-
Capital outlay	-	-	-	-	-	-	670,064	564,416	417,297	70,093
<b>Total expenditures</b>	<b>35,255,917</b>	<b>34,996,132</b>	<b>36,206,130</b>	<b>38,970,728</b>	<b>40,018,152</b>	<b>42,087,675</b>	<b>44,046,605</b>	<b>46,922,941</b>	<b>44,470,302</b>	<b>37,549,492</b>
<b>Excess of revenues over (under) expenditures</b>	<b>39,271</b>	<b>(18,436)</b>	<b>(15,693)</b>	<b>93,418</b>	<b>259,697</b>	<b>170,373</b>	<b>(759,627)</b>	<b>(218,724)</b>	<b>129,156</b>	<b>344,568</b>
<b>Other financing sources (uses)</b>										
Issuance of debt	-	31,783	88,493	-	-	-	665,000	-	-	-
Proceeds from insurance	-	-	-	-	27,491	37,224	63,444	3,279	16,557	27,624
Proceeds from sale of property	-	-	-	-	-	-	-	-	17,790	88,968
Transfers in	77,388	985,907	75,110	46,516	57,438	2,391	327,035	173,176	70,370	227,462
Transfers out	(77,388)	(985,907)	(75,110)	(46,516)	(57,438)	(2,391)	(327,035)	(173,176)	(70,370)	(227,462)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>31,783</b>	<b>88,493</b>	<b>-</b>	<b>27,491</b>	<b>37,224</b>	<b>728,444</b>	<b>3,279</b>	<b>34,347</b>	<b>116,592</b>
<b>Prior period adjustment</b>	<b>82,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 121,695</b>	<b>\$ 13,347</b>	<b>\$ 72,800</b>	<b>\$ 93,418</b>	<b>\$ 287,188</b>	<b>\$ 207,597</b>	<b>\$ (31,183)</b>	<b>\$ (215,445)</b>	<b>\$ 163,503</b>	<b>\$ 461,160</b>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.13%	0.18%	0.19%	0.16%

**Notes:**

Investment income was included in miscellaneous revenue prior to 2009.

Debt service and capital outlay were included in current expenditures prior to 2009.

**EAST TEXAS COUNCIL OF GOVERNMENTS  
REVENUES AND EXPENDITURES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**



**EAST TEXAS COUNCIL OF GOVERNMENTS  
REGIONAL COUNTY INFORMATION**

<b>Anderson County</b>	
Area (Sq. miles) <sup>1</sup>	1,063
County Seat <sup>1</sup>	Palestine
Population, 2012 <sup>1</sup>	58,321
Anglo	
Male	18,453
Female	15,648
Black	
Male	10,085
Female	4,139
Hispanic	
Male	6,714
Female	2,762
Other	
Male	281
Female	239
Vital Statistics, 2010 <sup>2</sup>	
Marriages	415
Divorces	141
Births	581
Deaths	603
Unemployment Rate, Annual Average 2011 <sup>1</sup>	9.10%

<b>Camp County</b>	
Area (Sq. miles) <sup>1</sup>	196
County Seat <sup>1</sup>	Pittsburg
Population, 2012 <sup>1</sup>	13,800
Anglo	
Male	3,956
Female	4,203
Black	
Male	1,152
Female	1,251
Hispanic	
Male	1,848
Female	1,324
Other	
Male	36
Female	30
Vital Statistics, 2010 <sup>2</sup>	
Marriages	96
Divorces	31
Births	199
Deaths	127
Unemployment Rate, Annual Average 2011 <sup>1</sup>	8.80%

<b>Cherokee County</b>	
Area (Sq. miles) <sup>1</sup>	1,053
County Seat <sup>1</sup>	Rusk
Population, 2012 <sup>1</sup>	50,845
Anglo	
Male	15,475
Female	16,232
Black	
Male	4,305
Female	3,790
Hispanic	
Male	5,682
Female	4,107
Other	
Male	591
Female	663
Vital Statistics, 2010 <sup>2</sup>	
Marriages	356
Divorces	183
Births	758
Deaths	514
Unemployment Rate, Annual Average 2011 <sup>1</sup>	8.90%

<b>Gregg County</b>	
Area (Sq. miles) <sup>1</sup>	273
County Seat <sup>1</sup>	Longview
Population, 2012 <sup>1</sup>	125,986
Anglo	
Male	35,052
Female	37,316
Black	
Male	12,338
Female	13,517
Hispanic	
Male	14,002
Female	11,138
Other	
Male	1,283
Female	1,340
Vital Statistics, 2010 <sup>2</sup>	
Marriages	1,253
Divorces	452
Births	1,940
Deaths	1,276
Unemployment Rate, Annual Average 2011 <sup>1</sup>	6.80%

1: Texas Association of Counties  
 2: Texas Department of State Health Services  
 Marriages Divorces 2007 – Births Deaths 2006  
 3: Texas Workforce Commission

**EAST TEXAS COUNCIL OF GOVERNMENTS  
REGIONAL COUNTY INFORMATION**

<b>Harrison County</b>	
Area (Sq. miles) <sup>1</sup>	900
County Seat <sup>1</sup>	Marshall
Population, 2012 <sup>1</sup>	68,710
Anglo	
Male	22,256
Female	23,022
Black	
Male	7,490
Female	8,264
Hispanic	
Male	3,986
Female	3,188
Other	
Male	250
Female	254
Vital Statistics, 2010 <sup>2</sup>	
Marriages	437
Divorces	146
Births	868
Deaths	566
Unemployment Rate, Annual Average 2011 <sup>1</sup>	7.80%

<b>Henderson County</b>	
Area (Sq. miles) <sup>1</sup>	874
County Seat <sup>1</sup>	Athens
Population, 2012 <sup>1</sup>	78,532
Anglo	
Male	30,791
Female	31,294
Black	
Male	2,756
Female	2,930
Hispanic	
Male	5,517
Female	4,516
Other	
Male	366
Female	362
Vital Statistics, 2010 <sup>2</sup>	
Marriages	507
Divorces	61
Births	1029
Deaths	961
Unemployment Rate, Annual Average 2011 <sup>1</sup>	8.60%

<b>Marion County</b>	
Area (Sq. miles) <sup>1</sup>	381
County Seat <sup>1</sup>	Jefferson
Population, 2012 <sup>1</sup>	11,012
Anglo	
Male	3,789
Female	3,925
Black	
Male	1,369
Female	1,506
Hispanic	
Male	156
Female	129
Other	
Male	65
Female	73
Vital Statistics, 2010 <sup>2</sup>	
Marriages	80
Divorces	39
Births	99
Deaths	155
Unemployment Rate, Annual Average 2011 <sup>1</sup>	9.20%

<b>Panola County</b>	
Area (Sq. miles) <sup>1</sup>	802
County Seat <sup>1</sup>	Carthage
Population, 2012 <sup>1</sup>	24,309
Anglo	
Male	8,943
Female	9,341
Black	
Male	2,222
Female	2,404
Hispanic	
Male	717
Female	518
Other	
Male	71
Female	93
Vital Statistics, 2010 <sup>2</sup>	
Marriages	204
Divorces	139
Births	253
Deaths	261
Unemployment Rate, Annual Average 2011 <sup>1</sup>	6.90%

1: Texas Association of Counties  
2: Texas Department of State Health Services  
Marriages Divorces 2007 – Births Deaths 2006  
3: Texas Workforce Commission



**EAST TEXAS COUNCIL OF GOVERNMENTS  
REGIONAL COUNTY INFORMATION**

<b>Rains County</b>	
Area (Sq. miles) <sup>1</sup>	230
County Seat <sup>1</sup>	Emory
Population, 2012 <sup>1</sup>	11,309
Anglo	
Male	5,094
Female	5,113
Black	
Male	147
Female	132
Hispanic	
Male	385
Female	313
Other	
Male	58
Female	67
Vital Statistics, 2010 <sup>2</sup>	
Marriages	84
Divorces	49
Births	102
Deaths	108
Unemployment Rate, Annual Average 2011 <sup>1</sup>	8.50%

<b>Rusk County</b>	
Area (Sq. miles) <sup>1</sup>	924
County Seat <sup>1</sup>	Henderson
Population, 2012 <sup>1</sup>	50,519
Anglo	
Male	16,327
Female	16,259
Black	
Male	5,681
Female	4,982
Hispanic	
Male	3,998
Female	2,916
Other	
Male	176
Female	180
Vital Statistics, 2010 <sup>2</sup>	
Marriages	329
Divorces	201
Births	687
Deaths	571
Unemployment Rate, Annual Average 2011 <sup>1</sup>	7.00%

<b>Smith County</b>	
Area (Sq. miles) <sup>1</sup>	922
County Seat <sup>1</sup>	Tyler
Population, 2012 <sup>1</sup>	215,243
Anglo	
Male	58,087
Female	62,530
Black	
Male	18,084
Female	20,710
Hispanic	
Male	26,843
Female	24,041
Other	
Male	2,301
Female	2,647
Vital Statistics, 2010 <sup>2</sup>	
Marriages	1,699
Divorces	651
Births	2,992
Deaths	1857
Unemployment Rate, Annual Average 2011 <sup>1</sup>	7.80%

<b>Upshur County</b>	
Area (Sq. miles) <sup>1</sup>	583
County Seat <sup>1</sup>	Gilmer
Population, 2012 <sup>1</sup>	38,854
Anglo	
Male	15,093
Female	15,614
Black	
Male	2,144
Female	2,454
Hispanic	
Male	1,665
Female	1,494
Other	
Male	175
Female	215
Vital Statistics, 2010 <sup>2</sup>	
Marriages	223
Divorces	263
Births	507
Deaths	435
Unemployment Rate, Annual Average 2011 <sup>1</sup>	7.20%

1: Texas Association of Counties  
2: Texas Department of State Health Services  
Marriages Divorces 2007 – Births Deaths 2006  
3: Texas Workforce Commission

**EAST TEXAS COUNCIL OF GOVERNMENTS  
REGIONAL COUNTY INFORMATION**

<b>Van Zandt County</b>		<b>Wood County</b>	
Area (Sq. miles) <sup>1</sup>	843	Area (Sq. miles) <sup>1</sup>	645
County Seat <sup>1</sup>	Canton	County Seat <sup>1</sup>	Quitman
Population, 2012 <sup>1</sup>	54,700	Population, 2012 <sup>1</sup>	46,500
Anglo		Anglo	
Male	23,569	Male	19,569
Female	23,518	Female	20,538
Black		Black	
Male	780	Male	1,200
Female	805	Female	1,160
Hispanic		Hispanic	
Male	3,404	Male	2,163
Female	2,206	Female	1,560
Other		Other	
Male	213	Male	156
Female	205	Female	154
Vital Statistics, 2010 <sup>2</sup>		Vital Statistics, 2010 <sup>2</sup>	
Marriages	356	Marriages	234
Divorces	285	Divorces	146
Births	562	Births	430
Deaths	646	Deaths	573
Unemployment Rate, Annual Average 2011 <sup>1</sup>	7.40%	Unemployment Rate, Annual Average 2011 <sup>1</sup>	8.00%

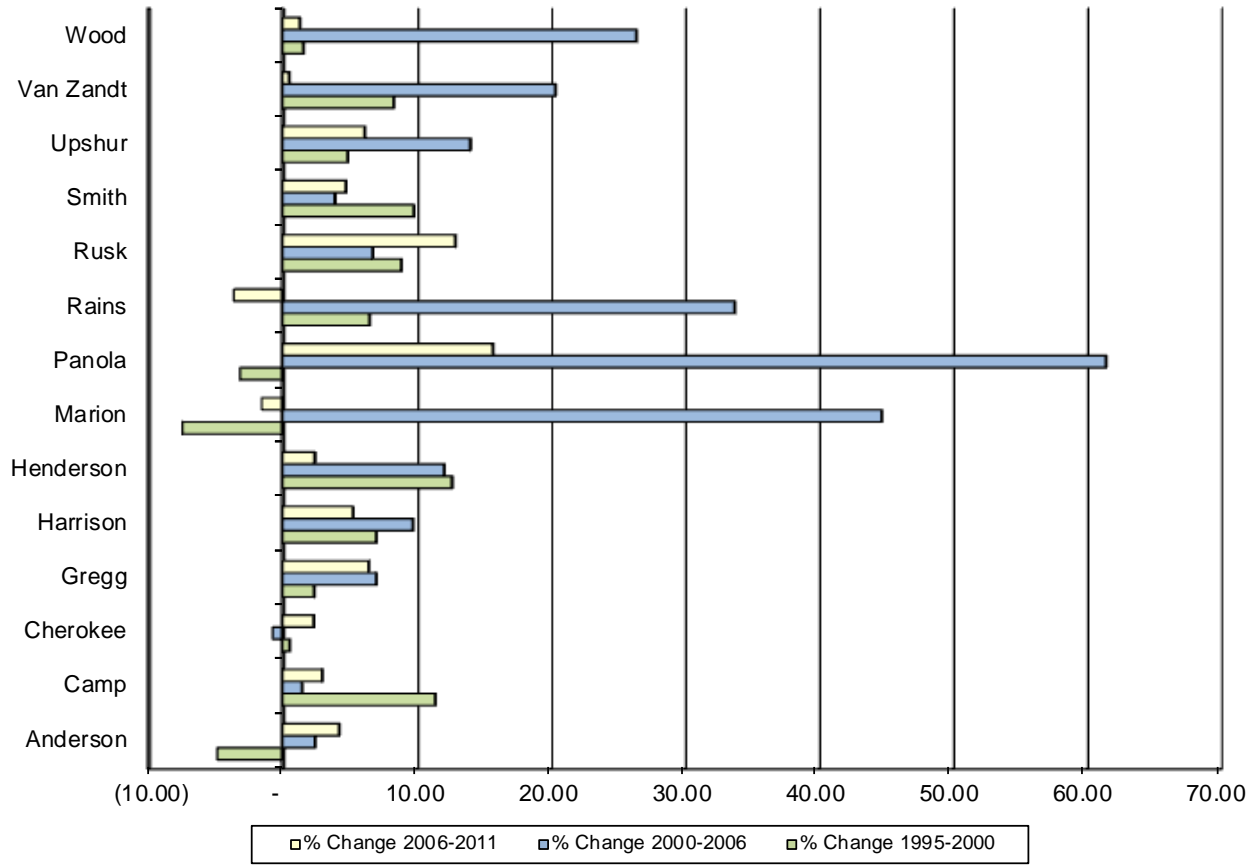
1: Texas Association of Counties  
2: Texas Department of State Health Services  
Marriages Divorces 2007 – Births Deaths 2006  
3: Texas Workforce Commission

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

<b>Employment</b>							
	<b>1995</b>	<b>2000</b>	<b>2006</b>	<b>2011</b>	<b>% Change 1995-2000</b>	<b>% Change 2000-2006</b>	<b>% Change 2006-2011</b>
Anderson	19,511	18,562	19,010	19,807	(4.86)	2.41	4.19
Camp	4,612	5,137	5,210	5,363	11.38	1.42	2.94
Cherokee	19,169	19,263	19,123	19,565	0.49	(0.73)	2.31
Gregg	53,484	54,730	58,548	62,297	2.33	6.98	6.40
Harrison	25,400	27,168	29,808	31,365	6.96	9.72	5.22
Henderson	25,858	29,123	32,631	33,409	12.63	12.05	2.38
Marion	3,531	3,267	4,727	4,654	(7.48)	44.69	(1.54)
Panola	7,331	7,099	11,461	13,257	(3.16)	61.45	15.67
Rains	3,418	3,639	4,866	4,690	6.47	33.72	(3.62)
Rusk	18,771	20,431	21,800	24,609	8.84	6.70	12.89
Smith	80,372	88,219	91,647	95,963	9.76	3.89	4.71
Upshur	15,007	15,732	17,933	19,026	4.83	13.99	6.09
Van Zandt	18,430	19,956	24,018	24,131	8.28	20.35	0.47
Wood	13,184	13,385	16,916	17,131	1.52	26.38	1.27
<b>WDA</b>	<b>308,078</b>	<b>325,711</b>	<b>357,698</b>	<b>375,267</b>	<b>5.72</b>	<b>9.82</b>	<b>4.91</b>

Source: TX Workforce Commission (LAUS) [www.tracer2.com/cgi/dataAnalysis](http://www.tracer2.com/cgi/dataAnalysis)

## EAST TEXAS COUNCIL OF GOVERNMENTS EMPLOYMENT PERCENTAGE CHANGE

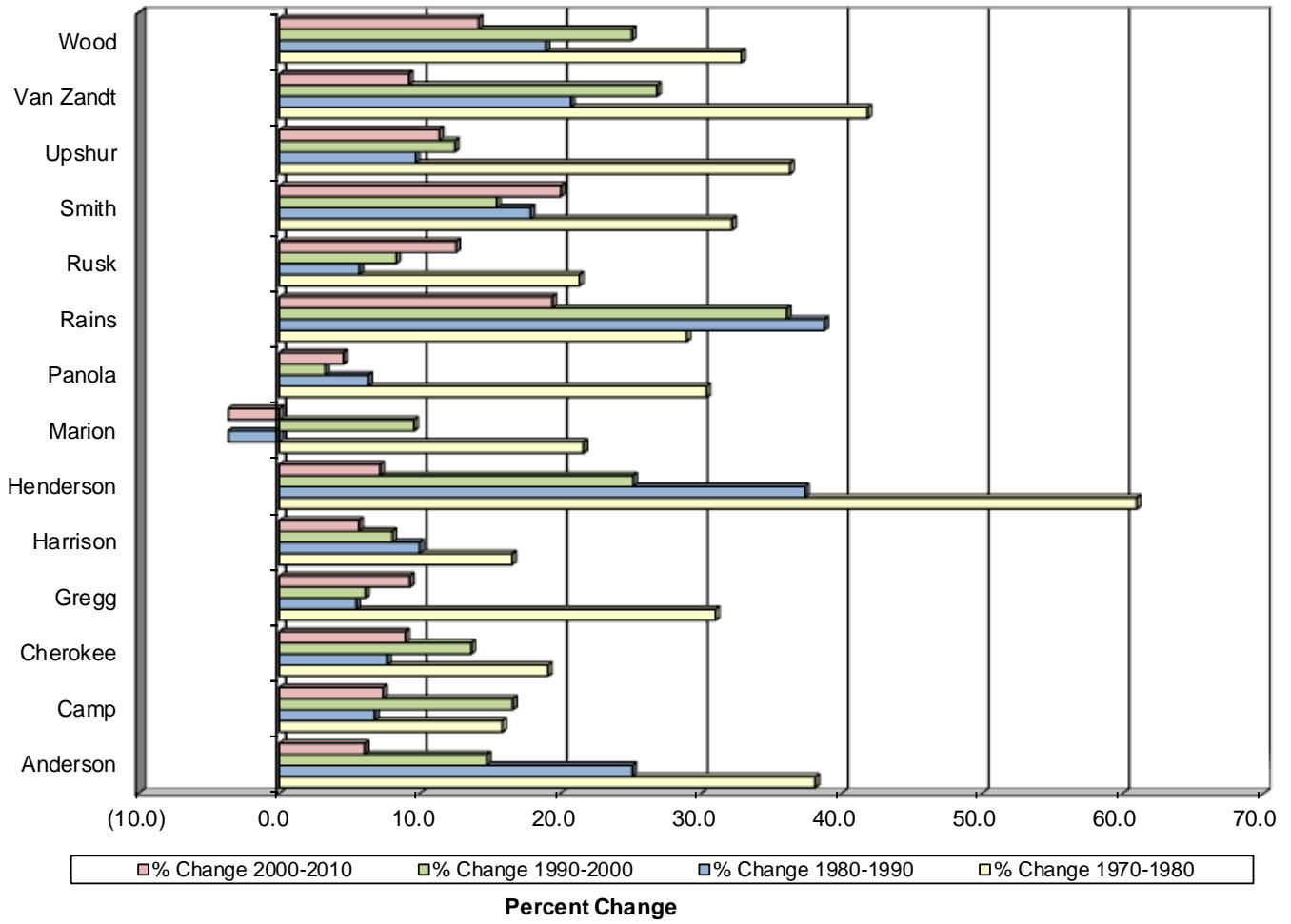


**EAST TEXAS COUNCIL OF GOVERNMENTS  
POPULATION – CENSUS 1970 – 2000  
2010 CENSUS ESTIMATE**

	1970 Census	1980 Census	1990 Census	2000 Census	2010 Census	% Change 1970- 1980	% Change 1980- 1990	% Change 1990- 2000	% Change 2000- 2010
Anderson	27,789	38,381	48,024	55,109	58,458	38.1	25.1	14.8	6.1
Camp	8,005	9,275	9,904	11,549	12,401	15.9	6.8	16.6	7.4
Cherokee	32,008	38,127	41,049	46,659	50,845	19.1	7.7	13.7	9.0
Gregg	75,929	99,487	104,948	111,379	121,730	31.0	5.5	6.1	9.3
Harrison	44,841	52,265	57,483	62,110	65,631	16.6	10.0	8.0	5.7
Henderson	26,466	42,606	58,543	73,277	78,532	61.0	37.4	25.2	7.2
Marion	8,517	10,360	9,984	10,941	10,546	21.6	(3.6)	9.6	(3.6)
Panola	15,894	20,724	22,035	22,756	23,796	30.4	6.3	3.3	4.6
Rains	3,752	4,839	6,715	9,139	10,914	29.0	38.8	36.1	19.4
Rusk	34,102	41,382	43,735	47,372	53,330	21.3	5.7	8.3	12.6
Smith	97,096	128,366	151,309	174,706	209,714	32.2	17.9	15.5	20.0
Upshur	20,976	28,595	31,370	35,291	39,309	36.3	9.7	12.5	11.4
Van Zandt	22,155	31,426	37,944	48,140	52,579	41.8	20.7	26.9	9.2
Wood	18,589	24,697	29,380	36,752	41,964	32.9	19.0	25.1	14.2
WDA	436,119	570,530	652,423	745,180	829,749	30.8	14.4	14.2	11.3
Texas	11,196,730	14,229,191	16,986,510	20,851,820	25,145,561	27.1	19.4	22.8	20.6

Source: Census Bureau and Texas State Data Center

**EAST TEXAS COUNCIL OF GOVERNMENTS  
POPULATION CHANGE IN 1970s, 80s, 90s, 2000 AND 2010**



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

<b>Population Forecast <sup>1</sup></b>			
	<b>2012</b>	<b>2015</b>	<b>% Change</b>
Anderson	58,321	58,954	1.09%
Camp	13,800	14,474	4.88%
Cherokee	50,688	51,717	2.03%
Gregg	125,986	131,179	4.12%
Harrison	68,710	70,214	2.19%
Henderson	83,081	85,767	3.23%
Marion	11,012	10,927	-0.77%
Panola	24,309	24,523	0.88%
Rains	11,309	11,788	4.24%
Rusk	50,519	51,246	1.44%
Smith	215,243	229,602	6.67%
Upshur	38,854	39,599	1.92%
Van Zandt	54,700	56,101	2.56%
Wood	46,500	48,866	5.09%
<b>WDA</b>	<b>853,032</b>	<b>884,957</b>	<b>3.74%</b>

<b>Household Forecast <sup>2</sup></b>			
	<b>2010</b>	<b>2030*</b>	<b>%Change</b>
Anderson	17,218	16,728	-2.85%
Camp	4,678	4,867	4.04%
Cherokee	17,894	18,100	1.15%
Gregg	45,798	52,335	14.27%
Harrison	24,523	27,234	11.05%
Henderson	31,020	29,679	-4.32%
Marion	4,595	4,151	-9.66%
Panola	9,271	9,328	0.61%
Rains	4,377	3,708	-15.28%
Rusk	18,476	17,713	-4.13%
Smith	79,055	77,803	-1.58%
Upshur	14,925	15,454	3.54%
Van Zandt	20,047	18,269	-8.87%
Wood	17,118	12,997	-24.07%
<b>WDA</b>	<b>308,995</b>	<b>308,366</b>	<b>-0.20%</b>

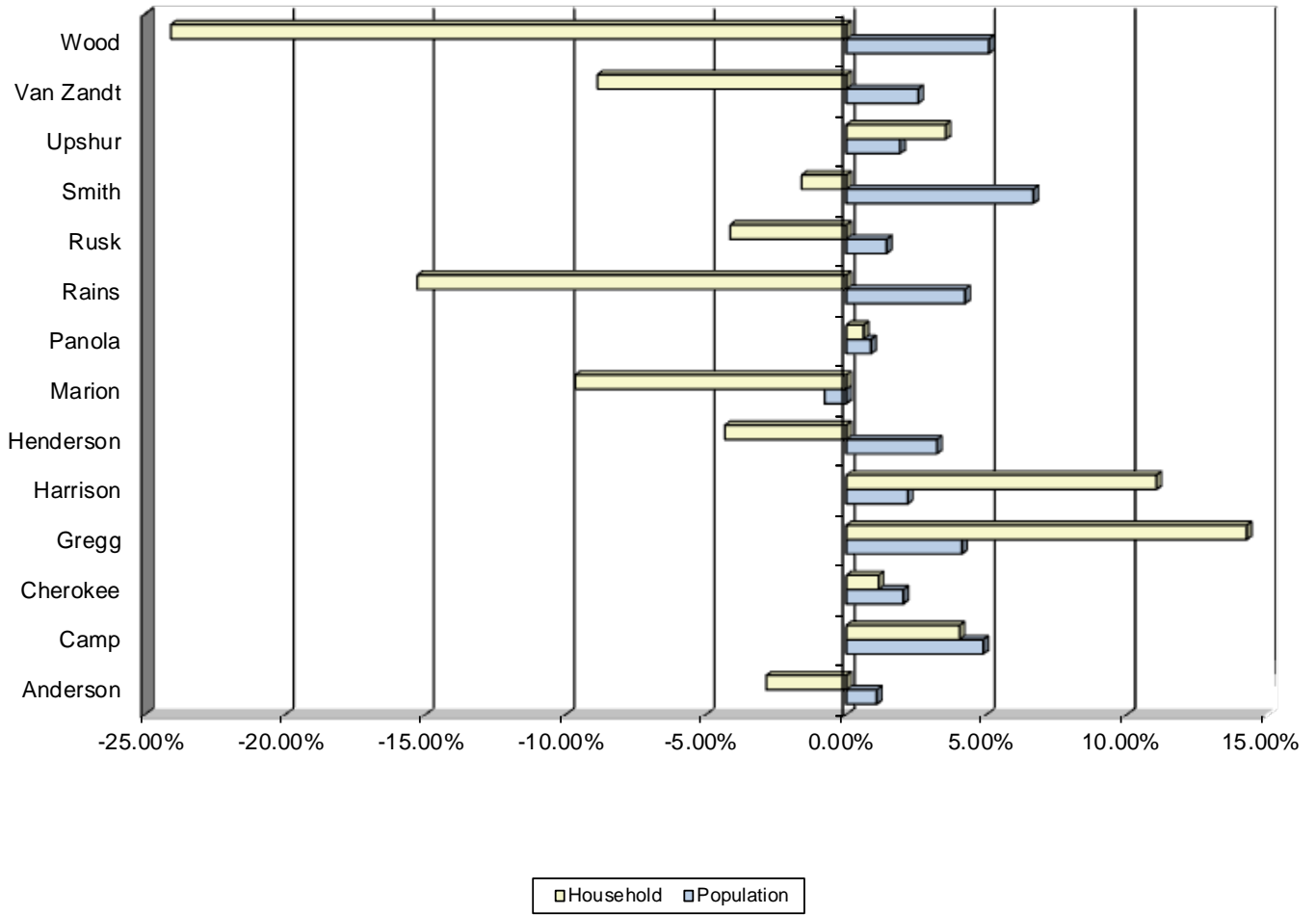
1. Texas Department of State Health Services <http://www.dshs.state.tx.us>

2. Texas State Data Center 2010 Census Data <http://txsdc.utdallas.edu>

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

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

**EAST TEXAS COUNCIL OF GOVERNMENTS  
POPULATION AND HOUSEHOLD PERCENT CHANGE 2000 – 2030**



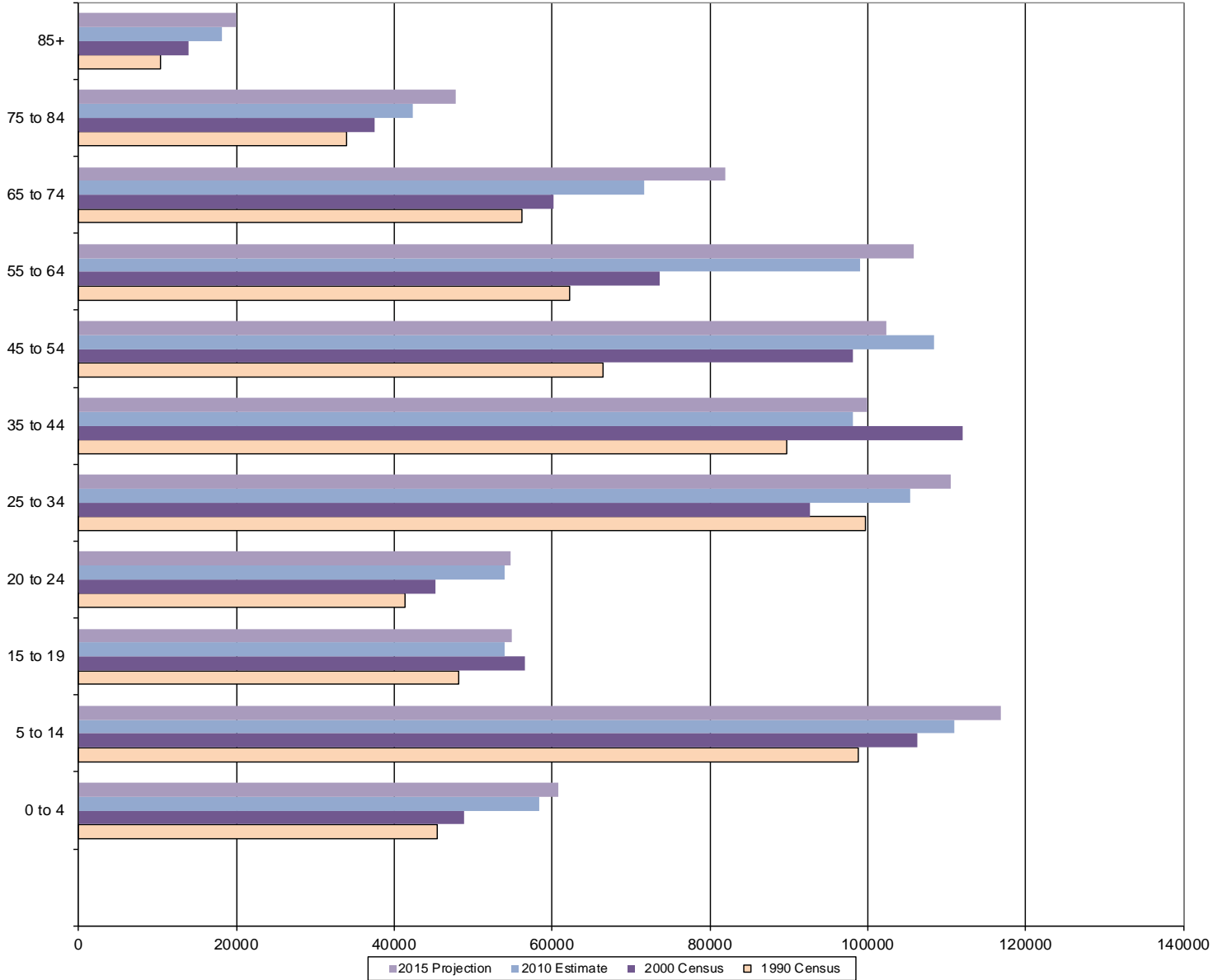


**EAST TEXAS COUNCIL OF GOVERNMENTS  
TOTAL POPULATION AGE HISTORICAL AND PROJECTED  
1990 AND 2000 CENSUS, 2010 ESTIMATE AND 2015 PROJECTION**

Age Group	1990 Census		2000 Census		2010 Estimate		2015 Projection		Percent Change	
									1990 to 2000	2010 to 2015
0 to 4	45,463	7.00%	48,866	6.60%	58,376	7.10%	60,873	7.10%	7.50%	4.28%
5 to 14	98,741	15.10%	106,354	14.30%	110,956	13.50%	116,926	13.70%	7.70%	5.38%
15 to 19	48,123	7.40%	56,640	7.60%	54,044	6.60%	54,899	6.40%	17.70%	1.58%
20 to 24	41,376	6.30%	45,203	6.10%	54,066	6.60%	54,828	6.40%	9.20%	1.41%
25 to 34	99,693	15.30%	92,684	12.40%	105,447	12.80%	110,561	12.90%	-7.00%	4.85%
35 to 44	89,690	13.70%	112,034	15.00%	98,096	12.00%	99,950	11.70%	24.90%	1.89%
45 to 54	66,524	10.20%	98,062	13.20%	108,473	13.20%	102,333	12.00%	47.40%	-5.66%
55 to 64	62,307	9.60%	73,642	9.80%	98,998	12.10%	105,775	12.30%	18.20%	6.85%
65 to 74	56,244	8.60%	60,225	8.10%	71,641	8.70%	81,890	9.60%	7.10%	14.31%
75 to 84	33,967	5.20%	37,572	5.00%	42,308	5.20%	47,828	5.60%	10.60%	13.05%
85+	10,331	1.60%	13,898	1.90%	18,218	2.20%	20,008	2.30%	34.50%	9.83%

Source: [www.sitesontexas.com](http://www.sitesontexas.com)

**EAST TEXAS COUNCIL OF GOVERNMENTS  
POPULATION AGE HISTORICAL AND PROJECTED  
1990 AND 2000 CENSUS, 2010 ESTIMATE AND 2015 PROJECTION**



**EAST TEXAS COUNCIL OF GOVERNMENTS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population <sub>1</sub></b>	<b>Personal Income (in thousands) <sub>2</sub></b>	<b>Per Capita Personal Income <sub>3</sub></b>	<b>Gross Sales All Industries <sub>4</sub></b>	<b>Gross Sales, All Industries Subject to State Tax <sub>5</sub></b>	<b>Total Employed <sub>6</sub></b>	<b>Unemployment Rate <sub>7</sub></b>
2011	829,749	30,193,049	34,234	33,057,865,817	7,974,450,208	375,267	7.7
2010	829,749	28,477,457	32,498	26,929,757,046	7,474,171,443	366,120	8.1
2009	818,419	28,166,903	32,259	28,551,351,095	7,360,082,097	363,877	8.2
2008	813,838	26,600,303	30,837	33,721,469,950	8,367,733,943	370,310	4.9
2007	801,389	25,079,286	29,252	31,510,488,251	7,747,288,124	365,148	4.4
2006	759,774	23,708,065	27,826	27,784,135,121	7,278,104,246	362,951	4.9
2005	757,082	21,786,493	25,658	25,661,141,470	6,576,967,019	356,260	5.3
2004	754,330	20,593,617	22,337	22,635,455,313	6,042,674,290	352,357	5.1
2003	751,642	19,383,744	21,392	21,297,054,428	5,545,857,086	343,323	6.1
2002	749,245	18,621,654	20,886	18,021,691,968	5,362,595,811	334,357	5.8

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

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

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

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

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

6: Texas Workforce Commission and US Bureau of Labor Statistics

7: Texas Workforce Commission, Annual Average and US Bureau of Labor Statistics

**EAST TEXAS COUNCIL OF GOVERNMENTS  
PRINCIPAL EMPLOYERS 1000+ EMPLOYEES  
SEPTEMBER 30, 2012 AND SEVEN YEARS AGO**

<b>Company Information</b>	<b>Employees 2005</b>	<b>Employees 2012</b>	<b>% of Total Employment</b>	<b>Difference 2005-2012</b>	<b>Percent Difference 2005-2012</b>
<b><u>Brookshire Grocery CO</u></b> 1600 W Southwest Loop 323 Tyler, TX 75701-8500 Smith County	2,500	2,522	11%	22	0%
<b><u>Eastman Chemical CO</u></b> 300 Kodak Blvd Longview, TX 75602 Gregg County	1,500	1,477	7%	(23)	0%
<b><u>ETMC Regional Healthcare Syst</u></b> 1000 S Beckham Ave Tyler, TX 75701-1908 Smith County	3,217	3,238	15%	21	-1%
<b><u>Good Shepherd Medical Center</u></b> 700 E Marshall Ave Longview, TX 75601-5572 Gregg County	2,765	3,000	13%	235	0%
<b><u>Le Tourneau Technologies</u></b> 2400 S Macarthur St Longview, TX 75602 Gregg County	1,500	1,500	7%	-	0%
<b><u>Rusk State Hospital</u></b> 1601 Hwy 69 N Rusk, TX 75785 Cherokee County	1,013	1,000	4%	(13)	0%
<b><u>Trane Residential Systems</u></b> 6200 Troup Hwy Tyler, TX 75707-1948 Smith County	1,500	1,500	7%	-	0%
<b><u>Trinity Mother Frances</u></b> 536 S Beckham Ave. Tyler, TX 75702 800 E Dawson St. Tyler, TX 75701 520 Douglas Blvd. #2 Tyler, TX 75702 Smith County	3,657	4,000	18%	343	1%
<b><u>University of Texas Health Center</u></b> 11937 US Hwy 271 Tyler, TX 75708-3154 Smith County	1,001	1,094	5%	93	0%
<b><u>Walmart</u></b> 11937 US Hwy 271 Tyler, TX 75708-3154 Smith County	2,500	2,918	13%	418	1%

Note: Information from nine years ago is not available.

Source:

: <http://socrates.cdr.state.tx.us>

: [http://www.tedc.org/profile/pro\\_workforce.phpsocrates.cdr.state.tx.us](http://www.tedc.org/profile/pro_workforce.phpsocrates.cdr.state.tx.us)

: [http://longviewusa.com/major\\_employers](http://longviewusa.com/major_employers)

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

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General Government	9.27	8.84	8.23	8.81	9.57	14.43	13.64	16.89	21.54	21.23
Workforce	21.58	22.05	21.49	22.01	22.01	25.74	23.11	21.27	27.76	29.30
Housing & Urban Development	0.49	0.48	0.47	0.35	0.50	0.35	0.41	0.36	0.85	0.87
Emergency Communications	3.16	3.12	5.86	5.48	6.51	8.28	9.08	7.13	9.10	9.10
Economic Development	2.56	1.88	1.73	2.41	1.58	2.23	2.29	1.55	3.54	1.91
Environmental Quality	3.13	3.11	3.24	2.99	2.48	2.92	3.15	3.00	2.88	2.34
Area Agency on Aging	10.11	9.16	8.06	9.79	9.75	10.34	11.30	11.01	14.12	15.46
Transportation	0.98	1.72	2.08	1.76	3.77	23.45	20.44	26.84	45.44	44.16
Homeland Security	0.05	1.33	3.63	3.94	2.77	2.34	2.00	1.67	2.98	3.17
Criminal Justice	1.40	1.20	1.03	1.05	0.92	1.36	1.49	1.77	2.06	1.76
Health & Human Services	-	-	-	0.08	0.07	0.15	0.03	1.49	-	-

**EAST TEXAS COUNCIL OF GOVERNMENTS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

<u>Workforce Development</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Number of Children Served	7,171	7,545	8,062	8,393	8,853	8,895	7,703	8,412	8,815	7,737
Total Population Served at Workforce Centers	78,344	84,197	91,185	84,844	74,662	65,443	76,551	75,915	69,337	58,827
WIA Adults Served	689	764	924	540	368	358	311	336	335	514
WIA Adults Entering Employment	288	241	302	282	147	122	97	63	296	170
WIA Dislocated Workers Served	191	805	616	166	280	595	731	876	789	475
WIA Dislocated Workers Entering Employment	61	195	390	98	100	129	144	237	353	218
WIA Youth Served	502	604	596	235	170	140	703	164	421	247
WIA Youth Entering Employment	77	58	161	86	65	35	24	35	40	-
TANF Participants Served	4,200	3,401	2,370	1,664	1,507	990	956	840	789	772
TANF Participants Entering Employment	2,235	1,926	1,326	955	910	625	491	407	412	381
Food Stamp Participants Served	849	752	573	456	371	526	575	875	837	996
Food Stamp Participants Entering Employment	446	394	350	308	256	334	260	393	401	468
Reintegrated Offenders (RIO) Served	1,934	2,392	2,583	2,160	1,785	2,280	2,823	2,647	2,479	965
RIO Secured Employment	1,014	1,181	1,394	1,309	1,185	1,277	1,289	1,295	1,304	545

<u>Aging</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Information & Referral	n/a	n/a	3,662	5,602	3,993	5,214	3,300	3,533	3,232	1,855
Care Coordination	1,344	1,498	1,040	1,176	1,899	1,493	1,550	1,685	1,695	1,862
Legal Assistance over 60	241	233	160	512	230	117	210	384	702	741
Legal Awareness	n/a	n/a	2,439	8,537	1,972	1,528	1,549	1,857	1,719	785
Caregiver Education & Training	216	1,611	37	677	49	151	46	-	-	-
Caregiver Support Coordination	1,379	1,139	955	1,018	1,294	1,652	1,585	1,980	1,446	1,456
Congregate Meals	168,601	156,201	130,984	107,584	99,489	93,892	97,724	111,803	107,297	93,342
Home Delivered Meals	398,477	377,329	399,365	401,399	429,580	447,348	355,849	411,333	396,805	347,609
Transportation	31,528	27,599	28,602	20,088	20,504	21,607	23,187	23,084	23,025	23,089
Residential Repairs	196	79	85	97	133	150	141	45	18	28
Homemaker	11,516	11,444	10,104	10,339	10,580	8,003	6,093	7,470	5,767	8,182
Personal Assistance	2,948	2,713	1,408	1,120	1,485	695	855	845	458	1,224
Health Maintenance	112	61	57	68	46	66	42	18	35	18
Health Screening	17	74	n/a	219	336	432	170	90	137	223
Nutrition Education	n/a	n/a	n/a	292	145	255	255	183	164	369
Emergency Response	459	495	485	456	436	362	375	421	452	440
Adult Day Care	1,230	1,273	1,030	1,190	474	52	174	258	451	536
Caregiver Respite in Home	26,416	15,704	14,929	12,715	12,453	12,175	8,936	9,455	6,695	8,183
Caregiver Respite Institutional	4,128	5,136	3,672	5,832	7,608	4,032	1,368	3,464	2,832	2,328
Instruction & Training	n/a	n/a	347	375	n/a	365	372	460	476	460
Participant Assessment	304	366	243	378	376	351	447	334	77	74
Caregiver Information Services	-	-	-	222	819	593	195	420	1,840	17,483

<u>Criminal Justice</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Peace Officers Receiving Training	3,217	3,476	1,888	1,733	1,660	2,217	2,776	3,029	3,705	3,725

<u>Emergency Communications</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Calls Received	158,909	123,716	179,974	193,090	187,025	191,642	209,353	203,024	230,658	130,586

<u>Transportation</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Number of Trips	37,174	26,567	27,737	39,962	53,038	81,013	106,483	110,828	159,460	160,417

<u>Environmental Quality</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Tons of Material Diverted	111	393	393	500	500	543	525	843	1,607	1,185
Total Number of Illegal Dump Sites Cleaned Up	97	774	775	693	692	566	810	206	430	88

<u>Economic Development/Housing &amp; Urban Dev.</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debentures Funded	14	14	14	21	20	24	23	28	33	37
Actual Job Retention from Debentures Funded	308	216	388	439	402	425	397	491	452	471

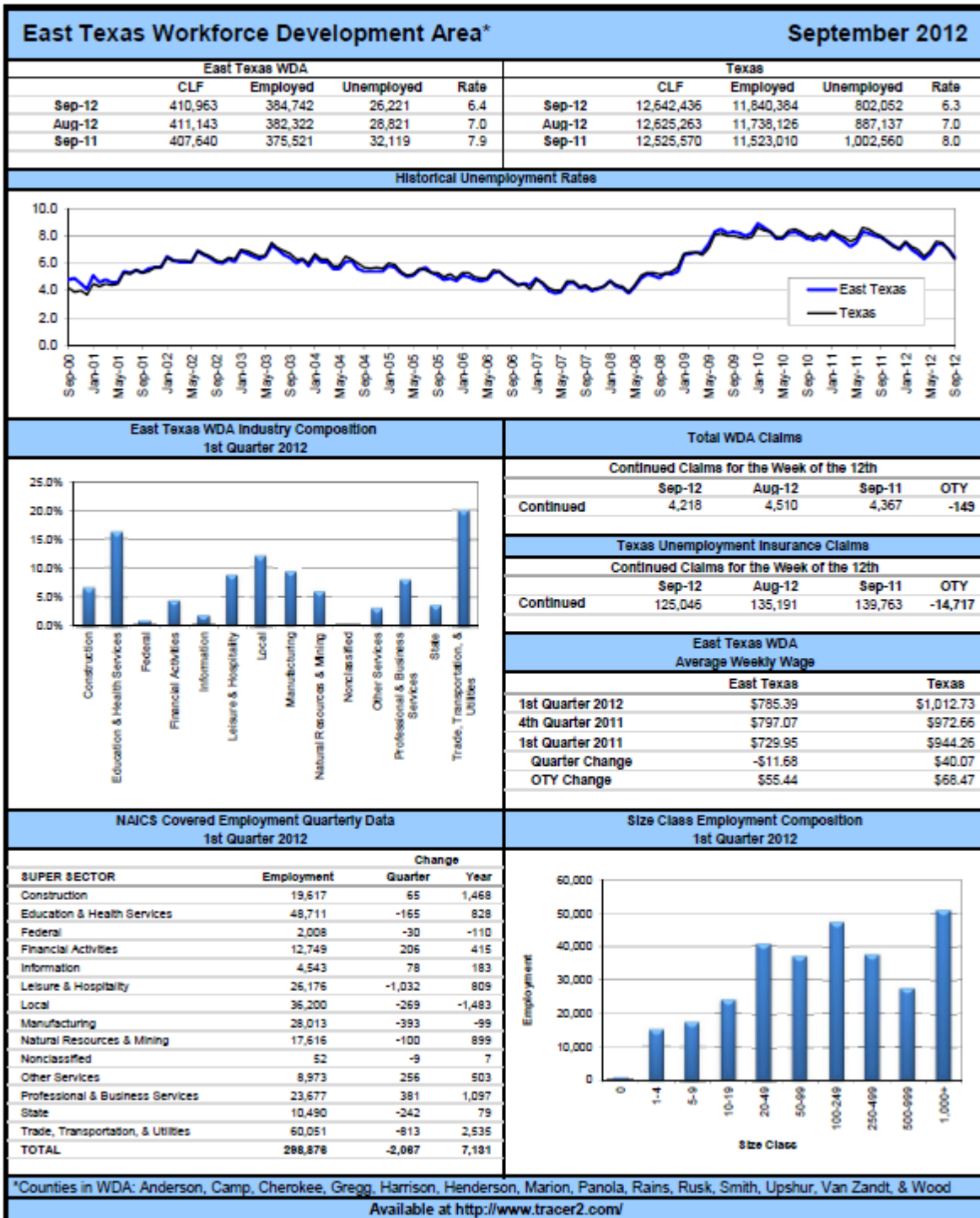
**EAST TEXAS COUNCIL OF GOVERNMENTS  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>General Government</u></b>										
Buildings	0.59	0.59	0.59	0.59	0.59	0.59	1	1	1	1
Office Equipment	-	-	1	1	1	1	11	11	11	11
Vehicles	-	-	-	-	-	-	8	9	9	9
<b><u>Workforce Development</u></b>										
Office Equipment	1	1	1	1	1	1	1	2	2	2
Building Improvements/Signage	-	-	-	-	-	1	1	1	1	1
Mobile Unit	-	-	-	-	-	1	1	1	1	1
<b><u>Emergency Communications</u></b>										
PSAP Equipment	21	23	26	26	25	25	22	22	22	17
Network Communications Equip	-	-	-	-	-	-	-	-	-	1
Recorders	-	-	-	-	-	5	5	5	5	5
Office Equipment	-	-	-	-	1	2	8	8	8	8
<b><u>Economic Development</u></b>										
Office Equipment	1	1	-	-	-	-	-	-	-	-
<b><u>Aging</u></b>										
Buildings	1	1	2.41	2.41	2.41	2.41	2.41	2.41	2.41	1.41
Transportation Vans	3	3	3	3	3	11	15	14	8	9
Office Equipment	1	1	2	1	1	7	6	6	6	6
<b><u>Transportation</u></b>										
Transportation Vans	13	17	18	33	33	38	50	59	60	63
Digital Dispatch Equipment	-	-	-	-	1	1	1	1	1	1
Office Equipment	1	1	1	1	1	1	1	1	1	-
<b><u>Homeland Security</u></b>										
Office Equipment	-	2	6	9	9	9	-	-	-	-

Note: Assets in excess of \$5,000

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

**EAST TEXAS COUNCIL OF GOVERNMENTS  
EAST TEXAS WORKFORCE DEVELOPMENT AREA**



\*Counties in WDA: Anderson, Camp, Cherokee, Gregg, Harrison, Henderson, Marion, Panola, Rains, Rusk, Smith, Upshur, Van Zandt, & Wood



**SINGLE AUDIT SECTION**

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

To the Board of Directors  
East Texas Council of Governments

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the East Texas Council of Governments (the Council) as of and for the year ended September 30, 2012, which collectively comprise the Council's basic financial statements and have issued our report thereon dated April 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

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

East Texas Council of Governments

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

*Weaver and Tidwell LLP*

WEAVER AND TIDWELL, L.L.P.

April 3, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE OF  
TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

Board of Directors  
East Texas Council of Governments  
Kilgore, Texas

Compliance

We have audited East Texas Council of Governments' (the Council) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and grant agreements that could have a direct and material effect on each of the Council's major federal and state programs for the year ended September 30, 2012. The Council's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the State of Texas Uniform Grant Management Standards (UGMS). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal and state program occurred. An audit includes examining on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012.

Internal Control Over Compliance

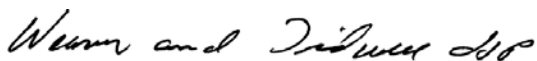
Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the Council's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Council's compliance but not provide an opinion on the effectiveness of the Council's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Council's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas

April 3, 2013

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Awards:			
<u>U.S. Department of Agriculture</u>			
Passed through Texas Workforce Commission:			
Supplemental Nutrition Assistance Program 10/31/12	10.561	0812SNE000	\$ 418,091
Supplemental Nutrition Assistance Program 10/31/11	10.561	0811SNE000	12,006
Supplemental Nutrition Assistance ABAWD 10/31/12	10.561	0812SNA000	250,812
Supplemental Nutrition Assistance ABAWD 10/31/11	10.561	0811SNA000	158
Total Passed through Texas Workforce Commission			<u>681,067</u>
Total U.S. Department of Agriculture			<u>681,067</u>
<u>U.S. Department of Commerce</u>			
Passed through Economic Development Administration:			
District Planning Assistance Program 12/31/14	11.302	08-83-04740	29,668
District Planning Assistance Program 12/31/11	11.302	08-83-04337	31,653
Total Passed through Economic Development Administration			<u>61,321</u>
Total U.S. Department of Commerce			<u>61,321</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Rural Affairs:			
Texas Community Development Program 8/31/13	14.228	C712213	14
Texas Community Development Program 8/31/12	14.228	C711213	13,492
Total Passed through Texas Department of Rural Affairs			<u>13,506</u>
Passed through Texas Department of Housing and Community Affairs:			
Housing Repair 5/21/12	14.228	1001208	(28,435)
Housing Repair 9/30/12	14.228	70090002	16,401
Total Passed through Texas Department of Housing and Community Affairs:			<u>(12,034)</u>
Total U.S. Department of Housing and Urban Development			<u>1,472</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards: (Continued)			
<u>U.S. Department of Justice</u>			
Passed through the Governor's Office Criminal Justice Division:			
Regional Juvenile Detention Program 8/31/12	16.540	JA-11-J20-14235-13	\$ 47,301
Total Passed through the Governor's Office Criminal Justice Division			<u>47,301</u>
Total U.S. Department of Justice			<u>47,301</u>
<u>U.S. Department of Labor</u>			
Passed through Texas Workforce Commission:			
Employment Services 12/31/12	17.207	0812WPA000	273,767
Employment Services 3/31/12	17.207	0811WPA000	<u>173,225</u>
Subtotal 17.207			446,992
Emergency Unemployment Comensation 12/31/12	17.225	0812EUC000	<u>60,366</u>
Subtotal 17.255			60,366
Trade Act 10/31/12	17.245	0812TRA000	457,077
Trade Act 10/31/11	17.245	0811TRA000	13,807
Trade Act 10/31/10	17.245	0810TRA000	<u>(8,944)</u>
Subtotal 17.245			461,940
WIA Statewide Alternative 10/31/11	17.258/259/260	0810WSA000	1,545
WIA Adult 6/30/14	17.258	0812WIA000	38,574
WIA Adult 6/30/13	17.258	0811WIA000	1,207,113
WIA Adult 6/30/12	17.258	0810WIA000	49,715
Disability Navigator Initiative 10/31/12	17.258	0812DNI000	<u>27,496</u>
Subtotal 17.258			1,324,443
Disability Navigator Initiative 10/31/12	17.259	0812DNI000	1,447
Disability Navigator Initiative 10/31/11	17.259	0811DNI000	124
WIA Youth 6/30/14	17.259	0812WIY000	86,333
WIA Youth 6/30/13	17.259	0811WIY000	1,178,517
WIA Youth 6/30/12	17.259	0810WIY000	95,964
WIA Statewide Alternative 12/31/11	17.259	0811AYD000	<u>93,222</u>
Subtotal 17.259			1,455,607
NEG Hurricane Ike 12/31/12	17.260	0810NEG000	226,955
ARRA Rapid Response 12/31/10	17.260	0809XRR000	(57,066)
Disability Navigator Initiative 10/31/11	17.260	0811DNI000	<u>1,453</u>
Subtotal 17.260			171,342



**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards: (Continued)			
<u>U.S. Department of Labor (Continued)</u>			
Passed through Texas Workforce Commission (Continued):			
WIA Dislocated Worker 6/30/14	17.278	0812WID000	\$ (503)
WIA Dislocated Worker 6/30/13	17.278	0811WID000	1,397,132
WIA Dislocated Worker 6/30/12	17.278	0810WID000	137,336
Subtotal 17.278			<u>1,533,965</u>
Total Passed through Texas Workforce Commission			<u>5,454,655</u>
Total U.S. Department of Labor			<u>5,454,655</u>
<u>U.S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
Rural Transportation 8/31/13	20.509	51210F7214	993,430
Rural Transportation 8/31/12	20.509	51110F7191	733,457
Job Access and Reverse Commute Urban 8/31/13	20.509	51210F7242	36,040
Job Access and Reverse Commute Urban 8/31/13	20.509	51210F7243	443
Capital 6/15/12	20.509	51010F7098	690,110
Vehicles 8/31/12	20.509	51110F7158	330,000
Subtotal 20.509			<u>2,783,480</u>
Elderly & Disabled Atlanta & Tyler District 8/31/13	20.513	51210F7185	55,498
Elderly & Disabled Atlanta & Tyler District 8/31/12	20.513	51110F7277	167,125
Subtotal 20.513			<u>222,623</u>
Regionally Coordinated Transportation Planning 8/31/12	20.515	51210F7113	58,835
Call Center 2/28/13	20.515	51210F7129	44,823
Subtotal 20.515			<u>103,658</u>
Job Access and Reverse Commute Urban 5/31/13	20.516	51110F7111	2,120
Job Access and Reverse Commute Urban 5/31/13	20.516	51110F7101	4,572
Job Access and Reverse Commute Non-Urban 5/31/12	20.516	51010F7178	4,387
Subtotal 20.516			<u>11,079</u>
New Freedom 5/31/13	20.521	51110F7085	39,295
New Freedom 1/31/13	20.521	51010F7074	7,568
Subtotal 20.521			<u>46,863</u>
Total Passed through Texas Dept. of Transportation			<u>3,167,703</u>
Total U.S. Department of Transportation			<u>3,167,703</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Awards: (Continued)			
<u>U.S. Department of Energy</u>			
Passed through State Energy Conservation Office:			
Clean Cities	81.119	DE-AC26-04NT41817	\$ 2,743
Total Passed through State Energy Conservation Office			<u>2,743</u>
Total U.S. Department of Energy			<u>2,743</u>
 <u>U.S. Department of Health and Human Services</u>			
Passed through Texas Department of Aging and Disability Services:			
Title VII Elder Abuse 9/30/12	93.041	N/A	13,459
Title VII Ombudsman Services 9/30/12	93.042	N/A	61,711
Title III Part D 9/30/12	93.043	N/A	48,520
Title III Part B 9/30/12	93.044	N/A	901,467
SUA Title III Part B 9/30/12	93.044	N/A	70,832
Subtotal 93.044			<u>972,299</u>
Title III Part C1 9/30/12	93.045	N/A	557,943
SUA Title III C1 9/30/12	93.045	N/A	90,279
Title III Part C2 9/30/12	93.045	N/A	1,016,653
Subtotal 93.045			<u>1,664,875</u>
Title III Part E 9/30/12	93.052	N/A	406,465
SUA Title III E 9/30/12	93.052	N/A	22,922
Subtotal 93.052			<u>429,387</u>
Nutrition Service Incentive Program 9/30/12	93.053	N/A	350,041
CMS Basic 3/31/13	93.779	N/A	38,889
CMS Basic 3/31/12	93.779	N/A	64,846
Subtotal 93.779			<u>103,735</u>
Total Passed through Texas Department of Aging and Disability Services			<u>3,644,027</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards: (Continued)			
<u>U.S. Department of Health and Human Services (Continued)</u>			
Passed through Texas Workforce Commission:			
Disability Navigator Initiative 10/31/12	93.558	0812DNI000	\$ 28,943
Disability Navigator Initiative 10/31/11	93.558	0811DNI000	1,576
TANF 10/31/12	93.558	0812TAN000	1,392,863
TANF 10/31/11	93.558	0811TAN000	105,212
TANF 10/31/10	93.558	0810TAN000	(17,751)
Non Custodial Parent 9/30/12	93.558	0812NCP000	238,979
Non Custodial Parent 9/30/13	93.558	0813NCP000	3,958
Subtotal 93.558			<u>1,753,780</u>
Childcare Attendance Automation System 9/30/12	93.575	0812CAA000	123,450
Childcare 10/31/12	93.575	0812CCF000	6,102,345
Childcare 10/31/11	93.575	0811CCF000	29,130
Subtotal 93.575			<u>6,254,925</u>
Childcare 10/31/12	93.596	0812CCF000	4,430,400
Childcare 10/31/11	93.596	0811CCF000	62,704
Childcare Local Match 12/31/12	93.596	0812CCM000	513,447
Childcare Local Match 12/31/11	93.596	0811CCM000	1,691,893
Subtotal 93.596			<u>6,698,444</u>
Childcare 10/31/12	93.667	0812CCF000	58,483
Childcare 10/31/11	93.667	0811CCF000	820
Subtotal 93.667			<u>59,303</u>
ARRA Back to Work 5/13/12	93.714	0810BTW000	159,057
Total Passed through Texas Workforce Commission			<u>14,925,509</u>
Total U.S. Department of Health and Human Services			<u>18,569,536</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the Office of the Governor, Division of Emergency Management:			
Interoperable Emergency Communications 8/31/12	97.055	2010-IP-T0-0005	5,119
Homeland Security 4/30/14	97.073	2012-SS-00018	140,000
Homeland Security 11/30/13	97.073	2011-SS-00019	30
Homeland Security 3/31/13	97.073	2010-SS-T0-0008	181,815
Homeland Security 4/15/12	97.073	2009-SS-T9-0064	104,676
Homeland Security 1/31/12	97.073	2008-GE-T8-0034	26,198
Subtotal 97.073			<u>452,719</u>
Total Passed through the Office of the Governor, Division of Emergency Management			<u>457,838</u>
Total U.S. Department of Homeland Security			<u>457,838</u>
Total Federal Awards			<u>\$ 28,443,636</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>State Awards:</u>		
<u>Texas Department of Aging and Disability Services:</u>		
State General Revenue 9/30/12	N/A	\$ 129,140
State General Revenue Title III E 9/30/12	N/A	60,000
State General Revenue Additional 9/30/12	N/A	12,414
Total Texas Department of Aging and Disability Services		<u>201,554</u>
 <u>Office of the Governor, Criminal Justice Division:</u>		
Police Training 8/31/13	SF-12-A10-14265-12	203,013
Criminal Justice Planning 8/31/13	SF-13-197-14386-13	5,178
Criminal Justice Planning 8/31/12	SF-12-197-14386-12	47,864
Criminal Justice Planning 8/31/11	SF-11-197-14386-11	7,656
Regional Evaluation Services for Juveniles 8/31/13	SF-13-J20-25417-01	2,201
Total Office of the Governor, Criminal Justice Division		<u>265,912</u>
 <u>Texas Commission on Environmental Quality:</u>		
Solid Waste 8/31/13	582-12-10150	85,067
Solid Waste 2/28/13	582-10-91884	56,659
Air Quality 12/31/13	582-11-11222	467,870
Total Texas Commission on Environmental Quality		<u>609,596</u>
 <u>Commission on State Emergency Communications:</u>		
9-1-1 8/31/13	N/A	121,773
9-1-1 8/31/12	N/A	1,150,592
9-1-1 8/31/11	N/A	794,481
Total Commission on State Emergency Communications		<u>2,066,846</u>
 <u>Texas Department of Transportation:</u>		
Rural Transportation 8/31/13	51310F7015	228,182
Rural Transportation 8/31/12	51210F7016	959,544
Total Texas Department of Transportation		<u>1,187,726</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Grantor's Number	Expenditures
State Awards: (Continued)		
<u>Texas Workforce Commission:</u>		
Childcare DFPS 8/31/12	0812CCP000	\$ 1,279,625
Childcare 10/31/12	0812CCF000	1,729,214
Childcare 10/31/11	0811CCF000	26,779
Supplemental Nutrition Assistance Program 10/31/12	0812SNE000	134,673
Supplemental Nutrition Assistance Program 10/31/11	0811SNE000	5,852
TANF 10/31/12	0812TAN000	136,657
TANF 10/31/11	0811TAN000	8,960
Project RIO 12/31/11	0811RIO000	34,776
Back to Work 2/28/13	0812BTW000	347,047
Back to Work 5/31/12	0810BTW000	56,397
Total Texas Workforce Commission		<u>3,759,980</u>
<u>Texas Veterans Commission:</u>		
Veterans Services 9/30/12	N/A	44,735
Total Texas Veterans Commission		<u>44,735</u>
Total State Awards		<u>\$ 8,136,349</u>
Total Federal and State Awards		<u>\$ 36,579,985</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**NOTE 1. GENERAL**

The Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards programs of East Texas Council of Governments (the Council). The Council's reporting entity is defined in Note 1 of the basic financial statements. Federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal and State Awards.

**NOTE 2. BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and the State of Texas Single Audit Circular. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3. NEGATIVE AMOUNTS**

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

**NOTE 4. PASS-THROUGH EXPENDITURES**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
<b>Federal Awards:</b>		
Supplemental Nutrition Assistance Program 10/31/12	10.561	\$ 503,096
Supplemental Nutrition Assistance Program 10/31/11	10.561	17,858
Supplemental Nutrition Assistance ABAWD 10/31/12	10.561	223,785
Housing Repair 5/21/12	14.228	23,686
Housing Repair 9/30/12	14.228	93,867
Regional Juvenile Detention Program 8/31/11	16.540	36,501
Employment Services 12/31/12	17.207	245,185
Employment Services 3/31/12	17.207	155,325
Employment Unemployment Compensation 12/31/12	17.225	50,569
Trade Act 10/31/12	17.245	378,985

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**NOTE 4. PASS-THROUGH EXPENDITURES – CONTINUED**

Trade Act 10/31/11	17.245	12,176
Trade Act 10/31/10	17.245	(8,944)
WIA Adult 6/30/13	17.258	997,336
WIA Adult 6/30/12	17.258	17,214
Disability Navigator Initiative 10/31/12	17.258	26,173
WIA Youth 6/30/14	17.259	50,710
WIA Youth 6/30/13	17.259	1,052,889
WIA Youth 6/30/12	17.259	91,619
WIA Statewide Alternative 12/31/11	17.259	45,872
Disability Navigator Initiative 10/31/12	17.259	1,377
Disability Navigator Initiative 10/31/11	17.259	114
NEG Hurricane Ike 12/31/12	17.260	200,791
Disability Navigator Initiative 10/31/11	17.260	1,332
WIA Dislocated Worker 6/30/13	17.260	1,138,065
WIA Dislocated Worker 6/30/12	17.260	42,320
ARRA Rapid Response 12/31/10	17.260	(57,066)
Title III Part D 9/30/12	93.043	58,990
Title III Part B 9/30/12	93.044	360,810
SUA Title III B 9/30/12	93.044	15,575
Title III Part C1 9/30/12	93.045	380,242
SUA III C1 9/30/12	93.045	51,883
Title III Part C2 9/30/12	93.045	973,642
Title III Part E 9/30/12	93.052	284,994
SUA III E 9/30/12	93.052	13,691
Nutrition Service Incentive Program 9/30/12	93.053	350,041
Disability Navigator Initiative 10/31/12	93.558	27,552
Disability Navigator Initiative 10/31/11	93.558	1,444
TANF 10/31/12	93.558	1,252,948
TANF 10/31/11	93.558	95,459
TANF 10/31/10	93.558	(17,751)
Non Custodial Parent 9/30/13	93.558	3,466
Non Custodial Parent 9/30/12	93.558	216,917
Childcare Attendance Automation System 9/30/12	93.575	123,449
Childcare 10/31/12	93.575	5,815,377
Childcare 10/31/11	93.575	10,010
Childcare 10/31/12	93.596	4,222,056
Childcare 10/31/11	93.596	21,548
Childcare Local Match 12/31/12	93.596	512,821
Childcare Local Match 12/31/11	93.596	1,628,835
Childcare 10/31/12	93.667	55,733
Childcare 10/31/11	93.667	282
ARRA Back to Work 5/31/12	93.714	155,036

**Total Federal Awards**

\$ 21,955,885

**State Awards:**

Police Training 8/31/13	\$	133,552
9-1-1 Emergency Communications 8/31/13		60,377
9-1-1 Emergency Communications 8/31/12		641,644
9-1-1 Emergency Communications 8/31/11		689,277
Solid Waste 8/31/13		81,299
Air Quality 12/31/13		372,389
Title III Part E 9/30/12		23,896

**EAST TEXAS COUNCIL OF GOVERNMENTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**NOTE 4. PASS-THROUGH EXPENDITURES – CONTINUED**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
<b>State Awards: (Continued)</b>		
Title III Other 9/30/12		\$ 188,296
Title III Additional 9/30/12		12,414
TANF 10/31/11		8,128
TANF 10/31/12		122,930
Childcare DFPS 8/31/12		1,279,625
Childcare 10/31/12		1,647,896
Childcare 10/31/11		9,203
Back to Work 2/28/13		345,221
Back to Work 5/31/12		54,971
Project RIO 12/31/11		31,336
Veterans Services 9/30/12		41,341
		<hr/>
<b>Total State Awards</b>		<b>\$ 5,743,795</b>
		<hr/>
<b>Total Pass-through Federal and State Awards</b>		<b>\$ 27,699,680</b>
		<hr/> <hr/>



**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**Section I-Summary of Auditors' Results**

**BASIC FINANCIAL STATEMENTS:**

An unqualified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_Yes      X  None reported

Noncompliance which is material to the basic financial statements noted? \_\_\_Yes      X  No

**FEDERAL AND STATE AWARDS:**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_Yes      X  None reported

An unqualified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_Yes      X  No

Identification of major programs:

CFDA Number(s)	Name of Federal or State Programs or Cluster
93.575, 93.596	Childcare & Development Cluster
93.044, 93.045, 93.053	Aging Cluster
20.509	Formula Grants for other than Urbanized Areas
State	Childcare
State	911 Services

Dollar threshold used to distinguish  
Between type A and type B federal programs: \$853,309

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

Auditee qualified as low-risk auditee  
for federal single audit?   X   Yes    No

Auditee qualified as low-risk auditee  
for state single audit?   X   Yes    No

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

None

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

None

**EAST TEXAS COUNCIL OF GOVERNMENTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

**None**

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