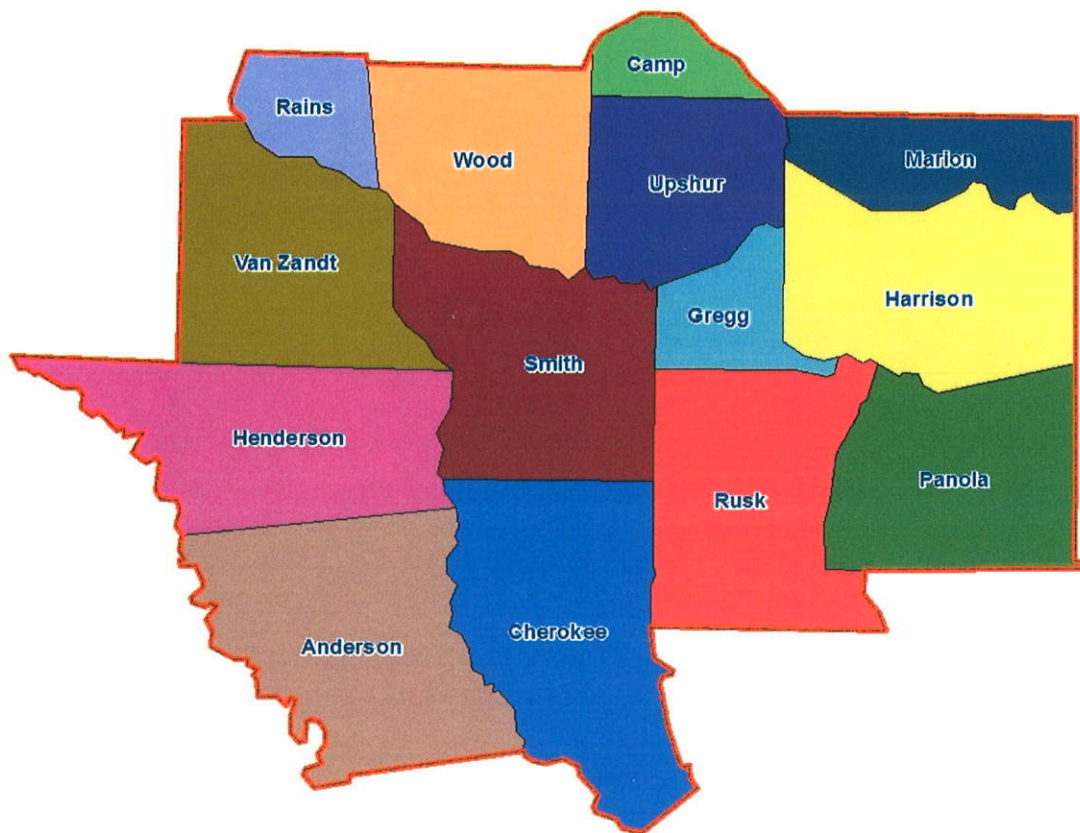




Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
September 30, 2010



March 2011

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

## EAST TEXAS COUNCIL OF GOVERNMENTS

For the Year Ended  
September 30, 2010

Sloane Bodle  
Interim Director of Finance

ETCOG Finance Department  
Elizabeth Jones  
Lynda Bond  
Rhonda Barber

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

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# **INTRODUCTORY SECTION**



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March 18, 2011

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

Dear Ladies and Gentlemen:

The comprehensive annual financial report for the East Texas Council of Governments (ETCOG) for the fiscal year ended September 30, 2010, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with ETCOG's management. We believe the data, as presented, is accurate in all material respects, that it properly reflects the financial position and the results of operations of the Council through the measurement of financial activity of its various funds, and that all disclosures have been made to enable the reader to acquire the maximum understanding of financial affairs concerning ETCOG. These financial statements are presented annually in compliance with Office of Management and Budget's Circular A-133, the Single Audit Act of 1984, as amended, and the Council's Bylaws.

### **REPORT FORMAT**

ETCOG's financial statements have been audited by Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of ETCOG for the fiscal year ended September 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that ETCOG's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **PROFILE OF THE COUNCIL**

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

ETCOG is governed by a Board of 135 delegates from member local governments. The Board of Directors is composed of locally elected officials, members representing county governments, cities, school districts and soil and water conservation districts. The Board of Directors determines policy, while the Executive Committee elected by the Board of Directors is responsible for carrying out that policy. ETCOG's Executive Committee is comprised of local elected officials who meet monthly to provide specific guidance to the Council. During 2010, ETCOG's membership was comprised of the 14 county governments, 73 cities, 25 school districts, and 14 special purpose districts, including all major general-purpose local governments in the region. According to 2010 estimates from the Texas State Data Center, these member governments represented approximately 818,419 citizens and covered an area of 9,722 square miles.

## **FACTORS AFFECTING FINANCIAL CONDITION**

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

## LOCAL ECONOMY

Located just 90 miles east of the Dallas-Fort Worth Metroplex, the 14-county region that comprises East Texas is uniquely positioned for economic growth. The East Texas Workforce Development Area consists of the following counties: Anderson, Camp, Cherokee, Gregg, Harrison, Henderson, Marion, Panola, Rains, Rusk, Smith, Upshur, Van Zandt and Wood. The 2000 census data shows a population of approximately 745,180 persons in the 14 counties covering approximately 10,000 square miles. While 10 of the 14 counties (covering 7,276 square miles) are rural, the region includes two standard metropolitan statistical areas – Tyler (Smith County) and Longview (Gregg County). The Tyler MSA has an estimated 2010 population of 205,983 and the Longview MSA has an estimated 2010 population of 207,080.

The population density for the Workforce Development Area is 80.7 persons per square mile, which is much more concentrated than the western areas of the State. (In comparison, the population density of the Panhandle of Texas in rural counties is about 15.9 persons per square mile.) According to a report by the State Comptrollers Office, “The population of the East Texas region is large enough to create a demand for a wide variety of services and scattered enough to make delivery in a single location problematic.”

Institutionally, East Texas is characterized by local autonomy with continuously increasing economic linkages. All of the counties are affected by the “Interstate Highway 20 Corridor,” which links the East Texas region with Dallas and Shreveport, which are in turn linked with Austin, San Antonio and Houston. There are 14 counties, and 73 cities, 10 of which have populations of 5,000 or more. Tyler and Longview are the economic centers of the region. In particular, Tyler is the leading population center of the region and a retail/marketing hub.

According to economists in the State Comptroller’s Office, the ETCOG Region’s economic outlook is good and growing at a strong and steady rate. The region’s rate of job growth should track with the state’s growth through 2012, with Longview, Texarkana and Tyler experiencing the most growth. Regional industries such as financial services, professional and business services, leisure and hospitality, construction, and educational and health services are expected to realize from 20 to 40 percent job growth by 2012.

The East Texas Workforce Development Area is located in the eastern part of the state. While oil and gas production, manufacturing, lumber/agribusiness, and government remain important, the East Texas economy is becoming more like the state and national economies, whose growth is driven by the services industries, which include low skill, low-wage counter help type jobs, along with high skill, high wage jobs in the office oriented managerial, sales and personal services occupations. In 2010, the East Texas region total employment for all industries was 369,987, with projected growth to 411,120 by the year 2018. That is an expected increase of 41,133, or an 11.1% increase in employment.

## LONG-TERM FINANCIAL PLANNING

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

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

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

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

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

The Council recently organized a Legislative Reception in the capitol to facilitate contact and discussion with state officials by representatives from member agencies. The reception was very well attended and demonstrated an added value for membership in ETCOG. Because ETCOG is mostly federally and state funded, long-term financial planning is difficult. Management has recently drafted a strategic plan aimed at developing ways to pursue additional funding sources in areas such as housing, cooperative purchasing, Information Technology support and various "fee for service" options. An example of one of ETCOG's new fee for service activities is in the Geographic Information Systems (GIS) area. ETCOG added three signed agreements to the two from the previous year, to provide GIS services to a number of our customers who need such support for mapping, land use management and other needs. More agreements will be signed in the current year.

**Risk Management.** ETCOG is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. ETCOG maintains workers' compensation and other risks of loss coverage through the Texas Municipal League Intergovernmental Risk Pool, which is a public entity risk pool. The pool is self-sustaining through member premiums and obtains reinsurance through commercial insurance companies for claims in excess of a specified dollar amount. ETCOG management believes such coverage is sufficient to preclude any significant uninsured losses to ETCOG.

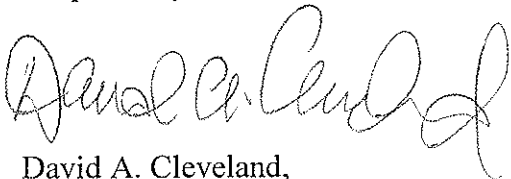
**Cash Management Policies and Practices.** ETCOG's investment policy is to minimize credit and market risks while maintaining a competitive yield on its investments. The Council's deposits are either insured by federal depository insurance or collateralized. Cash temporarily idle during the year was invested in certificates of deposit and the Texas Local Government Investment Pool (TexPool). The Council earned interest revenue of \$27,538 on its investments for the year ended September 30, 2010.

**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, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted.



David A. Cleveland,  
Executive Director

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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, 2009

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



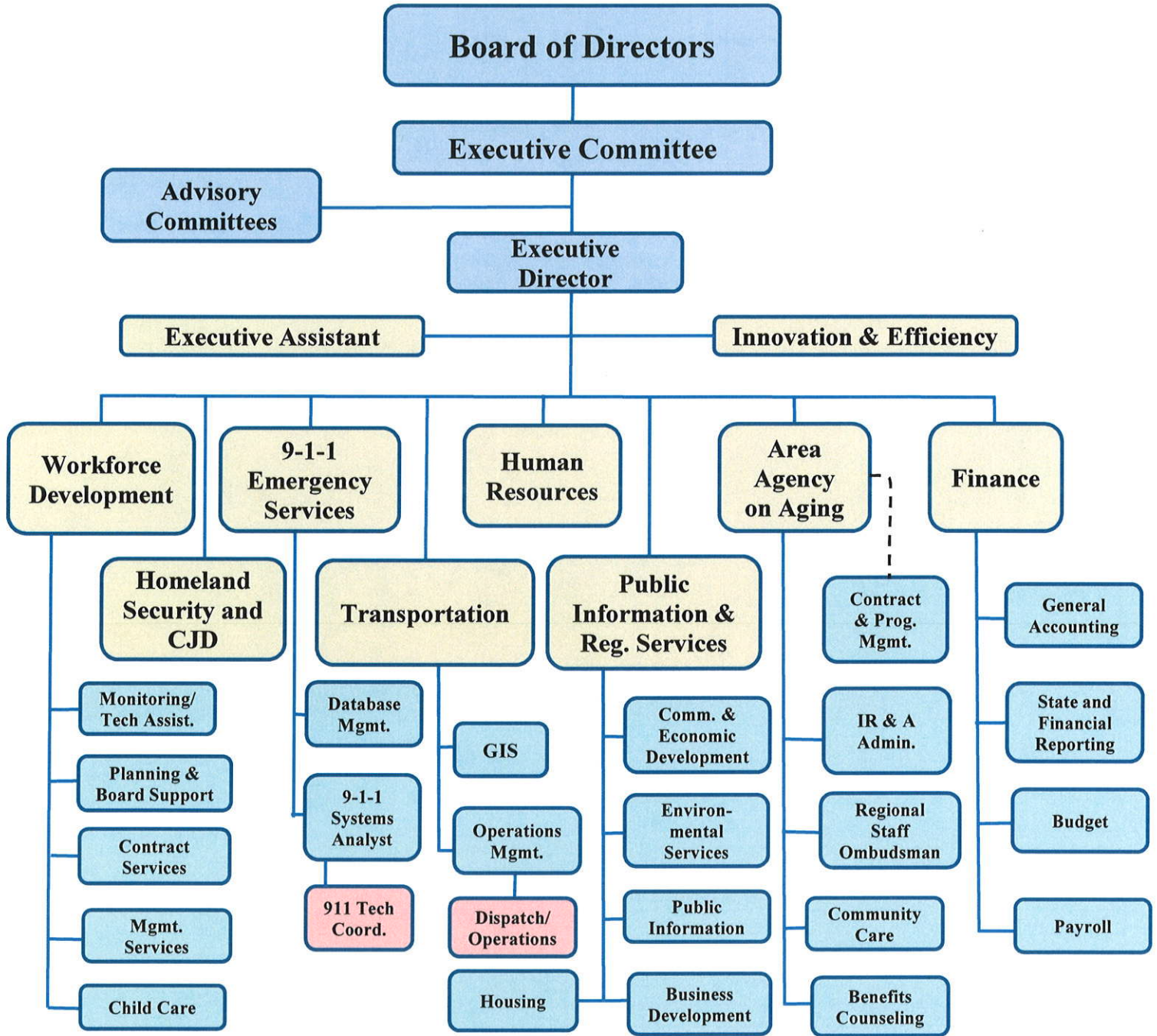
President

Executive Director



# East Texas Council of Governments Organizational Chart

September 30, 2010



# EAST TEXAS COUNCIL OF GOVERNMENTS

## PRINCIPAL OFFICIALS

### OFFICERS OF THE EXECUTIVE COMMITTEE

2010

Cay House

Chairman- Mayor  
City of Emory

JoAnne Hampton

1<sup>st</sup> Vice - Chairman - Commissioner  
Smith County

Robert Nelson

2<sup>nd</sup> Vice - Chairman - Councilman  
City of Lindale

Buddy Ferguson

3<sup>rd</sup> Vice - Chairman - Commissioner  
Upshur County

Angela Raiborn

Secretary - Treasurer - Mayor  
City of Rusk

### ADMINISTRATIVE STAFF

Executive Director

Director of Workforce Development Programs

Director of Area Agency on Aging

Interim Director of Finance

Director of Criminal Justice and Homeland Security

Director of Public Information and Regional Services

Director of 911 Emergency Services

Director of Transportation

Director of Efficiency and Innovation

David Cleveland

Wendell Holcombe

Claude Andrews

Sloane Bodle

Stephanie Heffner

Luke Kimbrough

Carolyn Flores

John Hedrick

Deborah Butts

# EAST TEXAS COUNCIL OF GOVERNMENTS

## MEMBER GOVERNMENTS

SEPTEMBER 30, 2010

### COUNTIES:

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

### CITIES:

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

# EAST TEXAS COUNCIL OF GOVERNMENTS

## MEMBER GOVERNMENTS

SEPTEMBER 30, 2010

### **INDEPENDENT SCHOOL DISTRICTS:**

Athens ISD	Henderson ISD	Overton ISD
Big Sandy ISD	Jefferson ISD	Rains ISD
Carlisle ISD	Laneville ISD	Slocum ISD
Carthage ISD	La Poynor ISD	Tatum ISD
Frankston ISD	Longview ISD	Troup ISD
Gilmer ISD	Mt. Enterprise ISD	Westwood ISD
Gladewater ISD	Neches ISD	Yantis ISD
Grand Saline ISD	New Summerfield ISD	
Harmony ISD	Ore City ISD	

### **SPECIAL PURPOSE DISTRICTS:**

Cherokee County SWCD #427  
Harrison County SWCD #412  
Upshur-Gregg SWCD #417  
Wood County SWCD #444  
Kilgore College  
North Texas Community 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  
Trinity River Authority  
Upper Neches River Municipal Water Authority

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# **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
East Texas Council of Governments

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the East Texas Council of Governments as of and for the year ended September 30, 2010, which collectively comprise the Council's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council, as of September 30, 2010, 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 a report dated March 25, 2011, 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 conjunction with this report in considering the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 18 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 financial statements as a whole. The supplemental schedules on pages 40 and 41 are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular a-133, "*Audits of States, Local Governments and Nonprofit Organizations*," and the State of Texas Uniform Grant Management Standards, issued by the Governor's Office of Budget and Planning, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. 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 it.

*Patillo, Brown & Hill, LLP*

March 25, 2011

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## Management's Discussion and Analysis

As management of the East Texas Council of Governments, we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 – 5 of this report.

### FINANCIAL HIGHLIGHTS

- The assets of East Texas Council of Governments exceeded its liabilities as of September 30, 2010, by \$4,829,600 (net assets). Of this amount, \$1,359,690 (unrestricted net assets) may be used to meet the Council's ongoing obligations.
- The Council's total net assets decreased by \$489,597.
- As of the close of the current fiscal year, East Texas Council of Governments' governmental funds reported combined ending fund balances of \$2,282,005, a decrease of \$215,445 in comparison with the prior year.
- As of September 30, 2010, unreserved and undesignated fund balance for the General Fund was \$1,522,133.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The Statement of Activities presents information showing how the Council's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., earned but unused compensated absences). The government-wide financial statements can be found on pages 19 through 21 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The Council maintains 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 the Grant Fund, which are considered to be 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 22 through 25 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 26 through 28 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 29 through 39 of this report.

**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 40 and 41 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of East Texas Council of Governments, assets exceeded liabilities by \$4,829,600 as of September 30, 2010.

### EAST TEXAS COUNCIL OF GOVERNMENTS' NET ASSETS

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Current assets	\$ 7,106,697	\$ 7,448,541	\$ 12,099	\$ 1,303
Capital assets (net)	3,283,402	3,611,229	-	-
Total assets	<u>10,390,099</u>	<u>11,059,770</u>	<u>12,099</u>	<u>1,303</u>
Long-term liabilities	744,130	789,798	-	-
Other liabilities	4,824,692	4,951,091	3,776	987
Total liabilities	<u>5,568,822</u>	<u>5,740,889</u>	<u>3,776</u>	<u>987</u>
Net assets:				
Invested in capital assets, net of related debt	2,710,038	2,981,450	-	-
Restricted	759,872	857,690	-	-
Unrestricted	<u>1,351,367</u>	<u>1,479,741</u>	<u>8,323</u>	<u>316</u>
Total net assets	<u>\$ 4,821,277</u>	<u>\$ 5,318,881</u>	<u>\$ 8,323</u>	<u>\$ 316</u>

### ANALYSIS OF FINANCIAL POSITION

A fairly large portion of the Council's net assets (56%) reflects its investments in capital assets. The Council uses these assets to provide services; consequently, these assets are not available for spending. Another portion of the Council's net assets (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (28%) of unrestricted net assets may be used to meet the Council's ongoing obligations.

For fiscal year end 2010, 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.

## ANALYSIS OF THE COUNCIL'S OPERATIONS

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

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 46,453,925	\$ 42,976,162	\$ 114,471	\$ 123,886
Charges for services	-	89,678	-	-
General revenues:				
Grants and contributions not restricted to specific programs	169,833	169,945	-	-
Investment earnings	22,078	30,598	-	-
Miscellaneous	61,660	84,039	-	-
Total revenues	<u>46,707,496</u>	<u>43,350,422</u>	<u>114,471</u>	<u>123,886</u>
Expenses after allocation of indirect costs:				
General government	208,546	89,312	-	-
Workforce development	30,749,379	28,645,985	-	-
Aging	5,297,983	5,631,328	-	-
Emergency communications	2,548,455	3,048,141	-	-
Health and human services	2,703,855	179,486	-	-
Environmental quality	962,195	1,058,896	-	-
Transportation	3,600,704	3,290,942	-	-
Homeland security	514,418	262,743	-	-
Criminal justice	480,844	431,004	-	-
Housing and urban development	35,245	20,443	-	-
Economic development	103,476	245,846	-	-
Greyhound	-	-	106,464	117,564
Total expenses	<u>47,205,100</u>	<u>42,904,126</u>	<u>106,464</u>	<u>117,564</u>
Change in net assets	( 497,604)	446,296	8,007	6,322
Net assets, beginning	<u>5,318,881</u>	<u>4,872,585</u>	<u>316</u>	<u>( 6,006)</u>
Net assets, ending	<u>\$ 4,821,277</u>	<u>\$ 5,318,881</u>	<u>\$ 8,323</u>	<u>\$ 316</u>

The Council is 96% percent funded by federal and state grants which determine funding for the region and the availability of services to be provided.

Three of the program expenses that had significant increases by dollar amount represent most of the total increases in expenses between 2009 and 2010. An explanation of each of these increases is provided in the following. They are listed in descending order of magnitude by dollar amount.

Expenses for "Health and Human Services" increased by 1406% (\$2,524,369) between 2009 and 2010. This was due to an increase in Social Security Block Grant Funds provided through Public Law 110-329 to address necessary expenses resulting from hurricanes, floods and natural disasters. The purpose of the SSBG funding was to provide health care and rebuilding needs after hurricanes Katrina and Rita.

Expenses for "Workforce Development" increased by 7% (\$2,103,394). This was mostly due to an increase in ARRA Childcare funding that increased from \$5,826 in 2009 to \$2,822,417 in 2010. The CCDF Direct Care portion of the American Recovery and Reinvestment Act of 2009 provided supplemental funding to preserve and create jobs, promote the nation's economic recovery and assist those most funded by the recession.

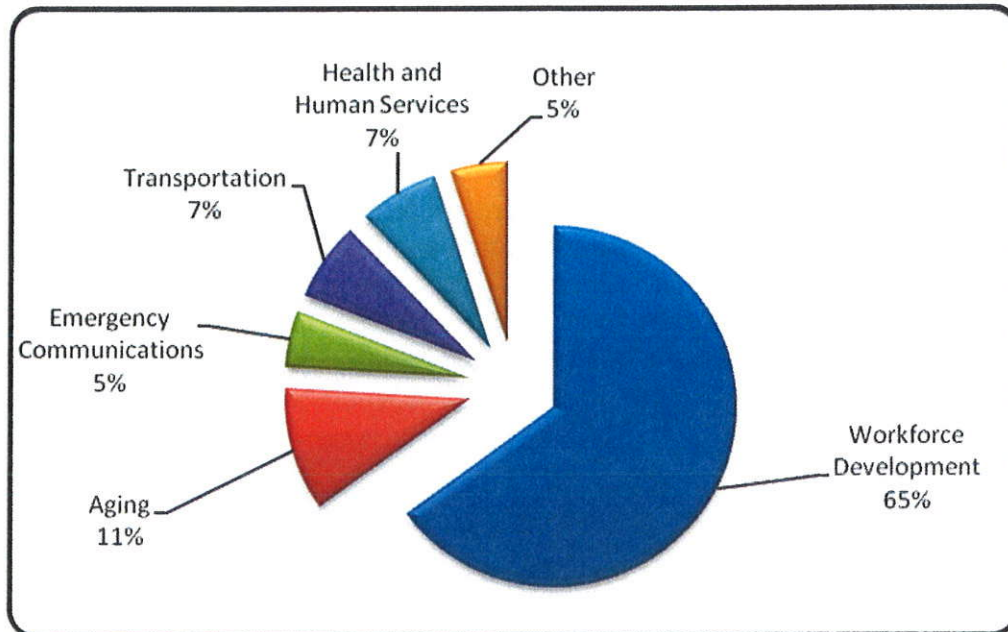
Expenses for “Homeland Security” increased by 96% (\$251,675) between 2009 and 2010. In 2010, a “Code Red” program that is a reverse 9-1-1 service provided to ETCOG counties that issues alerts and notifications of hazards or dangers, was added to program costs for the first time. The annual cost of this program is \$258,977.

### FINANCIAL ANALYSIS OF THE COUNCIL’S FUNDS

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

At the end of the current fiscal year, East Texas Council of Governments’ governmental funds reported combined ending fund balances of \$2,282,005.

#### Governmental Funds Expenditures by Function





## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The East Texas Council of Governments' investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$3,283,402 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment.

Capital Assets as of September 30, 2010:

	<u>2010</u>	<u>2009</u>
Land	\$ 156,879	\$ 156,879
Buildings	1,305,209	1,305,209
Equipment	6,405,251	5,840,835
Less: accumulated depreciation	<u>( 4,583,937)</u>	<u>( 3,691,694)</u>
Total capital assets	<u>\$ 3,283,402</u>	<u>\$ 3,611,229</u>

Additional information on the Council's capital assets can be found in Note 4, page 36 of this report.

Additional information on the Council's long-term debt can be found in Note 4, page 37 – 38 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The East Texas Council of Governments is dependent on federal and state funding, which can vary widely from year to year. The federal economic condition and federal budget deficits can impact the re-authorization of funds available to local governments. The financial plan for the Council is drafted on a project basis, which 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.

### REQUESTS FOR INFORMATION

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

**BASIC  
FINANCIAL STATEMENTS**

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**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
<b>ASSETS</b>				
Cash and investments	\$ 2,496,655	\$ 12,099	\$ 2,508,754	\$ 117,746
Receivables:				
Grantors	3,737,934	-	3,737,934	-
Notes	26,854	-	26,854	-
Other	827,162	-	827,162	30
Internal balances	2,764	( 2,764)	-	-
Due from component unit	15,328	-	15,328	-
Capital assets:				
Land	156,879	-	156,879	-
Buildings	1,305,209	-	1,305,209	-
Equipment	6,405,251	-	6,405,251	-
Less: accumulated depreciation	<u>( 4,583,937)</u>	<u>-</u>	<u>( 4,583,937)</u>	<u>-</u>
Total capital assets	<u>3,283,402</u>	<u>-</u>	<u>3,283,402</u>	<u>-</u>
 Total assets	 <u>10,390,099</u>	 <u>9,335</u>	 <u>10,399,434</u>	 <u>117,776</u>
<b>LIABILITIES</b>				
Accounts payable	3,730,476	1,012	3,731,488	4,398
Accrued liabilities	117,721	-	117,721	-
Unearned revenue	976,495	-	976,495	-
Due to primary government	-	-	-	15,328
Long-term liabilities:				
Due within one year	208,807	-	208,807	-
Due in more than one year	<u>535,323</u>	<u>-</u>	<u>535,323</u>	<u>-</u>
Total liabilities	<u>5,568,822</u>	<u>1,012</u>	<u>5,569,834</u>	<u>19,726</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,710,038	-	2,710,038	-
Restricted for grant use	759,872	-	759,872	-
Unrestricted	<u>1,351,367</u>	<u>8,323</u>	<u>1,359,690</u>	<u>98,050</u>
 Total net assets	 <u>\$ 4,821,277</u>	 <u>\$ 8,323</u>	 <u>\$ 4,829,600</u>	 <u>\$ 98,050</u>

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

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs	Charges for Services	Program Revenue  Operating Grants and Contributions
<b>Primary government</b>					
Governmental activities:					
General government	\$ 153,886	\$ 54,660	\$ 208,546	\$ -	\$ -
Workforce development	30,510,348	239,031	30,749,379	-	30,759,289
Aging	5,174,951	123,032	5,297,983	-	5,084,793
Emergency communications	2,464,979	83,476	2,548,455	-	2,205,631
Health and human services	2,687,075	16,780	2,703,855	-	2,703,568
Environmental quality	928,519	33,676	962,195	-	961,507
Transportation	3,314,420	286,284	3,600,704	-	3,631,548
Homeland security	495,580	18,838	514,418	-	514,364
Criminal justice	457,353	23,491	480,844	-	481,391
Housing and urban development	32,141	3,104	35,245	-	34,412
Economic development	90,946	12,530	103,476	-	77,422
Indirect costs	<u>894,902</u>	<u>( 894,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>47,205,100</u>	<u>-</u>	<u>47,205,100</u>	<u>-</u>	<u>46,453,925</u>
Business-type activities:					
Greyhound	<u>106,464</u>	<u>-</u>	<u>106,464</u>	<u>114,471</u>	<u>-</u>
Total primary government	<u>\$ 47,311,564</u>	<u>\$ -</u>	<u>\$ 47,311,564</u>	<u>\$ 114,471</u>	<u>\$ 46,453,925</u>
<b>Component unit</b>					
East Texas Regional					
Development Company	<u>\$ 53,975</u>	<u>1,388</u>	<u>55,363</u>	<u>47,460</u>	<u>49,658</u>
Total component unit	<u>\$ 53,975</u>	<u>1,388</u>	<u>55,363</u>	<u>47,460</u>	<u>49,658</u>
<b>General revenues:</b>					
Membership dues					
Unrestricted investment earnings					
Miscellaneous					
Total general revenues					
Change in net assets					
Net assets - beginning					
Net assets - ending					

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	East Texas Regional Development Company
\$( 208,546)	\$ -	\$( 208,546)	
9,910	-	9,910	
( 213,190)	-	( 213,190)	
( 342,824)	-	( 342,824)	
( 287)	-	( 287)	
( 688)	-	( 688)	
30,844	-	30,844	
( 54)	-	( 54)	
547	-	547	
( 833)	-	( 833)	
( 26,054)	-	( 26,054)	
<u>-</u>	<u>-</u>	<u>-</u>	
<u>( 751,175)</u>	<u>-</u>	<u>( 751,175)</u>	
<u>-</u>	<u>8,007</u>	<u>8,007</u>	
<u>( 751,175)</u>	<u>8,007</u>	<u>( 743,168)</u>	
			<u>41,755</u>
			<u>41,755</u>
169,833	-	169,833	-
22,078	-	22,078	636
61,660	-	61,660	30
<u>253,571</u>	<u>-</u>	<u>253,571</u>	<u>666</u>
( 497,604)	8,007	( 489,597)	42,421
<u>5,318,881</u>	<u>316</u>	<u>5,319,197</u>	<u>55,629</u>
<u>\$ 4,821,277</u>	<u>\$ 8,323</u>	<u>\$ 4,829,600</u>	<u>\$ 98,050</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,981,507	\$ 515,148	\$ 2,496,655
Accounts receivable, net of allowance:			
Grantors	-	3,737,934	3,737,934
Other	11,312	815,850	827,162
Notes	-	26,854	26,854
Due from other funds	2,764	-	2,764
Due from component unit	<u>15,328</u>	<u>-</u>	<u>15,328</u>
 Total assets	 <u>\$ 2,010,911</u>	 <u>\$ 5,095,786</u>	 <u>\$ 7,106,697</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	371,057	3,359,419	3,730,476
Accrued liabilities	117,721	-	117,721
Deferred revenue	<u>-</u>	<u>976,495</u>	<u>976,495</u>
Total liabilities	<u>488,778</u>	<u>4,335,914</u>	<u>4,824,692</u>
 Fund balances:			
Reserved for notes receivable	-	26,854	26,854
Unreserved, reported in:			
General fund	1,522,133	-	1,522,133
Special revenue funds	<u>-</u>	<u>733,018</u>	<u>733,018</u>
Total fund balances	<u>1,522,133</u>	<u>759,872</u>	<u>2,282,005</u>
 Total liabilities and fund balances	 <u>\$ 2,010,911</u>	 <u>\$ 5,095,786</u>	 <u>\$ 7,106,697</u>

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

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

**SEPTEMBER 30, 2010**

Total fund balance, governmental funds	\$ 2,282,005
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.	3,283,402
Some liabilities, (such as notes payable and compensated absences), are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets.	( 744,130)
Net assets of governmental activities in the Statement of Net Assets	<u>\$ 4,821,277</u>

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



**EAST TEXAS COUNCIL OF GOVERNMENTS**

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

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 44,648,933	\$ 44,648,933
Matching funds	-	1,418,701	1,418,701
Program income	-	308,165	308,165
Membership dues	169,833	-	169,833
Investment earnings	22,078	5,460	27,538
Miscellaneous	<u>58,381</u>	<u>72,666</u>	<u>131,047</u>
Total revenues	<u>250,292</u>	<u>46,453,925</u>	<u>46,704,217</u>
<b>EXPENDITURES</b>			
Current:			
General government	100,026	19,300	119,326
Workforce development	-	30,686,798	30,686,798
Aging	-	5,269,186	5,269,186
Emergency communications	-	2,174,575	2,174,575
Transportation	-	3,253,235	3,253,235
Environmental quality	-	961,980	961,980
Homeland security	-	514,303	514,303
Criminal justice	-	480,736	480,736
Health and human services	-	2,703,250	2,703,250
Housing and urban development	-	35,245	35,245
Economic development	-	103,476	103,476
Capital outlay	-	564,416	564,416
Debt service:			
Principal repayment	<u>56,415</u>	<u>-</u>	<u>56,415</u>
Total expenditures	<u>156,441</u>	<u>46,766,500</u>	<u>46,922,941</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>93,851</u>	<u>( 312,575)</u>	<u>( 218,724)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance proceeds	-	3,279	3,279
Transfers in	-	173,176	173,176
Transfers out	<u>( 173,176)</u>	<u>-</u>	<u>( 173,176)</u>
Total other financing sources and uses	<u>( 173,176)</u>	<u>176,455</u>	<u>3,279</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 79,325)</u>	<u>( 136,120)</u>	<u>( 215,445)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>1,601,458</u>	<u>895,992</u>	<u>2,497,450</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,522,133</u>	<u>\$ 759,872</u>	<u>\$ 2,282,005</u>

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

**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, 2010**

Net change in fund balances - total governmental funds: \$( 215,445)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation expense in the current period. ( 327,827)

Governmental funds report repayment of notes payable as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. 56,415

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. ( 10,747)

Change in net assets of governmental activities \$( 497,604)

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

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUND**

**SEPTEMBER 30, 2010**

	<u>Nonmajor Enterprise Fund</u>	<u>Greyhound</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ <u>12,099</u>	
Total current assets	<u>12,099</u>	
 Total assets		<u>12,099</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,012	
Due to other funds	<u>2,764</u>	
Total current liabilities	<u>3,776</u>	
 Total liabilities		<u>3,776</u>
<b>NET ASSETS</b>		
Unrestricted		<u>8,323</u>
 Total net assets	\$ <u>8,323</u>	

**The notes to the 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, 2010**

	<u>Nonmajor Enterprise Fund</u>
	<u>Greyhound</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ <u>114,471</u>
Total operating revenues	<u>114,471</u>
<b>OPERATING EXPENSES</b>	
Cost of sales and services	<u>106,464</u>
Total operating expenses	<u>106,464</u>
<b>OPERATING INCOME</b>	8,007
<b>TOTAL NET ASSETS, BEGINNING</b>	<u>316</u>
<b>TOTAL NET ASSETS, ENDING</b>	\$ <u><u>8,323</u></u>

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

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Nonmajor Enterprise Fund</u>	<u>Greyhound</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 114,471	
Cash payments to suppliers	( 106,439)	
Cash provided by operating activities	<u>8,032</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from other funds	( 10,262)	
Cash used by noncapital financing activities	( 10,262)	
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	( 2,230)	
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>14,329</u>	
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 12,099</u>	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 8,007	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Increase (decrease) in accounts payable	<u>25</u>	
Total adjustments	<u>25</u>	
Net cash provided by operating activities	<u>\$ 8,032</u>	

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

# EAST TEXAS COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Texas Council of Governments (the "Council") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the Council.

#### A. Description of the Reporting Entity

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

The Council's basic financial statements include the accounts of all the Council operations. The criteria for including organizations within the Council's reporting entity, as set forth in GASB No. 14 "The Financial Reporting Entity," is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Various local agencies for which grants and funding are issued by the Council have not been included within the financial statements because the Council does not have direct managerial oversight of the operations of those agencies nor does it have the responsibility for funding future deficits or operating deficiencies of those agencies. The following organization has been included within the Council's reporting entity:

(continued)

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

### A. Reporting Entity (Continued)

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

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

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

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

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

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

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

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

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Council reports the following major governmental funds:

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

The Grant Fund is used to account for federal and state grants awarded to East Texas Council of Governments by various granting agencies.

Additionally, the Council reports the following fund types:

The Proprietary 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.

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.

(continued)



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

### **D. Use of Estimates**

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

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

#### **Cash and Cash Equivalents**

Cash and equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash and cash equivalents in the Council's financial statements include amounts in demand deposits and certificates of deposits. Interest earned is based on the amount of funds invested.

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

#### **Grants Receivable**

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the Council. The receivable includes amounts due on programs closed-out and those in progress as of September 30, 2010.

#### **Interfund Receivables and Payables**

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

#### **Restricted Net Assets**

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

#### **Deferred Revenue**

Deferred revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2010.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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:

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

**Compensated Absences**

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

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

**Fund Equity**

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

(continued)

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

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

**Indirect Costs**

General and administrative costs are recorded in the General Fund as indirect costs in the Council's 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.

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

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(327,827) difference are as follows:

Capital outlay	\$ 564,416
Depreciation expense	( 892,243)
Net adjustment to increase <i>net change in fund balance - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$( 327,827)

3. **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 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.

#### 4. DETAILED NOTES ON ALL FUNDS

##### Deposits and Investments

As of September 30, 2010, the primary government had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 902,544	34

As of September 30, 2010, the discretely presented component unit had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 12,903	34

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

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

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

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of September 30, 2010, the Council's entire bank balance was collateralized with securities held by the pledging financial institution or by FDIC insurance. As of September 30, 2010, ETRDC's entire bank balance was covered by FDIC insurance.

(continued)

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

**Deposits and Investments** (Continued)

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

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

**Capital Assets**

Primary government capital asset activity for the year ended September 30, 2010, is as follows:

<b>Governmental activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land	\$ 156,879	\$ -	\$ -	\$ 156,879
Total non-depreciable assets	<u>156,879</u>	<u>-</u>	<u>-</u>	<u>156,879</u>
Depreciable assets:				
Buildings	1,305,209	-	-	1,305,209
Furniture, fixtures and equipment	<u>5,840,835</u>	<u>564,416</u>	<u>-</u>	<u>6,405,251</u>
Total depreciable assets	<u>7,146,044</u>	<u>564,416</u>	<u>-</u>	<u>7,710,460</u>
Total assets	<u>7,302,923</u>	<u>564,416</u>	<u>-</u>	<u>7,867,339</u>
Less accumulated depreciation:				
Buildings	491,704	55,498	-	547,202
Furniture, fixtures and equipment	<u>3,199,990</u>	<u>836,745</u>	<u>-</u>	<u>4,036,735</u>
Total accumulated depreciation	<u>3,691,694</u>	<u>892,243</u>	<u>-</u>	<u>4,583,937</u>
Total capital assets, net	<u>\$ 3,611,229</u>	<u>\$ ( 327,827)</u>	<u>\$ -</u>	<u>\$ 3,283,402</u>

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

<b>Governmental activities:</b>	
General government	\$ 89,144
Emergency communications	373,309
Aging	27,611
Workforce development	55,426
Transportation	<u>346,753</u>
Total depreciation expense - governmental activities	<u>\$ 892,243</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

**Interfund Transactions**

**Interfund Transfers In/Out:**

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

A summary of interfund transfers as of September 30, 2010, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ -	\$ 173,176
Grant Fund	<u>173,176</u>	<u>-</u>
	<u>\$ 173,176</u>	<u>\$ 173,176</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	\$ 2,764	\$ -
Nonmajor Enterprise Fund	<u>-</u>	<u>2,764</u>
	<u>\$ 2,764</u>	<u>\$ 2,764</u>

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

**Long-term Debt**

A summary of long-term liability activity for the year ended September 30, 2010, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
<b>Primary Government:</b>					
Governmental activities:					
Note payable	\$ 629,779	\$ -	\$ 56,415	\$ 573,364	\$ 58,807
Compensated absences	<u>160,019</u>	<u>165,231</u>	<u>154,484</u>	<u>170,766</u>	<u>150,000</u>
	<u>\$ 789,798</u>	<u>\$ 165,231</u>	<u>\$ 210,899</u>	<u>\$ 744,130</u>	<u>\$ 208,807</u>

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

(continued)

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

**Note Payable**

Note payable due in monthly installments of \$6,795 through February 28, 2019, at which time all remaining principal and accrued interest are due in full, interest at 4.16%.

\$ 573,364

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 58,807	\$ 22,739
2012	61,243	20,303
2013	63,897	17,648
2014	66,607	14,938
2015	69,430	12,115
2016-2020	<u>253,380</u>	<u>18,440</u>
Total	<u>\$ 573,364</u>	<u>\$ 106,183</u>

5. **OTHER INFORMATION**

**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.

(continued)

5. **OTHER INFORMATION** (Continued)

**Contingencies**

The Council contracts with local governments or other local agencies to perform the specific services set forth in certain 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 federal or state awards 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.

Audits of the Council's expenditures for the year ended September 30, 2010, have not been completed. Based on prior experience, the Council's management believes that it will not incur significant losses from possible grant disallowances.

**Retirement Plan**

The East Texas Council of Governments provides benefits for all of its fulltime employees through a defined contribution plan. The Plan is administered by International City Management Association Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. 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, 2010, was \$3,149,229. The Council made the required 12% contribution, which amounted to \$377,907. Employees made the required 8% contribution of \$251,938.



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## **SUPPLEMENTAL SCHEDULES**

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**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF INDIRECT COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Salaries	\$ 381,819
Benefits	58,658
Group hospitalization	49,340
Pension costs	49,337
Total Personnel	<u>539,154</u>
Insurance and bonding	3,436
Minor office equipment	1,130
Computer maintenance	16,204
Staff travel	19,041
Executive committee travel	7,996
Allocated space costs	35,863
Office supplies	31,192
Public education	8,768
Copier costs	22,797
Training costs	9,813
Other employee benefits	716
Storage building	1,512
Repairs and maintenance	290
Membership dues	19,623
Telephone	53,904
Meetings and conferences	16,143
Professional services	<u>108,708</u>
Total Indirect Costs	<u>896,290</u>
Less amount allocated to component unit	( 1,388)
Less amount allocated to General Fund	<u>( 28,448)</u>
Total Indirect Costs Allocated to the Grant Fund	<u>\$ 866,454</u>
Computation of Indirect Cost Rate:	
Direct personnel costs	<u>3,827,707</u>
Allocation rate	22.64%
Indirect costs as a percentage of qualifying costs	2.0%

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EMPLOYEE BENEFITS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**EMPLOYEE BENEFITS**

Disability	\$	24,192
Brinson benefit services		32,160
Vacation		152,960
Holidays		140,059
Sick leave		118,622
Other release time		22,331
Employment taxes		<u>64,417</u>
Total Employee Benefits		554,741
Less: amount allocated to indirect cost pool	(	58,658)
Less amount allocated to component unit	(	<u>698</u> )
Total Employee Benefits Allocated to the Grant Fund	\$	<u>495,385</u>
Chargeable time		<u>2,587,226</u>
Benefit rate		19.15%

# STATISTICAL SECTION

## (Unaudited)

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

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the Council's financial performance and well-being have changed over time.	42
Revenue Capacity All of the Council's significant revenue is provided by other governments. It does not impose any taxes or charge any significant fees of its own. Accordingly, revenue capacity schedules are not presented in the statistical section.	48
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 These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council's financial activities take place.	61
Operating Information These schedules contain service and capital asset data to help the reader understand how the information in the Council's financial report relates to the services the East Texas Council of Governments provides and the resources it utilizes to provide these services.	64

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# EAST TEXAS COUNCIL OF GOVERNMENTS

## NET ASSETS BY COMPONENT

### LAST SEVEN FISCAL YEARS

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

Note:

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



# EAST TEXAS COUNCIL OF GOVERNMENTS

## CHANGES IN NET ASSETS LAST SEVEN FISCAL YEARS

	Fiscal Year		
	2004	2005	2006
<b>EXPENSES</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
Total governmental activities expenses	<u>34,934,413</u>	<u>36,081,579</u>	<u>38,882,497</u>
Business-type activities:			
Greyhound	-	-	-
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>PROGRAM REVENUES</b>			
Governmental activities:			
Charges for services:			
Transportation	-	-	-
Operating grants and contributions	<u>34,858,702</u>	<u>36,307,282</u>	<u>38,838,134</u>
Total governmental activities program revenues	<u>34,858,702</u>	<u>36,307,282</u>	<u>38,838,134</u>
Business-type activities:			
Charges for services:			
Greyhound	-	-	-
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET (EXPENSE) REVENUES</b>			
Governmental activities	( 75,711)	225,703	( 44,363)
Business-type activities	-	-	-
Total primary government net (expense) revenues	<u>( 75,711)</u>	<u>225,703</u>	<u>( 44,363)</u>
<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	<u>27,488</u>	<u>30,199</u>	<u>43,621</u>
Total governmental activities general revenues	<u>118,995</u>	<u>144,315</u>	<u>226,012</u>
Business-type activities:			
Investment earnings	-	-	-
Total business-type activities general revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>			
Governmental activities	43,284	370,018	181,649
Business-type activities	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 43,284</u>	<u>\$ 370,018</u>	<u>\$ 181,649</u>

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

Fiscal Year			
2007	2008	2009	2010
\$ 26,113	\$ 97,063	\$ 89,312	\$ 208,546
27,780,544	28,679,194	28,645,985	30,749,379
61,262	15,163	20,443	35,245
2,396,799	2,195,057	3,048,141	2,548,455
64,144	112,166	245,846	103,476
844,837	933,420	1,058,896	962,195
5,546,424	5,766,234	5,631,328	5,297,983
1,662,765	2,695,154	3,290,942	3,600,704
266,300	219,721	262,743	514,418
268,819	399,304	431,004	480,844
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>32,529</u>	<u>134,032</u>	<u>117,564</u>	<u>106,464</u>
<u>32,529</u>	<u>134,032</u>	<u>117,564</u>	<u>106,464</u>
-	-	89,678	-
<u>40,020,456</u>	<u>41,910,503</u>	<u>42,976,162</u>	<u>46,453,925</u>
<u>40,020,456</u>	<u>41,910,503</u>	<u>43,065,840</u>	<u>46,453,925</u>
<u>31,048</u>	<u>217,271</u>	<u>123,886</u>	<u>114,471</u>
<u>31,048</u>	<u>217,271</u>	<u>123,886</u>	<u>114,471</u>
932,481	( 129,615)	161,714	( 751,175)
( 1,481)	83,239	6,322	8,007
<u>931,000</u>	<u>( 46,376)</u>	<u>168,036</u>	<u>( 743,168)</u>
71,313	114,734	169,945	169,833
133,605	83,399	30,598	22,078
79,966	98,022	84,039	61,660
<u>284,884</u>	<u>296,155</u>	<u>284,582</u>	<u>253,571</u>
<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>850</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,217,365	166,540	446,296	( 497,604)
( 631)	83,239	6,322	8,007
<u>\$ 1,216,734</u>	<u>\$ 249,779</u>	<u>\$ 452,618</u>	<u>\$ ( 489,597)</u>

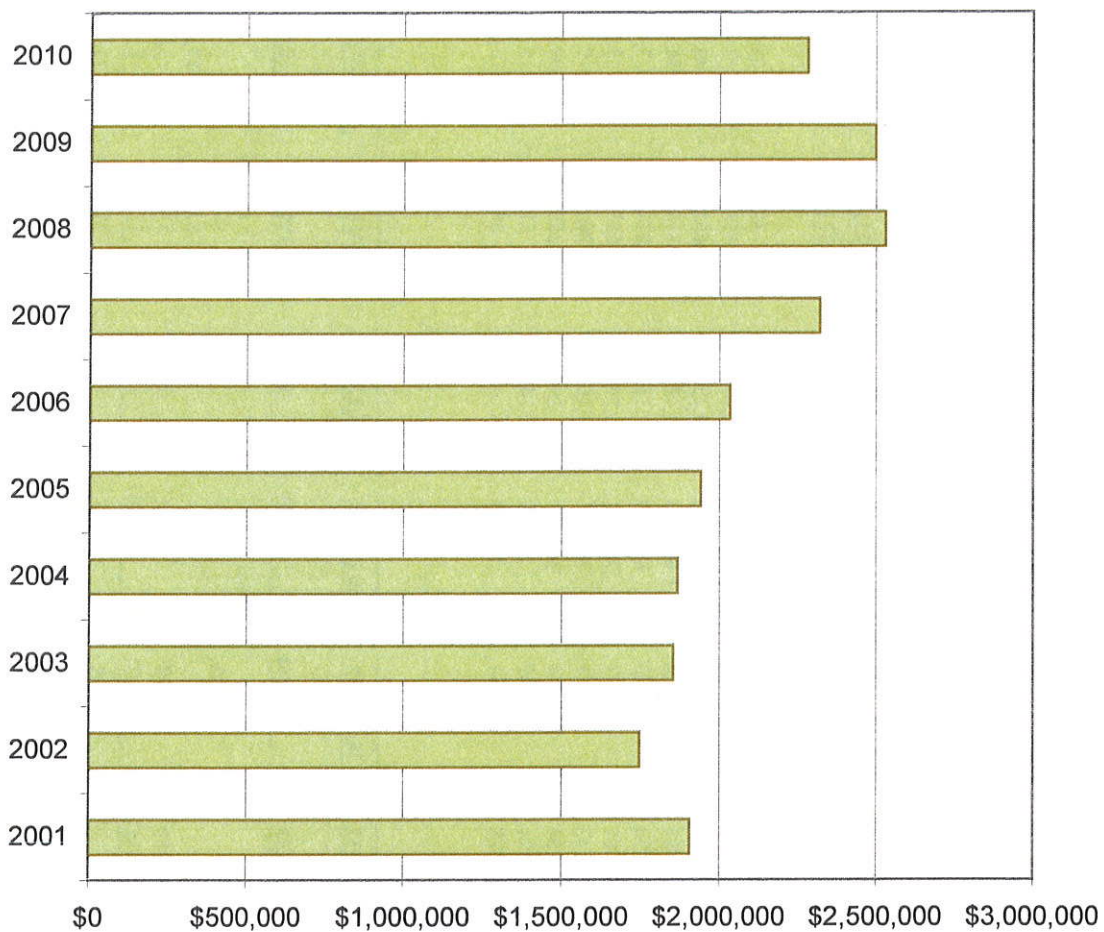
**EAST TEXAS COUNCIL OF GOVERNMENTS**

**FUND BALANCES  
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 194	\$ -
Unreserved	610,548	642,819	664,600	692,436	740,946	859,714	1,017,141	1,223,207	1,601,264	1,522,133
Total general fund	\$ 610,548	\$ 642,819	\$ 664,600	\$ 692,436	\$ 740,946	\$ 859,714	\$ 1,017,141	\$ 1,223,207	\$ 1,601,458	\$ 1,522,133
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 346,904	\$ 190,341	\$ 181,987	\$ 38,302	\$ 26,854
Unreserved, reported in:										
Special revenue funds	1,294,506	1,104,312	1,189,683	1,175,194	1,199,484	827,230	1,113,554	1,123,439	857,690	733,018
Total all other governmental funds	\$ 1,294,506	\$ 1,104,312	\$ 1,189,683	\$ 1,175,194	\$ 1,199,484	\$ 1,174,134	\$ 1,303,895	\$ 1,305,426	\$ 895,992	\$ 759,872
Total primary government	\$ 1,905,054	\$ 1,747,131	\$ 1,854,283	\$ 1,867,630	\$ 1,940,430	\$ 2,033,848	\$ 2,321,036	\$ 2,528,633	\$ 2,497,450	\$ 2,282,005

**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**

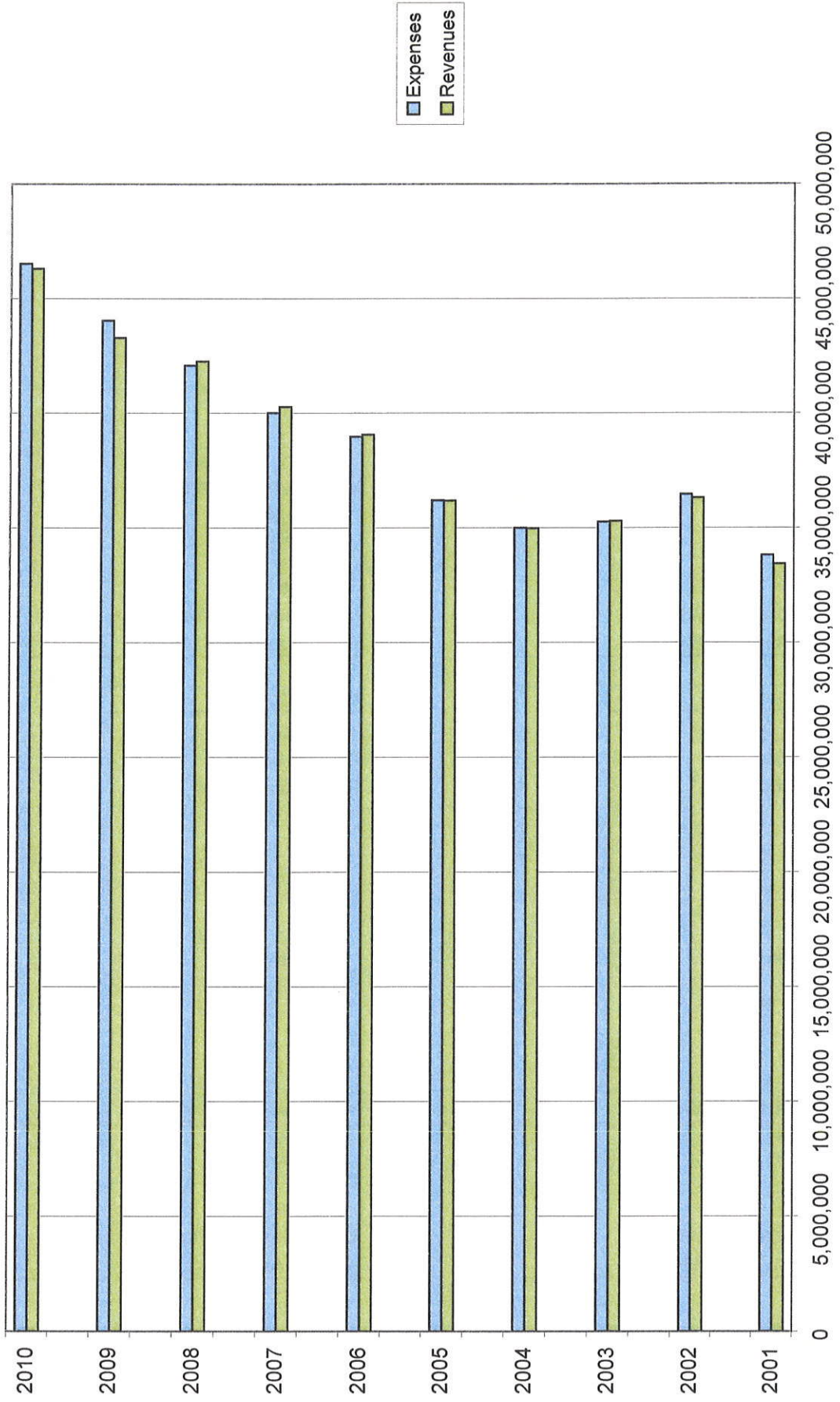
	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>REVENUES</b>										
Intergovernmental	\$ 31,245,264	\$ 34,860,565	\$ 33,554,163	\$ 33,337,623	\$ 34,273,581	\$ 37,132,766	\$ 37,944,479	\$ 39,459,887	\$ 40,972,015	\$ 44,648,933
Membership dues	64,919	71,988	71,363	71,863	71,513	71,513	71,313	114,734	169,945	169,833
Matching funds/program income	1,813,679	1,170,418	1,618,330	1,470,086	1,662,400	1,472,611	2,010,154	2,419,816	1,948,724	1,726,866
Charges for services	-	-	-	-	-	-	-	-	89,678	-
Investment income	295,077	206,860	51,332	98,124	182,943	387,256	251,903	263,611	43,164	27,538
Miscellaneous	33,418,939	36,309,831	35,295,188	34,977,696	36,190,437	39,064,146	40,277,849	42,258,048	63,452	131,047
Total revenues										
<b>EXPENDITURES</b>										
General government	113,284	121,195	171,456	24,386	15,891	46,414	32,542	65,051	13,025	94,195
Workforce development	26,018,914	27,850,013	26,182,392	25,530,201	26,537,947	27,949,777	27,778,736	28,963,453	28,598,636	30,686,798
Aging	4,032,875	5,394,917	5,124,494	5,145,318	5,158,130	5,138,498	5,652,102	6,744,802	5,801,795	7,972,436
Emergency communications	1,363,170	1,046,204	1,505,772	1,642,456	1,607,680	1,425,756	3,416,130	1,901,163	2,812,201	2,174,575
Environmental quality	809,319	902,815	827,183	973,470	884,574	1,185,765	844,837	933,420	1,064,553	961,980
Transportation	1,099,952	753,561	952,701	957,337	764,012	1,546,750	1,633,280	2,733,432	4,068,938	3,253,235
Homeland security	-	-	139,113	349,727	761,702	1,167,936	266,300	219,721	266,655	514,303
Criminal justice	224,953	230,128	212,154	230,724	345,671	295,087	268,819	399,304	427,699	480,736
Housing and urban development	76,726	102,409	71,824	71,449	70,195	149,064	61,262	15,163	20,429	35,245
Economic development	66,266	66,512	68,828	71,064	60,328	65,681	64,144	112,166	248,247	103,476
Debt service:										
Principal	-	-	-	-	-	-	-	-	35,221	56,415
Interest	-	-	-	-	-	-	-	-	19,142	25,131
Capital outlay	-	-	-	-	-	-	-	-	670,064	564,416
Total expenditures	33,805,459	36,467,754	35,255,917	34,996,132	36,206,130	38,970,728	40,018,152	42,087,675	44,046,605	46,922,941
<b>EXCESS OF REVENUES OVER</b>										
<b>(UNDER) EXPENDITURES</b>	( 386,520)	( 157,923)	39,271	( 18,436)	( 15,693)	93,418	259,697	170,373	( 759,627)	( 218,724)
<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
Transfers in	74,362	87,345	77,388	985,907	75,110	46,516	57,438	2,391	327,035	173,176
Transfers out	( 74,362)	( 87,345)	( 77,388)	( 985,907)	( 75,110)	( 46,516)	( 57,438)	( 2,391)	( 327,035)	( 173,176)
Total other financing sources	-	-	-	31,783	88,493	-	27,491	37,224	728,444	3,279
<b>PRIOR PERIOD ADJUSTMENT</b>										
	-	-	-	-	-	-	-	-	-	-
<b>CHANGE IN FUND BALANCES \$(</b>	<b>386,520)</b>	<b>( 157,923)</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>RATIO OF TOTAL DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF TOTAL NONCAPITAL EXPENDITURES</b>									0.19%	0.18%

Notes:

Investment income was included in miscellaneous revenue prior to 2009.

Capital outlay was included in current expenditures prior to 2009. Interest expense is allocated to functions through the Council's indirect cost allocation.

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



EAST TEXAS COUNCIL OF GOVERNMENTS

REGIONAL COUNTY INFORMATION

<b>Anderson County</b>	
<b>Area (Sq. miles) 1</b>	1,071
<b>County Seat 1</b>	Palestine
<b>Population, 2009 2</b>	56,810
<b>Anglo</b>	
Male	18,997
Female	15,775
<b>Black</b>	
Male	9,267
Female	3,761
<b>Hispanic</b>	
Male	5,974
Female	2,495
<b>Other</b>	
Male	288
Female	253
<b>Vital Statistics, 2008 2</b>	
Marriages	427
Divorces	161
Births	667
Deaths	622
<b>Unemployment Rate, Annual Average 2008 3</b>	5.7%

<b>Camp County</b>	
<b>Area (Sq. miles) 1</b>	198
<b>County Seat 1</b>	Pittsburg
<b>Population, 2009 2</b>	12,969
<b>Anglo</b>	
Male	3,864
Female	4,078
<b>Black</b>	
Male	1,081
Female	1,201
<b>Hispanic</b>	
Male	1,507
Female	1,179
<b>Other</b>	
Male	35
Female	24
<b>Vital Statistics, 2008 2</b>	
Marriages	95
Divorces	26
Births	179
Deaths	162
<b>Unemployment Rate, Annual Average 2008 3</b>	5.0%

<b>Cherokee County</b>	
<b>Area (Sq. miles) 1</b>	1,052
<b>County Seat 1</b>	Rusk
<b>Population, 2009 2</b>	49,480
<b>Anglo</b>	
Male	15,652
Female	16,333
<b>Black</b>	
Male	4,109
Female	3,547
<b>Hispanic</b>	
Male	5,427
Female	4,019
<b>Other</b>	
Male	182
Female	211
<b>Vital Statistics, 2008 2</b>	
Marriages	356
Divorces	183
Births	743
Deaths	547
<b>Unemployment Rate, Annual Average 2008 3</b>	6.0%

<b>Gregg County</b>	
<b>Area (Sq. miles) 1</b>	274
<b>County Seat 1</b>	Longview
<b>Population, 2009 2</b>	119,194
<b>Anglo</b>	
Male	35,105
Female	37,771
<b>Black</b>	
Male	11,728
Female	12,825
<b>Hispanic</b>	
Male	10,746
Female	8,841
<b>Other</b>	
Male	1,043
Female	1,135
<b>Vital Statistics, 2008 2</b>	
Marriages	1,280
Divorces	383
Births	2,013
Deaths	1,224
<b>Unemployment Rate, Annual Average 2008 3</b>	4.0%

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>	
<b>Area (Sq. miles) 1</b>	899
<b>County Seat 1</b>	Marshall
<b>Population, 2009 2</b>	64,966
<b>Anglo</b>	
Male	21,269
Female	21,940
<b>Black</b>	
Male	7,100
Female	7,868
<b>Hispanic</b>	
Male	3,522
Female	2,761
<b>Other</b>	
Male	238
Female	268
<b>Vital Statistics, 2008 2</b>	
Marriages	470
Divorces	89
Births	888
Deaths	559
<b>Unemployment Rate, Annual Average 2008 3</b>	4.7%

<b>Henderson County</b>	
<b>Area (Sq. miles) 1</b>	874
<b>County Seat 1</b>	Athens
<b>Population, 2009 2</b>	79,155
<b>Anglo</b>	
Male	32,524
Female	32,343
<b>Black</b>	
Male	2,451
Female	2,586
<b>Hispanic</b>	
Male	4,629
Female	3,873
<b>Other</b>	
Male	363
Female	386
<b>Vital Statistics, 2008 2</b>	
Marriages	507
Divorces	61
Births	1029
Deaths	961
<b>Unemployment Rate, Annual Average 2008 3</b>	5.4%

<b>Marion County</b>	
<b>Area (Sq. miles) 1</b>	381
<b>County Seat 1</b>	Jefferson
<b>Population, 2009 2</b>	10,631
<b>Anglo</b>	
Male	3,899
Female	3,932
<b>Black</b>	
Male	1,148
Female	1,304
<b>Hispanic</b>	
Male	134
Female	107
<b>Other</b>	
Male	47
Female	60
<b>Vital Statistics, 2006 -07 2</b>	
Marriages	92
Divorces	53
Births	124
Deaths	147
<b>Unemployment Rate, Annual Average 2008 3</b>	5.1%

<b>Panola County</b>	
<b>Area (Sq. miles) 1</b>	801
<b>County Seat 1</b>	Carthage
<b>Population, 2009 2</b>	23,297
<b>Anglo</b>	
Male	8,560
Female	9,021
<b>Black</b>	
Male	2,098
Female	2,307
<b>Hispanic</b>	
Male	679
Female	482
<b>Other</b>	
Male	65
Female	85
<b>Vital Statistics, 2006 -07 2</b>	
Marriages	181
Divorces	113
Births	314
Deaths	220
<b>Unemployment Rate, Annual Average 2008 3</b>	3.9%

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>	
<b>Area (Sq. miles) 1</b>	232
<b>County Seat 1</b>	Emory
<b>Population, 2009 2</b>	11,167
<b>Anglo</b>	
Male	5,059
Female	5,075
<b>Black</b>	
Male	149
Female	123
<b>Hispanic</b>	
Male	353
Female	291
<b>Other</b>	
Male	53
Female	64
<b>Vital Statistics, 2008 2</b>	
Marriages	69
Divorces	56
Births	124
Deaths	116
<b>Unemployment Rate, Annual Average 2008 3</b>	5.2%

<b>Rusk County</b>	
<b>Area (Sq. miles) 1</b>	924
<b>County Seat 1</b>	Henderson
<b>Population, 2009 2</b>	48,882
<b>Anglo</b>	
Male	16,746
Female	16,532
<b>Black</b>	
Male	4,864
Female	4,094
<b>Hispanic</b>	
Male	3,529
Female	2,775
<b>Other</b>	
Male	161
Female	181
<b>Vital Statistics, 2008 2</b>	
Marriages	314
Divorces	246
Births	652
Deaths	504
<b>Unemployment Rate, Annual Average 2008 3</b>	4.4%

<b>Smith County</b>	
<b>Area (Sq. miles) 1</b>	928
<b>County Seat 1</b>	Tyler
<b>Population, 2009 2</b>	204,097
<b>Anglo</b>	
Male	59,636
Female	64,890
<b>Black</b>	
Male	17,630
Female	20,242
<b>Hispanic</b>	
Male	19,812
Female	18,103
<b>Other</b>	
Male	1,762
Female	2,022
<b>Vital Statistics, 2008 2</b>	
Marriages	1,748
Divorces	709
Births	3,038
Deaths	914
<b>Unemployment Rate, Annual Average 2008 3</b>	5.0%

<b>Upshur County</b>	
<b>Area (Sq. miles) 1</b>	588
<b>County Seat 1</b>	Gilmer
<b>Population, 2009 2</b>	38,061
<b>Anglo</b>	
Male	15,537
Female	15,687
<b>Black</b>	
Male	1,770
Female	2,055
<b>Hispanic</b>	
Male	1,388
Female	1,241
<b>Other</b>	
Male	178
Female	205
<b>Vital Statistics, 2008 2</b>	
Marriages	252
Divorces	243
Births	489
Deaths	404
<b>Unemployment Rate, Annual Average 2008 3</b>	4.3%

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>Area (Sq. miles) 1</b>	849
<b>County Seat 1</b>	Canton
<b>Population, 2009 2</b>	52,818
<b>Anglo</b>	
Male	22,826
Female	23,336
<b>Black</b>	
Male	736
Female	754
<b>Hispanic</b>	
Male	2,801
Female	1,981
<b>Other</b>	
Male	188
Female	196
<b>Vital Statistics, 2008 2</b>	
Marriages	398
Divorces	192
Births	619
Deaths	651
<b>Unemployment Rate, Annual Average 2008 3</b>	4.4%

<b>Wood County</b>	
<b>Area (Sq. miles) 1</b>	650
<b>County Seat 1</b>	Quitman
<b>Population, 2009 2</b>	43,016
<b>Anglo</b>	
Male	18,023
Female	19,099
<b>Black</b>	
Male	1,173
Female	1,185
<b>Hispanic</b>	
Male	1,856
Female	1,383
<b>Other</b>	
Male	149
Female	148
<b>Vital Statistics, 2008 2</b>	
Marriages	256
Divorces	133
Births	440
Deaths	583
<b>Unemployment Rate, Annual Average 2008 3</b>	5.1%

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

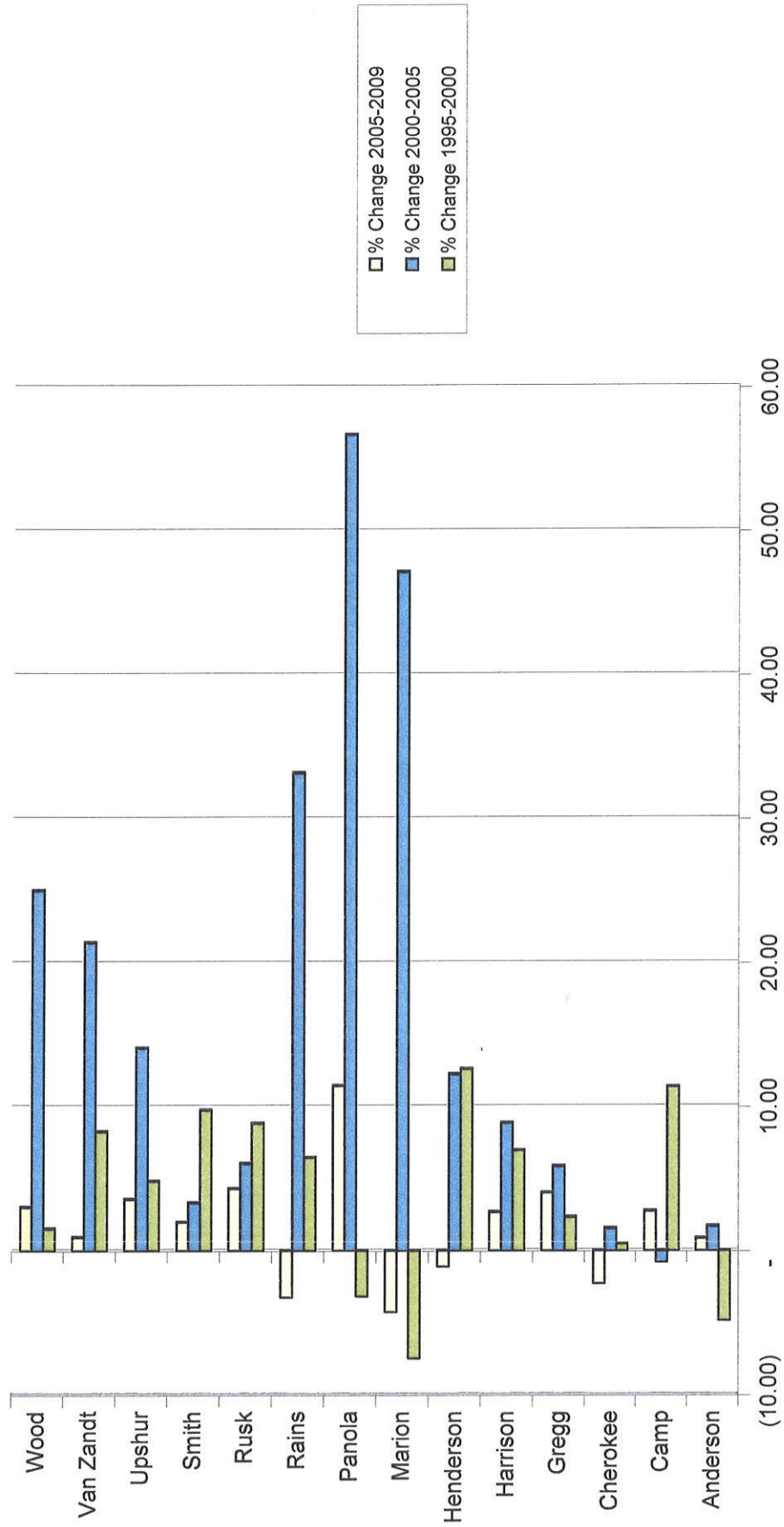
**EAST TEXAS COUNCIL OF GOVERNMENTS  
EMPLOYMENT BY COUNTY**

<b>Employment</b>							
	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2009</b>	<b>% Change 1995-2000</b>	<b>% Change 2000-2005</b>	<b>% Change 2005-2009</b>
Anderson	19,511	18,562	18,877	19,038	(4.86)	1.70	0.85
Camp	4,612	5,137	5,097	5,237	11.38	(0.78)	2.75
Cherokee	19,169	19,263	19,559	19,116	0.49	1.54	(2.26)
Gregg	53,484	54,730	57,938	60,263	2.33	5.86	4.01
Harrison	25,400	27,168	29,580	30,368	6.96	8.88	2.66
Henderson	25,858	29,123	32,698	32,338	12.63	12.28	(1.10)
Marion	3,531	3,267	4,807	4,602	(7.48)	47.14	(4.26)
Panola	7,331	7,099	11,123	12,397	(3.16)	56.68	11.45
Rains	3,418	3,639	4,846	4,689	6.47	33.17	(3.24)
Rusk	18,771	20,431	21,669	22,601	8.84	6.06	4.30
Smith	80,372	88,219	91,157	92,950	9.76	3.33	1.97
Upshur	15,007	15,732	17,948	18,588	4.83	14.09	3.57
Van Zandt	18,430	19,956	24,226	24,450	8.28	21.40	0.92
Wood	13,184	13,385	16,735	17,240	1.52	25.03	3.02
<b>WDA</b>	<b>308,078</b>	<b>325,711</b>	<b>356,260</b>	<b>363,877</b>	<b>5.72</b>	<b>9.38</b>	<b>2.14</b>

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

# EAST TEXAS COUNCIL OF GOVERNMENTS

## EMPLOYMENT PERCENT CHANGE



## EAST TEXAS COUNCIL OF GOVERNMENTS

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

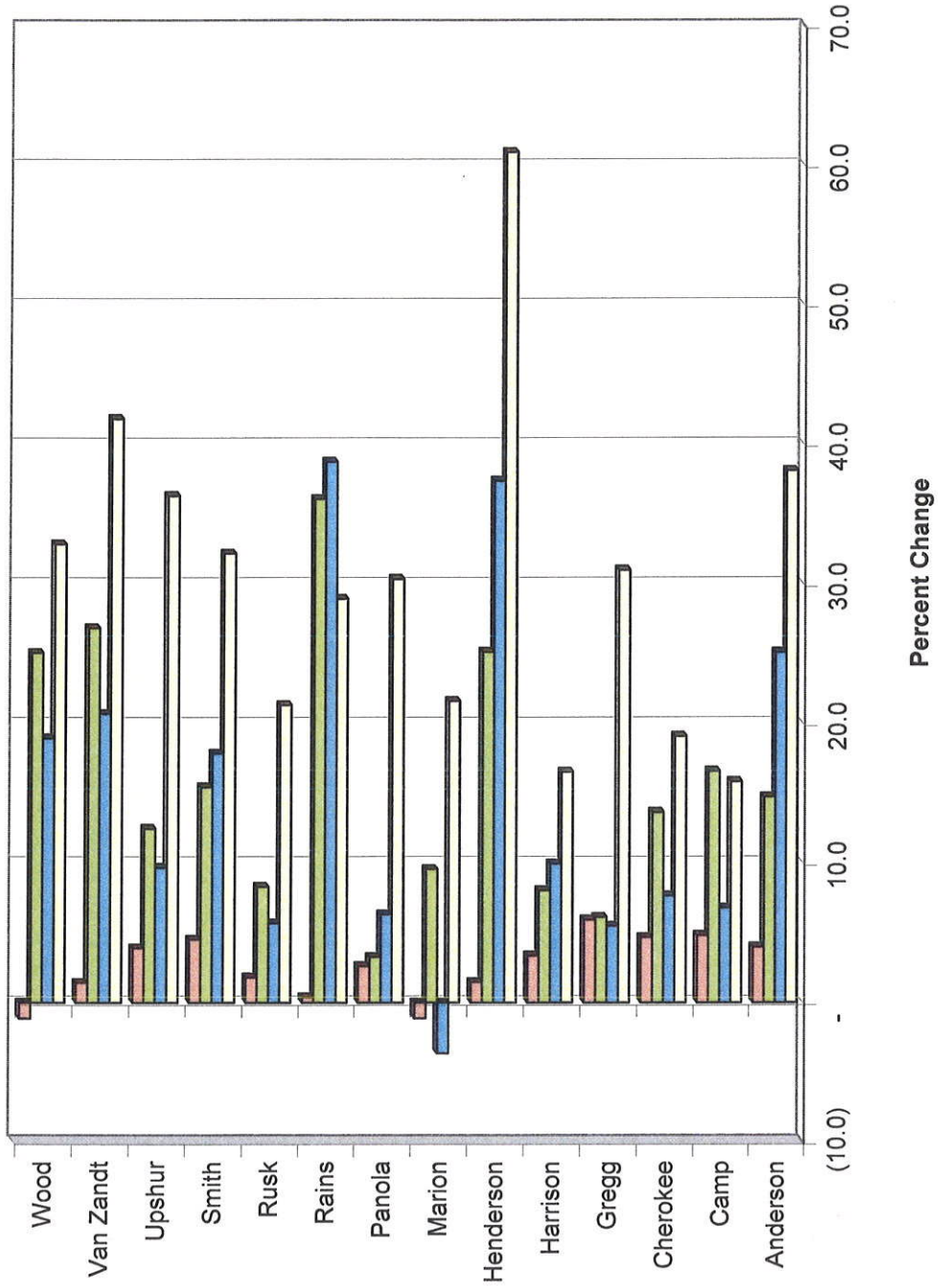
	1970 Census	1980 Census	1990 Census	2000 Census	2010 Census Estimate*	% Change 1970-1980	% Change 1980-1990	% Change 1990-2000	% Change 2000-2010
Anderson	27,789	38,381	48,024	55,109	57,303	38.1	25.1	14.8	4.0
Camp	8,005	9,275	9,904	11,549	12,105	15.9	6.8	16.6	4.8
Cherokee	32,008	38,127	41,049	46,659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

Source: Census Bureau and Texas State Data Center

\* 2010 Census Estimates updated February 2009 (0 migration scenario) by Texas State Data Center

# EAST TEXAS COUNCIL OF GOVERNMENTS

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



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

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

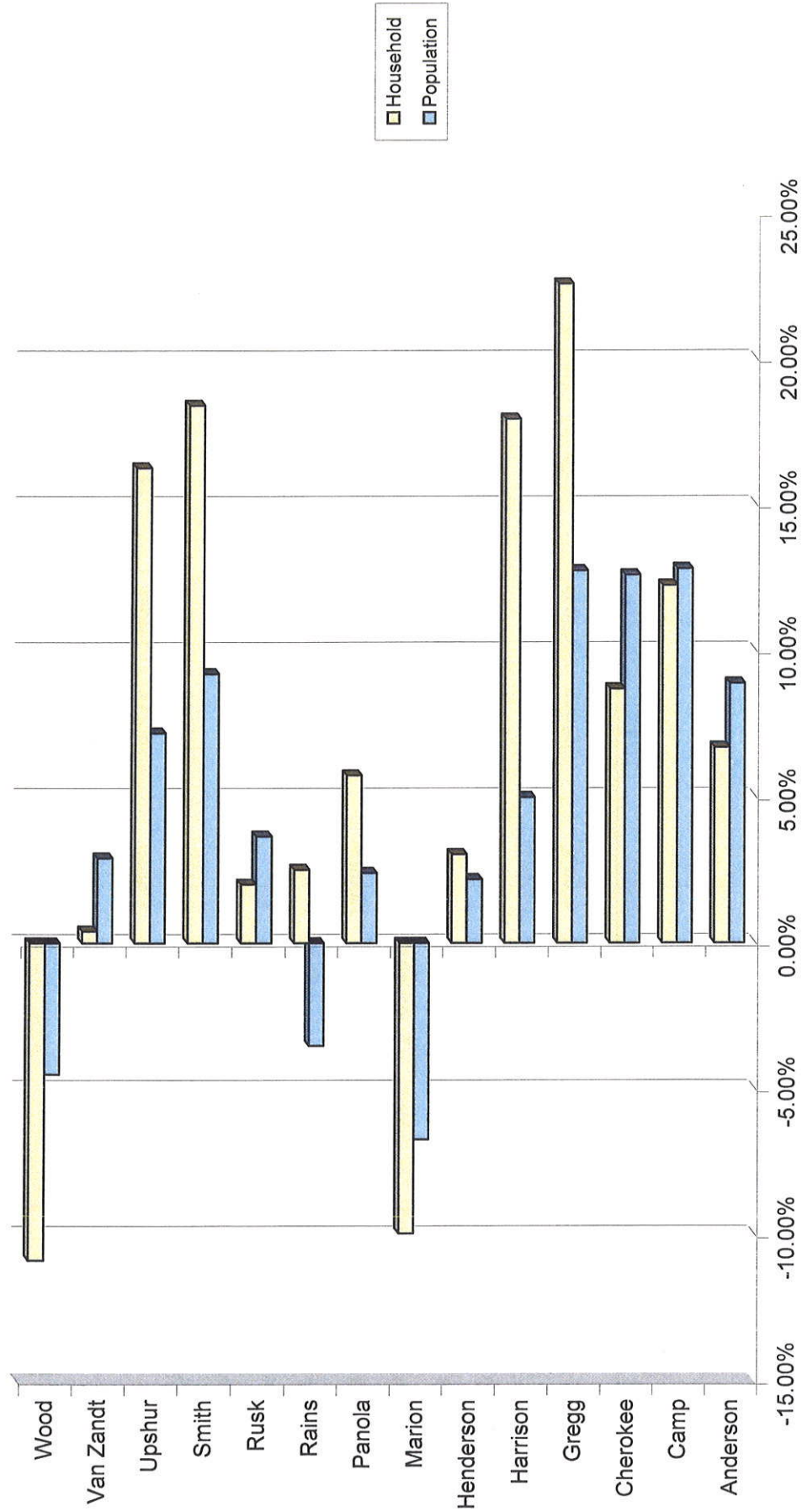
<b>Household Forecast</b>			
	<b>2000</b>	<b>2030*</b>	<b>%Change</b>
Anderson	15,678	16,728	6.70%
Camp	4,336	4,867	12.25%
Cherokee	16,651	18,100	8.70%
Gregg	42,687	52,335	22.60%
Harrison	23,087	27,234	17.96%
Henderson	28,804	29,679	3.04%
Marion	4,610	4,151	-9.96%
Panola	8,821	9,328	5.75%
Rains	3,617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

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

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

# EAST TEXAS COUNCIL OF GOVERNMENTS

## Population and Household Percent Change 2000-2030



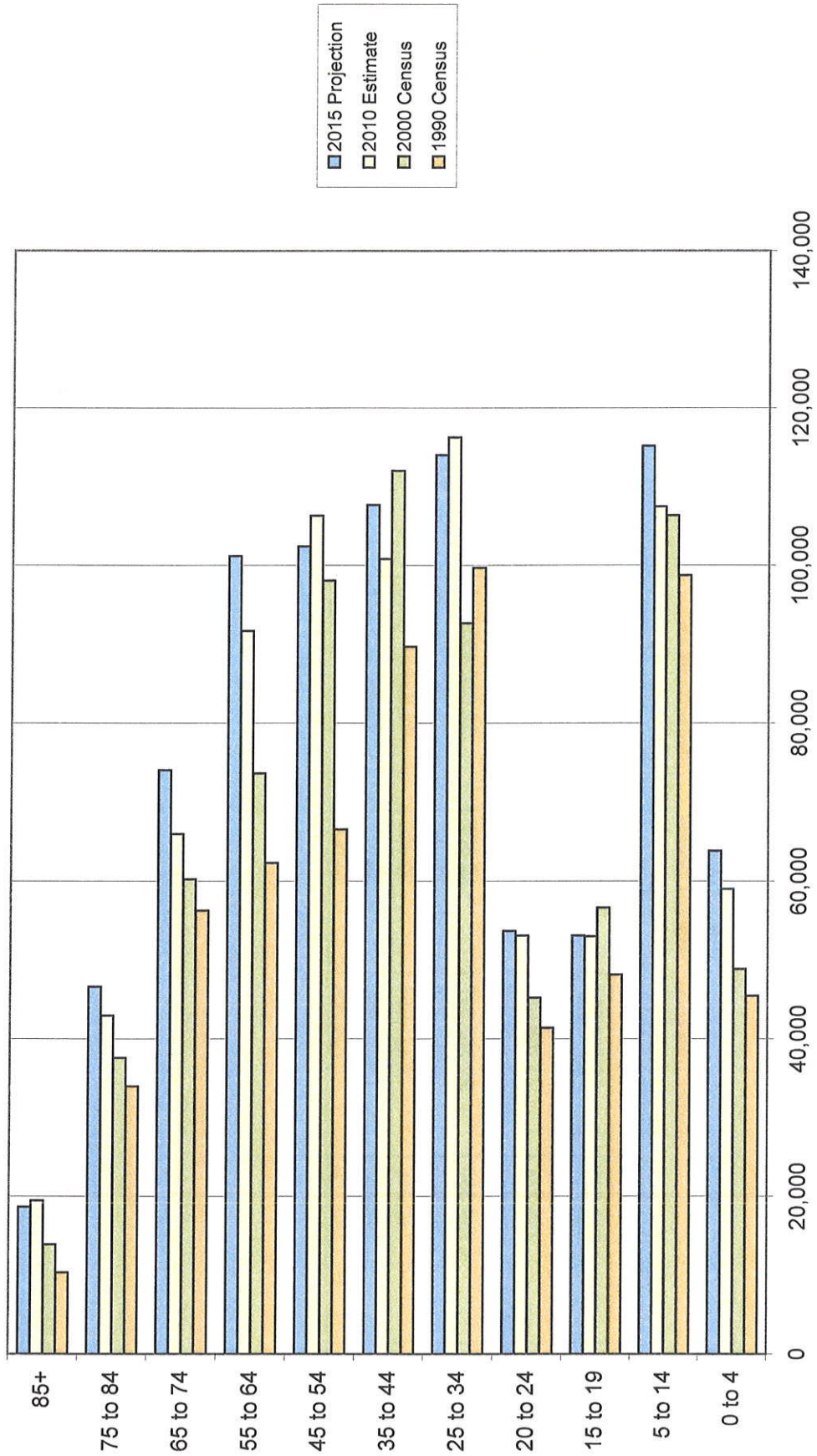


**East Texas Council of Governments**  
**Total Population Age Historical and Projected**  
**1990 and 2000 Census, 2010 Estimate and 2015 Projection**

<b>Age Group</b>	<b>1990 Census</b>		<b>2000 Census</b>		<b>2010 Estimate</b>		<b>2015 Projection</b>		<b>Percent Change</b>	
									<b>1990 to 2000</b>	<b>2010 to 2015</b>
0 to 4	45,463	7.00%	48,866	6.60%	59,005	7.20%	63,811	7.50%	7.50%	8.10%
5 to 14	98,741	15.10%	106,354	14.30%	107,466	13.20%	115,188	13.50%	7.70%	7.20%
15 to 19	48,123	7.40%	56,640	7.60%	52,984	6.50%	53,089	6.20%	17.70%	0.20%
20 to 24	41,376	6.30%	45,203	6.10%	53,099	6.50%	53,680	6.30%	9.30%	1.10%
25 to 34	99,693	15.30%	92,684	12.40%	116,254	14.20%	114,043	13.40%	-7.00%	-1.90%
35 to 44	89,690	13.70%	112,034	15.00%	100,836	12.40%	107,671	12.70%	24.90%	6.80%
45 to 54	66,524	10.20%	98,062	13.20%	106,333	13.00%	102,426	12.00%	47.40%	-3.70%
55 to 64	62,307	9.60%	73,642	9.90%	91,691	11.20%	101,190	11.90%	18.20%	10.40%
65 to 74	56,244	8.60%	60,225	8.10%	65,964	8.10%	74,026	8.70%	7.10%	12.20%
75 to 84	33,967	5.20%	37,572	5.00%	42,948	5.30%	46,599	5.50%	10.60%	8.50%
85+	10,331	1.60%	13,898	1.90%	19,455	2.40%	18,625	2.20%	34.50%	-4.30%

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**

Fiscal Year	Population <sup>1</sup>	Personal Income		Per Capita		Gross Sales All Industries <sup>4</sup>	Gross Sales, All Industries Subject to State Tax <sup>5</sup>		Total Employed <sup>6</sup>	Unemployment Rate <sup>7</sup>
		(in thousands) <sup>2</sup>	(in thousands) <sup>2</sup>	Personal Income <sup>3</sup>	Personal Income <sup>3</sup>		Industries <sup>4</sup>	State Tax <sup>5</sup>		
2009	818,419	NA	NA	NA	NA	28,551,351,095	7,360,082,097	363,877	8.2	
2008	813,838	26,600,303	30,837	30,837	30,837	33,721,469,950	8,367,733,943	370,310	4.9	
2007	801,389	25,079,286	29,252	29,252	29,252	31,510,488,251	7,747,288,124	365,148	4.4	
2006	759,774	23,708,065	27,826	27,826	27,826	27,784,135,121	7,278,104,246	362,951	4.9	
2005	757,082	21,786,493	25,658	25,658	25,658	25,661,141,470	6,576,967,019	356,260	5.3	
2004	754,330	20,593,617	22,337	22,337	22,337	22,635,455,313	6,042,674,290	352,357	5.1	
2003	751,642	19,383,744	21,392	21,392	21,392	21,297,054,428	5,545,857,086	343,323	6.1	
2002	749,245	18,621,654	20,886	20,886	20,886	18,021,691,968	5,362,595,811	334,357	5.8	
2001	747,237	18,305,462	22,677	22,677	22,677	19,970,863,173	5,491,864,293	330,342	4.8	
2000	745,180	17,734,964	23,800	23,800	23,800	19,558,447,428	5,232,245,032	325,711	5.1	

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

NA: Information not available

East Texas Council of Governments  
Principal Employers 1000+ Employees  
September 30, 2010

Company Information	Employees	NAICS
<u>Brookshire Grocery CO</u> 1600 W Southwest Loop 323 Tyler, TX 75701-8500 Smith County	1000+	4451, 3118, 4239, 4461
<u>Carrier Corp</u> 1700 E Duncan St Tyler, TX 75702 Smith County	1000+	2382, 3334
<u>Eastman Chemical CO</u> 300 Kodak Blvd Longview, TX 75602 Gregg County	1000+	3251, 3252, 3261, 3251
<u>ETMC Regional Healthcare Syst</u> 1000 S Beckham Ave Tyler, TX 75701-1908 Smith County	1000+	6219, 6221
<u>ETMC Tyler Radiology</u> 1000 S Beckham Ave Tyler, TX 75701-1908 Smith County	1000+	6215
<u>Good Shepherd Medical Center</u> 700 E Marshall Ave Longview, TX 75601-5572 Gregg County	1000+	6221
<u>Le Tourneau Technologies</u> 2400 S Macarthur St Longview, TX 75602 Gregg County	1000+	4238, 5413
<u>Marshall Independent School Dist.</u> 1305 E Pinecrest Dr Marshall, TX 75670-7349 Harrison County	1000+	6111
<u>Rusk State Hospital</u> 1601 Hwy 69 N Rusk, TX 75785 Cherokee County	1000+	6221, 6222
<u>Trane Residential Systems</u> 6200 Troup Hwy Tyler, TX 75707-1948 Smith County	1000+	2382, 5416
<u>Trinity Mother Frances Health</u> 536 S Beckham Ave Tyler, TX 75702-8310 Smith County	1000+	6219
<u>Tyler Pipe</u> 11910 County Road 492 Tyler, TX 75706 Smith County	1000+	3329, 3261, 3315
<u>University of Texas Health Center</u> 11937 US Hwy 271 Tyler, TX 75708-3154 Smith County	1000+	6221, 6211

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

**East Texas Council of Governments  
Full Time Employee Equivalents by Function  
Last Ten Fiscal Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Government</b>	8.36	8.60	9.27	8.84	8.23	8.81	9.57	14.43	13.64	16.89
<b>Workforce</b>	20.19	22.13	21.58	22.05	21.49	22.01	22.01	25.74	23.11	21.27
<b>Housing &amp; Urban Development</b>	0.62	0.46	0.49	0.48	0.47	0.35	0.50	0.35	0.41	0.36
<b>Emergency Communications</b>	2.66	2.55	3.16	3.12	5.86	5.48	6.51	8.28	9.08	7.13
<b>Economic Development</b>	2.86	2.80	2.56	1.88	1.73	2.41	1.58	2.23	2.29	1.55
<b>Environmental Quality</b>	2.34	2.99	3.13	3.11	3.24	2.99	2.48	2.92	3.15	3.00
<b>Area Agency on Aging</b>	8.24	9.65	10.11	9.16	8.06	9.79	9.75	10.34	11.30	11.01
<b>Transportation</b>	1.20	1.02	0.98	1.72	2.08	1.76	3.77	23.45	20.44	26.84
<b>Homeland Security</b>	-	-	0.05	1.33	3.63	3.94	2.77	2.34	2.00	1.67
<b>Criminal Justice</b>	1.45	1.44	1.40	1.20	1.03	1.05	0.92	1.36	1.49	1.77
<b>Health &amp; Human Services</b>	-	-	-	-	-	0.08	0.07	0.15	0.03	1.49

East Texas Council of Governments  
OPERATING INDICATORS BY FUNCTION  
LAST EIGHT 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>
Number of Children Served	7171	7545	8062	8393	8853	8895	7703	8412
Total Population Served at Workforce Centers	78,344	84,197	91,185	84,844	74,662	66,443	76,551	75,915
WIA Adults Served	689	764	924	540	368	358	311	336
WIA Adults Entering Employment	288	241	302	282	147	122	97	63
WIA Dislocated Workers Served	191	805	616	166	280	595	731	876
WIA Dislocated Workers Entering Employment	61	195	390	98	100	129	144	237
WIA Youth Served	502	604	596	235	170	140	703	164
WIA Youth Entering Employment	77	68	161	86	65	35	24	35
TANF Participants Served	4200	3401	2370	1664	1507	990	956	840
TANF Participants Entering Employment	2235	1926	1326	955	910	625	491	407
Food Stamp Participants Served	849	752	573	456	371	526	575	875
Food Stamp Participants Entering Employment	446	394	350	308	256	334	260	393
Reintegrated Offenders (RIO) Served	1934	2392	2583	2160	1785	2280	2823	2647
RIO Secured Employment	1014	1181	1394	1309	1185	1277	1289	1295

<u>Agging</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>
Information & Referral	n/a	n/a	3,662	5,602	3,993	5,214	3,300	3,533
Care Coordination	1,344	1,498	1,040	1,176	1,899	1,493	1,550	1,685
Legal Assistance over 60	241	233	160	512	230	117	210	384
Legal Awareness	n/a	n/a	2,439	8,537	1,972	1,528	1,549	1,857
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
Congregate Meals	168,601	156,201	130,984	107,584	99,489	93,892	97,724	111,803
Home Delivered Meals	398,477	377,329	399,365	401,399	429,580	447,348	355,849	411,333
Transportation	31,528	27,599	28,602	20,088	20,504	21,607	23,187	23,084
Residential Repairs	196	79	85	97	133	150	141	45
Homemaker	11,516	11,444	10,104	10,339	10,580	8,003	6,093	7,470
Personal Assistance	2,948	2,713	1,408	1,120	1,485	695	855	845
Health Maintenance	112	61	57	68	46	66	42	18
Health Screening	17	74	n/a	219	336	432	170	90
Nutrition Education	n/a	n/a	n/a	292	145	255	255	183
Emergency Response	459	495	485	456	436	362	375	421
Adult Day Care	1,230	1,273	1,030	1,190	474	52	174	258
Caregiver Respite in Home	26,416	15,704	14,929	12,715	12,453	12,175	8,936	9,455
Caregiver Respite Institutional	4,128	5,136	3,672	5,832	7,608	4,032	1,368	3,464
Instruction & Training	n/a	n/a	347	376	n/a	365	372	480
Participant Assessment	304	366	243	378	376	351	447	334
Caregiver Information Services	0	0	0	222	819	693	195	420

<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>
Peace Officers Receiving Training	3217	3476	1888	1733	1660	2217	2776	3029

<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>
Calls Received	158909	123716	179974	193090	187025	191642	209353	203024

<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>
Number of Trips	37174	26587	27737	39962	53038	81013	106483	110828

<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>
Total Tons of Material Diverted	111	393	393	500	509	543	525	843
Total Number of Illegal Dump Sites Cleaned Up	97	774	775	693	692	566	810	206

<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>
Debentures Funded	14	14	14	21	20	24	23	28
Actual Job Retention/Creation from Debentures Func	308	216	388	439	402	425	397	491

Information is not available prior to 9-30-2003  
n/a Information is not available at 1-5-2011

**East Texas Council of Governments**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**LAST EIGHT 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>
<b><u>General Government</u></b>								
Buildings	1	1	1.59	1.59	1.59	1.59	1.59	1.59
Office Equipment	-	-	1	1	1	1	11	11
Vehicles	-	-	-	-	-	-	8	9
<b><u>Workforce Development</u></b>								
Office Equipment	1	1	1	1	1	1	1	2
Building Improvements/Signage	-	-	-	-	-	1	1	1
Mobile Unit	-	-	-	-	-	1	1	1
<b><u>Emergency Communications</u></b>								
PSAP Equipment	21	23	26	26	25	25	22	22
Recorders	-	-	-	-	-	5	5	5
Office Equipment	-	-	-	-	1	2	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
Transportation Vans	3	3	3	3	3	11	15	14
Office Equipment	1	1	2	1	1	7	6	6
<b><u>Transportation</u></b>								
Transportation Vans	13	17	18	33	33	38	50	59
Digital Dispatch Equipment	-	-	-	-	1	1	1	1
Office Equipment	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.

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

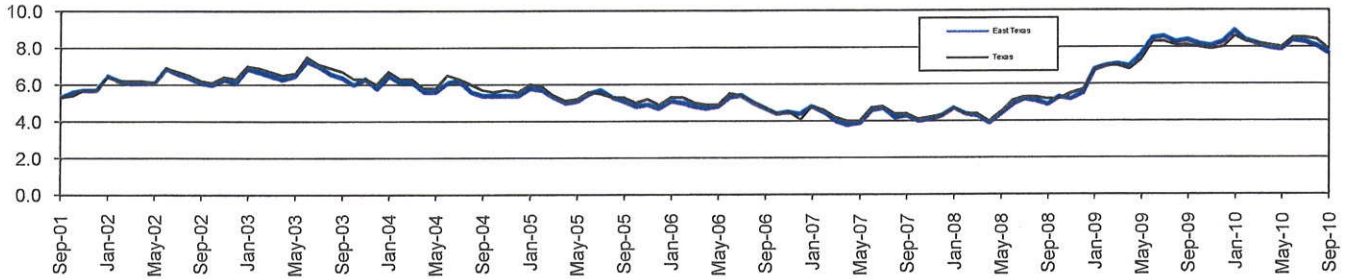


# East Texas Workforce Development Area\*

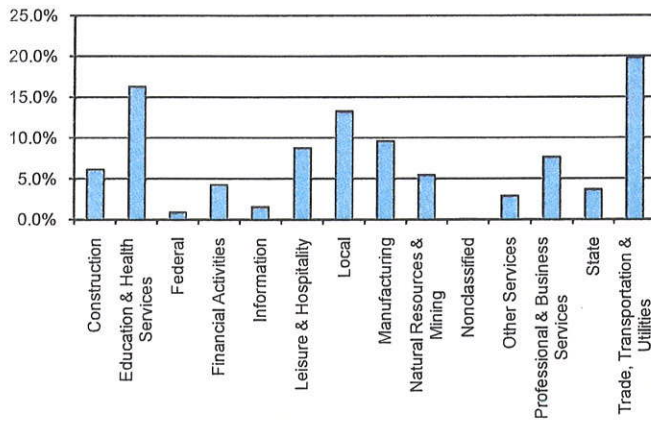
September 2010

East Texas WDA					Texas				
	CLF	Employed	Unemployed	Rate		CLF	Employed	Unemployed	Rate
Sep-10	400,038	369,359	30,679	7.7	Sep-10	12,165,687	11,209,084	956,603	7.9
Aug-10	401,849	369,126	32,723	8.1	Aug-10	12,190,333	11,168,971	1,021,362	8.4
Sep-09	397,594	364,364	33,230	8.4	Sep-09	12,004,418	11,031,467	972,951	8.1

### Historical Unemployment Rates



### East Texas WDA Industry Composition 1st Quarter 2010



### Total WDA Claims

	Sep-10	Aug-10	Sep-09	OTY
Initial	2,353	2,817	3,250	-897
Continued	10,672	13,287	20,738	-10,066
Continued Claims for the Week of the 12th				
Continued	4,094	4,557	7,578	-3,484

### Texas Unemployment Insurance Claims Filed

	Sep-10	Aug-10	Sep-09	OTY
Initial	83,025	91,613	98,946	-15,921
Continued	859,823	1,064,768	1,188,040	-328,217
Continued Claims for the Week of the 12th				
Continued	198,589	218,763	276,553	-77,964

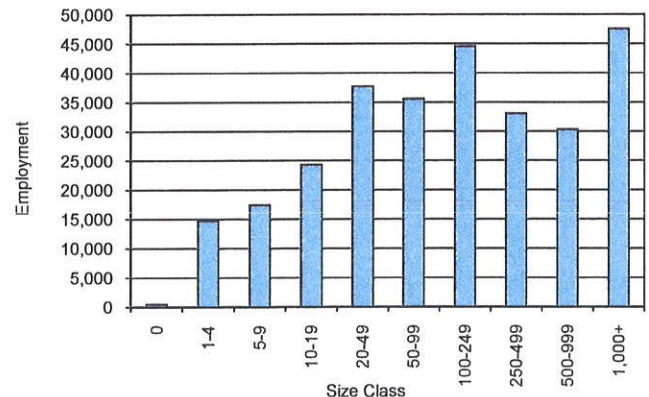
### East Texas WDA Average Weekly Wage

	East Texas	WDA Qtr. Chg.	Texas
1st Quarter 2010	\$690.80	-\$69.35	\$893.19
4th Quarter 2009	\$760.15	WDA OTY Chg.	\$944.14
1st Quarter 2009	\$690.87	-\$0.07	\$886.34

### NAICS Covered Employment Quarterly Data 1st Quarter 2010

SUPER SECTOR	Employment	Change	
		Quarter	Year
Construction	17,436	687	205
Education & Health Services	46,514	-21	1,414
Federal	2,404	178	217
Financial Activities	12,071	-126	-374
Information	4,446	-222	-221
Leisure & Hospitality	24,879	-1,497	-1,222
Local	37,878	-397	754
Manufacturing	27,392	-437	-4,201
Natural Resources & Mining	15,468	886	-1,953
Nonclassified	74	21	26
Other Services	8,140	-1	111
Professional & Business Services	21,823	5	-692
State	10,445	97	488
Trade, Transportation & Utilities	56,777	-1,464	-2,512
<b>TOTAL</b>	<b>285,747</b>	<b>-2,291</b>	<b>-7,960</b>

### Size Class Employment Composition 1st Quarter 2010



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



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# **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  
Kilgore, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the East Texas Council of Governments as of and for the year ended September 30, 2010, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A 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*.

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

*Pattillo, Brown & Hill, LLP*

March 25, 2011



**INDEPENDENT AUDITORS' 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 the compliance of East Texas Council of Governments (the "Council") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended September 30, 2010. The Council's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2010.

## Internal Control Over Compliance

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

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

*Pattillo, Brown & Hill, LLP*

March 25, 2011

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards:			
<u>U. S. Department of Agriculture</u>			
Passed through Texas Workforce Commission:			
Food Stamp E&T 10/31/10	10.561	0810FSE000	\$ 233,961
Food Stamp E&T 10/31/09	10.561	0809FSE000	4,160
Food Stamp E&T ABAWD 10/31/10	10.561	0810FSA000	108,301
Food Stamp E&T ABAWD 10/31/09	10.561	0809FSA000	7,635
Total Passed through Texas Workforce Commission			<u>354,057</u>
Total U. S. Department of Agriculture			<u>354,057</u>
<u>U. S. Department of Commerce</u>			
Passed through Economic Development Administration			
District Planning Assistance Program 12/31/11	11.302	08-83-04337	50,151
Total Passed through Economic Development Administration			<u>50,151</u>
Total U. S. Department of Commerce			<u>50,151</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Rural Affairs:			
Texas Community Development Program 08/31/11	14.228	C10213	1,260
Texas Community Development Program 08/31/10	14.228	C79213	11,651
Total Passed through Texas Department of Rural Affairs			<u>12,911</u>
Passed through Texas Department of Housing and Community Affairs:			
Housing Repair 5/21/12	14.228	1001208	218
Housing Repair 9/10/11	14.228	70090002	21,285
Total Passed through Texas Department of Housing and Community Affairs			<u>21,503</u>
Total U. S. Department of Housing and Urban Development			<u>34,414</u>
<u>U. S. Department of Justice</u>			
Passed through the Governor's Office Criminal Justice Division:			
Regional Juvenile Detention Program 08/31/11	16.540	JA-09-J20-14235-12	873
Regional Juvenile Detention Program 08/31/10	16.540	JA-08-J20-14235-11	43,545
Subtotal 16.540			<u>44,418</u>

(continued)



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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 (Continued)</u>			
ARRA - Justice Assistance Grant 7/31/10	16.803	N/A	\$ 27,427
Total Passed through the Governor's Office Criminal Justice Division			<u>71,845</u>
Total U. S. Department of Justice			<u>71,845</u>
<u>U. S. Department of Labor</u>			
Passed through Texas Workforce Commission:			
ARRA - Employment Services 9/30/10	17.207	0809XES000	8,450
ARRA - Reemployment Services 9/30/10	17.207	0809XRE000	18,167
Employment Services 9/30/11	17.207	0810WPA000	284,313
Employment Services 1/31/10	17.207	0809WPA000	<u>77,611</u>
Subtotal 17.207			388,541
Trade Act 10/31/10	17.245	0810TRA000	2,772,969
Trade Act 10/31/09	17.245	0809TRA000	2,333
Trade Act 10/31/09	17.245	0809TRA000	<u>316,501</u>
Subtotal 17.245			3,091,803
WIA Statewide Activities 12/31/09	17.258/259/260	0809WSA000	14,061
Statewide Alternative 10/31/11	17.258/259/260	0810WSA000	43,926
WIA Adult 6/30/12	17.258	0810WIA000	194,950
WIA Adult 6/30/11	17.258	0809WIA000	1,233,517
WIA Adult 6/30/10	17.258	0808WIA000	61,045
ARRA - WIA Adult 12/31/10	17.258	0809XWA000	575,305
WIA Youth 6/30/12	17.259	0810WY000	53,982
WIA Youth 6/30/11	17.259	0809WY000	932,404
WIA Youth 6/30/10	17.259	0808WY000	88,545
ARRA - WIA Youth 6/30/10	17.259	0809XWY000	313,194
ARRA - Statewide 6/30/11	17.259	0810XSA000	41,704
ARRA - Regional Cooperative Capacity Building 3/31/11	17.259	0810XSW000	8,227
NEG Hurricane Ike 4/30/12	17.260	0810NEG000	112,361
Ready To Work 01/31/2010	17.260	0809WSW000	37,752
Performance Incentive Award 12/31/09	17.260	0809PIA000	2,002
WIA Exemplary 12/31/09	17.260	0809WEA000	5,960
WIA Dislocated Worker 6/30/12	17.260	0810WID000	212,293
WIA Dislocated Worker 6/30/11	17.260	0809WID000	1,311,937
WIA Dislocated Worker 6/30/10	17.260	0808WID000	161,662
ARRA - Dislocated Worker Additional Assistance 12/31/10	17.260	0810WAA000	155,415
ARRA - WIA Dislocated Worker 12/31/10	17.260	0809XDW000	1,033,790
ARRA - Rapid Response 12/31/10	17.260	0809XRR000	<u>48,676</u>
Subtotal WIA Cluster			6,642,708
Disability Program Navigator 6/30/10	17.266	0809DPN000	<u>59,697</u>
Total Passed through Texas Workforce Commission			<u>10,182,749</u>
Total U. S. Department of Labor			<u>10,182,749</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards: (Continued)			
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
VCR 1/31/10	20.500	51910F7102	\$ 5,155
Rural Transportation 12/31/10	20.509	51010F07204	700,314
Rural Transportation 8/31/10	20.509	51910F7148	419,964
Rural Federal Discretionary Fund 8/31/11	20.509	51010F7153	265,318
ARRA - Capital 5/31/12	20.509	51010F7098	1,840
ARRA - Vehicles 3/31/11	20.509	51910F7286	428,673
Subtotal 20.509			<u>1,816,109</u>
Regionally Coordinated Transportation Planning 2/28/11	20.515	510XXF7025	1,260
Elderly & Disabled-Atlanta & Tyler District 08/31/10	20.513	51910F7255	210,638
Job Access and Reverse Commute Urban 8/31/10	20.516	51010F7183	2,392
Job Access and Reverse Commute Non-Urban 8/31/10	20.516	51010F7178	3,585
Subtotal Transit Services Programs Cluster			<u>216,615</u>
Total Passed through Texas Department of Transportation			<u>2,039,139</u>
Total U. S. Department of Transportation			<u>2,039,139</u>
<u>U. S. Department of Energy</u>			
Passed through State Energy Conservation Office:			
Clean Cities	81.119	DE-AC26-04NT41817	15,715
Total Passed through State Energy Conservation Office			<u>15,715</u>
Total U. S. Department of Energy			<u>15,715</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of			
Aging and Disability Services:			
Title VII, Elder Abuse 9/30/10	93.041	N/A	14,663
Title VII, Ombudsman Services 9/30/10	93.042	N/A	64,046
Title III Part D, 9/30/10	93.043	N/A	39,354
Title III Part B, 9/30/10	93.044	N/A	904,845
Title III Part C1, 9/30/10	93.045	N/A	454,313
Title III Part C2, 9/30/10	93.045	N/A	1,354,155
Nutrition Service Incentive Program 9/30/10	93.053	N/A	305,282
ARRA C2 Meals 9/30/10	93.705	83111-C	41,688
ARRA C1 Meals 9/30/10	93.705	83111-C	192,732
Subtotal Aging Cluster			<u>3,253,015</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

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

**(Continued)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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 Department of Aging and Disability Services: (Continued)			
Title III Part E, 9/30/10	93.052	N/A	\$ 418,205
MIPPA 5/31/11	93.071	N/A	8,122
MIPPA 5/31/11	93.779	N/A	12,269
CMS Basic 3/31/11	93.779	N/A	36,712
CMS Basic 3/31/10	93.779	N/A	<u>41,108</u>
Subtotal 93.779			<u>90,089</u>
Total Passed through Texas Department of Aging and Disability Services			<u>3,887,494</u>
Passed through Texas Health and Human Services Commission:			
Social Services Block Grant 12/31/10	93.667	529-09-0104-00001	<u>2,703,250</u>
Total Passed through Texas Health and Human Services Commission			<u>2,703,250</u>
Passed through Texas Workforce Commission:			
TANF 1/31/11	93.558	0810TSE000	58,119
TANF 1/31/10	93.558	0810TAN000	1,618,982
TANF 10/31/09	93.558	0809TAN001	7,657
Non Custodial Parent 9/30/10	93.558	0809TAN001	198,053
ARRA - TANF 9/30/10	93.558	0810XSE000	501,014
Performance Incentive Award 12/31/09	93.558	0809PIA000	<u>1,984</u>
Subtotal 93.558			2,385,809
Childcare 10/31/10	93.667	0810CCF000	66,493
Childcare 10/31/10	93.575/596	0810CCF000	11,945,058
Childcare 10/31/09	93.575/596	0809CCF000	154,811
Childcare Local Match 12/31/10	93.596	0810CCM000	187,754
Childcare Local Match 12/31/09	93.596	0809CCM000	516,444
ARRA - Childcare 6/30/11	93.713	0809XCC000	2,283,885
ARRA - Childcare Quality 6/30/11	93.713	0809XCQ000	157,501
ARRA - Childcare DFPS 8/31/10	93.713	0810XCF000	<u>381,031</u>
Subtotal CCDF Cluster			<u>15,626,484</u>
Total Passed through Texas Workforce Commission			<u>18,078,786</u>
Total U. S. Department of Health and Human Services			<u>24,669,530</u>

**(continued)**

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
Federal Awards: (Continued)			
<u>U. S. Department of Homeland Security</u>			
Passed through the Office of the Governor, Division of Emergency Management:			
Interoperable Emergency Communications 1/31/11	97.001	2009-IP-T9-0014	\$ 38,962
Interoperable Emergency Communications 7/31/10	97.001	2008-IO-T8-0040	<u>59,395</u>
Subtotal 97.001			98,357
Hazard Mitigation 12/31/05	97.039	DR-1356-3002	(21,376)
Homeland Security 4/15/12	97.073	2009-SS-T9-0064	259,263
Homeland Security 02/28/11	97.073	2008-GE-T8-0034	191,200
Homeland Security 02/28/10	97.073	2007-GE-T7-0024	<u>46,255</u>
Subtotal 97.073			<u>496,718</u>
Total Passed through the Office of the Governor, Division of Emergency Management			<u>573,699</u>
Total U. S. Department of Homeland Security			<u>573,699</u>
Total Federal Awards			<u>\$ 37,991,299</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**(Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

State Grantor/Program Title	Grantor's Number	Expenditures
<u>State Awards:</u>		
<u>Texas Department of Aging and Disability Services:</u>		
State General Revenue 9/30/10	N/A	\$ 126,671
SGR Title III 9/30/10	N/A	60,000
SGR Additional 9/30/10	N/A	12,636
Total Texas Department of Aging and Disability Services		<u>199,307</u>
<u>Office of the Governor; Criminal Justice Division:</u>		
Police Training 8/31/11	SF-11-A10-14265-11	20,868
Police Training 8/31/10	SF-10-A10-14265-10	192,293
Criminal Justice Planning 8/31/11	SF-11-197-14386-11	12,790
Criminal Justice Planning 8/31/10	SF-10-197-14386-10	117,838
State Planning 8/31/11	2008104	351
State Planning 8/31/10	2009102	65,349
Total Office of the Governor; Criminal Justice Division		<u>409,489</u>
<u>Texas Commission on Environmental Quality:</u>		
Solid Waste 8/31/11	582-10-91884	355,240
Air Quality 12/15/10	582-8-86229	590,439
Total Texas Commission on Environmental Quality		<u>945,679</u>
<u>Commission on State Emergency Communications:</u>		
9-1-1 8/31/11	N/A	121,865
9-1-1 8/31/10	N/A	1,292,026
9-1-1 8/31/09	N/A	686,386
Total Commission on State Emergency Communications		<u>2,100,277</u>
<u>Texas Department of Transportation:</u>		
Rural Transportation 8/31/11	51110F7016	227,543
Rural Transportation 8/31/10	51010F7017	684,474
Total Texas Department of Transportation		<u>912,017</u>

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>State Grantor/Program Title</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
State Awards:		
<u>Texas Workforce Commission:</u>		
Childcare DFPS 08/31/11	0811CCP000	\$ 156,118
Childcare DFPS 08/31/10	0810CCP000	1,249,319
Childcare 10/31/10	0810CCF000	2,185
Childcare 10/31/09	0809CCF000	26,907
Food Stamp E&T 10/31/10	0810FSE000	106,144
Project Rio 10/31/10	0809RIO000	237,958
Project Rio 10/31/09	0809RIO000	3,311
Back to Work 8/31/11	0810BTW000	<u>248,431</u>
Total Texas Workforce Commission		<u>2,030,373</u>
<u>Texas Veterans Commission:</u>		
Veterans Services 9/30/10	N/A	65,092
Veterans Services 9/30/09	N/A	<u>( 4,600)</u>
Total Texas Veterans Commission		<u>60,492</u>
Total State Awards		<u>\$ 6,657,634</u>
Total Federal and State Awards		<u>\$ 44,648,933</u>

# EAST TEXAS COUNCIL OF GOVERNMENTS

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

SEPTEMBER 30, 2010

### 1. GENERAL

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

### 2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. 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.

### 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.

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

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

(Continued)

**SEPTEMBER 30, 2010**

**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>
Federal Awards:		
Food Stamp E&T 10/31/10	10.561	\$ 233,961
Food Stamp ABAWD 10/31/10	10.561	96,988
Food Stamp ABAWD 10/31/09	10.561	7,635
Regional Juvenile Detention Program 08/31/10	16.540	37,378
Employment Services 09/30/11	17.207	272,643
Employment Services 01/31/10	17.207	66,909
ARRA Employment Services 09/30/10	17.207	8,450
ARRA Reemployment Services 09/30/10	17.207	13,095
Trade Act 10/31/10	17.245	2,732,212
Trade Act 10/31/09	17.245	316,501
WIA Statewide Activities 12/31/09	17.258/259/260	12,155
Statewide Alternative 10/31/11	17.258/259/260	39,676
WIA Adult 06/30/12	17.258	194,950
WIA Adult 06/30/11	17.258	1,085,354
WIA Youth 06/30/10	17.258	61,045
ARRA WIA Adult 12/31/10	17.258	522,961
ARRA Statewide 06/30/11	17.259	40,333
WIA Youth 06/30/12	17.259	53,982
WIA Youth 06/30/11	17.259	830,960
WIA Youth 06/30/10	17.259	53,933
ARRA WIA Youth 06/30/10	17.259	238,623
WIA Dislocated Worker 6/30/12	17.260	212,293
WIA Dislocated Worker 6/30/11	17.260	1,178,935
WIA Dislocated Worker 6/30/10	17.260	145,997
WIA Additional DW 12/31/10	17.260	155,415
ARRA WIA DW 12/31/10	17.260	945,440
ARRA Rapid Response 12/31/10	17.260	37,131
NEG Hurricane Ike 04/30/12	17.260	103,421
Ready to Work 01/31/10	17.260	37,738
Disability Program Navigator 10/31/10	17.266	56,677
Job Access and Reverse Commute Urban 08/30/10	20.516	1,789
Job Access and Reverse Commute Non-Urban 08/31/10	20.516	2,116

(continued)



**EAST TEXAS COUNCIL OF GOVERNMENTS**

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

(Continued)

SEPTEMBER 30, 2010

**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>
Federal Awards:		
Title III Part D 09/30/10	93.045	\$ 10,400
Title III Part B 09/30/10	93.044	458,474
Title III Part C1 09/30/10	93.045	454,313
Title III Part C2 09/30/10	93.045	1,354,155
Title III Part E 09/30/10	93.052	251,387
Nutrition Service Incentive Program 09/30/10	93.053	305,282
ARRA C2 Meals 09/30/10	93.705	32,200
ARRA C1 Meals 09/30/10	93.705	173,459
Social Security Block Grant 09/30/10	93.667	2,566,529
TANF 01/31/11	93.558	54,575
TANF 10/31/10	93.558	1,455,295
TANF 10/31/09	93.558	( 15,178)
Non Custodial Parent 09/30/10	93.558	177,482
ARRA TANF 09/30/10	93.558	477,566
Childcare 10/31/10	93.575/596	11,494,543
Childcare 10/31/09	93.575/596	121,123
Childcare Local Match 12/31/10	93.596	187,754
Childcare Local Match 12/31/09	93.596	450,546
ARRA Childcare 06/30/11	93.596	2,225,563
ARRA Childcare Quality 06/30/11	93.596	48,206
ARRA Childcare DFPS 08/31/10	93.596	381,031
Homeland Security 04/15/12	93.596	<u>258,978</u>
Total Federal Awards		<u>32,720,379</u>
State Awards:		
Police Training 8/31/11		20,098
Police Training 8/31/10		156,802
9-1-1 Emergency Communications 08/31/11		82,856
9-1-1 Emergency Communications 08/31/10		735,475
9-1-1 Emergency Communications 08/31/09		562,427
Solid Waste 08/31/11		255,977
Air Quality 12/15/10		387,957

(continued)

**EAST TEXAS COUNCIL OF GOVERNMENTS**

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

(Continued)

**SEPTEMBER 30, 2010**

**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>
State Awards: (Continued)		
Title III Part E 09/30/10		\$ 60,000
Childcare DFPS 08/31/11		156,118
Childcare DFPS 08/31/10		1,249,319
Childcare 10/31/10		2,185
Childcare 10/31/09		26,907
Back to Work 08/31/11		243,777
Project RIO 10/31/10		221,255
Veterans Services 09/30/10		57,866
Veterans Services 09/30/09		( 4,600)
Total State Awards		<u>4,214,419</u>
Total Pass-through Federal and State Awards		<u>\$ 36,934,798</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal and State Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
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Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster:
#17.207	Employment Services
#17.258, 17.259, 17.260	WIA Cluster
#20.509	Rural Transportation
#93.558	TANF
#93.575, 93.596, 93.713	Child Care Cluster
#93.667	Social Services Block Grant
State	911 Emergency Communications
State	Solid Waste
State	Air Quality
State	Rural Transportation
State	Child Care

Dollar threshold used to distinguish between type A and type B federal programs	\$1,139,739
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Dollar threshold used to distinguish between type A and type B state programs	\$300,000
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Auditee qualified as low-risk auditee for federal single audit?	No
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Auditee qualified as low-risk auditee for state single audit?	Yes
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**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, 2010**

None

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