

# EAST TEXAS COUNCIL OF GOVERNMENTS



**Gregg County Courthouse  
Longview, Texas**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

## EAST TEXAS COUNCIL OF GOVERNMENTS KILGORE, TEXAS

For the Year Ended  
September 30, 2017

Division of Operations  
Wendi Horst, Director

Financial Services:

Sloane Bodle  
Rhonda Barber  
Lynda Bond  
Charlotte Countryman  
Christy Green  
Glenda Lamothe  
Neva McClurg  
Elizabeth Jones

Fiscal Grant  
Management:

Monty Scroggins  
Brandi Brown  
Christy Fowler  
Dawn Goodman  
Noweka Harvey  
Rita Hitt

Facilities, Purchasing,  
& Procurement:

Patricia Hudspeth  
Barbara Hopper  
Ed Weaver  
Kim Zimmerman



# EAST TEXAS COUNCIL OF GOVERNMENTS

## TABLE OF CONTENTS

September 30, 2017

	<u>Page</u>
<b>Introductory Section</b>	
Letter of Transmittal	i
GFOA Certificate of Achievement	ix
Organizational Chart	x
Principal Officials	xi
Member Governments	xii
<b>Financial Section</b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
State of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Notes to Financial Statements	25
<b>Supplemental Schedules:</b>	
Schedule of Indirect Costs	38
Schedule of Employee Benefits	39

<b>Statistical Section</b>	<b><u>Page</u></b>
Net Position by Component	42
Changed in Net Position	44
Fund Balances - Governmental Funds	46
Changes in Fund Balances - Governmental Funds	50
Ratios of Outstanding Debt by Type	53
Regional County Information	54
Employment by County	58
Employment Percentage Change	59
Population - Census - 1970 - 2000 - 2010 Census Estimate	60
Population Change in 1970s, 80s, 90s, 2000 and 2010	62
Population and Household by County	63
Population and Household Percent Change 2010 - 2030	65
Total Population Age Historical and Projected	66
Population Age Historical and Projected	68
Demographic and Economic Statistics	69
Principal Employers 1000+ Employees	70
Full Time Employee Equivalents by Function	72
Operating Indicators by Function	74
Capital Assets Statistics by Function	76
East Texas Workforce Development Area Map	79

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**TABLE OF CONTENTS (continued)**

**September 30, 2017**

	<u>Page</u>
<b>Federal Awards Section</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83
Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance in Accordance with the <i>Uniform Guidance</i> and the <i>State of Texas Single Audit Circular</i>	85
Schedule of Findings and Questioned Costs	88
Summary Schedule of Prior Audit Findings	92
Corrective Action Plan	93
Schedule of Expenditures of Federal and State Awards	94
Notes to Schedule of Expenditures of Federal and State Awards	98







## **INTRODUCTORY SECTION**





3800 STONE ROAD, KILGORE, TEXAS 75662 ·  
Office 903/218-6400 · FAX 903/983-1440

SERVING A FOURTEEN COUNTY REGION

March 31, 2018

The Honorable Bill Stoudt, Judge for Gregg County  
and Members of the Executive Committee  
East Texas Council of Governments  
3800 Stone Road, Kilgore, TX 75662

Dear Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of The East Texas Council of Governments (ETCOG, the Council) for the fiscal year ended September 30, 2017 is hereby submitted in accordance with Article XI of the Council's bylaws.

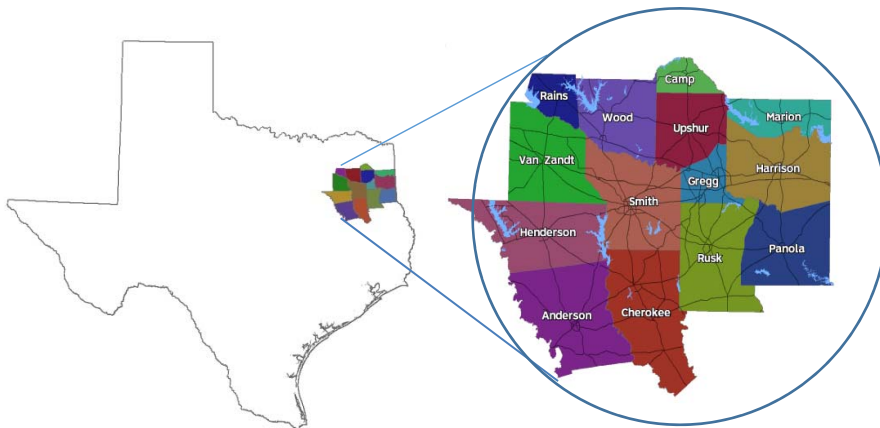
Responsibility for both the accuracy of the data presented, as well as the completeness and fairness of the presentation, rests with the management of the Council. The Council is responsible for the establishment and maintenance of internal accounting controls to ensure that assets are safeguarded and financial transactions are properly recorded and adequately documented. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The Council's established internal controls fulfill these requirements and provide reasonable assurance that the accompanying financial statements are free of material misstatement.

To the best of our knowledge and belief the enclosed 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 a reasonable understanding of the Council's financial operations for the reporting period.

Whitley Penn, LLP, a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion on the Council's financial statements for the year ended September 30, 2017. The audit meets the requirements of the federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and related OMB Uniform Guidance. The auditors' report on the financial statements is included in the financial section of this report and the auditor's report related specifically to the single audit is included in the Single Audit Section of this report. Management's Discussion and Analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE EAST TEXAS COUNCIL OF GOVERNMENTS**

In June 1970, a regional planning commission known as the East Texas Council of Governments (ETCOG) was created under authority of State Law now re-codified as Local Government Code, Chapter 391. The Council is a voluntary membership organization of local governments in a 14-county region of East Texas. The organization is one of 24 regional councils in Texas. Local governments created 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 unemployment, water and air pollution, crime, emergency communication 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 137 delegates from member local governments. The Board of Directors is composed of locally elected officials, members representing county governments, cities, school districts and soil and water conservation districts. The Board of Directors determines policy, while the Executive Committee elected by the Board of Directors is responsible for carrying out that policy. ETCOG's Executive Committee is comprised of local elected officials who meet monthly to provide specific guidance to the Council. During 2017, ETCOG's membership was comprised of the 14 county governments, 68 cities, 12 school districts, 2 river authorities, and 8 special purpose districts, including all major general-purpose local governments in the region. According to the 2017 estimates from the Texas State Data Center, these member governments represented approximately 852,613 citizens and covered an area of approximately 10,022 square miles. Below is a graphic representation of the ETCOG region and its location in the state of Texas.



### **VISION STATEMENT**

We are a trustworthy organization committed to providing leadership, education, and financial resources to our 14-county region.

### **MISSION STATEMENT**

In order to improve the Quality of Life for all of our Citizens, ETCOG pledges all of its resources to educate and assist its members to accomplish their goals.

### **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.

## **ECONOMIC OUTLOOK AND CONDITIONS**

The East Texas Council of Governments serves the growing 14-county East Texas planning region which includes the counties of Anderson, Camp, Cherokee, Gregg, Harrison, Henderson, Marion, Panola, Rains, Rusk, Smith, Upshur, Van Zandt and Wood. The area is well positioned for economic growth and makes an excellent environment for the Council to operate. Businesses are interested in relocating to East Texas because of the low cost of doing business and the diversity of its economic base. Membership in ETCOG is open to all cities, counties, school districts, and other political subdivisions of the state located within the 14-county East Texas region.

The Texas A&M University review of the Texas Economy reports that the Texas economy continues to outpace the U.S. economy in job creation. The state gained 306,900 nonagricultural jobs from December 2016 to December 2017, an annual growth rate of 2.5 percent, higher than the nation's employment growth rate of 1.4 percent.

According to Dr. Ray Perryman, President and CEO of the economic research and analysis firm headquartered in Waco, the East Texas economy will outperform both the state and the nation as a whole over the next five years. Texas economy is likely to continue to diversify away from dependence on oil, though clearly energy will remain an important driver of economic activity. An estimated 1.4 million net new jobs are projected for the Texas economy by 2021, representing a 2.16% annual growth over the period.

As far back as 1911, geologists have predicted that significant mineral wealth lay below East Texas, in what was then called the Woodbine Stratum – a formation above the Haynesville Shale. In 1930, the largest oil and gas reserves in the world were struck just outside of Henderson in West Rusk County. According to the Tyler Morning Telegraph, in April 2017, the U.S. Geological Survey announced a re-evaluation of the Haynesville shale formations. Instead of the previously estimated 61.4 trillion cubic feet of natural gas available, USGS now predicts there is 304 trillion cubic feet. These reserves under East Texas will have a positive long-term effect on the East Texas economy.

With new markets opening and new infrastructure being built to handle increased exports, Natural gas produced in abundance here in East Texas will play an even bigger role in the region's economy in the coming years. The FGE Eagle Pines project represents over \$2.1 billion of direct investment in Cherokee County and the State of Texas. The natural gas electrical generation facility is expected to be completed in 2019 and will generate as many as 800 jobs during construction, and 40 permanent jobs for operations. FGE's website says the facility will generate more than just electricity, it will also produce as much as \$200 million per year in local tax revenues. With its productive rural communities and abundant natural resources, the East Texas region is positioned to continue its economic growth and development.

## **MAJOR INITIATIVES**

### **Regional Broadband**

ETCOG has been working on rural broadband challenges for many years. Our regional broadband plan and related funding request has been submitted for review and consideration of various federal and state authorities. With hopes that it will be favorably endorsed within this next fiscal year, our request, if funded, will create a demonstration project which, if successful, will become a replicable model for other rural areas throughout Texas to follow. This regional broadband plan will feature at least 14 projects that directly target business needs.

### **Regional Housing/Disaster Recovery Needs**

The ETCOG Executive Committee approved a regional housing action plan during the 2017 fiscal year. Subsequently, in response to the spring storms that devastated some of our member jurisdictions, ETCOG

is focused on enhancing our ability to help our citizens recover more quickly from such unfortunate events. ETCOG has received approval to administer the HOME Disaster Recovery Program. Staff are currently developing and implementing the appropriate administrative structure to support this program to ensure its successful implementation within the region.

### **Regional Technology Solutions**

ETCOG's technological capabilities continue to grow for the benefit of our jurisdictions. Information Technology Systems consulting and support services are now available as a new service for our member jurisdictions. ETCOG has provided GIS Services to our region for over 8 years. Our external services began with 9-1-1 Addressing and have grown to Utility and Planning/Zoning Mapping. Regional IT services are in the demonstration project stage at this time.

**Regional Workforce and Economic Development** - Staff operates under the guidance of the Workforce Solutions East Texas Board (WSETB). The Division focuses on promoting active economic development with a premier workforce, attracting and supporting the growth of business and industry. The WSETB is committed to keeping up with the ever-changing needs and accessibility of the 14-county region's businesses and job seeker customers.

Due to diminishing resources, the WSETB streamlined its delivery footprint. There are fewer brick-and-mortar facilities in 2017 compared to 2016 and there may be even fewer in 2018, however WSET is better positioned to provide participants with resources on-demand. WSET has expanded its footprint to include designated off-site locations through Mobile Workforce Centers. Two units currently navigate through the region, as needed, to bring staff-assisted services and computer job-search capability directly to areas in the region without a "bricks and mortar" workforce center. A third Mobile Workforce Center will be added to the fleet in 2018. Web-based services, an expanded-hours call center, and increased mobile services provide a cost-effective, streamlined framework for participants.

Workforce Solutions East Texas (WSET) was recognized for outstanding performance, receiving three awards and a total of \$135,000 in performance incentive grants at the Texas Workforce Commission's (TWC) 21st Annual Texas Workforce Conference held Nov. 29 – Dec. 1, 2017 in Dallas, TX. WSET received a \$75,000 performance incentive award for the Texas Rising Star Child Care Award, designating it as one of the top three performing agencies in the State. WSET also received a \$30,000 award for being one of the top three performing agencies in the State in providing services to Foster Youth. An additional \$30,000 award for Youth Inspiration & Career Awareness was presented to WSET for its third annual Dream Expo hosted this spring.

The Dream Expo hosted by ETCOG and WSET was held on April 2017 at the Palestine Civic Center. Over 700 students in Anderson County middle schools had a chance to speak with professionals who worked in industries of interest to the students. With the passage of House Bill 5, students across the State are required to choose a career track as they enter high school. Career tracks determine the academic discipline of focus for students throughout their high school career. The expo featured booths from over 30 agencies, including public service organizations, businesses and higher learning institutions.

On April 25, 2017, WSET teamed up with Smith County to host a job fair for young adults. The event had 155 attendees and 28 vendors. A Young Adult Job Fair was also held in Longview on April 26th, which had 123 attendees.

The sixth annual Hiring Red, White and You! Statewide job fair was held in November 2017. The job fair connected Texas veterans and their spouses with Texas employers who value the experience, discipline and other exceptional qualities inherent with a military background. The job fair was held in Longview with a total of 63 employers, and 236 attendees, with 76 attendees indicating their veteran status.

It is estimated that there are 927,000 veterans in Texas who are eligible for work. By holding these Hiring Red, White and You! Job fairs across the state, Texas employers can more easily connect to this highly qualified group of service men and women across the state.

WSET provided training to 40 regional Texas Rising Star child care providers in 2017. The program is a voluntary, quality-based child care rating system of child care providers participating in the Texas Workforce Commission's subsidized child care program. In December 2017, WSET received a \$75,000 performance incentive award for this program, designating it as one of the top three performing agencies in the State. The goal of the WSET Board is for sixty percent of all subsidized child care providers in East Texas be a Texas Rising Star Provider. To date, the program has expanded to 67 Texas Rising Star providers.

WSET assisted 40 early child care providers to receive their Child Development Associate (CDA) Credential in 2017. The CDA Credential is the most widely recognized credential in early childhood education and is a key stepping stone on the path of career advancement in early childhood education.

**The East Texas Regional Development Company (ETRDC)** - USDA Rural Development approved an Intermediary Relending Program (IRP) loan of \$500,000 which is being used to provide low-interest loans through the East Texas Regional Development Company. ETRDC will relend these funds to address small business and community development needs throughout our region. The IRP program provides another critically important tool which will enhance ETRDC's efforts to spur job creation in our 14-county region. Economic Development staff have developed and recently launched a Community Loan Center (CLC) program as an alternative option to payday lenders who may charge APRs as high as 600%. Through this program, a participating employer can offer their employees up to a \$1,000 loan payable over 12 months at 18% interest. The CLC program is offered at no cost to participating employers, and when an employee needs a loan, they can apply on the CLC website.

**Rural Transportation** - The Federal Transit Administration's Non-Urbanized Transportation program provides the framework for public transportation programs in rural areas. This program is state and federally funded through the Texas Department of Transportation (TXDOT). Most of the matching funds required by the federal program are provided by TXDOT state funds, with additional support through contracts with ETCOG's Aging Division, The City of Marshall, and others.

The Regionally Coordinated Transportation Plan for the East Texas region was finalized and adopted in early 2017. Community input for the plan update was gathered via stakeholder roundtables, listening sessions with community members, and online surveys of community members and stakeholders. Nearly 400 individuals throughout the 14-county region have shared insights into their mobility needs and transportation challenges. The community outreach has yielded recurring feedback including expanded service hours, better connectivity between home and employment, and more frequent service from rural communities into Tyler and Longview, along with request for travel training and educational marketing campaigns. Vehicle procurement needs and funding opportunities for individual counties have also been identified. As a result of this process, multiple recommendations were included in the five year regionally coordinated transportation plan for the East Texas region.

The GoVet bus service is a collaborative effort between Amtrak, GoBus, the East Texas Council of Governments, EasTexConnects, and Longview Transit. GoVet has been created to provide reliable, alternate transportation for veterans in East Texas who need to travel to Overton Brooks VA Medical Center in Shreveport from the Longview and Marshall area to access their healthcare.

While ETCOG's transportation focus has been providing rural public transportation, it established the East Texas Rural Planning Organization in 2011. The RPO is working to coordinate all multimodal



transportation planning for our 14-county region; outside of the Longview and Tyler urbanized areas. ETCOG is working with the counties through the RPO to prioritize local projects for future funding opportunities. Through the combined efforts of TXDOT, the RPO and ETCOG, the US 69 road widening project to address a major bottleneck on this critical state designated hurricane evacuation route are now underway! This construction project is expected to be completed sometime before the end of 2018.

**Area Agency on Aging in East Texas** -the Aging Division provides services such as nutrition services, in-home provider services, information, referral and assistance, benefits counseling/legal assistance, dental care subsidies, nursing home ombudsman, care coordination, caregiver support program and transportation services for the elderly. The AAA Advisory Committee provides policy input and advice for Aging programs. Policy direction and support is provided by the ETCOG Executive Committee and the Texas Department of Health and Human Services.

AAA served over 400,000 meals in 2017 for the nutrition program to seniors in congregate meal sites and home delivered meals. The program has been challenged with the loss of nutrition providers, and therefore, a pilot program was implemented, the first in the state to serve congregate meals in a hospital cafeteria setting. This has enabled citizens in Camp county to continue to be served versus closing the nutrition program. Furthermore, a nutrition program was implemented to serve citizens in Marion, Harrison and Panola counties, with the termination of a contract that would have left hundreds of senior citizens to be unserved.

The Annual Reach Conference, the area's largest event devoted to aging, caregiving and healthcare, was held in October 2017 for the 26th year in a row. REACH is a collaborative effort to provide educational workshops, plenary sessions, and networking opportunities for professionals, caregivers, and anyone interested in aging issues. The theme of the conference "Navigating the Future: People. Purpose. Passion." celebrated the compassion of people who provide aging services for senior populations. Approximately 500 administrators, practitioners, caregivers and those who work with the senior population received training.

The Ombudsman Program of the AAA provided services to 74 nursing homes and 73 assisted living facilities. Staff and volunteers resolve nursing home and assisted living complaints, assist in resolving other nursing home and assisted living facility issues, support resident and family's councils, and provide in-service and information to the long-term care facilities. In FY 2017 AAA successfully conducted and resolved 1005 complaints, exceeding performance measures.

The Care Coordination program served 415 clients, 175 unduplicated clients in homemaker and personal care services. Additionally, Care Coordination initiated a new Texas Respite Grant program and provided direct assistance and coordinated services for Red Cross and FEMA sites for tornado victims in Henderson Rains and Van Zandt counties.

Benefits Counselors conducted outreach to 6500 individuals, served over 1300 individuals and conducted 128 Medicare/Medicaid and Health Information Counseling and Advocacy (HICCAP) programs. The AAA held the Medicare Conference for the third year in a row, entitled Power in Community. The conference had over 200 attendees and provided classes on Medicare basics, preventative services, Medicare savings programs, help with prescription assistance, and help paying for Medicare Costs. Additionally, a session was held on how to Detect, Prevent and Report Scams and Fraud, and a panel discussion on where beneficiaries can go for help.

The AAA partnered with Texas Department of Housing and Community Affairs to build and repair homes affected by the April 2017 tornadoes in Henderson, Rains and Van Zandt counties. A total of 83 homes were modified and repaired exceeding performance projections for FY 2017.

**Public Safety-** the Public Safety Division encompasses three program areas: 9-1-1 Emergency Services, Homeland Security, and Criminal Justice. The Criminal Justice and Homeland Security programs serve all 14-counties within the ETCOG region while the 9-1-1 Emergency Services Program serves 10-counties (Anderson, Camp, Cherokee, Gregg, Marion, Panola, Rains, Upshur, Van Zandt and Wood). Local 9-1-1 districts serve the other remaining 4-counties within the East Texas region (Harrison, Henderson, Rusk and Smith).

ETCOG subcontracts with Kilgore College to administer East Texas Police Academy. The Academy provides basic and advanced law enforcement training for peace officers and first responders in the East Texas region. Classroom topics are varied and consist of continuing education, tactical, and state mandated courses. For many of the state's local law enforcement agencies, these regional training services provide the only local and affordable means available to meet the mandated training requirements and maintain qualified officers. In FY 2017 staff provided 122,339 hours of training for 6,811 First Responders in the East Texas region.

ETCOG, and the Office of the Governor, Criminal Justice Division partnered to provide \$200,000 in grant funding to Kilgore College (KC). These grant funds will be used to resurface and repair KC's East Texas Police Academy Driving Track used by regional peace officers, fire fighters, and ambulance drivers for emergency vehicle operations training.

ETCOG partners with the Texas Office of the Governor to coordinate Criminal Justice (CJ) and Homeland Security (HS) planning, technical assistance, and prioritization of grant applications. Both programs help our jurisdictions implement new programs help crime victims, secure critical equipment for first responders, implement new initiatives, and improve administration of all regional public safety projects and programs.

In FY 2017, ETCOG awarded 20 grants totaling \$2,660,705 to help prevent violence, provide training and equipment to law enforcement, combat family violence, sexual assault, dating violence and stalking crimes, disrupt and prevent gang activity, reduce juvenile delinquency, aid victims of crime, and improve the criminal justice system.

On November 17<sup>th</sup>, 2017, the ETCOG Executive Committee approved \$85,123 in funding CodeRED for the East Texas region as a part of its public safety program. The CodeRED system is a telephone reverse notification communication service that allows the county/city Emergency Management Coordinator to quickly notify citizens about emergency situations such as: tornados and storm events; drinking water contamination; utility outage; evacuation notice and route; fires or floods; bomb threat; hostage situation; chemical spill or gas leak; and other emergency incidents where rapid and accurate notification is essential.

The ETCOG 9-1-1 Regional Program seeks to establish and maintain equipment, network, and database to preserve and enhance public safety through reliable access to emergency telecommunication services. Staff provide long and short-term planning for 18 Public Safety Answering Points (PSAP), maintenance of PSAP equipment, network, database, and telecommunicator training and addressing/mapping for 8 counties and 23 cities within the East Texas region. The number of 9-1-1 calls received in the region for FY 2017 was 193,059.

## **FINANCIAL PLANNING AND POLICIES**

The Council has adopted a comprehensive set of financial policies which include Budgetary Control, Internal Control Structure, Investment Policy and Risk Management. In addition, the Council's bylaws and internal policies provide parameters for budget and finance, as well as define standards of ethical conduct.

The Board of Directors approves a government-wide financial plan for revenues and expenditures each year at its September meeting. This annual budget which includes both restricted and unrestricted revenue sources, serves as the foundation of the Council's financial planning and control. Financial plans for the Special Revenue Funds (restricted) are established in accordance with the grant awards received, often spanning more than one year. Appropriations for all projects in the Special Revenue Funds lapse at the end of a contract period, which may not coincide with the fiscal year end of the Council. 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.

Financial policies are codified in ETCOG's "Financial Management Guide" (FMG) that is updated periodically to reflect changes in financial management guidelines issued from time-to-time by each of our funding agencies. The Texas Workforce "Financial Manual for Grants"; the Texas Administrative Code- "Area Agency on Aging Requirements"; "Uniform Grant Management Standards"; CFR Part 200 and CFR Part 225 (formerly OMB Circular A-87) and OMB A-133, are examples of rules and regulations that drive the development and content of our FMG.

### **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 (CAFR) for the fiscal year ended September 30, 2016. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting 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 for Excellence in Financial Reporting 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 skill, effort, and dedication of the entire ETCOG staff. Sincere appreciation is extended to the Council's independent auditors, Whitley Penn, LLP, whose expertise greatly assisted in the completion of this report. Finally, we would like to thank the members of the Executive Committee for their unfailing support for maintaining the highest standards of professionalism in planning and conducting the Council's financial operations.

Respectfully submitted,



David A. Cleveland,  
Executive Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**East Texas Council of Governments**

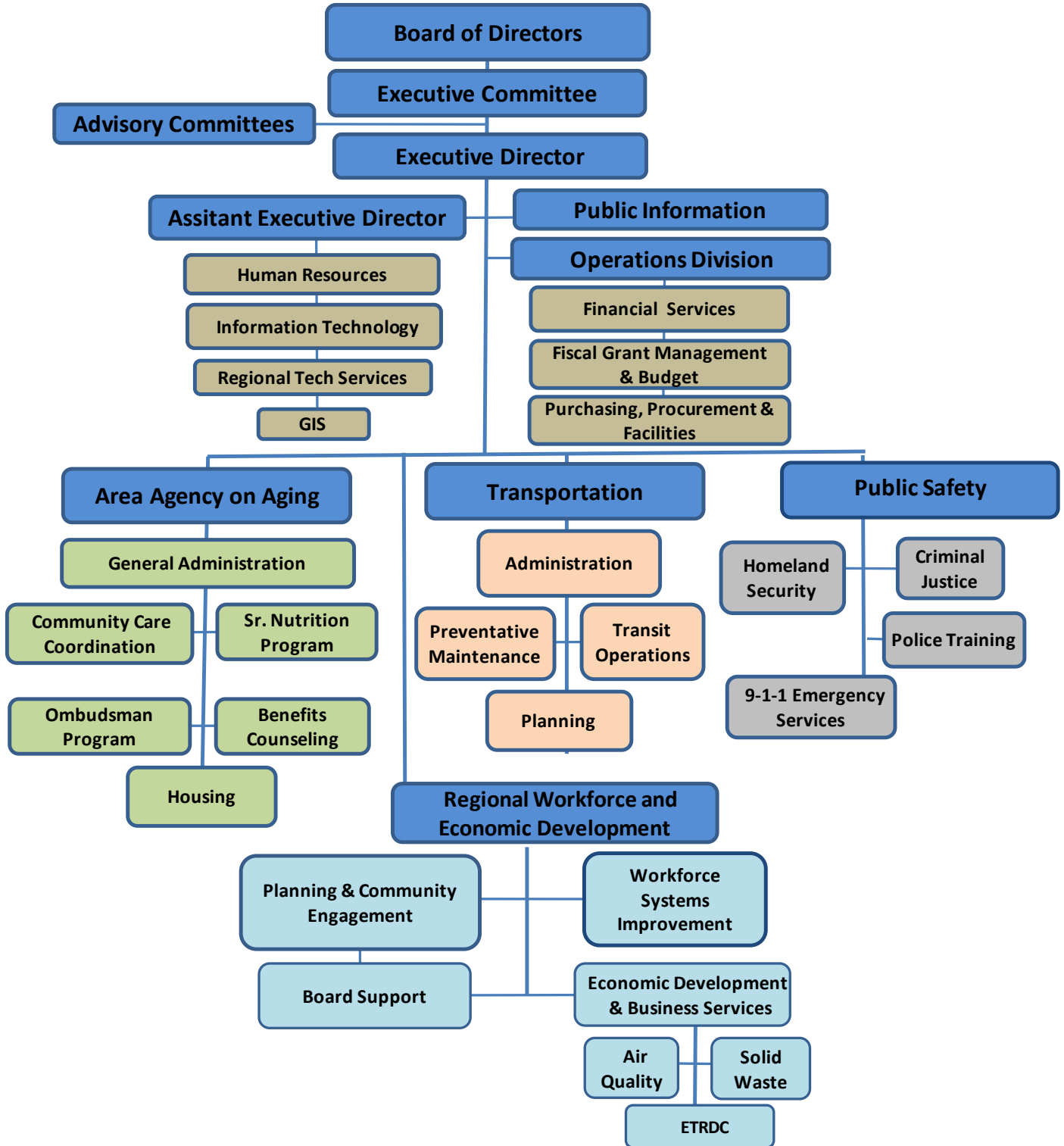
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO

# East Texas Council of Governments Organizational Chart



**East Texas Council of Governments  
Principal Officials  
Officers of the Executive Committee  
2017**

Bill Stoudt  
Chairman-Judge  
Gregg County

Victor Perot  
1<sup>st</sup> Vice – Chairman – Alderman  
City of Jefferson

Paula Gentry  
2<sup>nd</sup> Vice – Chairman – Commissioner  
Upshur County

Angela Raiborn  
3<sup>rd</sup> Vice Chairman- Mayor  
City of Rusk

Lee Ann Jones  
Secretary – Treasurer – Judge  
Panola County

**ADMINISTRATIVE STAFF**

Executive Director  
Assistant Executive Director  
Director of Financial Operations  
Director of Communications  
Director of Workforce & Economic Dev.  
Director of Public Safety  
Director of Transportation  
Director of Area Agency on Aging

David A. Cleveland  
Brandy Brannon  
Wendi Horst  
Lindsay Vanderbilt  
Douglas Shryock  
Stephanie Heffner  
Jim Camp  
Betty Mitchell

## EAST TEXAS COUNCIL OF GOVERNMENTS

### MEMBER GOVERNMENTS

#### COUNTIES:

Anderson  
Camp  
Cherokee  
Gregg  
Harrison

Henderson  
Marion  
Panola  
Rains  
Rusk

Smith  
Upshur  
Van Zandt  
Wood

#### CITIES

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

Gilmer  
Gladewater  
Grand Saline  
Gun Barrel City  
Hallsville  
Hawkins  
Henderson  
Jacksonville  
Jefferson  
Kilgore  
Lakeport  
Lindale  
Log Cabin  
Longview  
Mabank  
Malakoff  
Marshall  
Mineola  
Mt. Enterprise  
Murchison  
New London  
New Summerfield

Nooday  
Ore City  
Palestine  
Payne Springs  
Pittsburg  
Point  
Quitman  
Reklaw  
Rusk  
Seven Points  
Star Harbor  
Trinidad  
Troup  
Tyler  
Van  
Warren City  
Waskom  
Wells  
White Oak  
Wills Point  
Winnsboro  
Winona  
Yantis



**EAST TEXAS COUNCIL OF GOVERNMENTS**

**MEMBER GOVERNMENTS**

**INDEPENDENT SCHOOL DISTRICTS:**

Athens ISD  
Carthage ISD  
Frankston ISD  
Grand Saline ISD  
Harmony ISD  
Kilgore ISD

Longview ISD  
Mt. Enterprise ISD  
Neches ISD  
Ore City ISD  
Slocum ISD  
Troup ISD

**SPECIAL PURPOSE DISTRICTS:**

9-1-1 Network of East Texas  
Cherokee County SWCD  
Harrison County SWCD  
Kilgore College  
Panola College  
Trinity Valley Community College  
Upshur-Gregg SWCD #417  
Wood County SWCD #444

**RIVER AUTHORITIES:**

Sabine River Authority  
Upper Neches River Municipal Water  
Authority



**east texas  
council of  
governments**

## **FINANCIAL SECTION**



**east Texas  
council of  
GOVERNMENTS**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
East Texas Council of Governments

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the East Texas Council of Governments (the "Council"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors  
East Texas Council of Governments

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of the Council, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 to 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section, the Supplemental Schedules as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is also presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Uniform Grant Management Standards* and is also not a required part of the basic financial statements.

The Supplemental Schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules and the Schedules of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors  
East Texas Council of Governments

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19 2018 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council's internal control over financial reporting and compliance.

Whitley Penn LLP

Dallas, Texas  
March 19, 2018





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



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

As management of the East Texas Council of Governments (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal.

**FINANCIAL HIGHLIGHTS**

- The assets of the Council exceeded its liabilities as of September 30, 2017, by \$4,369,103 (net position). Of this amount, \$1,191,024 (unrestricted net position) may be used to meet the Council's ongoing obligations.
- The government's total net position increased overall by a total of \$27,516 before the prior period adjustment of \$125,049. The decrease in expenses was greater than the decrease in revenues. In addition, miscellaneous revenues increased by approximately \$263,778 from the prior year.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$2,576,596, an increase of \$149,536 in comparison with the prior year. Of the total fund balance, approximately 47% is restricted for grants and 52% is available for spending at the Council's discretion (unassigned)
- As of September 30, 2017, the fund balance for the General Fund was \$1,378,357 a decrease of \$446 before the negative prior period adjustment of \$178,187.
- The Council's total outstanding long-term debt decreased by \$55,540 during the current fiscal year mainly due to the annual payment of the note payable.

**Overview of the Financial Statements**

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

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

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related *cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The government-wide financial statements can be found on pages 17 through 19 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance are accompanied by reconciliation to the government-wide financial statements in order to facilitate comparison between governmental funds and governmental activities.

The Council maintains two major governmental funds organized to their type (general and grant fund). 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 and grant fund.

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 20 through 23 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 25 through 35 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 38 and 39 of this report.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

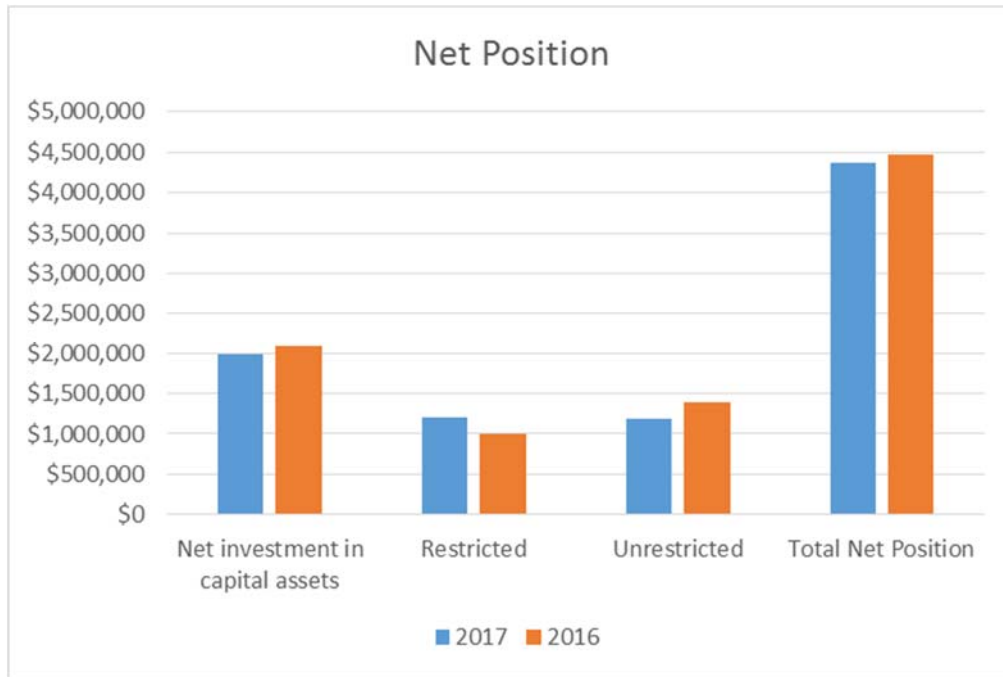
For the period ending September 30, 2017, the Council's assets exceeded its liabilities by \$4,369,103

	<b>Governmental Activities</b>		<b>Total Dollar</b>
	<b>2017</b>	<b>2016</b>	<b>Change 2017-2016</b>
Current and other assets	\$ 8,183,282	\$ 7,335,927	\$ 847,355
Capital assets, net	2,085,536	2,263,096	(177,560)
<b>Total Assets</b>	<b>10,268,818</b>	<b>9,599,023</b>	<b>669,795</b>
Non-current liabilities	293,029	348,569	(55,540)
Other liabilities	5,606,686	4,783,818	822,868
<b>Total Liabilities</b>	<b>5,899,715</b>	<b>5,132,387</b>	<b>767,328</b>
<b>Net Position:</b>			
Net investment in capital assets	1,979,840	2,082,066	(102,226)
Restricted	1,198,239	995,119	203,120
Unrestricted	1,191,024	1,389,451	(198,427)
<b>Total Net Position</b>	<b>\$ 4,369,103</b>	<b>\$ 4,466,636</b>	<b>\$ (97,533)</b>

- The largest portion of the Council's net position \$1,979,840(45%) reflects its investments in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Council uses these assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Council's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the Council's net position \$1,198,239(28%) represents resources that are subject to external restrictions on how they may be used.
- The remaining balance of net position totaling \$1,191,024(27%) is considered unrestricted and may be used to meet the government's ongoing obligations to creditors and for service implementation.

At the end of the current fiscal year, the Council is able to report positive balances in all reported categories of net position, both for the government as a whole and its separate governmental activities. The same situation held true for the prior fiscal year. However the Council's overall net position decreased by \$97,533 after the negative prior period adjustment of \$125,049 from the prior year.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**



**Statement of Activities:**

The Council's net position increased by \$27,516 (before the prior period adjustment) during the fiscal year. The Council operates primarily from federal and state grants therefore, increases in grant funding closely parallel increases in grant expenditures for services. Expenses related to workforce development and emergency communications exceeded the revenues recognized.

- Total revenues decreased by \$916,449 or 2% in the current year. This decrease was primarily attributed to operating grants and contributions.
- Governmental activities total expenses decreased by \$1,671,242 or 4% in the current year. This is mainly due to the decrease in workforce development programs of \$1.8 million.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Key elements of the decrease along with percentage analysis are below:

	<b>Governmental Activities</b>		<b>Total Dollar</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
			<b>2017-2016</b>
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions	\$ 38,434,905	\$ 39,640,680	\$ (1,205,775)
General revenues:			
Membership Dues	206,366	181,581	24,785
Investment earnings	10,134	9,371	763
Miscellaneous	471,170	207,392	263,778
<b>Total Revenues</b>	<b>39,122,575</b>	<b>40,039,024</b>	<b>(916,449)</b>
<b>Expenses</b>			
General government	516,365	368,717	147,648
Workforce development	26,598,671	28,445,401	(1,846,730)
Aging	3,992,021	3,788,491	203,530
Emergency communications	3,445,419	3,595,484	(150,065)
Transportation	3,555,383	3,409,942	145,441
Environmental quality	353,624	505,860	(152,236)
Homeland security	201,722	231,516	(29,794)
Criminal justice	291,903	295,384	(3,481)
Housing and urban development	14,789	11,146	3,643
Economic development	125,162	114,360	10,802
<b>Total Expenses</b>	<b>39,095,059</b>	<b>40,766,301</b>	<b>(1,671,242)</b>
<b>Change in Net Position</b>	<b>27,516</b>	<b>(727,277)</b>	<b>754,793</b>
<b>Beginning net position, restated</b>	<b>4,341,587</b>	<b>5,193,913</b>	<b>(852,326)</b>
<b>Ending net position</b>	<b>\$ 4,369,103</b>	<b>\$ 4,466,636</b>	<b>\$ (97,533)</b>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The focus of the Council's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Council's financing requirement. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Since the Council operates primarily from federal and state grants, increases in expenses closely parallel increases in grant funding for services.



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

As stated previously, the Council uses fund accounting to ensure and demonstrate compliance with legal requirements imposed by grantors. The following is a discussion of the funds that had significant changes between 2016 and 2017.

- *General Fund* -The General Fund is the primary operating fund for the Council. The fund balance at the end of the fiscal year was \$1,378,357 and represents a 11.5% decrease compared to 2016. It is available for use at the Council's discretion. Overall expenditures increased by \$147,648 due to capital equipment, East Texas Reception, and required match funding provided for Aging programs. Membership dues increased in the current fiscal year by \$3,596 while miscellaneous revenue decreased by \$78,247.
- *Workforce Development* – Workforce program expenditures decreased by \$1,846,730 or 6.5% compared to 2016. This is primarily due to the childcare program funding expended decreased by \$1,110,219 from the prior year. Other Workforce programs that experienced decreases in expenditures during the current fiscal year are the Supplemental Nutrition Assistance Programs (SNAP) decreasing by \$194,279 from the prior year, Trade Act decreased \$85,593, and the National Emergency Grant which decreased by \$194,062 from the prior year.
- *Area Agency on Aging* – Aging program funding increased by \$203,530 or 5.4% from the prior year. The additional funding was utilized to enhance the quality of life for senior population through special program and projects.
- *Emergency Communications* – Emergency Communications expenditures decreased by \$150,065 from the prior year. Fluctuations in funding for this program will occur on a 3 to 5 year rotation based on the need for capital improvements.
- *Transportation* – Transportation funding increased by \$145,441 or 4.3% compared to prior year. Funds were utilized for effective public transportation services throughout the region.
- *Environmental Quality* – Environmental quality programs expenditures decreased by \$152,236 or 30.1% from prior year. This is due to the Air Quality program with funding no longer provided by the Texas Commission on Environmental Quality for this grant.
- *Homeland Security* – Homeland Security expenditures decreased by \$29,794 or 12.9% from the prior year due to decreased funding from the U.S. Department of Homeland Security.
- *Criminal Justice* – Criminal Justice expenditures stayed mostly the same compared to prior year decreasing only by \$3,481 which is less than one percent.
- *Economic Development* - Economic development funding increased by \$10,802 from prior year due to additional funding received by the Economic Development Administration. The additional funds were utilized to support ongoing projects that will increase economic opportunities within the district.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** - The Council's investment in capital assets for its governmental activities as of September 30, 2017, amounts to \$2,085,536 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Capital assets as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 161,879	\$ 161,879
Buildings	2,285,802	2,281,482
Equipment	6,003,278	5,885,527
Less: accumulated depreciation	<u>(6,365,423)</u>	<u>(6,065,792)</u>
Total capital assets	<u>\$ 2,085,536</u>	<u>\$ 2,263,096</u>

Additional information on the Council's capital assets can be found in Note 5, or page 33, of this report.

**Long-term Debt** – At the end of the current fiscal year, the Council had total long-term liabilities outstanding of \$293,029. The ending balance for the note payable is \$105,636. Compensated absences ended the fiscal year with a balance of \$187,393.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>	<u>Amount Due in One Year</u>
<b>Governmental Activities:</b>					
Note payable	\$ 181,079	\$ -	\$ (75,443)	105,636	\$ 77,641
Compensated absences	167,490	220,907	(201,004)	187,393	184,920
	<u>\$ 348,569</u>	<u>\$ 220,907</u>	<u>\$ (276,447)</u>	<u>\$ 293,029</u>	<u>\$ 262,561</u>

This long-term debt is related to the following factors:

- A promissory note issued in 2009 in the amount of \$665,000 to purchase the remaining portion of the building in which its administrative offices are located and 5.25 acres of land.
- Compensated absences liability that is payable to employees and will primarily be liquidated by the grant fund.

Additional information on the Council's long term debt can be found in Note 6, or pages 33 thru 34, of this report.

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

The Council is dependent on federal and state funding, which can vary widely from year to year. The federal economic condition and federal budget deficits can impact the reauthorization of funds available to local governments. The financial plan of the Council is drafted on a project basis that spans more than one fiscal year. Although the financial plan is reviewed and approved by the Council's board, it is not a legally adopted budget. Accordingly, budgetary information is not presented in this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Council's finances. An electronic version of this report may be viewed at [ETCOG.org](http://ETCOG.org). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Council's Director of Operations Division at 3800 Stone Rd, Kilgore, TX 75662 or [Wendi.Horst@etcog.org](mailto:Wendi.Horst@etcog.org).

*(This page intentionally left blank.)*

## **BASIC FINANCIAL STATEMENTS**



**EAST TEXAS COUNCIL OF GOVERNMENTS****STATEMENT OF NET POSITION***September 30, 2017*

	<b>Primary Government Governmental Activities</b>	<b>Component Unit</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,404,770	\$ 178,602
Receivables:		
Grantors	4,010,216	-
Other	1,712,137	-
Due from component unit	22,346	-
Prepays	33,813	-
Capital assets:		
Nondepreciable	161,879	-
Depreciable, net of accumulated depreciation	1,923,657	-
Total Capital assets	<u>2,085,536</u>	<u>-</u>
<b>Total Assets</b>	<u>10,268,818</u>	<u>178,602</u>
<b>Liabilities</b>		
Accounts payable	4,144,759	2,135
Accrued liabilities	267,478	-
Unearned revenues	1,194,449	-
Due to primary government	-	22,346
Non-current liabilities:		
Due within on year	262,561	-
Due in more than one year	30,468	-
<b>Total Liabilities</b>	<u>5,899,715</u>	<u>24,481</u>
<b>Net Position</b>		
Net investment in capital assets	1,979,840	-
Restricted for grants	1,198,239	-
Unrestricted	1,191,024	154,121
<b>Total Net Position</b>	<u>\$ 4,369,103</u>	<u>\$ 154,121</u>

See Notes to Financial Statements.

**EAST TEXAS COUNCIL OF GOVERNMENTS**

*STATEMENT OF ACTIVITIES*

*For the Year Ended September 30, 2017*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Indirect and Internal Cost Allocation</b>	<b>Expenses After Indirect and Internal Cost Allocation</b>
<b>Primary Government:</b>			
<b>Governmental Activities</b>			
General government	\$ 516,365	\$ -	\$ 516,365
Workforce development	26,284,592	314,079	26,598,671
Aging	3,770,298	221,723	3,992,021
Emergency communications	3,338,879	106,540	3,445,419
Transportation	3,143,491	411,892	3,555,383
Environmental quality	343,133	10,491	353,624
Homeland security	171,433	30,289	201,722
Criminal justice	280,756	11,147	291,903
Housing and urban development	12,752	2,037	14,789
Economic development	106,332	18,830	125,162
Indirect costs	1,127,028	(1,127,028)	-
<b>Total Governmental Activities</b>	<b>39,095,059</b>	<b>-</b>	<b>39,095,059</b>
<b>Total Primary Government</b>	<b>\$ 39,095,059</b>	<b>\$ -</b>	<b>\$ 39,095,059</b>
<b>Component Unit</b>			
East Texas Regional			
Development Company	\$ 141,652	\$ -	\$ 141,652
<b>Total component unit</b>	<b>\$ 141,652</b>	<b>\$ -</b>	<b>\$ 141,652</b>

See Notes to Financial Statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Charges for Services	Operating Grants and Contributions	Governmental Activities	East Texas Regional Development Company
\$ -	\$ -	\$ (516,365)	
-	26,691,516	92,845	
-	3,917,768	(74,253)	
-	3,530,790	85,371	
-	3,553,424	(1,959)	
-	355,692	2,068	
-	-	(201,722)	
-	272,556	(19,347)	
-	13,051	(1,738)	
-	100,108	(25,054)	
-	-	-	
-	38,434,905	(660,154)	
<u>\$ -</u>	<u>\$ 38,434,905</u>	<u>(660,154)</u>	
<u>\$ 93,035</u>	<u>\$ -</u>		<u>\$ (48,617)</u>
<u>\$ 93,035</u>	<u>\$ -</u>		<u>(48,617)</u>

**General Revenues:**

Membership dues	206,366	-
Investment earnings	10,134	713
Miscellaneous	471,170	-
<b>Total General Revenues</b>	<u>687,670</u>	<u>713</u>
Change in Net Position	27,516	(47,904)
<b>Beginning net position</b>	4,466,636	76,976
<b>Prior Period Adjustment</b>	(125,049)	125,049
<b>Ending Net Position</b>	<u>\$ 4,369,103</u>	<u>\$ 154,121</u>



**EAST TEXAS COUNCIL OF GOVERNMENTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

September 30, 2017

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,992,281	\$ 412,489	\$ 2,404,770
Receivables:			
Grantors	-	4,010,216	4,010,216
Other	16,192	1,695,945	1,712,137
Due from other funds		2,000	2,000
Due from component unit	61,314	-	61,314
Prepaid items	33,813	-	33,813
<b>Total Assets</b>	<u>\$ 2,103,600</u>	<u>\$ 6,120,650</u>	<u>\$ 8,224,250</u>
<b>Liabilities</b>			
Accounts payable	\$ 384,680	\$ 3,760,079	\$ 4,144,759
Accrued liabilities	267,478	-	267,478
Due to other funds	38,968	2,000	40,968
Unearned revenue	34,117	1,160,332	1,194,449
<b>Total Liabilities</b>	<u>725,243</u>	<u>4,922,411</u>	<u>5,647,654</u>
<b>Fund Balances</b>			
Nonspendable:			
Prepaid items	33,813	-	33,813
Restricted:			
State and federal grants	-	1,198,239	1,198,239
Unassigned	1,344,544	-	1,344,544
<b>Total Fund Balances</b>	<u>1,378,357</u>	<u>1,198,239</u>	<u>2,576,596</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,103,600</u>	<u>\$ 6,120,650</u>	<u>\$ 8,224,250</u>

See Notes to Financial Statements.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
*September 30, 2017*

Total fund balances - governmental funds \$ 2,576,596

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. 8,450,959

Accumulated depreciation has not been included in the fund financial statements. (6,365,423)

Long-term liabilities, including notes payable, are not due and payable in current period and therefore are not reported in the governmental funds. (105,636)

Accrued liabilities for compensated absences are not due and payable in the current period and have not been reflected in the fund financial statements. (187,393)

**Total Governmental Activities Net Position** **\$ 4,369,103**

See Notes to Financial Statements.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*For the Year Ended September 30, 2017*

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 37,749,088	\$ 37,749,088
Matching funds	-	371,449	371,449
Program income	350,155	443,890	794,045
Membership dues	185,177	-	185,177
Investment earnings	4,404	5,730	10,134
Miscellaneous	24,938	24,624	49,562
<b>Total Revenues</b>	<u>564,674</u>	<u>38,594,781</u>	<u>39,159,455</u>
<b>Expenditures</b>			
Current:			
General government	449,846	39,072	488,918
Workforce development	-	26,533,064	26,533,064
Aging	-	3,967,727	3,967,727
Emergency communications	-	3,325,659	3,325,659
Transportation	-	3,354,509	3,354,509
Environmental quality	-	354,014	354,014
Homeland security	-	187,105	187,105
Criminal justice	-	292,634	292,634
Housing and urban development	-	15,158	15,158
Economic development	-	124,403	124,403
Capital outlay	15,969	275,316	291,285
Debt service:			
Principal repayment	75,443	-	75,443
<b>Total Expenditures</b>	<u>541,258</u>	<u>38,468,661</u>	<u>39,009,919</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,416</u>	<u>126,120</u>	<u>149,536</u>
<b>Other financing sources (uses)</b>			
Transfers in	0	23,862	23,862
Transfers out	(23,862)	-	(23,862)
<b>Total other financing sources (uses)</b>	<u>(23,862)</u>	<u>23,862</u>	<u>-</u>
Net Change in Fund Balances	(446)	149,982	149,536
<b>Beginning Fund Balances</b>	1,556,990	995,119	2,552,109
<b>Prior Period adjustment</b>	(178,187)	53,138	(125,049)
<b>Ending Fund Balances</b>	<u>\$ 1,378,357</u>	<u>\$ 1,198,239</u>	<u>\$ 2,576,596</u>

See Notes to Financial Statements.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENTS OF ACTIVITIES**  
*For the Year Ended September 30, 2017*

Net changes in fund balances - total governmental funds	\$ 149,536
Amounts reported for governmental activities in the Statement of Activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2017 capital outlays is to increase net position.	339,919
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(518,079)
Book value of capital assets disposed during the year not reflected in the fund financial statements but included in the corresponding functional expense category	600
Governmental funds report repayment of notes payable as an expenditures. In contrast, the government-wide financial statements treat such repayments as a reduction in long-term liabilities.	75,443
The change in compensated absences liability is not shown in the fund financial statements. The net effect of the current year's increase in liability is to decrease net position.	<u>(19,903)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 27,516</u></b>

See Notes to Financial Statements.



# **EAST TEXAS COUNCIL OF GOVERNMENTS**

## **NOTES TO FINANCIAL STATEMENTS**

*For the Year Ended September 30, 2017*

### **Note 1 Summary of Significant Accounting Policies**

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

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

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

The Council's basic financial statements include the accounts of all the Council operations. The criteria for including organizations within the Council's reporting entity, is set forth by GASB. Various local agencies for which grants and funding are issued by the Council have not been included within the financial statements because the Council does not have direct managerial oversight of the operations of those agencies nor does it have the responsibility for funding future deficits or operating deficiencies of those agencies. As described below, a discretely presented component unit has been included within the Council's reporting entity.

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

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

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

# EAST TEXAS COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS (continued)

For the Year Ended September 30, 2017

### Note 1 Summary of Significant Accounting Policies (continued)

#### Government-wide and Fund Financial Statements

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

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

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. The Council does not have any proprietary funds.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available.

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

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

# **EAST TEXAS COUNCIL OF GOVERNMENTS**

## **NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

### **Note 1 Summary of Significant Accounting Policies (continued)**

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

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

The Council reports the following major governmental funds:

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

The *Grant Fund* is used to account for federal and state grants awarded to the Council by various granting agencies.

#### **Use of Estimates**

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

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

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

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

State statutes authorize the Council to invest in obligations of the United States, its agencies, certificates of deposits with banks and savings and local associations, banker's acceptances, commercial paper, mutual funds, investment pools and repurchase agreements with underlying collateral of government securities. External investment pools are recorded at amortized costs as permitted by GASB No. 79. All other 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, 2017.



**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

**Note 1 Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities and Net Position or Equity (continued)**

**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 Position.

**Unearned Revenue**

Unearned revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2017.

**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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

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>Asset Description</u>	<u>Years</u>
Buildings	20
Furniture, fixtures, and equipment	3-7

**Compensated Absences**

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

# **EAST TEXAS COUNCIL OF GOVERNMENTS**

## **NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

### **Note 1 Summary of Significant Accounting Policies (continued)**

#### **Assets, Liabilities and Net Position or Equity (continued)**

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**

Fund balance classifications under are: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The Council classifies governmental fund balances as follows:

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

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

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

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

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

#### **Restricted Net Position**

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

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

**Note 1 Summary of Significant Accounting Policies (continued)**

**Indirect Costs**

General and administrative costs are recorded in the General Fund as indirect costs in the accounting system and allocated to programs based upon a negotiated indirect cost rate. Indirect costs are defined by Office of Management and Budget (OMB) Uniform Guidance (2 CFR 200) as costs “(a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objective specifically benefited, without effort disproportionate to the results achieved.” The Council’s indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is approved by a state cognizant agency. It is the Council’s policy to negotiate with the cognizant agency a provisional rate which is used for billing purposes during the Council’s fiscal year. Upon the completion of an independent audit at the end of each fiscal year, the indirect cost rate is finalized with the cognizant agency.

**Note 2 Budgetary Information**

The Council’s financial plan is controlled at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, within restrictions imposed by grantor agencies. The Board approves the financial plan for revenue and expenditures in all funds. The financial plan for the Grant Fund is made on a project (grant) basis, spanning more than one year. Appropriations for all projects in the Grant Fund lapse at the end of a contract period which may not coincide with the fiscal year-end of the Council. The appropriations for the General Fund lapse at the fiscal year-end. Although the financial plans are reviewed and approved by the Council’s Board, they are not considered legally adopted annual budgets or appropriations. Accordingly, comprehensive budget and actual results are not presented in this report.

**Note 3 Deposits and Investments**

Cash and investments as of September 30, 2017 consist of and are classified in the accompanying financial statements as follows:

<b>Primary Government:</b>	
Cash and cash equivalents	\$ 2,202,268
Investments	<u>202,502</u>
Total primary government cash and investments	<u>2,404,770</u>
<b>Component Unit:</b>	
Cash and cash equivalents	134,844
Investments	<u>43,758</u>
Total component unit cash and investments	<u>178,602</u>
Total cash and investments	<u>\$ 2,583,372</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

**Note 3 Deposits and Investments (continued)**

Cash and investments as of September 30, 2017 consist of the following:

Deposits with financial institutions	\$ 2,337,112
Investments	<u>246,260</u>
Total cash and investments	<u>\$ 2,583,372</u>

As of September 30, 2017, the primary government had the following investment:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (days)</u>
TexPool	\$ 202,502	37
Total fair value	<u>\$ 202,502</u>	

As of September 30, 2017, the discretely presented component unit had the following investment:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Weighted Average Maturity (days)</u>
TexPool	\$ 43,758	37
Total fair value	<u>\$ 43,758</u>	

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.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

**Note 3 Deposits and Investments (continued)**

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

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of September 30, 2017, the primary government and component unit had bank deposits of \$2,320,345 and \$126,072, respectively. As of September 30, 2017, the Council deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. ETRDC's bank balance exceeded its FDIC insurance by approximately \$48,000.

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

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

**Note 4 Interfund Transactions**

**Interfund Transfers**

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

A summary of interfund transfers as of September 30, 2017, is as follows:

<u>Major Funds</u>	<u>Transfers Out</u>	<u>Transfer In</u>
General	\$ (23,862)	\$ -
Grant	-	23,862
	<u>\$ (23,862)</u>	<u>\$ 23,862</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

**Note 5 Capital Assets**

Primary government capital asset activity for the year ended September 30, 2017, is as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Ending Balances</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 161,879	\$ -	\$ -	\$ 161,879
<b>Total capital assets not</b>	<b>161,879</b>	<b>-</b>	<b>-</b>	<b>161,879</b>
Capital assets being depreciated:				
Buildings	2,281,482	4,320	-	2,285,802
Furniture, fixtures and equipment	5,885,527	335,599	(217,848)	6,003,278
<b>Total capital assets being depreciated</b>	<b>8,167,009</b>	<b>339,919</b>	<b>(217,848)</b>	<b>8,289,080</b>
Less accumulated depreciation for:				
Buildings	(1,015,531)	(111,663)	-	(1,127,194)
Furniture, fixtures and equipment	(5,050,261)	(406,416)	218,448	(5,238,229)
<b>Total accumulated depreciation</b>	<b>(6,065,792)</b>	<b>(518,079)</b>	<b>218,448</b>	<b>(6,365,423)</b>
<b>Total capital assets being depreciated, net</b>	<b>2,101,217</b>	<b>(178,160)</b>	<b>600</b>	<b>1,923,657</b>
<b>Total capital assets, net</b>	<b>\$ 2,263,096</b>	<b>\$ (178,160)</b>	<b>\$ 600</b>	<b>\$ 2,085,536</b>

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

General government	\$ 63,592
Emergency communications	148,550
Aging	51,184
Workforce development	62,197
Transportation	192,556
<b>Total</b>	<b>\$ 518,079</b>

**Note 6 Long-term Debt**

A summary of long-term liability activity for the primary government for the year ended September 30, 2017, is as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Ending Balances</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities:</b>					
Note payable	\$ 181,079	\$ -	\$ (75,443)	105,636	\$ 77,641
Compensated absences	167,490	220,907	(201,004)	187,393	184,920
	<b>\$ 348,569</b>	<b>\$ 220,907</b>	<b>\$ (276,447)</b>	<b>\$ 293,029</b>	<b>\$ 262,561</b>

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

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

**Note 6 Long-term Debt (continued)**

**Note Payable and Capital Lease**

Note payable due in monthly installments of \$6,795 through February 29, 2019, at which time all remaining principal and accrued interest are due in full, interest at 3.17%.

\$ 105,636

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

Year Ending September 30,	Principal	Interest	Total
2018	\$ 77,641	\$ 2,904	\$ 80,545
2019	27,995	236	28,231
Total	<u>\$ 105,636</u>	<u>\$ 3,140</u>	<u>\$ 108,776</u>

**Note 7 Risk Management**

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council maintains workers' compensation and other risks of loss coverage through commercial insurance carriers. The Council's management believes such coverage is sufficient to preclude any significant uninsured losses. There were no significant reductions in insurance coverage from coverage in the prior year. There were no insurance settlements which exceeded insurance coverage in any of the past three years.

**Note 8 Contingencies**

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

Agencies expending \$750,000 or more in grant funds are required to have an independent audit each year. Copies of such audits are required to be submitted to the Council. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursements of the disallowed costs either from the Council or the subcontractor. The Council generally has the right of recovery from the subcontracted agencies.

For the year ended September 30, 2017, agency costs of various amounts were disbursed for which the audits have not been received. Based on prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.

## **EAST TEXAS COUNCIL OF GOVERNMENTS**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

*For the Year Ended September 30, 2017*

#### **Note 9 Retirement Plan**

Prior to November 16, 2013, the Council provided benefits for all of its full time employees through a defined contribution plan. The Plan is administered by International City Management Association Retirement Corporation (ICMA). 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% to the ICMA Plan.

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.

In November 2013, the Council allowed existing full time employees the option of entering the Social Security Plan or remaining with ICMA and any new full time employees could elect to enter the Social Security Plan only. The Council contributes a dollar for dollar match, up to 5%, for any full time employees enrolled in the Social Security Plan.

The East Texas Council of Government's total covered payroll for the fiscal year ended September 30, 2017, was \$1,907,356. The Council made the required 12% contribution, which amounted to \$228,883. Employees made the required 8% contribution of \$152,588.

#### **Note 10 Prior Period Adjustment**

As of September 30, 2017, the Council reclassified certain funds between major funds, causing a prior period adjustment of \$53,138. In addition, the Council decided to reclassify one fund from the General Fund to the Component Unit for \$125,049, which affected the General Fund's fund balance and overall net Position for the government-wide financial statements. In total, the General Fund reflects a prior period adjustment of \$178,187. The net effect to Net Position totaled \$125,049.



*(This page intentionally left blank.)*

## **SUPPLEMENTAL SCHEDULES**

**EAST TEXAS COUNCIL OF GOVERNMENTS**

**SCHEDULE OF INDIRECT COSTS**

*For the Year Ended September 30, 2017*

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Salaries	\$ 554,079	\$ 629,565	\$ 75,486
Fringe benefits	91,386	97,546	6,160
Group hospitalization	66,077	65,571	(506)
Pension costs	76,970	90,960	13,990
<b>Total personnel</b>	<u>788,512</u>	<u>883,642</u>	<u>95,130</u>
Insurance and bonding	8,500	3,046	(5,454)
Minor office supplies and equipment	8,500	6,107	(2,393)
Depreciation expense	-	94	94
Computer maintenance	-	1,173	1,173
Staff travel	20,500	25,938	5,438
Executive committee travel	10,000	9,826	(174)
Office supplies	27,000	27,014	14
Public education	3,000	2,334	(666)
Copier costs	20,000	15,083	(4,917)
Training costs	10,000	6,690	(3,310)
Remote storage costs	500	704	204
Repairs and maintenance	1,200	1,730	530
Membership dues	24,000	24,150	150
Communications	50,000	42,337	(7,663)
Postage	-	3,036	3,036
Meetings and conferences	3,000	6,616	3,616
Professional services	85,000	100,290	15,290
<b>Total Indirect Expenditures</b>	<u>1,059,712</u>	<u>1,159,808</u>	<u>100,096</u>
Less amount allocated to component unit	-	(17,901)	(17,901)
Less amount allocated to General Fund	-	(14,879)	(14,879)
<b>Total Indirect Costs Allocated</b>	<u>\$ 1,059,712</u>	<u>\$ 1,127,028</u>	<u>\$ 67,316</u>
<b>Computation of Indirect Cost Rate</b>			
<b>Direct personnel costs</b>	<u>\$ 4,917,399</u>	<u>\$ 5,012,057</u>	
<b>Allocation Rate</b>	21.55%	22.49%	
Indirect costs as a percentage of qualifying costs	2.65%	2.89%	

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EMPLOYEE BENEFITS**  
*For the Year Ended September 30, 2017*

	<b>Actual</b>
<b>Employee Benefits</b>	
Group disability insurance	\$ 34,728
Vacation	244,165
Holidays	202,738
Sick leave	156,070
Other release time	23,471
Employment taxes	3,697
<b>Total employee benefits</b>	664,869
Less amount allocated to indirect costs pool	(97,546)
Less amount allocated to component unit	(9,418)
<b>Total employee benefits allocated to the Grant Fund</b>	\$ 557,905
<b>Chargeable time</b>	\$ 3,732,987
<b>Employee Benefit Rate</b>	14.95%



## **STATISTICAL SECTION (UNAUDITED)**

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

### **Contents**

<b>Financial Trends</b>	<b>42</b>
These schedules contain trend information to help the reader understand how the Council's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>52</b>
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 and only revenues and expenditures of governmental funds are shown.	
<b>Debt Capacity</b>	<b>53</b>
This schedule presents information to help the reader assess the affordability of the Council's current level of outstanding debt and the ability to issue additional debt in the future.	
<b>Demographic and Economic Indicators</b>	<b>54</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Council's financial activities take place.	
<b>Operating Information</b>	<b>72</b>
These schedules contain service and capital asset data to help the reader understand how the information in the Council's financial report relates to the services the Council provides and the resources it utilizes to provide these services.	

**EAST TEXAS COUNCIL OF GOVERNMENTS****NET POSITION BY COMPONENT****LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental activities:</b>				
Investment in capital assets	\$ 2,473,037	\$ 2,981,450	\$ 2,710,038	\$ 1,935,197
Restricted	1,123,439	857,690	759,872	833,780
Unrestricted	<u>1,276,109</u>	<u>1,479,741</u>	<u>1,351,367</u>	<u>1,438,354</u>
<b>Total governmental activities net position</b>	<b><u>\$ 4,872,585</u></b>	<b><u>\$ 5,318,881</u></b>	<b><u>\$ 4,821,277</u></b>	<b><u>\$ 4,207,331</u></b>
<b>Business-type activities:</b>				
Unrestricted	<u>\$ (6,006)</u>	<u>\$ 316</u>	<u>\$ 8,323</u>	<u>\$ 17,833</u>
<b>Total business-type activities net position</b>	<b><u>\$ (6,006)</u></b>	<b><u>\$ 316</u></b>	<b><u>\$ 8,323</u></b>	<b><u>\$ 17,833</u></b>
<b>Primary Government:</b>				
Investment in capital assets	\$ 2,473,037	\$ 2,981,450	\$ 2,710,038	\$ 1,935,197
Restricted	1,123,439	857,690	759,872	833,780
Unrestricted	<u>1,270,103</u>	<u>1,480,057</u>	<u>1,359,690</u>	<u>1,456,187</u>
<b>Total primary government net position</b>	<b><u>\$ 4,866,579</u></b>	<b><u>\$ 5,319,197</u></b>	<b><u>\$ 4,829,600</u></b>	<b><u>\$ 4,225,164</u></b>

\*The Council closed its business-type fund beginning with fiscal year 2013.

<u>2012</u>	<u>2013*</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 2,880,817	\$ 2,265,163	\$ 2,456,591	\$ 2,153,438	\$ 2,082,066	\$ 1,979,840
1,326,932	1,419,714	1,713,543	1,588,708	995,119	1,198,239
<u>1,278,696</u>	<u>1,349,891</u>	<u>1,271,685</u>	<u>1,248,583</u>	<u>1,389,451</u>	<u>1,191,024</u>
<u>\$ 5,486,445</u>	<u>\$ 5,034,768</u>	<u>\$ 5,441,819</u>	<u>\$ 4,990,729</u>	<u>\$ 4,466,636</u>	<u>\$ 4,369,103</u>
<u>\$ 21,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 21,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,880,817	\$ 2,265,163	\$ 2,456,591	\$ 2,153,438	\$ 2,082,066	\$ 1,979,840
1,326,932	1,419,714	1,713,543	1,588,708	995,119	1,198,239
<u>1,300,261</u>	<u>1,349,891</u>	<u>1,271,685</u>	<u>1,248,583</u>	<u>1,389,451</u>	<u>1,191,024</u>
<u>\$ 5,508,010</u>	<u>\$ 5,034,768</u>	<u>\$ 5,441,819</u>	<u>\$ 4,990,729</u>	<u>\$ 4,466,636</u>	<u>\$ 4,369,103</u>



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**

	2008	2009	2010	2011
<b>Expenses</b>				
Governmental Activities:				
General government	\$ 97,063	\$ 89,312	\$ 208,546	\$ 121,011
Workforce development	28,679,194	28,645,985	30,749,379	31,141,778
Aging	5,766,234	5,631,328	5,297,983	4,988,958
Emergency communications	2,195,057	3,048,141	2,548,455	2,194,766
Transportation	2,695,154	3,290,942	3,600,704	4,560,498
Environmental quality	933,420	1,058,896	962,195	571,689
Homeland Security	219,721	262,743	514,418	887,446
Criminal justice	399,304	431,004	480,844	434,001
Housing and urban development	15,163	20,443	35,245	196,818
Economic development	112,166	245,846	103,476	113,572
Health and human services	927,642	179,486	2,703,855	-
<b>Total governmental activities expenses</b>	<u>42,040,118</u>	<u>42,904,126</u>	<u>47,205,100</u>	<u>45,210,537</u>
Business-type activities				
Greyhound	134,032	117,564	106,464	111,606
<b>Total business-type activities expenses</b>	<u>134,032</u>	<u>117,564</u>	<u>106,464</u>	<u>111,606</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for services	-	89,678	-	-
Operating Grants and Contributions	41,910,503	42,976,162	46,453,925	44,337,789
<b>Total governmental activities program revenues</b>	<u>41,910,503</u>	<u>43,065,840</u>	<u>46,453,925</u>	<u>44,337,789</u>
Business-type activities:				
Charges for services	217,271	123,886	114,471	121,116
<b>Total business-type activities program revenues</b>	<u>217,271</u>	<u>123,886</u>	<u>114,471</u>	<u>121,116</u>
<b>Net (expense) Revenues</b>				
Governmental activities	(129,615)	161,714	(751,175)	(872,748)
Business-type activities	83,239	6,322	8,007	9,510
<b>Total primary government net (expense) revenues</b>	<u>(46,376)</u>	<u>168,036</u>	<u>(743,168)</u>	<u>(863,238)</u>
<b>General Revenues</b>				
Governmental activities:				
Membership dues	114,734	169,945	169,833	169,498
Investment earnings	83,399	30,598	22,078	15,472
Miscellaneous	98,022	84,039	61,660	73,832
Gain on disposal of assets	-	-	-	-
<b>Total governmental activities general revenues</b>	<u>296,155</u>	<u>284,582</u>	<u>253,571</u>	<u>258,802</u>
Business-type activities:				
Investment earnings	-	-	-	-
<b>Total business-type activities general revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>				
Governmental activities	166,540	446,296	(497,604)	(613,946)
Business-type activities	83,239	6,322	8,007	9,510
<b>Total primary government</b>	<u>\$ 249,779</u>	<u>\$ 452,618</u>	<u>\$ (489,597)</u>	<u>\$ (604,436)</u>

2012	2013	2014	2015	2016	2017
\$ 381,177	\$ 230,903	\$ 182,448	\$ 247,383	\$ 368,717	\$ 516,365
24,920,298	25,377,447	24,896,832	27,009,337	28,445,401	26,598,671
4,041,959	3,677,508	3,562,193	3,614,490	3,788,491	3,992,021
1,503,874	2,833,521	1,892,668	2,357,610	3,595,484	3,445,419
4,011,678	4,384,769	4,579,459	3,420,310	3,409,942	3,555,383
612,521	673,884	321,012	496,258	505,860	353,624
456,933	320,996	296,057	214,101	231,516	201,722
313,612	289,954	107,091	108,509	295,384	291,903
147,070	14,494	12,082	14,874	11,146	14,789
105,337	37,041	309,175	381,247	114,360	125,162
-	-	-	-	-	-
36,494,459	37,840,517	36,159,017	37,864,119	40,766,301	39,095,059
105,234	21,629	-	-	-	-
105,234	21,629	-	-	-	-
-	-	-	-	-	-
37,470,843	36,983,284	36,119,643	37,023,859	39,640,680	38,434,905
37,470,843	36,983,284	36,119,643	37,023,859	39,640,680	38,434,905
108,966	64	-	-	-	-
108,966	64	-	-	-	-
976,384	(857,233)	(39,374)	(840,260)	(1,125,621)	(660,154)
3,732	(21,565)	-	-	-	-
980,116	(878,798)	(39,374)	(840,260)	(1,125,621)	(660,154)
192,289	186,747	167,727	227,839	181,581	206,366
17,043	10,486	8,411	16,348	9,371	10,134
241,188	208,323	177,856	144,983	207,392	471,170
-	-	92,431	-	-	-
450,520	405,556	446,425	389,170	398,344	687,670
-	-	-	-	-	-
-	-	-	-	-	-
1,426,904	(451,677)	407,051	(451,090)	(727,277)	27,516
3,732	(21,565)	-	-	-	-
\$ 1,430,636	\$ (473,242)	\$ 407,051	\$ (451,090)	\$ (727,277)	\$ 27,516

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

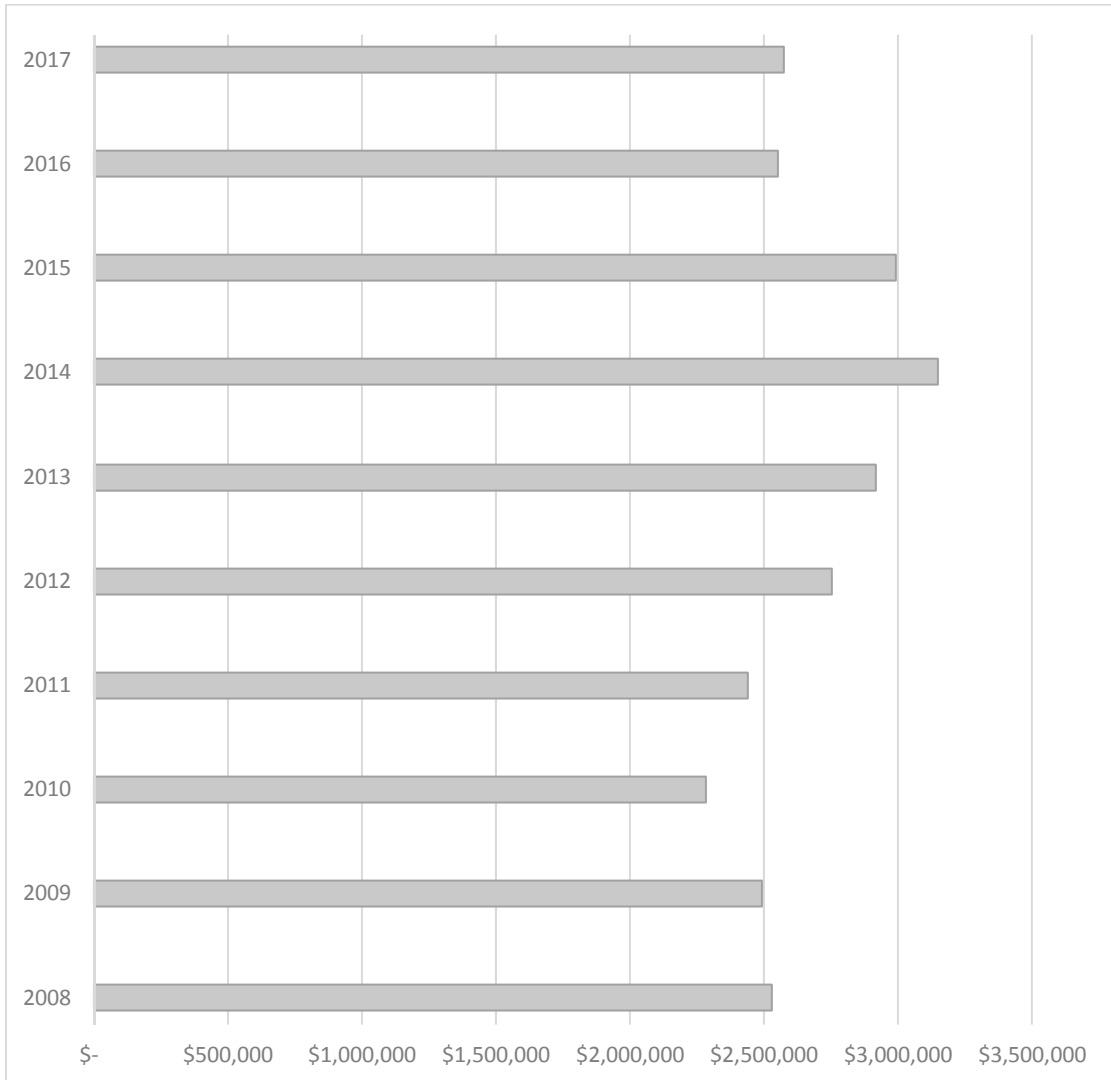
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Fund</b>				
Reserved	\$ -	\$ 194	\$ -	\$ -
Unreserved	1,223,207	1,601,264	1,522,133	-
Nonspendable - Prepaid items	-	-	-	62,500
Unassigned	-	-	-	1,549,228
<b>Total General Fund</b>	<u>\$ 1,223,207</u>	<u>\$ 1,601,458</u>	<u>\$ 1,522,133</u>	<u>\$ 1,611,728</u>
<b>All Other Governmental Funds</b>				
Reserved, reported in grant fund	\$ 181,987	\$ 38,302	\$ 26,854	\$ -
Unreserved	1,123,439	857,690	733,018	-
Restricted - State and federal grants	-	-	-	833,780
<b>Total All other Governmental Funds</b>	<u>\$ 1,305,426</u>	<u>\$ 895,992</u>	<u>\$ 759,872</u>	<u>\$ 833,780</u>
<b>Total Primary Government</b>	<u>\$ 2,528,633</u>	<u>\$ 2,497,450</u>	<u>\$ 2,282,005</u>	<u>\$ 2,445,508</u>

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

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	71,366	19,691	69,078	33,813
<u>1,431,946</u>	<u>1,500,220</u>	<u>1,368,170</u>	<u>1,383,809</u>	<u>1,487,912</u>	<u>1,344,544</u>
<u>\$ 1,431,946</u>	<u>\$ 1,500,220</u>	<u>\$ 1,439,536</u>	<u>\$ 1,403,500</u>	<u>\$ 1,556,990</u>	<u>\$ 1,378,357</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>1,326,932</u>	<u>1,419,714</u>	<u>1,713,543</u>	<u>1,588,708</u>	<u>995,119</u>	<u>1,198,239</u>
<u>\$ 1,326,932</u>	<u>\$ 1,419,714</u>	<u>\$ 1,713,543</u>	<u>\$ 1,588,708</u>	<u>\$ 995,119</u>	<u>\$ 1,198,239</u>
<u>\$ 2,758,878</u>	<u>\$ 2,919,934</u>	<u>\$ 3,153,079</u>	<u>\$ 2,992,208</u>	<u>\$ 2,552,109</u>	<u>\$ 2,576,596</u>



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**FUND BALANCE OF GOVERNMENTAL FUNDS (continued)**  
**LAST TEN FISCAL YEARS**



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

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Revenues</b>				
Intergovernmental	\$ 39,459,887	\$ 40,972,015	\$ 44,648,933	\$ 42,671,379
Membership dues	114,734	169,945	169,833	169,498
Matching funds/program income	2,419,816	1,948,724	1,726,866	1,473,965
Charges for services	-	89,678	-	-
Investment income	-	43,164	27,538	19,675
Miscellaneous	263,611	63,452	131,047	264,941
<b>Total Revenues</b>	<b>42,258,048</b>	<b>43,286,978</b>	<b>46,704,217</b>	<b>44,599,458</b>
<b>Expenditures</b>				
General government	65,051	13,025	94,195	36,400
Workforce development	28,963,453	28,598,636	30,686,798	31,072,565
Aging	6,744,802	5,801,795	7,972,436	4,958,223
Emergency communications	1,901,163	2,812,201	2,174,575	1,852,512
Transportation	2,733,432	4,068,938	3,253,235	3,850,571
Environmental quality	933,420	1,064,553	961,980	571,040
Homeland security	219,721	266,655	514,303	886,806
Criminal justice	399,304	427,699	480,736	433,652
Housing and urban development	15,163	20,429	35,245	196,613
Economic development	112,166	248,247	103,476	113,216
Debt Service:	-	-		
Principal	-	35,221	56,415	58,807
Interest	-	19,142	25,131	22,600
Capital outlay	-	670,064	564,416	417,297
<b>Total Expenditures</b>	<b>42,087,675</b>	<b>44,046,605</b>	<b>46,922,941</b>	<b>44,470,302</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>170,373</b>	<b>(759,627)</b>	<b>(218,724)</b>	<b>129,156</b>
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	665,000	-	-
Capital lease	-	-	-	-
Proceeds from insurance	37,224	63,444	3,279	16,557
Proceeds from sale of property	-	-	-	17,790
Transfers in	2,391	327,035	173,176	70,370
Transfers out	(2,391)	(327,035)	(173,176)	(70,370)
<b>Total other financing sources (uses)</b>	<b>37,224</b>	<b>728,444</b>	<b>3,279</b>	<b>34,347</b>
 Net Change in Fund Balances	 \$ 207,597	 \$ (31,183)	 \$ (215,445)	 \$ 163,503
 <b>Debt service as a percentage of noncapital expenditures</b>	 0.00%	 0.13%	 0.18%	 0.19%

**Notes:**

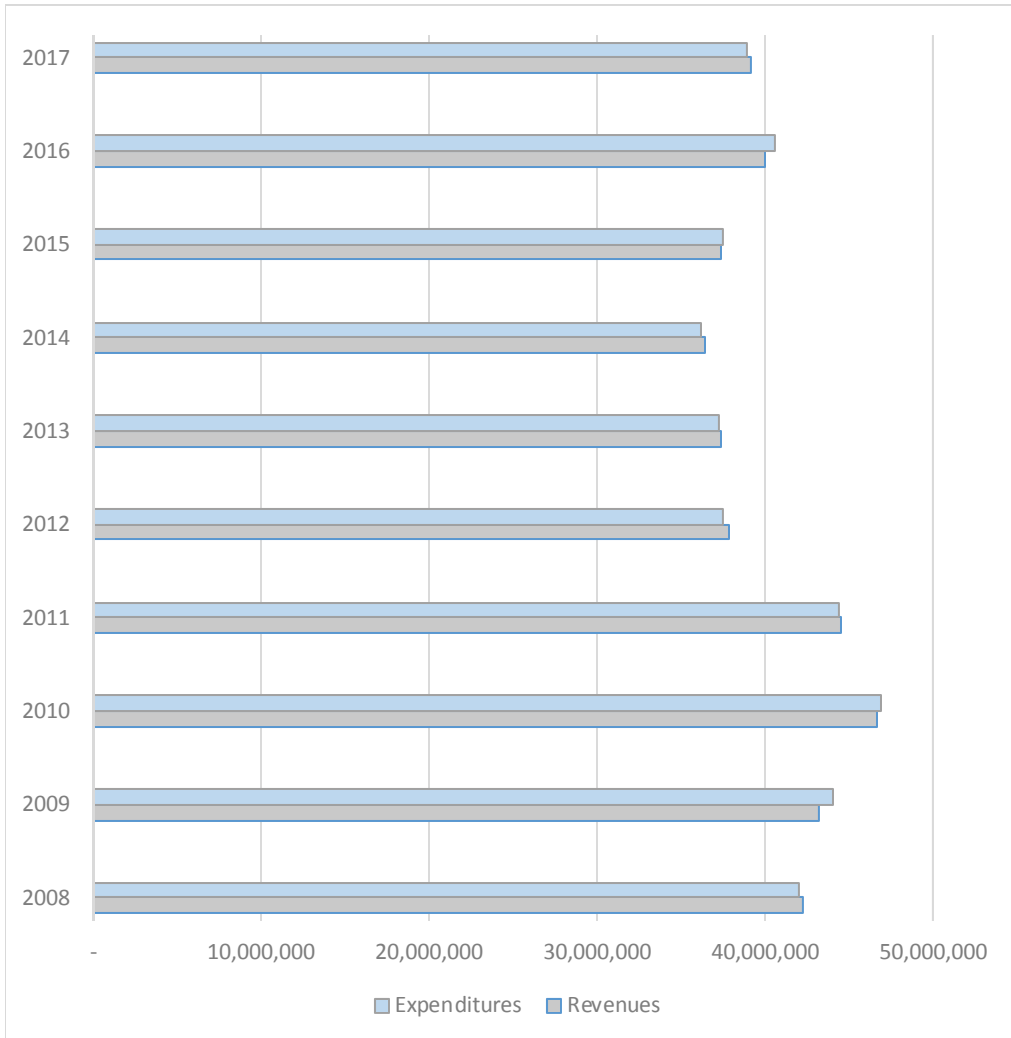
Investment income was included in miscellaneous revenue prior to 2009.

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

2012	2013	2014	2015	2016	2017
\$ 36,579,983	\$ 36,075,614	\$ 34,856,248	\$ 36,307,507	\$ 38,912,645	\$ 37,749,088
192,289	186,747	167,727	204,941	181,581	185,177
970,515	956,643	1,302,929	775,240	775,461	1,165,494
-	-	-	-	-	-
17,043	10,486	8,411	16,348	9,371	10,134
134,230	138,013	85,646	70,531	127,809	49,562
<u>37,894,060</u>	<u>37,367,503</u>	<u>36,420,961</u>	<u>37,374,567</u>	<u>40,006,867</u>	<u>39,159,455</u>
247,330	106,003	88,883	137,690	289,462	488,918
24,872,616	25,329,641	24,869,293	26,981,736	28,395,465	26,533,064
4,018,827	3,652,872	3,541,919	3,572,842	3,730,974	3,967,727
2,116,620	2,627,235	1,803,208	2,098,776	3,347,761	3,325,659
4,526,100	3,879,399	320,641	3,239,713	3,198,882	3,354,509
612,948	673,946	4,259,579	496,532	505,860	354,014
457,161	321,202	294,820	215,014	231,516	187,105
313,826	289,987	106,892	108,656	295,384	292,634
147,070	14,525	11,895	15,012	11,146	15,158
105,337	37,041	309,175	381,247	114,360	124,403
61,564	63,829	91,468	94,950	99,282	75,443
-	-	-	-	-	-
70,093	309,398	542,719	231,732	461,655	291,285
<u>37,549,492</u>	<u>37,305,078</u>	<u>36,240,492</u>	<u>37,573,900</u>	<u>40,681,747</u>	<u>39,009,919</u>
344,568	62,425	180,469	(199,333)	(674,880)	149,536
-	-	-	-	-	-
-	77,294	-	-	-	-
27,624	21,337	52,676	38,462	-	-
88,968	-	-	-	31,597	-
227,462	90,542	79,405	72,398	62,500	23,862
(227,462)	(90,542)	(79,405)	(72,398)	(62,500)	(23,862)
<u>116,592</u>	<u>98,631</u>	<u>52,676</u>	<u>38,462</u>	<u>31,597</u>	<u>-</u>
<u>\$ 461,160</u>	<u>\$ 161,056</u>	<u>\$ 233,145</u>	<u>\$ (160,871)</u>	<u>\$ (643,283)</u>	<u>\$ 149,536</u>
0.16%	0.17%	0.26%	0.25%	0.25%	0.20%



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (continued)**  
**LAST TEN FISCAL YEARS**



**EAST TEXAS COUNCIL OF GOVERNMENTS****RATIOS OF OUTSTANDING DEBT BY TYPE***Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Governmental Activities</b>		<b>Total Governmental Activities</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>Notes Payable</b>	<b>Capital Leases</b>			
2008	\$ -	\$ -	\$ -	0.00%	\$ -
2009	629,779	-	629,779	2.24%	19.52
2010	573,364	-	573,364	2.01%	17.64
2011	514,557	-	514,557	1.70%	15.03
2012	453,314	-	453,314	1.39%	12.32
2013	389,485	77,294	466,779	1.39%	12.35
2014	322,982	52,329	375,311	1.12%	10.10
2015	253,788	26,573	280,361	0.80%	7.46
2016	181,079	-	181,079	0.52%	N/A
2017	105,636	-	105,636	N/A	N/A

<b>Anderson County</b>	
<b>Area (Sq. miles)</b> <sup>1</sup>	1,063
<b>County Seat</b> <sup>1</sup>	Palestine
<b>Population, 2017</b> <sup>2</sup>	59,763
<b>Anglo</b>	
Male	19,795
Female	16,107
<b>Black</b>	
Male	8,956
Female	3,409
<b>Hispanic</b>	
Male	6,881
Female	3,402
<b>Other</b>	
Male	593
Female	620
<b>Vital Statistics, 2014-*2015</b> <sup>3</sup>	
Marriages	407
Divorces	121
Births	571
*Deaths	655
<b>Annual Average 2016</b> <sup>4</sup>	4.3%

<b>Camp County</b>	
<b>Area (Sq. miles)</b> <sup>1</sup>	196
<b>County Seat</b> <sup>1</sup>	Pittsburg
<b>Population, 2017</b> <sup>2</sup>	12,864
<b>Anglo</b>	
Male	3,462
Female	3,756
<b>Black</b>	
Male	1,060
Female	1,190
<b>Hispanic</b>	
Male	1,613
Female	1,420
<b>Other</b>	
Male	183
Female	180
<b>Vital Statistics, 2014-*2015</b> <sup>3</sup>	
Marriages	76
Divorces	11
Births	219
*Deaths	132
<b>Annual Average 2016</b> <sup>4</sup>	6.8%

<b>Cherokee County</b>	
<b>Area (Sq. miles)</b> <sup>1</sup>	1,053
<b>County Seat</b> <sup>1</sup>	Rusk
<b>Population, 2017</b> <sup>2</sup>	52,793
<b>Anglo</b>	
Male	15,577
Female	16,266
<b>Black</b>	
Male	4,075
Female	3,515
<b>Hispanic</b>	
Male	6,691
Female	5,516
<b>Other</b>	
Male	538
Female	615
<b>Vital Statistics, 2014-*2015</b> <sup>3</sup>	
Marriages	296
Divorces	160
Births	742
*Deaths	557
<b>Annual Average 2016</b> <sup>4</sup>	5.2%

<b>Gregg County</b>	
<b>Area (Sq. miles)</b> <sup>1</sup>	273
<b>County Seat</b> <sup>1</sup>	Longview
<b>Population, 2017</b> <sup>2</sup>	127,248
<b>Anglo</b>	
Male	36,222
Female	38,500
<b>Black</b>	
Male	12,047
Female	13,375
<b>Hispanic</b>	
Male	12,269
Female	10,837
<b>Other</b>	
Male	1,977
Female	2,021
<b>Vital Statistics, 2014-*2015</b> <sup>3</sup>	
Marriages	1192
Divorces	350
Births	1962
*Deaths	1274
<b>Annual Average 2016</b> <sup>4</sup>	6.1%

Source:

<sup>1</sup> Texas Association of Counties

<sup>2</sup> Texas Department of State Health Services

<b>Harrison County</b>	
Area (Sq. miles) <sup>1</sup>	900
County Seat <sup>1</sup>	Marshall
Population, 2017 <sup>2</sup>	67,890
<b>Anglo</b>	
Male	21,127
Female	21,862
<b>Black</b>	
Male	6,849
Female	7,761
<b>Hispanic</b>	
Male	4,586
Female	4,031
<b>Other</b>	
Male	843
Female	831
<b>Vital Statistics, 2014-*2015 <sup>3</sup></b>	
Marriages	468
Divorces	115
Births	851
*Deaths	677
<b>Annual Average 2016 <sup>4</sup></b>	6.1%

<b>Henders on County</b>	
Area (Sq. miles) <sup>1</sup>	874
County Seat <sup>1</sup>	Athens
Population, 2017 <sup>2</sup>	79,693
<b>Anglo</b>	
Male	30,516
Female	32,361
<b>Black</b>	
Male	2,441
Female	2,486
<b>Hispanic</b>	
Male	5,131
Female	4,817
<b>Other</b>	
Male	959
Female	982
<b>Vital Statistics, 2014-*2015 <sup>3</sup></b>	
Marriages	457
Divorces	53
Births	887
*Deaths	1084
<b>Annual Average 2016 <sup>4</sup></b>	4.7%

<b>Marion County</b>	
Area (Sq. miles) <sup>1</sup>	381
County Seat <sup>1</sup>	Jefferson
Population, 2017 <sup>2</sup>	10,458
<b>Anglo</b>	
Male	3,657
Female	3,680
<b>Black</b>	
Male	1,071
Female	1,276
<b>Hispanic</b>	
Male	191
Female	193
<b>Other</b>	
Male	191
Female	199
<b>Vital Statistics, 2014-*2015 <sup>3</sup></b>	
Marriages	60
Divorces	37
Births	87
*Deaths	167
<b>Annual Average 2016 <sup>4</sup></b>	7.1%

<b>Panola County</b>	
Area (Sq. miles) <sup>1</sup>	802
County Seat <sup>1</sup>	Carthage
Population, 2017 <sup>2</sup>	24,267
<b>Anglo</b>	
Male	8,657
Female	8,831
<b>Black</b>	
Male	1,888
Female	2,077
<b>Hispanic</b>	
Male	1,239
Female	1,052
<b>Other</b>	
Male	260
Female	263
<b>Vital Statistics, 2014-*2015 <sup>3</sup></b>	
Marriages	164
Divorces	93
Births	293
*Deaths	266
<b>Annual Average 2016 <sup>4</sup></b>	7.4%

Source:

<sup>1</sup> Texas Association of Counties

<sup>2</sup> Texas Department of State Health Services

<b>Rains County</b>	
Area (Sq. miles) <sup>1</sup>	230
County Seat <sup>1</sup>	Emory
Population, 2017 <sup>2</sup>	10,926
<b>Anglo</b>	
Male	4,656
Female	4,751
<b>Black</b>	
Male	139
Female	119
<b>Hispanic</b>	
Male	511
Female	451
<b>Other</b>	
Male	144
Female	155
<b>Vital Statistics, 2014-2015 <sup>3</sup></b>	
Marriages	69
Divorces	53
Births	87
*Deaths	150
<b>Annual Average 2016 <sup>4</sup></b>	4.0%

<b>Rusk County</b>	
Area (Sq. miles) <sup>1</sup>	924
County Seat <sup>1</sup>	Henderson
Population, 2017 <sup>2</sup>	54,733
<b>Anglo</b>	
Male	18,100
Female	17,390
<b>Black</b>	
Male	5,299
Female	4,090
<b>Hispanic</b>	
Male	4,833
Female	3,769
<b>Other</b>	
Male	621
Female	631
<b>Vital Statistics, 2014-2015 <sup>3</sup></b>	
Marriages	335
Divorces	216
Births	576
*Deaths	544
<b>Annual Average 2016 <sup>4</sup></b>	5.8%

<b>Smith County</b>	
Area (Sq. miles) <sup>1</sup>	922
County Seat <sup>1</sup>	Tyler
Population, 2017 <sup>2</sup>	217,640
<b>Anglo</b>	
Male	62,745
Female	67,438
<b>Black</b>	
Male	18,363
Female	21,083
<b>Hispanic</b>	
Male	21,222
Female	19,994
<b>Other</b>	
Male	3,242
Female	3,553
<b>Vital Statistics, 2014-2015 <sup>3</sup></b>	
Marriages	1781
Divorces	563
Births	3150
*Deaths	2111
<b>Annual Average 2016 <sup>4</sup></b>	4.5%

<b>Upsur County</b>	
Area (Sq. miles) <sup>1</sup>	583
County Seat <sup>1</sup>	Gilmer
Population, 2017 <sup>2</sup>	39,980
<b>Anglo</b>	
Male	16,057
Female	16,422
<b>Black</b>	
Male	1,632
Female	1,773
<b>Hispanic</b>	
Male	1,553
Female	1,432
<b>Other</b>	
Male	554
Female	557
<b>Vital Statistics, 2014-2015 <sup>3</sup></b>	
Marriages	215
Divorces	193
Births	491
*Deaths	471
<b>Annual Average 2016 <sup>4</sup></b>	6.5%

Source:

<sup>1</sup> Texas Association of Counties

<sup>2</sup> Texas Department of State Health Services

<b>Van Zandt County</b>	
<b>Area (Sq. miles) <sup>1</sup></b>	843
<b>County Seat <sup>1</sup></b>	Canton
<b>Population, 2017 <sup>2</sup></b>	53,020
<b>Anglo</b>	
Male	21,754
Female	23,031
<b>Black</b>	
Male	740
Female	726
<b>Hispanic</b>	
Male	2,966
Female	2,506
<b>Other</b>	
Male	640
Female	657
<b>Vital Statistics, 2014-2015 <sup>3</sup></b>	
Marriages	341
Divorces	175
Births	568
*Deaths	621
<b>Annual Average 2016 <sup>4</sup></b>	4.3%

<b>Wood County</b>	
<b>Area (Sq. miles) <sup>1</sup></b>	645
<b>County Seat <sup>1</sup></b>	Quitman
<b>Population, 2016 <sup>2</sup></b>	41,338
<b>Anglo</b>	
Male	16,735
Female	17,706
<b>Black</b>	
Male	996
Female	989
<b>Hispanic</b>	
Male	2,145
Female	1,877
<b>Other</b>	
Male	427
Female	463
<b>Vital Statistics, 2014 <sup>2</sup></b>	
Marriages	243
Divorces	131
Births	418
Deaths	613
<b>Annual Average 2015 <sup>1</sup></b>	5.3%

<sup>1</sup> Texas Association of Counties

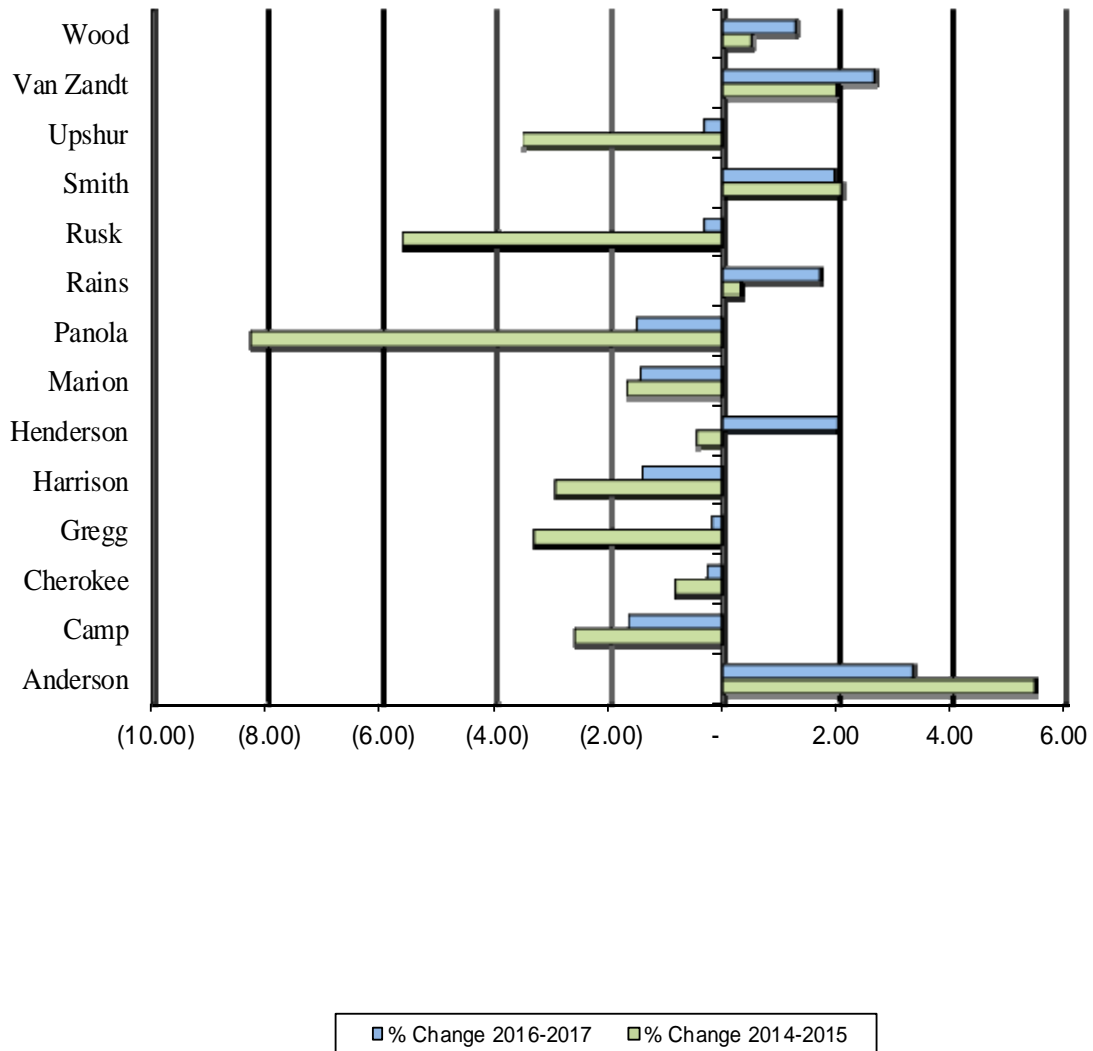
<sup>2</sup> Texas Department of State Health Services

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

<b>County</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>% Change 2014-2015</b>	<b>% Change 2016-2017</b>
Anderson	20,745	21,877	22,733	23,486	5.46	3.31
Camp	4,893	4,765	4,696	4,618	(2.62)	(1.67)
Cherokee	19,923	19,756	20,024	19,966	(0.84)	(0.29)
Gregg	58,090	56,165	54,821	54,705	(3.31)	(0.21)
Harrison	30,376	29,480	28,055	27,655	(2.95)	(1.43)
Henderson	32,749	32,594	33,540	34,212	(0.47)	2.00
Marion	4,185	4,114	4,011	3,952	(1.70)	(1.46)
Panola	11,921	10,931	9,344	9,201	(8.30)	(1.53)
Rains	5,132	5,148	5,288	5,378	0.31	1.70
Rusk	22,979	21,688	21,153	21,080	(5.62)	(0.35)
Smith	96,781	98,779	100,827	102,788	2.06	1.94
Upshur	17,596	16,978	16,559	16,501	(3.51)	(0.35)
Van Zandt	22,602	23,049	23,675	24,304	1.98	2.66
Wood	15,744	15,822	16,222	16,430	0.50	1.28
<b>WDA</b>	<b>363,716</b>	<b>361,146</b>	<b>360,948</b>	<b>364,275</b>	<b>(0.71)</b>	<b>0.92</b>

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

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**EMPLOYMENT PERCENTAGE CHANGE**





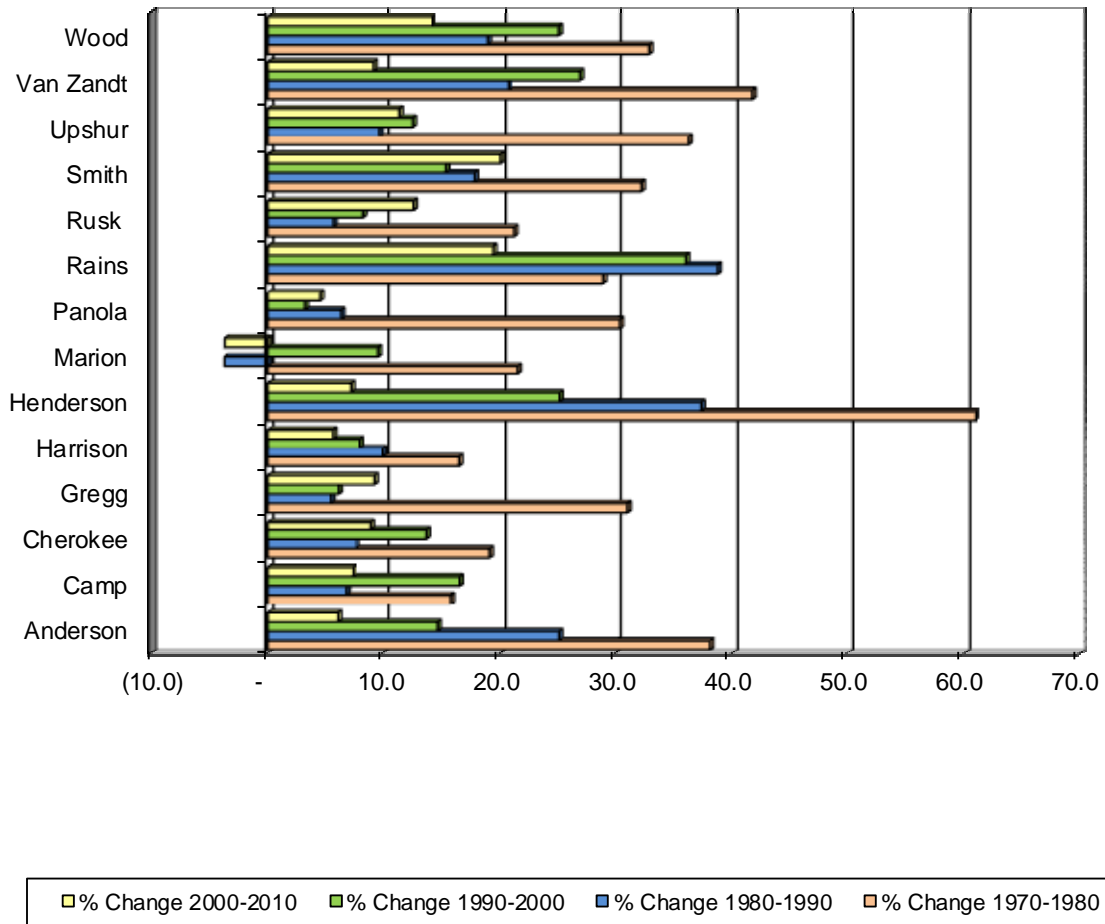
**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**POPULATION - CENSUS - 1970-2000-2010 CENSUS ESTIMATE**

<b>County</b>	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
Anderson	27,789	38,381	48,024	55,109	58,458
Camp	8,005	9,275	9,904	11,549	12,401
Cherokee	32,008	38,127	41,049	46,659	50,845
Gregg	75,929	99,487	104,948	111,379	121,730
Harrison	44,841	52,265	57,483	62,110	65,631
Henderson	26,466	42,606	58,543	73,277	78,532
Marion	8,517	10,360	9,984	10,941	10,546
Panola	15,894	20,724	22,035	22,756	23,796
Rains	3,752	4,839	6,715	9,139	10,914
Rusk	34,102	41,382	43,735	47,372	53,330
Smith	97,096	128,366	151,309	174,706	209,714
Upshur	20,976	28,595	31,370	35,291	39,309
Van Zandt	22,155	31,426	37,944	48,140	52,579
Wood	18,589	24,697	29,380	36,752	41,964
WDA	436,119	570,530	652,423	745,180	829,749
Texas	11,196,730	14,229,191	16,986,510	20,851,820	25,145,561

Source: Census Bureau and Texas State Data Center

<b><u>% Change</u></b> <b><u>1970-1980</u></b>	<b><u>% Change</u></b> <b><u>1980-1990</u></b>	<b><u>% Change</u></b> <b><u>1990-2000</u></b>	<b><u>% Change</u></b> <b><u>2000-2010</u></b>
38.1	25.1	14.8	6.1
15.9	6.8	16.6	7.4
19.1	7.7	13.7	9.0
31.0	5.5	6.1	9.3
16.6	10.0	8.0	5.7
61.0	37.4	25.2	7.2
21.6	(3.6)	9.6	(3.6)
30.4	6.3	3.3	4.6
29.0	38.8	36.1	19.4
21.3	5.7	8.3	12.6
32.2	17.9	15.5	20.0
36.3	9.7	12.5	11.4
41.8	20.7	26.9	9.2
32.9	19.0	25.1	14.2
30.8	14.4	14.2	11.3
27.1	19.4	22.8	20.6

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



**Percent Change**

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

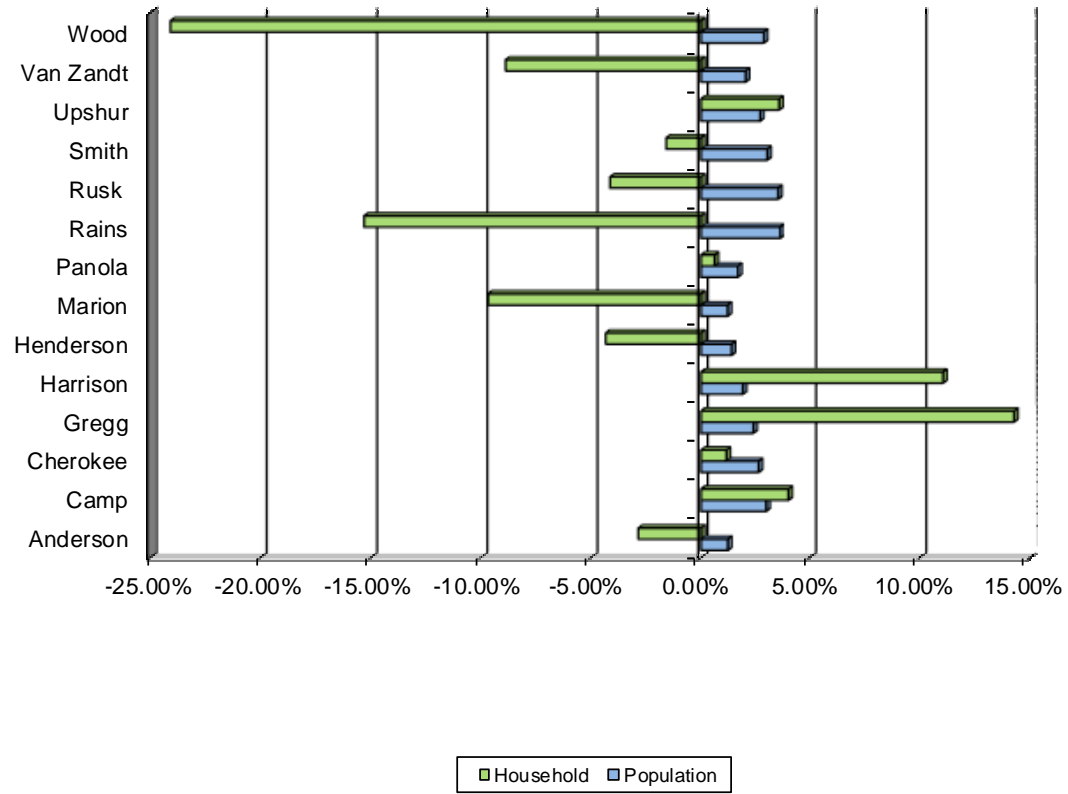
<b>Population Forecast <sup>1</sup></b>				<b>Household Forecast <sup>2</sup></b>			
<b>County</b>	<b>2016</b>	<b>2018</b>	<b>% Change</b>	<b>County</b>	<b>2010</b>	<b>2030</b>	<b>% Change</b>
Anderson	60,739	61,477	1.22%	Anderson	17,218	16,728	-2.85%
Camp	13,611	14,013	2.95%	Camp	4,678	4,867	4.04%
Cherokee	54,785	56,215	2.61%	Cherokee	17,894	18,100	1.15%
Gregg	130,315	133,401	2.37%	Gregg	45,798	52,335	14.27%
Harrison	69,524	70,840	1.89%	Harrison	24,523	27,234	11.05%
Henderson	81,959	83,089	1.38%	Henderson	31,020	29,679	-4.32%
Marion	11,151	11,285	1.20%	Marion	4,595	4,151	-9.66%
Panola	25,122	25,541	1.67%	Panola	9,271	9,328	0.61%
Rains	12,239	12,678	3.59%	Rains	4,377	3,708	-15.28%
Rusk	59,148	61,213	3.49%	Rusk	18,476	17,713	-4.13%
Smith	229,067	235,940	3.00%	Smith	79,055	77,803	-1.58%
Upshur	42,803	43,948	2.68%	Upshur	14,925	15,454	3.54%
Van Zandt	55,976	57,106	2.02%	Van Zandt	20,047	18,269	-8.87%
Wood	46,000	47,309	2.85%	Wood	17,118	12,997	-24.07%
<b>WDA</b>	<b>892,439</b>	<b>914,055</b>	<b>2.42%</b>	<b>WDA</b>	<b>308,995</b>	<b>308,366</b>	<b>-0.20%</b>

Source:

1. Texas Department of State Health Services  
<http://www.dshs.state.tx.us/chs/popdat>
2. Texas State Data Center 2010 Census Data  
<http://txsdc.utsa.edu/data/decennial>



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
*POPULATION AND HOUSEHOLD PERCENT CHANGE 2010-2030*



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**TOTAL POPULATION AGE HISTORICAL AND PROJECTED**

<b>Age Group</b>	<b>1990 Census</b>		<b>2000 Census</b>		<b>2010 Census</b>	
0 - 4	45,463	7.00%	48,866	6.60%	55,011	7.10%
5 - 14	98,741	15.10%	106,354	14.30%	111,983	13.50%
15 - 19	48,123	7.40%	56,640	7.60%	58,000	6.60%
20 - 24	41,376	6.30%	45,203	6.10%	52,342	6.60%
25 - 34	99,693	15.30%	92,684	12.40%	101,974	12.90%
35 - 44	89,690	13.70%	112,034	15.00%	101,401	12.00%
45 - 54	66,524	10.20%	98,062	13.20%	117,180	13.20%
55 - 64	62,307	9.60%	73,642	9.90%	103,373	12.10%
65 - 74	56,244	8.60%	60,225	8.10%	71,607	8.70%
75 - 84	33,967	5.20%	37,572	5.00%	41,589	5.20%
85+	10,331	1.60%	13,898	1.90%	15,289	2.20%

Source: <http://osd.texas.gov/Data>

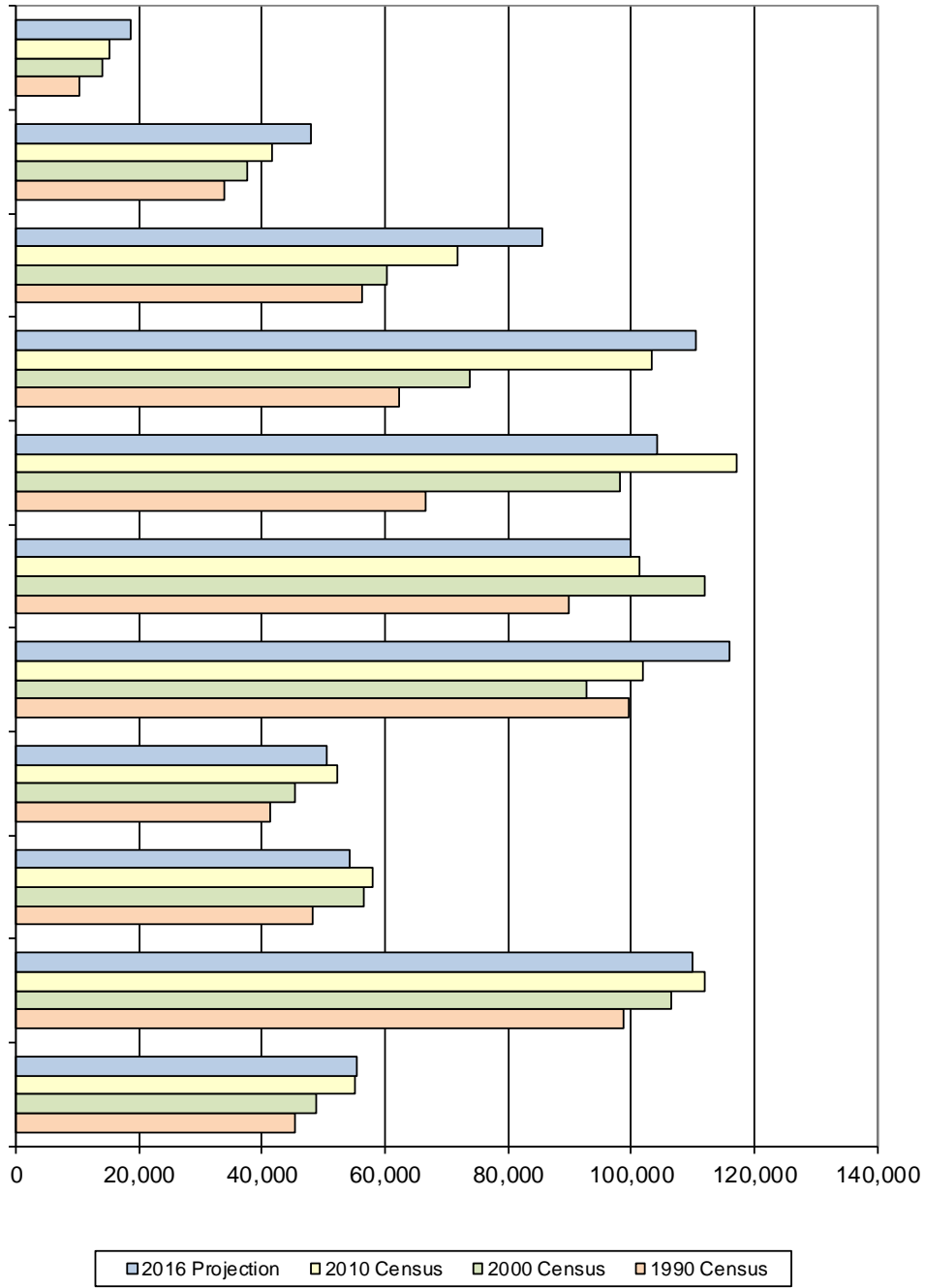
<b>2017 Projection</b>	<b>Percent Change</b>		
	<b>1990 to 2000</b>	<b>2010 to 2017</b>	
55,239	6.46%	7.49%	0.41%
110,001	12.98%	7.71%	-1.77%
54,088	6.38%	17.70%	-6.74%
50,575	6.12%	9.25%	-3.38%
116,010	13.40%	-7.03%	13.76%
99,974	11.75%	24.91%	-1.41%
104,193	12.44%	47.41%	-11.08%
110,407	12.94%	18.19%	6.80%
85,405	9.86%	7.08%	19.27%
48,023	5.52%	10.61%	15.47%
18,698	2.14%	34.53%	22.30%



**EAST TEXAS COUNCIL OF GOVERNMENTS**

**POPULATION AGE HISTORICAL AND PROJECTED**

**1990, 2000 AND 2010 CENSUS, AND 2017 PROJECTION**



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

<b>Fiscal Year</b>	<b>County Population<sup>1</sup></b>	<b>Personal Income (In Thousands)<sup>2</sup></b>	<b>Per Capita Income<sup>3</sup></b>	<b>Gross Sales All Industries<sup>4</sup></b>	<b>Gross Sales, All Industries Subject to State Tax<sup>5</sup></b>	<b>Total Employed<sup>6</sup></b>	<b>Unemployment Rate<sup>7</sup></b>
2008	813,838	\$ 26,600,303	\$ 30,837	\$ 33,721,469,950	\$ 8,367,733,943	370,310	4.9%
2009	818,419	28,166,903	32,259	28,551,351,095	7,360,082,097	363,877	8.2%
2010	829,749	28,477,457	32,498	26,929,757,046	7,129,483,538	370,920	8.1%
2011	837,588	30,193,049	34,234	33,057,865,817	7,974,450,208	376,609	7.7%
2012	839,625	32,527,999	36,790	34,433,145,704	8,233,796,819	379,834	6.7%
2013	839,357	33,475,526	37,802	34,431,835,208	8,346,259,934	382,711	6.3%
2014	844,811	33,563,048	37,173	33,258,023,748	8,747,169,123	367,529	5.2%
2015	850,802	35,068,923	37,583	24,783,825,513	6,560,673,658	361,847	4.9%
2016	853,857	34,910,348	37,131	36,315,638,574	8,349,291,122	360,948	5.2%
2017	859,975	n/a	n/a	n/a	n/a	364,284	4.6%

Source:

- 1: Regional Economic Info System, Bureau of Economic Analysis, U. S. Department of Commerce  
 Note: as of 3/31/2017 information not yet available for 2017
- 2: Regional Economic Info System, Bureau of Economic Analysis, U.S. Department of Commerce  
 Note: as of 3/31/2017 information not yet available for 2017
- 3: Regional Economic Info System, Bureau of Economic Analysis, U.S. Department of Commerce  
 Note: as of 3/31/2017 information not yet available for 2017
- 4: Texas Comptroller of Public Accounts - <https://mycpa.cpa.state.tx.us/allocation/HistSales>  
 Note: as of 3/31/2017 information not yet available for 2017
- 5: Texas Comptroller of Public Accounts - <https://mycpa.cpa.state.tx.us/allocation/HistSales>  
 Note: as of 3/31/2017 information not yet available for 2017
- 6: Texas Workforce Commission and US Bureau of Labor Statistics
- 7: Texas Workforce Commission, Annual Average and US Bureau of Labor Statistics

**EAST TEXAS COUNCIL OF GOVERNMENTS  
PRINCIPAL EMPLOYERS 1000+ EMPLOYEES  
SEPTEMBER 30, 2017 AND NINE YEARS AGO**

<u>Company Information</u>	<u>2008</u>	<u>% of Total Employment</u>	<u>2017</u>	<u>% of Total Employment</u>	<u>Difference 2008-2017</u>	<u>Percent Difference 2008-2017</u>
<b><u>Brookshire Grocery CO</u></b> 1600 W Southwest Loop 323 Tyler, TX 75701-8500 Smith County	1,894	9%	2,631	11%	737	2.11%
<b><u>Christus Good Shepherd Health Center</u></b> 700 E Marshall Ave Longview, TX 75601-5572 Gregg County	2,242	11%	2,529	11%	287	-0.02%
<b><u>Christus Trinity Mother Frances</u></b> 536 S Beckham Ave. Tyler, TX 75702 800 E Dawson St. Tyler, TX 75701 520 Douglas Blvd. #2 Tyler, TX 75702 Smith County	3,418	17%	4,390	19%	972	2.27%
<b><u>Eastman Chemical CO</u></b> 300 Kodak Blvd Longview, TX 75602 Gregg County	1,500	7%	1,463	6%	(37)	-1.00%
<b><u>ETMC Regional Healthcare Syst</u></b> 1000 S Beckham Ave Tyler, TX 75701-1908 Smith County	3,650	18%	3,892	17%	242	-1.01%
<b><u>Longview ISD</u></b> 1125 Judson Rd Longview, TX 75601 Gregg County	1,175	6%	1,288	6%	113	-0.17%
<b><u>Marshall ISD</u></b> 1305 E. Pinecrest Dr Marshall, TX 75670 Harrison County	925	5%	1,000	4%	75	-0.20%
<b><u>Rusk State Hospital</u></b> 805 N. Dickinson Dr Rusk, TX 75785 Cherokee County	1,031	5%	1,280	6%	249	0.49%
<b><u>Trane Residential Systems</u></b> 6200 Troup Hwy Tyler, TX 75707-1948 Smith County	2,112	10%	2,215	10%	103	-0.74%
<b><u>Tyler Independent School District</u></b> 1319 Earl Campbell Parkway Tyler, TX 75701 Smith County	2,566	13%	2,499	11%	(67)	-1.73%

Source:

- : <http://www.tracer2.com>
- : <http://www.texasindustryprofiles.com>
- : [http://longviewusa.com/major\\_employers](http://longviewusa.com/major_employers)
- : <http://livability.com/tx/tyler/business/tyler-tx-top-employers>



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

<b>Function</b>	<b>Fiscal Year</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General Government	14.43	13.64	16.89	21.54	21.23	22.95
Workforce	25.74	23.11	21.27	27.76	29.3	39.34
Housing & Urban Development	0.35	0.41	0.36	0.85	0.87	0.09
Emergency Communications	8.28	9.08	7.13	9.1	9.1	11.25
Economic Decvelopment	2.23	2.29	1.55	3.54	1.91	0.91
Environmental Quality	2.92	3.15	3	2.88	2.34	1.77
Area Agency on Aging	10.34	11.3	11.01	14.12	15.46	21.23
Transportation	23.45	20.44	26.84	45.44	44.16	49.87
Homeland Security	2.34	2	1.67	2.98	3.17	1.24
Criminal Justice	1.36	1.49	1.77	2.06	1.76	1.55
Health & Human Sercices	0.15	0.03	1.49	-	-	-
<b>TOTAL</b>	<b>91.59</b>	<b>86.94</b>	<b>92.98</b>	<b>130.27</b>	<b>129.3</b>	<b>150.2</b>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
29.49	32.95	19.65	17.66
32.28	34.53	25.9	22.46
1.88	0.95	1.29	2
9.67	9.4	7.45	8.85
2.29	0.92	0.92	0.85
1.29	1.9	1.35	0.45
19.86	24.03	16.05	20.8
48.08	44.01	46.97	47.03
3.65	3.31	1.73	1.25
1.51	1.85	1.08	1.1
-	-	-	-
<u>150</u>	<u>153.85</u>	<u>122.39</u>	<u>122.45</u>

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

Function	Fiscal Year					
	2008	2009	2010	2011	2012	2013
<b>Workforce Development</b>						
Number of Children Served	8,895	7,703	8,412	8,815	7,737	7,075
Total Population Served at Workforce Centers	65,443	76,551	75,915	69,337	58,827	54,826
WIA Adults Served	358	311	336	335	514	695
WIA Adults Entering Employment	122	97	63	296	170	308
WIA Dislocated Workers Served	595	731	876	789	475	619
WIA Dislocated Workers Entering Employment	129	144	237	353	218	260
WIA Youth Served	140	703	164	421	247	317
WIA Youth Entering Employment	35	24	35	40	-	101
TANF Participants Served	990	956	840	789	772	1,340
TANF Participants Entering Employment	625	491	407	412	381	710
Food Stamp Participants Served	526	575	875	837	996	1,017
Food Stamp Participants Entering Employment	334	260	393	401	468	504
Reintegrated Offenders (RIO) Served	2,280	2,823	2,647	2,479	965	-
RIO Secured Employment	1,277	1,289	1,295	1,304	545	-
<b>Aging</b>						
Information & Referral	5,214	3,300	3,533	3,232	1,855	3,215
Care Coordination	1,493	1,550	1,685	1,695	1,862	1,127
Legal Assistance Over 60	117	210	384	702	741	919
Legal Awareness	1,528	1,549	1,857	1,719	785	138
Evidence Based Intervention	-	-	-	-	-	-
Caregiver Support Coordination	1,652	1,585	1,980	1,446	1,456	722
Congregate Meals	93,892	97,724	111,803	107,297	93,342	78,310
Home Delivered Meals	447,348	355,849	411,333	396,805	347,609	342,218
Transportation	21,607	23,187	23,084	23,025	23,089	22,390
Residential Repairs	150	141	45	18	28	12
Homemaker	8,003	6,093	7,470	5,767	8,182	5,032
Personal Assistance	695	855	845	458	1,224	1,400
Health Maintenance	66	42	18	35	18	17
Health Screening	432	170	90	137	223	-
Nutrition Education	255	255	183	164	369	157
Emergency Response	362	375	421	452	440	387
Adult Day Care	52	174	258	451	536	625
Caregiver Respite in Home	12,175	8,936	9,455	6,695	8,183	8,361
Caregiver Respite International	4,032	1,368	3,464	2,832	2,328	2,664
Instruction & Training	365	372	460	476	460	497
Participant Assessment	351	447	334	77	74	-
Caregiver Information Services	593	195	420	1,840	17,483	11,711
<b>Criminal Justice</b>						
Peace Officers Receiving Training	2,217	2,776	3,029	3,705	3,725	2,630
<b>Emergency Communications</b>						
Calls Received	191,642	209,353	203,024	230,658	130,586	194,058
<b>Transportation</b>						
Number of Trips	81,013	106,483	110,828	159,460	160,417	130,617
<b>Environmental Quality</b>						
Total Tons of Material Diverted	543	5,525	843	1,607	1,185	1,115
Total Number of Illegal Dump Sites Cleaned Up	566	810	206	430	88	120
<b>Economic Development/Housing &amp; Urban Dev.</b>						
Debentures Funded	24	23	28	33	31	37
Actual Job Retention from Debentures Funded	425	397	491	452	440	441

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
6,419	7,786	6,914	5,795
51,320	50,077	46,128	37,527
521	494	519	452
291	266	246	235
526	463	449	333
313	250	271	258
272	217	230	211
118	122	103	95
1,095	838	810	901
576	449	433	472
943	1,067	1,137	725
470	449	546	453
890	846	906	731
516	-	547	467
2,749	3,470	3,540	1,264
1,695	1,026	1,827	1,510
826	833	816	1,012
485	633	620	501
-	-	-	462
561	497	550	1,194
73,432	76,625	76,827	71,381
322,298	338,501	313,175	345,458
23,039	23,039	22,580	27,050
42	43	45	105
5,524	5,527	5,415	2,588
1,724	2,262	1,690	848
15	9	10	-
-	-	-	-
-	-	-	14,073
372	313	326	242
499	516	512	364
3,584	3,977	3,897	4,174
1,608	1,704	1,670	15
-	-	-	-
-	-	-	-
-	6,773	7,100	2,750
2,807	3,516	3,525	2,873
325,827	392,215	219,705	193,059
122,031	108,834	102,395	93,572
246	65	65	18
210	257	257	812
33	31	31	30
285	240	240	262



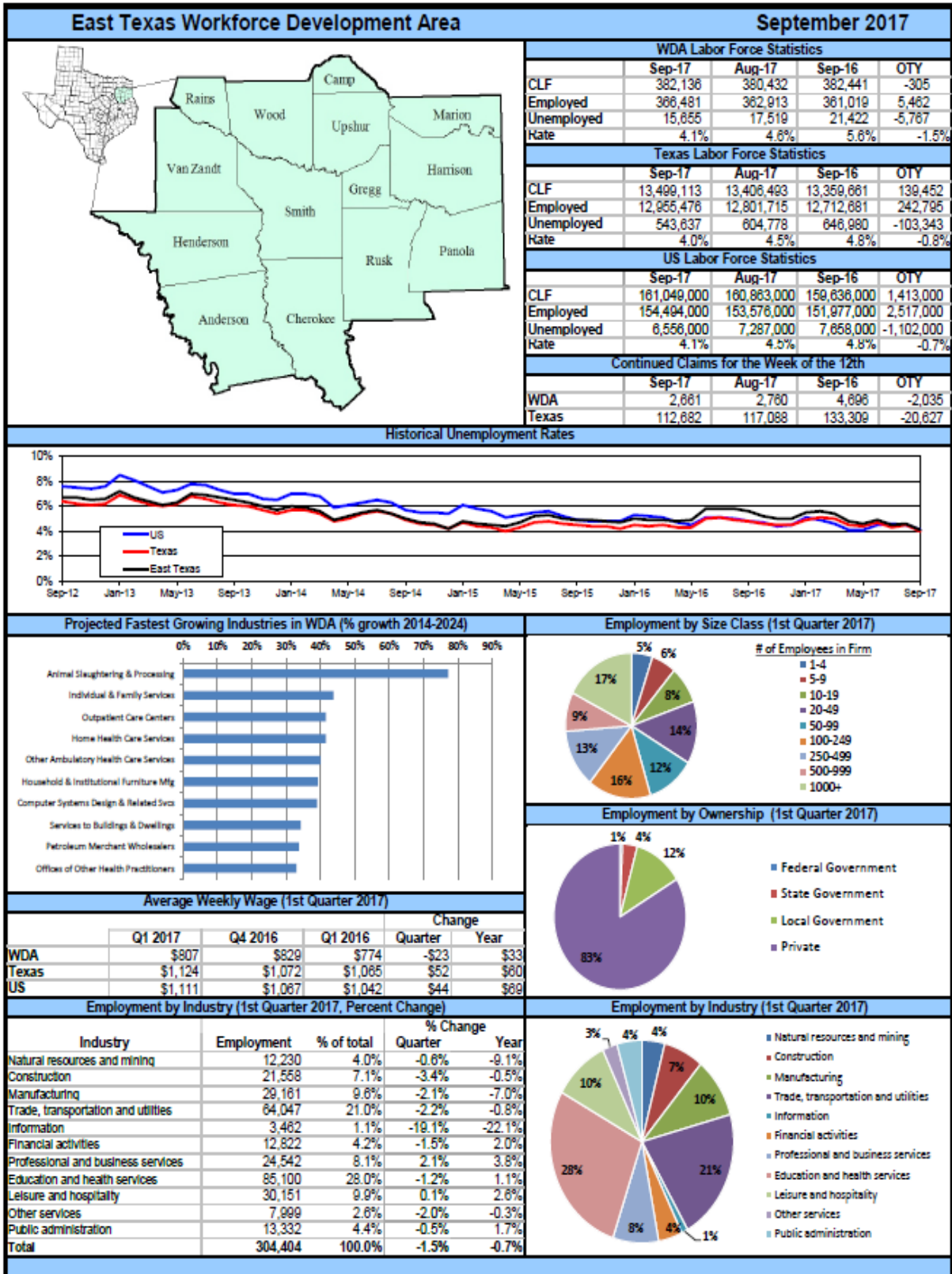
**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**CAPITAL ASSETS STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal Year					
	2008	2009	2010	2011	2012	2013
<b>General Government</b>						
Buildings	0.59	1	1	1	1	1
Building Improvements	-	-	-	-	-	1
Facility Storage Shed	-	-	-	-	-	-
Office Equipment	1	11	11	11	11	11
Security Equipment	-	-	-	-	-	-
Vehicles	-	8	9	9	9	9
<b>Workforce Development</b>						
Office Equipment	1	1	2	2	2	2
Arc Welder Equipment	-	-	-	-	-	-
Building Improvements/Signage	1	1	1	1	1	1
Transportation Vehicle Ford 350	1	1	1	1	1	1
Mobile Unit	1	1	1	1	1	1
<b>Emergency Communications</b>						
PSAP Equipment	25	22	22	22	17	17
Network Comm. Embarq	-	-	-	-	1	1
Recorders	5	5	5	5	5	5
Office Equipment	2	8	8	8	8	11
<b>Aging</b>						
Buildings	2	2	2	2	1	1
Transportation Vehicles	11	15	14	8	9	9
Office Equipment	7	6	6	6	6	6
<b>Transportation</b>						
Transportation Vehicles	38	50	59	60	63	59
Digital Dispatch Equipment	1	1	1	1	1	1
Marshall Chair Lift	-	-	-	-	-	1
Office Equipment	1	1	1	1	-	-
<b>Homeland Security</b>						
Office Equipment	9	-	-	-	-	-

Note: Assets in excess of \$5,000; Assets purchased with grant funds but reported by subrecipients are not included.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1	1	1	1
-	3	4	5
-	-	1	1
12	14	13	14
-	1	1	1
9	9	6	9
4	4	4	4
-	-	1	1
1	1	1	1
1	1	1	5
1	2	3	3
17	17	17	17
1	1	-	-
5	5	5	5
12	13	12	13
1	1	1	1
9	14	13	-
6	6	7	7
61	55	48	52
1	1	1	-
1	1	1	1
-	-	-	-
-	-	-	-





<b>Statistical Section</b>	<b><u>Page</u></b>
Net Position by Component	42
Changed in Net Position	44
Fund Balances - Governmental Funds	46
Changes in Fund Balances - Governmental Funds	50
Ratios of Outstanding Debt by Type	53
Regional County Information	54
Employment by County	58
Employment Percentage Change	59
Population - Census - 1970 - 2000 - 2010 Census Estimate	60
Population Change in 1970s, 80s, 90s, 2000 and 2010	62
Population and Household by County	63
Population and Household Percent Change 2010 - 2030	65
Total Population Age Historical and Projected	66
Population Age Historical and Projected	68
Demographic and Economic Statistics	69
Principal Employers 1000+ Employees	70
Full Time Employee Equivalents by Function	72
Operating Indicators by Function	74
Capital Assets Statistics by Function	76
East Texas Workforce Development Area Map	79

**FEDERAL AND STATE AWARDS SECTION**



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

To the Board of Directors  
East Texas Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit and each major fund of the East Texas Council of Governments (the “Council”), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements, and have issued our report thereon dated March 19, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Council’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2017-001, that we consider to be a significant deficiency



To the Board of Directors  
East Texas Council of Governments

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free from 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as is reported as item # 2017-001.

### **The Council's Response to Finding**

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Whitley Penn LLP*

Dallas, Texas  
March 19, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*;  
AND THE *STATE OF TEXAS SINGLE AUDIT CIRCULAR***

To the Board of Directors  
East Texas Council of Governments

**Report on Compliance for Each Major Federal and State Program**

We have audited East Texas Council of Governments' (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Uniform Grant Management Standards* that could have a direct and material effect on each of Council's major federal and state programs for the year ended September 30, 2017. The Council's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Council's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State of Texas Uniform Grant Management Standards*. Those standards, the Uniform Guidance and the *State of Texas Uniform Grant Management 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 that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Council's compliance.

To the Board of Directors  
East Texas Council of Governments

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item #2017-001. Our opinion on each major federal and state programs is not modified with respect to these matters.

The Council's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State of Texas Uniform Grant Management Standards*, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item #2017-001, that we consider to be a significant deficiency.

To the Board of Directors  
East Texas Council of Governments

The Council's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Texas Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Dallas, Texas  
March 19, 2018

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended September 30, 2017*

**A. SUMMARY OF AUDIT RESULTS**

<b>I. Summary of Auditors' Results</b>	
<b>Financial Statements</b>	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes; Finding #2017-001
Noncompliance material to financial statements noted?	No
<b><u>Federal Awards</u></b>	
Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes; Finding #2017-001
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None

**Identification of major programs:**

<b>Name of Federal Program or Cluster</b>	<b>CFDA Numbers</b>
Trade Act	17.245
WIA/WIOA Cluster	17.258/17.259/17.278
Workforce Commission Initiatives; Resource Administration and Employment Services	17.207
Aging Cluster	93.044/93.045/93.053
Temporary Assistance for Needy Families (TANF)	93.558
Title III Part E	93.052
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$814,442
2. Federal Single Audit - Auditee qualified as low-risk auditee?	No

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For the Year Ended September 30, 2017*

<b>I. Summary of Auditors' Results (continued)</b>	
<b><u>State Awards:</u></b>	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) UGMS?	None
Identification of major programs:	
<b>Name of State Program or Cluster</b>	<b>CFDA Number</b>
9-1-1	N/A
Texas Dept of Aging and Disability Services OMB ALF 9/30/18 OMB ALF 9/30/17 Housing Bond 8/31/17 State General Revenue 9/30/17	N/A
Air Quality 12/31/18	N/A
Temporary Assistance for Needy Families (TANF)	N/A
1. Dollar Threshold Considered Between Type A and Type B Programs	\$300,000
2. State Single Audit - Auditee qualified as low-risk auditee?	Yes

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For the Year Ended September 30, 2017*

**II. Financial Statement Findings**

**Finding # 2017-001** Procurement with State and Federal Laws

**Criteria:** Per 2 CFR 200.318, the Council must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. In addition 2 CFR 200.213 prohibits that non-federal entities disburse federal funds to vendors that are suspended or debarred. In addition, documentation evidencing the entities procedure to ensure a vendor is not suspended or debarred should be maintained.

**Condition:** During our testing of the Council's compliance with applicable state and federal laws, we noted that two vendors were not procured using a competitive procurement method. Instead, the Council only obtained quotes. In addition, for one vendor the Council did not maintain documentation evidencing that the awarded vendor was not suspended or debarred as required by 2 CFR 200.213. Grant funds were used to pay these two vendors.

**Cause:** The Council maintained that vendors paid with federal funds should be procured using federal procurement rules and regulations instead of applying the most restrictive requirements, which in this situation was state law.

**Effect:** The Council is not in compliance with the state and federal procurement laws.

**Recommendation:** The Council is required to apply the most restrictive of state and federal law when procuring goods and services. Should the Council's local procurement policy result as the most restrictive policy, then the Council should adhere to it accordingly.

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For the Year Ended September 30, 2017*

**III. Federal and State Award Findings and Questioned Costs.**

**Finding # 2017-001** Competitive Procurement (Internal Controls over Compliance and Compliance)  
**Aging Cluster (CFDA 93.044, 93.045, 93.053); I. Procurement and Suspension and Debarment.**

**Criteria:** Per 2 CFR 200.318, the Council must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. In addition 2 CFR 200.213 prohibits that non-federal entities disburse federal funds to vendors that are suspended or debarred. In addition, documentation evidencing the entities procedure to ensure a vendor is not suspended or debarred should be maintained.

**Condition:** During our testing of the Council's compliance with applicable state and federal laws, we noted that two vendors were not procured using a competitive procurement method. Instead, the Council only obtained quotes. In addition, for one vendor the Council did not maintain documentation evidencing that the awarded vendor was not suspended or debarred as required by 2 CFR 200.213. Grant funds were used to pay these two vendors.

**Cause:** The Council maintained that vendors paid with federal funds should be procured using federal procurement rules and regulations instead of applying the most restrictive requirements, which in this situation was state law.

**Effect:** The Council is not in compliance with the state and federal procurement laws.

**Recommendation:** The Council is required to apply the most restrictive of state and federal law when procuring goods and services. Should the Council's local procurement policy result as the most restrictive policy, then the Council should adhere to it accordingly.

**Views of Responsible Officials:** The Council concurs. See corrective action plan.



**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
*For the Year Ended September 30, 2017*

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended September 30, 2017, has been prepared to address these requirements.

**Finding #2016-001 Procurement with State and Federal Laws**

**Status:** This was not resolved as of September 30, 2017. See current year finding #2017-001

## **EAST TEXAS COUNCIL OF GOVERNMENTS**

### ***CORRECTIVE ACTION PLAN***

***For the Year Ended September 30, 2017***

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

The Corrective Action Plan for the year ended September 30, 2017, has been prepared to address these requirements.

#### **I. Corrective Action Plan Finding #2017-001**

**Response:** On May 26, 2017 the Council’s audit report for the year ended September 30, 2016 was issued with finding 2016-001. The Council implemented its corrective action plan for all new procurements beginning June 1, 2017 to ensure the most restrictive thresholds are applied and began using checklists in all procurement activities to ensure compliance with applicable state and federal requirements. The two vendors noted not to have been procured using a competitive procurement method in the current years’ audit exceeded the most restrictive threshold prior to the issuance of the May 26, 2017 audit finding as the Council was still operating with the higher thresholds in place. As previously stated, all new procurements after June 1, 2017 follow the most restrictive guidelines. Regarding vendor debarment and suspension, the Council has modified its documented eligibility process to maintain vendor eligibility with vendor W-9’s. Staff have been trained on the revision.

**Responsible Party:** The persons responsible for this corrective action plan are David Cleveland, Executive Director and Wendi Horst, Director of Operations.

**Date of Implementation:** Effective Immediately.

EAST TEXAS COUNCIL OF GOVERNMENTS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Amounts Provided to Subrecipients
<b>Federal Awards:</b>				
<b>U.S. Department of Agriculture</b>				
<b>Passed through Texas Workforce Commission:</b>				
Workforce Commission Initiatives 9/30/17	10.561	0816WCI001	\$ 117	\$ -
Supplemental Nutrition Assistance Program 09/30/2017	10.561	0817SNE000	332,819	180,577
Supplemental Nutrition Assistance ABAWD 10/31/2017	10.561	0817SNA000	68,318	33,155
<b>Total Passed through Texas Workforce Commission</b>			<u>401,254</u>	<u>213,732</u>
<b>Total U.S. Department of Agriculture</b>			<u>401,254</u>	<u>213,732</u>
<b>U.S. Department of Commerce</b>				
<b>Passed through Economic Development Administration:</b>				
District Planning Assistance Program 12/31/17	11.302	08-83-05010	47,737	-
<b>Total Passed through Economic Development Administration</b>			<u>47,737</u>	<u>-</u>
<b>Total U.S. Department of Commerce</b>			<u>47,737</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development</b>				
<b>Passed through Texas Department of Rural Affairs:</b>				
Texas Community Development Program 8/31/18	14.228	C717213	2,107	-
Texas Community Development Program 8/31/17	14.228	C716213	13,051	-
<b>Total Passed through Texas Department of Rural Affairs</b>			<u>15,158</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>15,158</u>	<u>-</u>
<b>U.S. Department of Labor</b>				
<b>Passed through Texas Workforce Commission:</b>				
Workforce Commission Initiatives 9/30/17	17.207	0816WCI001	9,745	-
Workforce Commission Initiatives to 12/31/16	17.207	0816WCI000	454	-
Resource Administration 9/30/17	17.207	0817RAG000	5,945	-
Employment Services 12/31/17	17.207	0817WPA000	166,380	-
Employment Services 12/31/16	17.207	0816WPA000	54,266	-
Subtotal 17.207			<u>236,790</u>	<u>-</u>
Trade Act 12/31/17	17.245	0817TRA000	822,625	-
Trade Act 12/31/16	17.245	0816TRA000	104,564	-
Workforce Commission Initiatives 9/30/17	17.245	0816WCI001	296	-
Subtotal 17.245			<u>927,485</u>	<u>-</u>
<b>WIA/WIOA Cluster</b>				
WIOA Adult 6/30/18	17.258	0816WOA000	1,297,687	613,428
WIOA Adult 6/30/17	17.258	0815WOA000	203,763	61,893
WIOA Adult 6/30/15	17.258	0814WIA000	(7,218)	-
Workforce Commission Initiatives 9/30/17	17.258	0816WCI001	25,123	-
Workforce Commission Initiatives to 12/31/16	17.258	0816WCI000	1,420	-
Statewide RSC 12/31/16	17.258	0815RSC000	67,218	1,536
WIOA Youth 6/30/19	17.259	0817WOY000	26,685	26,653
WIOA Youth 6/30/18	17.259	0816WOY000	1,281,084	931,275
WIOA Youth 6/30/17	17.259	0815WOY000	174,933	51,037
Statewide RSC 12/31/16	17.259	0815RSC000	922	-
Workforce Commission Initiatives 9/30/17	17.278	0816WCI001	50,000	-
WIOA DW Rapid Response 6/30/18	17.278	0817WOR000	2,390	406
WIOA DW Rapid Response 6/30/17	17.278	0816WOR000	12,109	7,063
WIOA Local Innovation Partnership 12/31/16	17.278	0815WIP000	12,355	3,230
WIOA Dislocated Worker 6/30/19	17.278	0817WOD000	30	-
WIOA Dislocated Worker 6/30/18	17.278	0816WOD000	1,382,303	951,836
WIOA Dislocated Worker 6/30/17	17.278	0815WOD000	572,330	84,743
<b>Total WIA/WIOA Cluster</b>			<u>5,103,134</u>	<u>2,733,101</u>

EAST TEXAS COUNCIL OF GOVERNMENTS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Amounts Provided to Subrecipients
<b>Federal Awards: (continued)</b>				
<b>U.S. Department of Labor (continued)</b>				
<b>Passed through Texas Workforce Commission: (continued)</b>				
<i>Resource Administration 9/30/17</i>	17.273	0817RAG000	\$ 522	\$ -
<i>NDW Oil Gas 12/31/18</i>	17.277	0817NDW000	96,864	55,119
<i>National Emergency Grant 3/31/17</i>	17.277	0815NEG000	48,223	1,135
<i>Subtotal 17.277</i>			<u>145,087</u>	<u>56,254</u>
<b>Total Passed through Texas Workforce Commission</b>			<u>6,413,018</u>	<u>2,789,355</u>
<b>Total U.S. Department of Labor</b>			<u>6,413,018</u>	<u>2,789,355</u>
<b>U.S. Department of Transportation</b>				
<b>Passed through Texas Department of Transportation:</b>				
<i>Rural Transportation 9/30/18</i>	20.509	51018011017	117,454	-
<i>Rural Transportation 9/30/17</i>	20.509	51018011016	1,461,520	-
<i>Subtotal 20.509</i>			<u>1,578,974</u>	<u>-</u>
<i>Elderly &amp; Disabled Atlanta &amp; Tyler District 12/31/18</i>	20.513	51016011018	29,750	-
<i>Elderly &amp; Disabled Atlanta &amp; Tyler District 12/31/17</i>	20.513	51016011017	258,738	-
<i>Enhanced Mobility 10/31/17</i>	20.513	TX-16-X030	146,328	-
<i>Subtotal 20.513</i>			<u>434,816</u>	<u>-</u>
<i>Federal Planning 2/28/17</i>	20.515	51R08021917	1,883	-
<b>Total Passed through Texas Dept. of Transportation</b>			<u>2,015,673</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>2,015,673</u>	<u>-</u>
<b>U.S. Department of Education</b>				
<b>Passed through Texas Workforce Commission:</b>				
<i>Workforce Commission Initiatives to 12/31/16</i>	84.002	0816WCI000	29,835	-
<i>Vocational Rehabilitation SEAL 8/31/17</i>	84.126	320-17-048-08	99,515	41,164
<b>Total Passed through Texas Workforce Commission</b>			<u>129,350</u>	<u>41,164</u>
<b>Total U.S. Department of Education</b>			<u>129,350</u>	<u>41,164</u>
<b>U.S. Department of Health and Human Services</b>				
<b>Passed through Texas Department of Aging and Disability</b>				
<i>Title VII Elder Abuse 9/30/17</i>	93.041	17AATXT7EA	15,190	-
<i>Title VII Ombudsman Services 9/30/17</i>	93.042	17AATXT7OM	53,060	-
<i>Title III Part D 9/30/17</i>	93.043	17AATX3PH	65,473	3,982
<b><u>Aging Cluster:</u></b>				
<i>Title III Part B 9/30/17</i>	93.044	17AATXT3SS	903,896	368,591
<i>Title III Part C1 9/30/17</i>	93.045	17AATX3CM	609,019	469,022
<i>Title III Part C2 9/30/17</i>	93.045	17AATXT3HD	1,142,909	1,142,909
<i>Nutrition Service Incentive Program 9/30/17</i>	93.053	17AATXNSIP	313,625	224,939
<b>Total Aging Cluster</b>			<u>2,969,449</u>	<u>2,205,461</u>
<i>Title III Part E 9/30/17</i>	93.052	17AATXT3FC	326,401	157,563
<i>MIPPA Priority Area 2 9/30/17</i>	93.071	17AATXMAAA	24,204	-
<i>CMS Basic 3/31/18</i>	93.324	90SA0101-01-00	42,776	-
<i>CMS Basic 3/31/17</i>	93.324	90SA0101-01-00	41,826	-
<i>Subtotal 93.324</i>			<u>84,602</u>	<u>-</u>
<b>Total Passed through Texas Department of Aging and Disability Services</b>			<u>3,538,379</u>	<u>2,367,006</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Amounts Provided to Subrecipients
<b>Federal Awards: (continued)</b>				
<b>U.S. Department of Health and Human Services (continued)</b>				
<b>Passed through Texas Workforce Commission:</b>				
<i>Employment Services 12/31/17</i>	93.558	0817WPA000	\$ 34,859	\$ -
<i>TANF 10/31/17</i>	93.558	0817TAN000	1,395,134	892,927
<i>TANF 10/31/16</i>	93.558	0816TAN000	197,020	80,976
<i>Non Custodial Parent 9/30/17</i>	93.558	0817NCP000	295,170	180,041
<i>Workforce Commission Initiatives 9/30/17</i>	93.558	0816WCI001	9,780	-
<i>Workforce Commission Initiatives 9/30/17</i>	93.558	0816WCI001	3,084	-
Subtotal 93.558			1,935,047	1,153,943
<b>CCDF Cluster:</b>				
<i>Childcare Attendance Automation System 11/30/16</i>	93.575	0816CAA000	8,717	8,716
<i>Childcare Attendance Automation System 9/30/17</i>	93.575	0817CAA000	109,579	109,579
<i>Childcare 12/31/17</i>	93.575	0817CCF000	5,432,391	5,051,445
<i>Childcare 12/31/16</i>	93.575	0816CCF000	216,859	132,279
<i>Childcare Quality 10/31/17</i>	93.575	0817CCQ000	402,831	12,400
<i>Childcare Quality 10/31/16</i>	93.575	0816CCQ000	17,781	15,825
<i>Childcare 12/31/17</i>	93.596	0817CCF000	2,771,888	2,577,508
<i>Childcare Choices 10/31/17</i>	93.596	0817CCC000	1,385,031	1,385,031
<i>Childcare Local Match 12/31/17</i>	93.596	0817CCM000	249,262	249,262
<i>Childcare Local Match 12/31/16</i>	93.596	0816CCM000	1,812,107	1,748,763
<b>Total CCDF Cluster</b>			12,406,446	11,290,809
<i>Childcare 12/31/17</i>	93.667	0817CCF000	59,357	55,195
<b>Total Passed through Texas Workforce Commission</b>			14,400,850	12,499,947
<b>Total U.S. Department of Health and Human Services</b>			17,939,229	14,866,953
<b>U.S. Department of Homeland Security</b>				
<b>Passed through the Office of the Governor, Division of Emergency Management:</b>				
<i>Homeland Security 08/31/18</i>	97.073	18-HSGD-P171307	21	-
<i>Homeland Security 08/31/17</i>	97.073	17-HSGD-P160153	186,643	-
<b>Total Passed through the Office of the Governor, Division of Emergency Management</b>			186,664	-
<b>Total U.S. Department of Homeland Security</b>			186,664	-
<b>Total Federal Awards</b>			\$ 27,148,083	\$ 17,911,204

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Grantor's Number	Expenditures	Amounts Provided to Subrecipients
<b>State Awards:</b>			
<b>Texas Department of Aging and Disability Services:</b>			
OMB ALF 9/30/18	18AATXALF	\$ 4,806	\$ -
OMB ALF 9/30/17	17AATXALF	58,443	-
Housing Bond 8/31/17	17AATXHB	5,700	-
State General Revenue 9/30/17	17AATXSGR	186,815	-
<b>Total Texas Department of Aging and Disability Services</b>		<u>255,764</u>	<u>-</u>
<b>Office of the Governor, Criminal Justice Division:</b>			
Police Training 8/31/19		10,252	8,800
Police Training 8/31/17	1426514	174,239	154,245
Criminal Justice Planning 8/31/18	SF-18-P30080263	4,488	-
Criminal Justice Planning 8/31/18	SF-17-P160178	48,091	-
Regional Evaluation Services for Juveniles 8/31/17		43,821	43,179
<b>Total Office of the Governor, Criminal Justice Division</b>		<u>280,891</u>	<u>206,224</u>
<b>Texas Commission on Environmental Quality:</b>			
Solid Waste 8/31/19	582-18-80536	3,091	-
Solid Waste 8/31/17	582-16-60652	161,315	115,582
Air Quality 12/31/18	582-16-60184	189,179	120,237
<b>Total Texas Commission on Environmental Quality</b>		<u>353,585</u>	<u>235,819</u>
<b>Commission on State Emergency Communications:</b>			
9-1-1 8/31/18	911-ET-18	199,315	129,841
9-1-1 8/31/17	911-ET-17	2,164,312	1,443,628
9-1-1 8/31/16	911-ET-16	(66,272)	(66,272)
9-1-1 8/31/15	911-ET-15	1,032,031	1,032,031
<b>Total Commission on State Emergency Communications</b>		<u>3,329,386</u>	<u>2,539,228</u>
<b>Texas Department of Transportation:</b>			
Rural Transportation 9/30/18		57,824	
Rural Transportation 9/30/17		1,059,845	-
<b>Total Texas Department of Transportation</b>		<u>1,117,669</u>	<u>-</u>
<b>Texas Veterans Commission:</b>			
Veterans Services 9/30/17	2017-VETS	32,021	-
<b>Total Texas Veterans Commission</b>		<u>32,021</u>	<u>-</u>
<b>Texas Workforce Commission:</b>			
Childcare DFPS 8/31/18	0818CCP000	\$ 205,226	\$ 200,340
Childcare DFPS 12/31/17	0817CCP000	2,556,468	2,489,329
Childcare 12/31/17	0817CCF000	1,298,226	1,207,188
Childcare Choices 10/31/17	0817CCC000	719,011	719,011
Resource Administration 9/30/17	0817RAG000	1,459	-
Workforce Commission Initiatives to 12/31/17	0816WCI001	117	-
Supplemental Nutrition Assistance Program 09/30/2017	0817SNE000	103,477	56,143
TANF 10/31/17	0817TAN000	208,749	133,574
Non Custodial Parent 9/30/17	0817NCP000	145,381	88,676
<b>Total Texas Workforce Commission</b>		<u>5,238,115</u>	<u>4,894,260</u>
<b>Total State Awards</b>		<u>\$ 10,607,431</u>	<u>\$ 7,875,531</u>
<b>Total Federal and State Awards</b>		<u>\$ 37,755,514</u>	<u>\$ 25,786,734</u>

**EAST TEXAS COUNCIL OF GOVERNMENTS**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
*For the Year Ended September 30, 2017*

**Note 1. Basis of Presentation**

The accompanying schedule expenditures of federal and state awards (the “Schedule”) includes the federal and state award activity of the East Texas Council of Governments (the “Council”) under programs of the federal and state government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net position of Council.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the OMB Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Council has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.