

East Texas Council of Governments



Smith County Courthouse

Annual Comprehensive Financial Report

Fiscal Year Ended
September 30, 2025



**east Texas
council of
GOVERNMENTS**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

of the

EAST TEXAS COUNCIL OF GOVERNMENTS

KILGORE, TEXAS

For the Year Ended
September 30, 2025

Division of Operations
Wendi Horst, Director

Financial Services:

Sloane Bodle

Christy Cross

De Ann Jordan

Glenda Lamothe

Staci Reynolds

Kimberley Scott

Elizabeth Jones

Inventory, Monitoring, Procurement & Contracts:

Gini Blackwell

Trish Branham

Rita Hitt

Kelly Horn

Michaela Marotta

Jennifer Nicholson

Cori Rhodes

Susan Schooley

Christine Weems

Member of the Government Finance Officers Association of the United States and Canada



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EAST TEXAS COUNCIL OF GOVERNMENTS

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SEPTEMBER 30, 2025

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**INTRODUCTORY
SECTION**



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3800 STONE ROAD, KIIGORE, TEXAS 75662
Office 903/218-6400 • FAX 903/983-1440

SERVING A FOURTEEN COUNTY REGION

March 31, 2026

The Honorable James Wansley, Mayor of the City of Whitehouse, Members of the Board & Executive Committee, and Citizens of the East Texas Council of Governments fourteen county region

Dear Mayor Wansley, Members of the Board, Executive Committee, and Citizens of the Council:

The Annual Comprehensive Financial Report of The East Texas Council of Governments (ETCOG, the Council) for the fiscal year ended September 30, 2025, is hereby submitted in accordance with Article XI of the Council's bylaws. The Council is responsible for the establishment and maintenance of internal accounting controls to ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

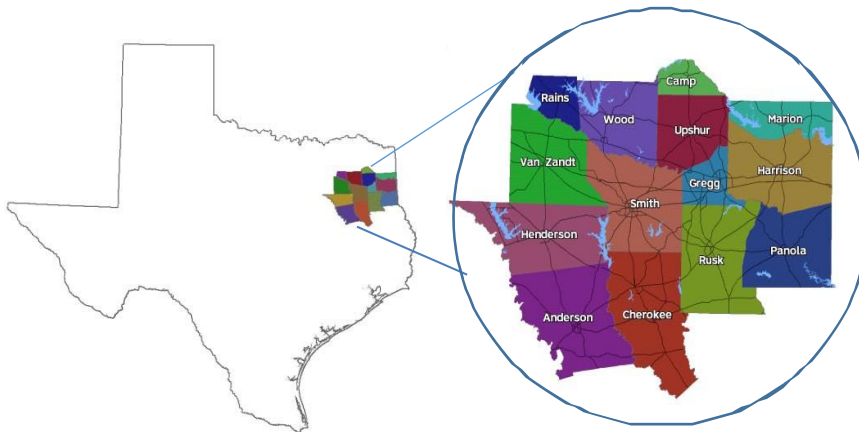
To the best of our knowledge and belief the enclosed data, as presented, is accurate in all material respects and accurately reflects the financial position and the results of operations of the Council through the measurement of financial activity of its various funds. Furthermore, all disclosures have been made to enable the reader to acquire a reasonable understanding of the Council's financial operations for the reporting period.

The audit meets the requirements of the federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, the Code of Federal Regulations CFR Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards, and the State of Texas Uniform Grant Management Standards.

Pattillo, Brown, & Hill, 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, 2025. The auditors' report on the financial statements is included in the financial section of this report and the auditors' report related specifically to the single audit is included in the Single Audit Section of this report. Management's Discussion and Analysis (MD&A) immediately follow the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE EAST TEXAS COUNCIL OF GOVERNMENTS

The East Texas Council of Governments (ETCOG) is a regional planning commission created in June 1970 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 mental health, 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 131 delegates from member local governments. The Board of Directors is comprised of locally elected officials, members representing county governments, cities, school districts and soil and water conservation districts. The Board of Directors and its Executive Committee, which is elected by and derived from the Board of Directors, determines policy while the Executive Director and Council staff under his direction are responsible for conducting that policy. ETCOG's Executive Committee meets monthly to provide specific guidance to the Council. During 2025, ETCOG's membership was comprised of the 14 county governments, 76 cities, 41 school districts, 10 special purpose districts, and 2 river authorities, including all major general-purpose local governments in the region. According to the 2025 estimates from the Texas State Data Center, these member governments represented approximately 934,156 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 Council's funding base remains substantially dependent upon federal and state grant allocations. As a result, economic conditions at the national and state levels, including budgetary constraints and policy shifts, may influence funding levels, grant renewals, and program priorities for the upcoming fiscal year. The Council continues to monitor legislative developments and funding authorizations to proactively adjust planning assumptions as needed. The annual budget serves as the foundation of the Council's financial planning and control. In developing next year's financial plan, management has considered current economic conditions, historical funding trends, and anticipated program demands. The financial plan emphasizes fiscal responsibility, conservative revenue projections, and careful expenditure management to maintain operational stability. Where appropriate, contingency planning has been incorporated to address potential funding variability. The Council will continue to evaluate economic indicators throughout the fiscal year and adjust as necessary to ensure continued alignment between available resources and service commitments within the 14-county region. Although the financial plan is reviewed and approved by the Board, it is not legally adopted as a formal budget. Accordingly, budgetary comparison information is not presented in this report.

ECONOMIC OUTLOOK AND CONDITIONS

The East Texas Council of Governments (ETCOG) serves a diverse 14-county region characterized by a mix of rural and mid-sized urban communities. The regional economy is influenced by healthcare, manufacturing, education, retail trade, energy-related industries, public administration, and small business activity. Economic activity within the region remains sensitive to national and state fiscal policy, energy market fluctuations, and inflationary pressures.

The region's demographic composition, including an aging population and dispersed rural communities, contributes to sustained demand for federally and state-funded services. Population shifts, workforce participation rates, and economic mobility within the region directly affect caseload levels and program utilization. In periods of economic slowdown, demand for workforce training, supportive services, and public assistance programs historically increases, placing additional pressure on available grant resources.

The Council remains substantially dependent on federal and state grant funding to support the majority of its programs. Accordingly, the financial outlook is closely tied to Congressional appropriations, state legislative actions, and agency-level funding allocations. Federal budget deficits, changes in funding formulas, competitive grant availability, and evolving policy priorities may affect both the level and timing of future grant awards. Delays in federal or state budget adoption may also impact cash flow and reimbursement timing. Management continues to closely monitor legislative developments and agency guidance to assess potential impacts on funding streams.

In preparing the fiscal year's annual financial plan, management incorporated conservative revenue estimates based on confirmed grant awards, historical allocation patterns, and known funding adjustments. Expenditure projections reflect anticipated increases in personnel costs, contractual rates, insurance, and operational expenses. Where multi-year grants are involved, the financial plan aligns projected expenditures with the approved grant period and allowable cost parameters.

The Council maintains prudent fiscal management practices, including ongoing budget monitoring, expenditure controls, and cash flow oversight, to mitigate financial risk associated with funding variability. Management also evaluates indirect cost recovery rates, administrative cost limitations, and program sustainability when developing financial projections. Contingency planning strategies have been incorporated to address potential funding reductions or delays, including phased hiring, contract adjustments, and expenditure prioritization.

While economic conditions present certain fiscal challenges, management believes the Council remains well-positioned to meet its service commitments within the 14-county region through careful planning, continued monitoring of economic indicators, and responsible stewardship of public funds.

MAJOR INITIATIVES

Veteran Friendly Community Designation

ETCOG launched the Veteran-Friendly Community Designation Program initiative to honor and recognize communities within Texas that demonstrate a strong commitment to supporting our region's veterans. As part of our ongoing efforts to ensure veterans receive the recognition, resources, and respect they deserve, this program provides an opportunity for communities within our region to be formally acknowledged for their dedication to creating an environment where veterans and their families can thrive. Veterans have given so much in service to our country, and it is essential that our communities step up to support them as they transition back to civilian life. The Veteran-Friendly Community Designation serves as a badge of honor, signaling that a city and/or county is committed to providing the necessary resources, services, and opportunities to improve the quality of life for veterans. This program was developed in partnership with the Alamo Area Council of Governments, the University of Texas at Tyler, and the University of Texas, San Antonio. I believe this is a "first of its kind" program in Texas and possibly the United States.

Brownfields

This program aims to revitalize and re-envision contaminated properties, fostering sustainable re-development across the 14-county ETCOG region. These sites, characterized by the presence or potential presence of hazardous substances, pollutants, or contaminants, often pose challenges to expansion, redevelopment, and reuse. ETCOG will help to address these challenges through environmental remediation and planning while creating opportunities for future economic growth. In FY 2025, 75.7K was invested in Brownfield site environmental assessments.

Regional Purchasing Cooperative

COGWORKS Purchasing Cooperative is offered through the East Texas Council of Governments (ETCOG) to assist local governments in reducing costs through this multi-regional purchasing cooperative. This program is available to all ETCOG cities, counties, ISD's and special purpose districts through interlocal agreements to procure goods and services at competitive prices. ETCOG members may take advantage of cost savings through formal competitive multi-vendor award bids and select services. COGWORKS' bid threshold is for procurements that are over 100,000 and satisfy all bid law rules and regulations. The main goal of COGWORKS is to ensure direct cost savings by increasing estimated quantity sales and expenditures to participating vendors who, in turn, may offer products and services at competitive discount prices.

Regional Technology Solutions

ETCOG offers Information Technology (computer and telephone systems acquisition and support) and GIS Services to our members who need short-term or long-term assistance from highly qualified and experienced staff. As a member of ETCOG, you can receive a top-to-bottom IT systems health review from our staff FREE of charge. If you need short-term or long-term help with IT, GIS or telephone or video conferencing acquisition or support services, be sure to contact me or an ETCOG Regional Technology Services Team member for more details and information.

Executive/Personnel Recruitment Services

Entering its fourth year, ETCOG continues to offer Executive Recruitment Services to its members. Under this program, our members receive high quality recruitment services for the key staff members it needs at a significantly discounted rate compared to other options that may be available. We never take on more than two clients at a time to ensure you receive the best service possible. Be sure to reach out to me or our Human Resources Team for more details and information.

Grant Research

ETCOG can assist its members with researching grant opportunities, writing grants, and post-award administration. Researching any type of grant for ETCOG members is always free of charge. We charge a minimal 5% fee for writing a grant; half of which is paid when the project begins, and the remaining half is paid upon grant submission. We can provide post-award administration for a reasonable administrative fee as needed. Our preference is to include administrative fees in the grant budget, so your organization does not have to pay out of pocket. Post-award services include maintenance of accurate records and reports, ensuring compliance with regulations, timely submission of invoices, vouchers, and bids, obtaining approvals of grant modifications, creation of monthly reports, cost transfers and closeout documentation. As of this writing, we have more clients than staff to address this need, so it is possible you may have to wait your turn in line.

Regional Workforce and Economic Development

ETCOG's Workforce Solutions East Texas (WSET) Staff operates under the guidance of the Workforce Solutions East Texas Board (WSETB) and the Chief Elected Officials (CEO) Board. The Division focuses on promoting active economic development with a premier workforce, attracting, and supporting the growth of business and industry. The total population served at the East Texas workforce centers was 77,218 in FY 2025; \$818.9K invested in employment training for job seekers; 41.7K job openings worked; 87 region-wide hiring events; 6,963 unemployment claimants entered employment; 9.8K customers received child care services; \$39.5M invested in providing child care, enabling families to work or receive training; 1,392 daycare staff received training; and \$2.1M invested in child care quality improvement.

As the state designated organization for municipal solid waste planning in our region, ETCOG utilizes regional goals and waste diversion resources to coordinate projects that benefit health and safety. In FY 2025 \$71.2K was allocated in regional solid waste minimization grants; 870.91K pounds of waste collected; 187.2K pounds of recycling materials collected; 8,235 tires collected; 15K pounds of appliances collected; 7,500 pounds of yard waste collected; and \$3.9M community development block grants were allocated to 10 jurisdictions.

Regional Broadband

ETCOG continues to advocate for the enhancement of broadband access across East Texas. Our team worked with each county to develop county-level plans to bridge the digital divide and ensure high-speed internet access becomes a reality for underserved communities throughout the region. Through the Grassroots Broadband Planning Initiative, ETCOG worked collaboratively with each county over the past three years to develop Broadband Action Plans for thirteen of our fourteen counties in the region, with a grand composite total of 65 identified broadband projects within those plans. Currently ETCOG's focus is on identifying and securing grant funding to implement as many of these projects as possible, advancing regional connectivity and expanding access to essential digital resources.

Area Agency on Aging in East Texas

ETCOG's Area Agency on Aging (AAA) Division provides services to our senior population such as nutrition services, benefits counseling, caregiver in-home and institutional services, caregiver support, case management and advocacy, evidence-based programs, information referral and assistance, ombudsman, minor residential home repairs, and transportation services. These services are designed to enable older individuals to live independent, meaningful, and dignified lives in their own homes and communities for as long as possible.

In FY 2025, 10.3K seniors received services with a total of 43,334 congregate meals and 293,162 home delivered meals served. Other indicators for FY 2025 are as follows: Care Coordination 1,205; Caregiver Support Coordination 843; seniors received transportation 33,778 with 25.7K sponsored GoBus trips; Homemaker and Personal Assistance 4,842; Caregiver Information and Referral Services 4,040; Legal Awareness and Assistance 4,168; Emergency Response 368; Evidence Based Interventions 703; HICAP assistance and outreach 492; Respite In-Home 6,593; Respite Out-of-Home 60; Number of Ombudsman visits to resolve complaints at nursing and assisted living facilities 928, with a complaint resolution rate of 87%; Number of individuals who received Nutrition Education 1,592; \$17.8K invested in senior residential repairs; and 10.8K seniors received benefits counseling services.

Public Safety

ETCOG assists the region with public safety planning to help our local communities and first responders coordinate resources and training. In FY 2025, \$118K was invested for peace officer training and 1,314 peace officers were trained; 20K texts to 9-1-1 and 174K 9-1-1 calls received; \$2.9M in grants funded to improve public safety and support victims of crime; \$255K in grants funded to prevent terrorism and improve security; \$2.4M invested to strengthen the regional 9-1-1 system, and \$34.9K funded in grants for regional evaluation services for juveniles.

The upcoming fiscal year plan includes provisions for ongoing system maintenance, equipment replacement cycles, Next Generation 9-1-1 (NG9-1-1) technology investments, and required cybersecurity enhancements. Revenue projections are based on historical fee collections and confirmed state allocations. Management continues to assess long-term capital replacement schedules to ensure system reliability and regulatory compliance.

The Council was awarded a \$1.75 million grant through the State Emergency Radio Infrastructure program (SERI). This funding, authorized under Texas House Bill 442 and administered by the Governor's Public Safety Office, is designed to enhance public safety by addressing critical emergency radio infrastructure needs.

During the FY 2026 grant cycle, the program will support four key projects identified and proposed by ETCOG. These initiatives are intended to strengthen current capabilities and address significant communication gaps, improving emergency response and coordination across the region.

Piney Woods 9-1-1 District

ETCOG continues to work collaboratively with state and local authorities and faithfully executed its role as the primary planning and coordinating entity for emergency 911 communications across ten of the 14 East Texas counties. While the 911 program has demonstrated success within the existing state framework, a pivotal development began in 2017 when ETCOG initiated the process to establish its own regional emergency communications district. Forming this district will empower local elected officials to set policy, enhancing local control and decision-making. In addition, this transition is expected to result in 100% allocation of landline and wireless fees generated within the service area, which may provide the potential for increased funding for 911 needs and improve emergency response capabilities throughout the region.

Rural Transportation Services

The GoBus Rural Transportation system continues to serve as a critical mobility resource across the 14-county region, which spans approximately 10,022 square miles and serves a population of 633,200 residents. During the FY 2025 fiscal year the system provided more than 155K passenger trips and logged over 1.6 million vehicle miles, reflecting both the geographic scale of the service area and the essential nature of rural transit operations. The program plays a vital role in supporting workforce participation, healthcare access, and overall quality of life by connecting residents to employment centers, medical appointments, social service agencies, educational institutions, and retail destinations. In FY 2025 targeted populations continued to be a priority. The system provided 3,984 trips to 172 veterans, reinforcing regional commitments to those who have served. Senior transportation remained a significant service component, totaling 41,300 trips, while 1,636 charter trips supported coordinated community transportation needs. Funding for the GoBus program is derived from federal and state allocations administered through the Texas Department of Transportation, with local matching funds provided in part by the Area Agency on Aging. This diversified funding structure enables the region to leverage state and federal resources while maintaining local investment in essential public transportation infrastructure.

As we progress through the current year, the primary focus will continue to be on enhancing the accessibility, efficiency, and sustainability of public transportation services throughout East Texas. Strategic priorities include increasing ridership through service optimization, expanding coverage to underserved and high-need areas, and strengthening workforce retention by offering competitive compensation for bus operators and transit personnel. These initiatives reflect a continued commitment to delivering comprehensive and inclusive transit services that respond to diverse community needs. Emphasis will continue to be placed on improving transportation options for elderly individuals and people with disabilities, as well as our veteran population to ensure reliable, accessible, and equitable mobility solutions.

East Texas Rural Transportation Planning Organization

Founded in 2009, the East Texas Rural Transportation Planning Organization (ETRTPO) policy board is comprised of the 14 County Judges from each of our counties, the Mayor's of Tyler and Longview, the three District Engineers that serve our region (Atlanta District, Tyler District, and Paris District), and the Executive Director of the Northeast Texas Regional Mobility Authority. Under the leadership of Chairman Marion County Judge Leward Lafleur, in 2024, the ETRTPO was successful in securing a Safe Streets for All grant to fund multiple road safety projects throughout our region.

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 defining standards of ethical conduct. The Board of Directors approves a region-wide financial plan for revenues and expenses each year. The annual budget, which includes both unrestricted and restricted revenue sources, serves as the foundation of the Council's financial planning and control. Financial plans for special revenue funds (restricted) are established in accordance with the terms of the respective grant awards and often span more than one fiscal year. Appropriations for all projects within the special revenue fund lapse at the end of the grant contract period, which may not coincide with the Council's fiscal year-end. 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. In developing the next

year's annual financial plan, management considered regional economic indicators, demographic trends, funding reliability, and program-specific cost drivers. The Council's financial strategy emphasizes conservative revenue forecasting, disciplined expenditure management, and ongoing monitoring of grant compliance and performance measures.

Continued proactive fiscal oversight, diversified program funding, and strategic planning position the Council to deliver essential services throughout the fourteen-county region in a financially responsible manner.

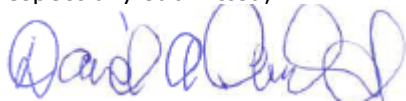
Financial policies are formally codified within ETCOG's Financial Management Guide, which is reviewed and updated periodically to reflect revisions in federal and state regulatory requirements, grantor agency guidance, and applicable accounting standards. The Guide incorporates applicable provisions of the Texas Workforce Commission Financial Manual for Grants, the Texas Administrative Code, Area Agency on Aging program requirements, the Texas Grant Management Standards (TxGMS), and federal regulations under Title 2 of the Code of Federal Regulations (2 CFR Part 200 - Uniform Administrative Requirements for Federal Awards). These regulatory frameworks establish the foundation for internal controls, allowable cost principles, procurement standards, and compliance monitoring procedures embedded within the Council's financial operations.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the East Texas Council of Governments for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2024. This marks the 25th consecutive year that the Council has received this prestigious award. To receive this award, a government must publish an ACFR that is easily readable, efficiently organized, and fully compliant with both generally accepted accounting principles (GAAP) and applicable legal requirements. The Certificate of Achievement is valid for one year, and we believe that the Council's current ACFR continues to meet the program's rigorous standards. Accordingly, it has been submitted to the GFOA for consideration for another award.

This report reflects the skill, effort, and dedication of the entire ETCOG team. Special appreciation is extended to the Council's independent auditors, Pattillo, Brown, & Hill, LLP, whose expertise was instrumental in the completion of this report. Finally, sincere thanks are offered to the members of the ETCOG Executive Committee for their unwavering support in 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

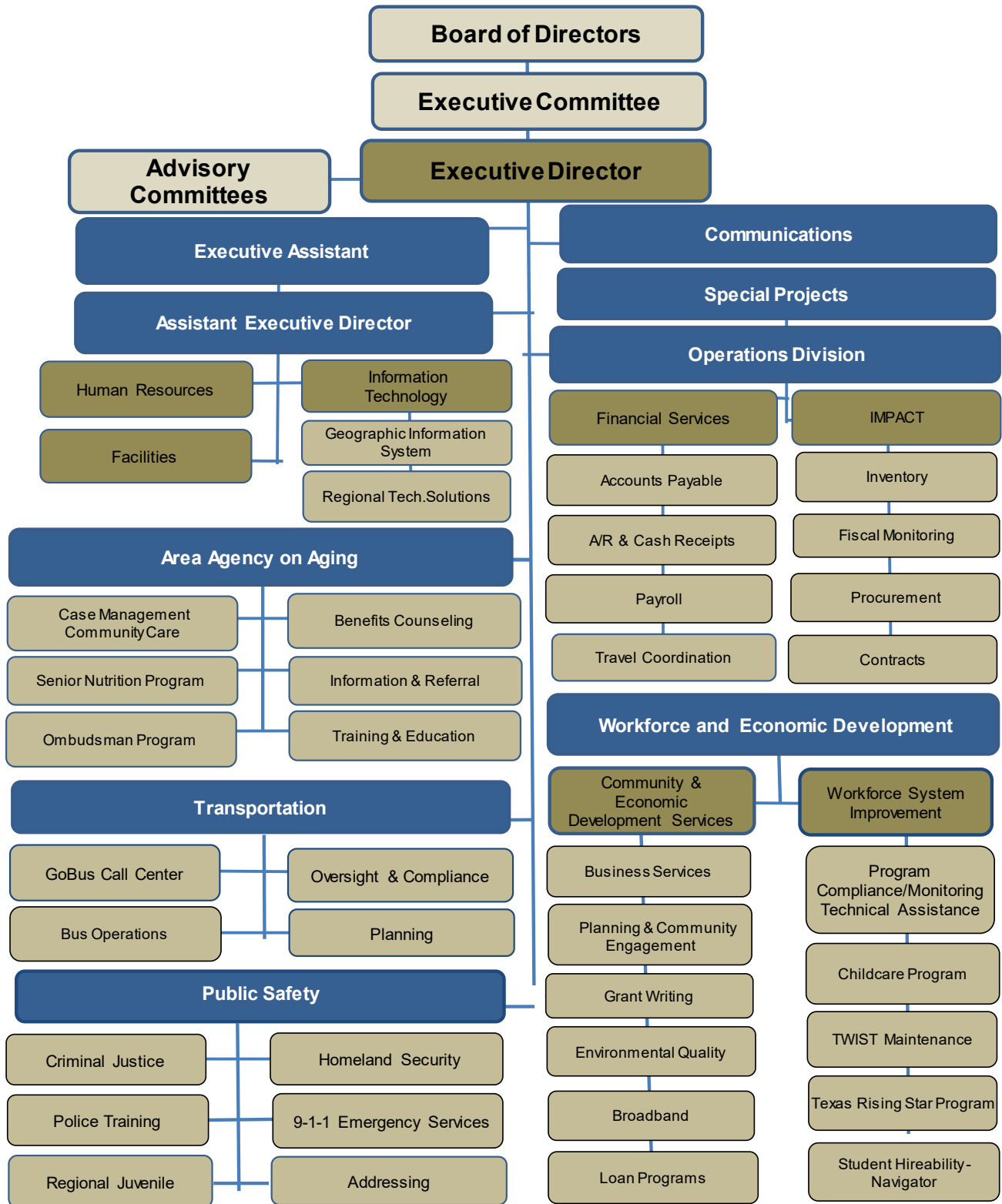
September 30, 2024

Christopher P. Morrill

Executive Director/CEO

East Texas Council of Governments

Organizational Chart



East Texas Council of Governments

Principal Officials Officers of the Executive Committee Fiscal Year 2025

Mayor Randy Dunn
Chair
City of Quitman

Commissioner Robert Kuykendall
1st Vice Chair
Rusk County

Mayor James Wansley
2nd Vice Chair
City of Whitehouse

Judge AJ Mason
3rd Vice Chair
Camp County

Commissioner Ralph Caraway, Sr.
Secretary – Treasurer
Smith County

ADMINISTRATIVE STAFF

Executive Director	David A. Cleveland
Assistant Executive Director	Brandy Brannon
Director of Operations	Wendi Horst
Director of Transportation	Vince Huerta
Director of Workforce & Economic Development	Douglas Shryock
Director of Area Agency on Aging	Adrian Cornejo
Director of Public Safety	Stephanie Heffner
Director of Information Technology	Mike Kader
Director of Communications	Lindsay Vanderbilt

East Texas Council of Governments

Member Governments

COUNTIES:

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

CITIES:

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

East Texas Council of Governments

Member Governments

INDEPENDENT SCHOOL DISTRICTS:

Alba Golden ISD	Harmony ISD	Palestine ISD
ARP ISD	Hawkins ISD	Pittsburg ISD
Athens ISD	Henderson ISD	Quitman ISD
Beckville ISD	Kemp ISD	Rains ISD
Big Sandy ISD	Kilgore ISD	Sabine ISD
Brownsboro ISD	Laneville ISD	Slocum ISD
Carlisle ISD	LaPoyner ISD	Tatum ISD
Carthage ISD	Longview ISD	Troup ISD
Cross Roads ISD	Malakoff ISD	Trinidad ISD
Eustace ISD	Mineola ISD	Tyler ISD
Frankston ISD	Mt. Enterprise ISD	Waskom ISD
Gilmer ISD	Neches ISD	Wells ISD
Grand Saline ISD	New Diana ISD	Westwood ISD
Hallsville ISD	Ore City ISD	White Oak ISD
Harleton ISD	Overton ISD	Winona ISD

SPECIAL PURPOSE DISTRICTS:

911 Network of East Texas	Smith County 911 District
East Cedar Creek Water	Trinity Valley Community College
East Tx Municipal Utility Dist	Tyler Junior College
Harrison County SWCD	Texas State Technical College
Kilgore College	Upshur-Gregg SWCD #417
Panola College	Wood County SWCD #444

RIVER AUTHORITIES:

Sabine River Authority
Upper Neches River Municipal Water Authority

FINANCIAL SECTION



**east Texas
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GOVERNMENTS**



INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Texas Council of Governments
Kilgore, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, and each major fund of East Texas Council of Governments (the "Council"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement due date, including any currently know information that may raise substantial doubt shortly thereafter.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information 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.

Supplementary 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 supplemental schedules as listed in the table of contents and the schedule of expenditures of federal and state awards, 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 *Texas Grant Management Standards (TxGMS)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Council's internal control over financial reporting and compliance.

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

Waco, Texas
March 31, 2026



**east Texas
council of
GOVERNMENTS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the East Texas Council of Governments (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended September 30, 2025. 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 and deferred outflows of the Council exceeded its liabilities and deferred inflows as of September 30, 2025, by \$12,850,987 (net position). Of this amount, \$4,052,693 (unrestricted net position) may be used to meet the Council's ongoing obligations.
- The Council's total net position increased overall by a total of \$2,617,011 primarily as a result of higher program revenues, including increased charges for services and operating grants and contributions. The Council's primary revenue stream, federal and state grants, generally equals the related program expenses. Program revenues increased \$5,624,682 and general revenues decreased by \$72,697.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$4,206,158, a decrease of \$534,961 in comparison with the prior year. Of the total fund balance, approximately 64% is restricted or assigned to specific purposes, and 36% is available for spending at the Council's discretion (unassigned).
- As of September 30, 2025, the fund balance for the General Fund was \$1,773,571, an increase of \$263,443 from prior year. Growth from several sources is credited with the increase such as fees for service contracts, interest, vehicle usage fees and membership dues.
- The Council's outstanding long-term debt increased by \$68,905 during the current fiscal year, mainly due to the Council's issuance of new loans 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 consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information to furnish in additional detail to support 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 deferred outflow of resources, and liabilities and deferred inflows of resources, with the difference between these elements 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). The government-wide financial statements can be found on pages 11 through 13 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 governmental funds: the General Fund and one special revenue fund, the 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 funds.

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

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to acquire 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 18 through 34 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. The Council presents the progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 35 through 37. Other schedules that further support the information in the financial statements can be found on pages 38 and 39 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,850,987 for the period ending September 30, 2025.

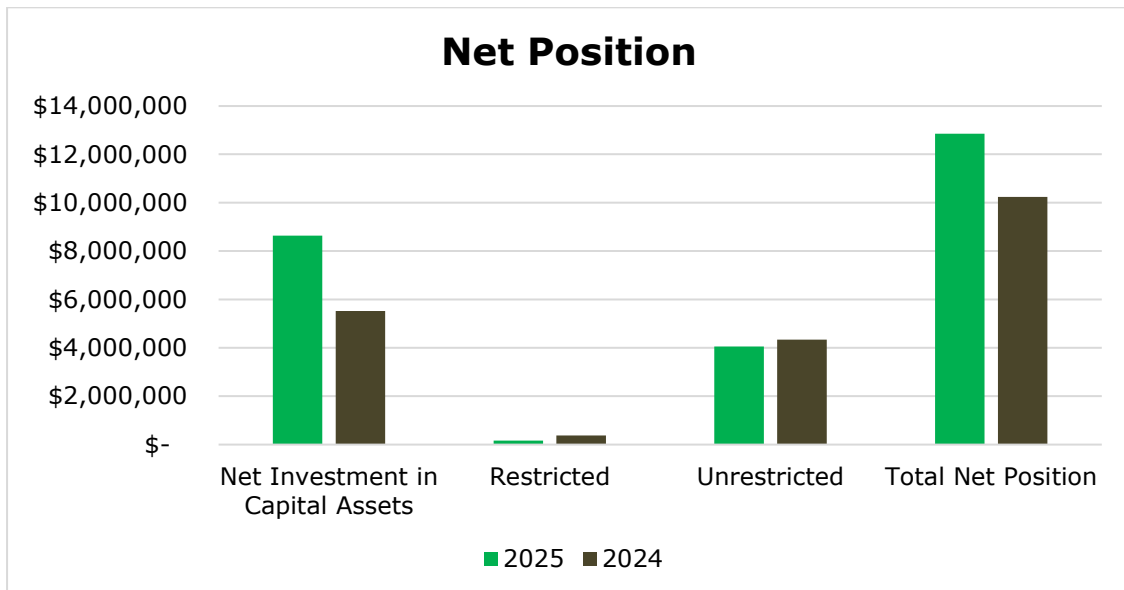
At the end of the 2025 fiscal year, net position for the Council was \$12,850,987 as compared to \$10,233,976 in 2024. The largest portion of the Council’s net position \$8,634,288 (67%) reflects its investments in capital assets (e.g., land, buildings, vehicles, equipment, and right to use assets), net of any related debt. The Council uses these assets to provide a variety of services to its citizens; for example, the Council leases building space throughout the region to provide services to the community related to the Aging and Workforce programs. Accordingly, these assets are not available for future spending.

East Texas Council of Government's Net Position

	Governmental Activities	
	2025	2024
Current and other assets	\$ 11,290,189	\$ 10,355,337
Capital assets	<u>10,261,007</u>	<u>7,031,382</u>
Total assets	<u>21,551,196</u>	<u>17,386,719</u>
Deferred outflows of resources	<u>985,290</u>	<u>968,466</u>
Current liabilities	7,607,167	5,984,748
Noncurrent liabilities	<u>2,031,116</u>	<u>2,086,293</u>
Total liabilities	<u>9,638,283</u>	<u>8,071,041</u>
Deferred inflows of resources	<u>47,216</u>	<u>50,168</u>
Net position:		
Net investment in capital assets	8,634,288	5,521,535
Restricted	164,006	376,569
Unrestricted	<u>4,052,693</u>	<u>4,335,872</u>
Total net position	<u>\$ 12,850,987</u>	<u>\$ 10,233,976</u>

- Current assets and liabilities both increased compared to the prior year. This is mainly due to differences in the timing of billings and advances to the Council's subrecipients.
- Capital assets increased significantly during the current fiscal year, primarily due to the acquisition of new buildings and the completion of renovations on a new facility.
- Deferred outflows increased and inflows decreased due to the Council participating in a defined benefit retirement plan with TCDRS.
- An additional portion of the Council's net position \$164,006 (1%) represents resources that are subject to external restrictions on how they may be used. Most of the restricted net position consists of grant funds.
- The remaining balance of net position totaling \$4,052,693 (32%) is considered unrestricted and may be used to meet the Council's ongoing obligations to creditors and for service implementation.

At the end of the current fiscal year, the primary government is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.



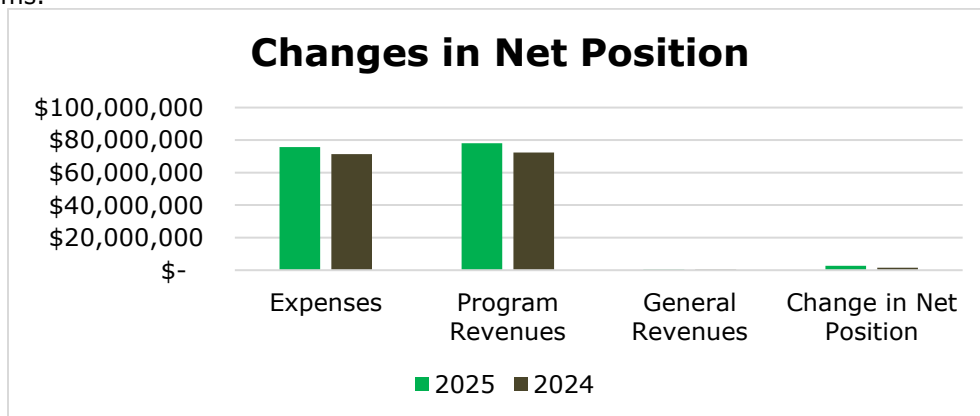
East Texas Council of Governments' Changes in Net Position

The following table provides a summary of the Council's operations for the year ended September 30, 2025 compared to 2024. The Council's revenue increased by \$5,551,985 and the overall expenses increased by \$4,443,649, ending the fiscal year with an overall increase in net position of \$2,617,011.

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	\$ 2,349,120	\$ 1,405,497
Operating grants and contributions	75,719,920	71,038,861
General revenues:		
Membership dues	203,087	198,647
Unrestricted investment earnings	38,581	33,446
Miscellaneous	61,523	143,795
Total revenues	78,372,231	72,820,246
Expenses:		
General government	950,423	702,928
Workforce development	56,468,785	53,850,841
Aging	4,830,374	5,690,608
Emergency communications	4,155,391	3,143,386
Transportation	7,902,632	6,978,553
Environmental quality	253,660	214,900
Homeland security	183,923	183,632
Criminal justice	307,271	237,891
Housing and urban development	175,619	108,973
Economic development	527,142	199,859
Total expenses	75,755,220	71,311,571
Change in net position	2,617,011	1,508,675
Net position, beginning	10,233,976	8,725,301
Net position, ending	\$ 12,850,987	\$ 10,233,976

Revenues increased \$5,551,985 from the prior year due to several factors. Primarily, the Council received an increase of \$4,699,503 in federal and state funding. The majority of this increase is related to the increase in funding related to childcare services and educational programs. Local membership dues, the Council's primary unrestricted revenue source, remained constant compared to prior years and approximated \$200,000.

Expenses of governmental activities grew by 6% in the current year, increasing from \$71,311,571 in the prior year to \$75,755,220 in the current year. Since the Council operates primarily from federal and state grants, grant funding closely parallel increases and decreases in grant expenditures for services. As previously mentioned, the significant increases can be attributed to higher spending on childcare services and education-related programs.



FINANCIAL ANALYSIS OF THE COUNCIL'S FUNDS

The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As noted previously, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements imposed by grantors in particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose. As previously noted, the Council operates primarily from federal and state grants and therefore increases in expenses, closely parallel increases in grant funding.

As of September 30, 2025, the Council's governmental funds reported combined fund balances of \$4,206,158, a decrease of \$534,961 in comparison with the prior year. Of this amount \$1,581,683 or 38% constitutes unassigned fund balance, which is available for spending at the Council's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned.

General Fund. The General Fund is the primary operating fund for the Council and is available for use at the Council's discretion. The fund balance at the end of the fiscal year was \$1,773,571, an increase of \$263,443 or 17% from prior year fund balance. Revenue in the General Fund comes from membership dues, interest income on idle ETCOG (local) cash/investments and other and vehicle usage fees collected. These funds are essentially unrestricted but are used from time to time to help support programs and provide local matching to grant funds. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,532,608, while total fund balance increased to \$1,773,571. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 96% of total General Fund expenditures, while total fund balance represents 83% of that same amount. The increase in fund balance resulted from the increase in local revenues, primarily vehicle usage fees and local contributions for grant match. As demand for services has increased grant program activity, the General Fund's charges and contributions have increased in support of those programs. Revenues and expenditures were otherwise flat compared to the prior year; the General Fund's activity primarily consists of administrative costs and membership dues revenue, which are not expected to significantly fluctuate from year to year.

Grant Fund. As previously noted, the Council operates primarily from federal and state grants and therefore, grant funding closely parallel increases and decreases in grant expenditures for services. The Council's primary areas of grant funding include the following:

- *Area Agency on Aging* – The overall Aging program revenue decreased by \$1,042,691 or 18% from the prior year and program expenditures decreased \$860,234 or 15%. These changes reflect normal fluctuations in demand for services like congregate and in-home meals, resulting in lower associated funding and costs in the current year.
- *Workforce Development* – Workforce program revenues increased by \$2,804,238 or 5% from the prior year and expenditures increased by \$2,617,944 overall or 5% from the prior year. The majority of the Council's Workforce funding relates to providing child care, as well as funding technical assistance and training. These functions experienced significant funding increases in the prior year and continued their increased levels this year.
- *Emergency Communications* – Funding increased by \$1,217,723 or 44%, primarily due to major capital improvements needs for the 911 infrastructure under the Next Generation 911 program were met in the current year. Fluctuations in funding for this program will occur on a three-to-five-year rotation based on the need for capital improvements.
- *Transportation* – Overall, Transportation program revenues increased by \$1,996,188, or 24% from the prior year and expenditures increased by \$924,079 or 13% compared to prior year. The increase is primarily due to funding for capital equipment needs and an increase in demand for transit services.

Other functions include environmental quality, economic development, housing and urban development, criminal justice, and homeland security funding. The primary change to revenues and expenditures for the current year related to increased EDA and SERI grant funding.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Council’s investment in capital and right to use assets for its governmental activities as of September 30, 2025, amounts to \$10,261,007 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and right to use assets.

East Texas Council of Governments’ Capital Assets at Year-end

	Governmental Activities	
	2025	2024
Land	\$ 854,652	\$ 695,184
Construction in progress	-	1,020,451
Buildings	6,963,568	2,787,269
Vehicles and Equipment	11,886,600	10,371,625
Right to use:		
Buildings	2,157,072	2,197,673
Equipment	492,786	492,786
Less: accumulated depreciation	<u>(12,093,671)</u>	<u>(10,533,606)</u>
Total capital assets	<u>\$ 10,261,007</u>	<u>\$ 7,031,382</u>

Significant transactions related to capital assets for the year include the following:

- Completed construction on a new Transportation building, incurring \$4,070,175 to complete the project.
- Acquired a new \$550,000 building to support the Workforce Development program.
- Purchased vehicles for the Workforce Development program, including a Clegg mobile unit and 2025 Ram truck, totaling \$322,144.

Additional information on the Council’s capital assets can be found in Note 6 to the financial statements.

Long-term Liabilities - At the end of the current fiscal year, the Council had total long-term liabilities outstanding of \$2,031,116.

	Governmental Activities	
	2025	2024
Loans payable	\$ 550,000	\$ 185,777
Leases	1,076,719	1,509,847
Compensated absences	<u>404,397</u>	<u>390,669</u>
Total	<u>\$ 2,031,116</u>	<u>\$ 2,086,293</u>

The long-term liabilities are related to the following factors:

- Issuance of a loan payable to finance the purchase of a new building for the Workforce Development program.
- Leases for various buildings and equipment for operation of multiple programs.
- 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 liabilities can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S ANNUAL FINANCIAL PLAN

The East Texas Council of Governments' 14-county region continues to experience economic conditions that directly influence the demand for services and the availability of funding. The regional economy remains largely driven by healthcare, education, manufacturing, retail trade, natural resources, and public sector employment. While certain sectors have demonstrated resilience, others remain sensitive to inflationary pressures, labor market fluctuations, and changes in state and federal funding priorities. The Council's funding base remains substantially dependent upon federal and state grant allocations. As a result, economic conditions at the national and state levels, including budgetary constraints and policy shifts, may influence funding levels, grant renewals, and program priorities for the upcoming fiscal year. The Council continues to monitor legislative developments and funding authorizations to proactively adjust planning assumptions as needed.

The annual budget serves as the foundation of the Council's financial planning and control. In developing next year's financial plan, management has considered current economic conditions, historical funding trends, and anticipated program demands. The financial plan emphasizes fiscal responsibility, conservative revenue projections, and careful expenditure management to maintain operational stability. Where appropriate, contingency planning has been incorporated to address potential funding variability. The Council will continue to evaluate economic indicators throughout the fiscal year and adjust as necessary to ensure continued alignment between available resources and service commitments within the 14-county region. Although the financial plan is reviewed and approved by the Board, it is not legally adopted as a formal budget. Accordingly, budgetary comparison 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. 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.



**east Texas
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GOVERNMENTS**

**BASIC
FINANCIAL STATEMENTS**



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EAST TEXAS COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	East Texas Regional Development Company
ASSETS		
Cash and cash equivalents	\$ 3,083,500	\$ 539,217
Receivables:		
Grantors	6,761,908	-
Lease	46,830	-
Customer accounts	490,235	-
Notes and loans receivable	133,035	-
Due from component unit	636,778	-
Prepaid items	137,903	-
Capital assets - nondepreciable	854,652	-
Capital assets - depreciable, net of accumulated depreciation	<u>9,406,355</u>	<u>-</u>
Total assets	<u>21,551,196</u>	<u>539,217</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	<u>985,290</u>	<u>-</u>
Total deferred outflows of resources	<u>985,290</u>	<u>-</u>
LIABILITIES		
Accounts payable	3,165,814	4,476
Due to primary government	-	636,778
Accrued liabilities	555,148	-
Unearned revenue	3,316,824	-
Long-term liabilities:		
Due within one year:		
Notes, leases, compensated absences	700,888	-
Due in more than one year:		
Notes, leases, compensated absences	1,330,228	-
Net pension liability	<u>569,381</u>	<u>-</u>
Total liabilities	<u>9,638,283</u>	<u>641,254</u>
DEFERRED INFLOWS OF RESOURCES		
Lease related	46,830	-
Pension related	<u>386</u>	<u>-</u>
Total deferred inflows of resources	<u>47,216</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	8,634,288	-
Restricted for federal and state grants	164,006	-
Unrestricted	<u>4,052,693</u>	<u>(102,037)</u>
Total net position	<u>\$ 12,850,987</u>	<u>\$ (102,037)</u>

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

EAST TEXAS COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions / Programs	Expenses	Indirect Cost Allocation	Expenses After Allocation of Indirect Costs
Governmental activities:			
General government	\$ 842,173	\$ 108,250	\$ 950,423
Workforce development	55,877,848	590,937	56,468,785
Aging	4,517,699	312,675	4,830,374
Emergency communications	3,905,500	249,891	4,155,391
Transportation	7,211,357	691,275	7,902,632
Environmental quality	219,728	33,932	253,660
Homeland security	168,924	14,999	183,923
Criminal justice	297,925	9,346	307,271
Economic development	523,313	3,829	527,142
Housing and urban development	175,619	-	175,619
Indirect costs	<u>2,041,663</u>	<u>(2,041,663)</u>	<u>-</u>
Total governmental activities	<u>75,781,749</u>	<u>(26,529)</u>	<u>75,755,220</u>
Component unit:			
East Texas Regional Development Company	<u>194,575</u>	<u>26,529</u>	<u>221,104</u>
Total component unit	<u>194,575</u>	<u>26,529</u>	<u>221,104</u>
Total	<u>\$ 75,976,324</u>	<u>\$ -</u>	<u>\$ 75,976,324</u>

General revenues:
 Membership dues
 Unrestricted investment earnings
 Miscellaneous
 Total general revenues
 Change in net position
 Net position, beginning
 Net position, ending

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
\$ 937,633	\$ -	\$ (12,790)	\$ -
28,022	56,668,156	227,393	-
37,753	4,687,400	(105,221)	-
369	3,979,696	(175,326)	-
1,249,637	9,152,427	2,499,432	-
465	427,472	174,277	-
66,354	184,669	67,100	-
-	306,077	(1,194)	-
28,169	314,023	(184,950)	-
718	-	(174,901)	-
-	-	-	-
<u>2,349,120</u>	<u>75,719,920</u>	<u>2,313,820</u>	<u>-</u>
<u>191,490</u>	<u>-</u>	<u>-</u>	<u>(29,614)</u>
<u>191,490</u>	<u>-</u>	<u>-</u>	<u>(29,614)</u>
<u>\$ 2,540,610</u>	<u>\$ 75,719,920</u>	<u>2,313,820</u>	<u>(29,614)</u>
		203,087	-
		38,581	3,200
		61,523	-
		<u>303,191</u>	<u>3,200</u>
		2,617,011	(26,414)
		<u>10,233,976</u>	<u>(75,623)</u>
		<u>\$ 12,850,987</u>	<u>\$ (102,037)</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Special Revenue Grant	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,190,874	\$ 1,892,626	\$ 3,083,500
Accounts receivable:			
Grantors	-	6,761,908	6,761,908
Customer accounts and other	154,037	336,198	490,235
Lease	46,830	-	46,830
Notes and loans receivable	-	133,035	133,035
Due from other funds	338,768	-	338,768
Due from component unit	636,778	-	636,778
Prepaid items	137,903	-	137,903
Total assets	<u>2,505,190</u>	<u>9,123,767</u>	<u>11,628,957</u>
LIABILITIES			
Accounts payable	130,226	3,035,588	3,165,814
Accrued liabilities	554,563	-	554,563
Due to other funds	-	338,768	338,768
Unearned revenue	-	3,316,824	3,316,824
Total liabilities	<u>684,789</u>	<u>6,691,180</u>	<u>7,375,969</u>
DEFERRED INFLOWS OF RESOURCES			
Lease related	46,830	-	46,830
Total deferred inflows of resources	<u>46,830</u>	<u>-</u>	<u>46,830</u>
FUND BALANCE			
Nonspendable - prepaid items	137,903	-	137,903
Restricted for:			
Federal and state grants	-	164,006	164,006
Assigned for:			
Service delivery	103,060	97,334	200,394
Economic development	-	765,595	765,595
Transportation	-	1,405,652	1,405,652
Unassigned	1,532,608	-	1,532,608
Total fund balances	<u>1,773,571</u>	<u>2,432,587</u>	<u>4,206,158</u>
Total liabilities and fund balances	<u>\$ 2,505,190</u>	<u>\$ 9,123,767</u>	<u>\$ 11,628,957</u>

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

EAST TEXAS COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Total fund balances - governmental funds balance sheet	\$ 4,206,158
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 the funds.	
Land	854,652
Building	6,963,568
Furniture, fixtures and equipment	11,886,600
Right to use - buildings and equipment	2,649,858
Less: accumulated depreciation	(12,093,671)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	(550,000)
Leases payable	(1,076,719)
Compensated absences	(404,397)
Accrued interest payable	(585)
Included in the items related to pensions is the recognition of the Council's Net Pension Liability and a related deferred outflow and deferred inflow of resources.	
Net Pension Liability	(569,381)
Deferred outflows related to pensions	985,290
Deferred inflows related to pensions	<u>(386)</u>
Net position of governmental activities	<u>\$ 12,850,987</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

		<u>Special Revenue</u>	
	General	Grant	Total Governmental Funds
REVENUES			
Grants - intergovernmental	\$ -	\$ 75,279,098	\$ 75,279,098
Matching funds	-	416,203	416,203
Program income	930,142	1,395,739	2,325,881
Membership dues	203,087	-	203,087
Investment earnings	38,581	15,748	54,329
Other	<u>12,721</u>	<u>48,802</u>	<u>61,523</u>
Total revenues	<u>1,184,531</u>	<u>77,155,590</u>	<u>78,340,121</u>
EXPENDITURES			
Current:			
General government	774,336	-	774,336
Workforce development	-	56,156,752	56,156,752
Aging	-	4,700,825	4,700,825
Emergency communications	-	3,760,035	3,760,035
Transportation	-	7,043,816	7,043,816
Environmental quality	-	252,955	252,955
Homeland security	-	181,399	181,399
Economic development	-	452,781	452,781
Criminal justice	-	305,877	305,877
Housing and urban development	-	175,344	175,344
Debt service:			
Principal	-	574,695	574,695
Interest	-	71,226	71,226
Capital outlay	<u>696,752</u>	<u>4,314,024</u>	<u>5,010,776</u>
Total expenditures	<u>1,471,088</u>	<u>77,989,729</u>	<u>79,460,817</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(286,557)	(834,139)	(1,120,696)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	24,619	24,619
Sale of capital assets	-	11,116	11,116
Notes issued	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total other financing sources and uses	<u>550,000</u>	<u>35,735</u>	<u>585,735</u>
NET CHANGE IN FUND BALANCES	263,443	(798,404)	(534,961)
FUND BALANCES, BEGINNING	<u>1,510,128</u>	<u>3,230,991</u>	<u>4,741,119</u>
FUND BALANCES, ENDING	<u>\$ 1,773,571</u>	<u>\$ 2,432,587</u>	<u>\$ 4,206,158</u>

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

EAST TEXAS COUNCIL OF GOVERNMENTS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds: \$ (534,961)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay 5,094,449
Depreciation expense (1,819,117)

Principal payments on long-term debt provides current financial resources to governmental funds, but does not have any effect on net position.

Issuance of debt (550,000)
Principal payments on debt 574,695

The net effect of various miscellaneous transactions involving capital assets is to increase net position. (1,497)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences (13,728)

Pension expenditures are recognized in the governmental funds when paid or due from current available financial resources. However, the Statement of Activities is presented on an accrual basis and expenses are recorded when incurred. This is the net effect of pension cost reported in the Statement of Activities. (132,830)

Change in net position of governmental activities \$ 2,617,011



**east Texas
council of
GOVERNMENTS**

EAST TEXAS COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

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.

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 the GASB. The blended component unit, although a legally separate entity, is, in substance, part of the primary government's operations. As such, data from this unit is combined with data of the primary government. Discretely presented component units are entities that are legally separate from the Council, but for which the Council is financially accountable or whose relationships with the Council are such that exclusion would be misleading or incomplete. Additionally, 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, blended component units and a discretely presented component unit have been included within the Council's reporting entity.

Blended Component Units

ETRLC. The East Texas Regional Loan Corporation (ETRLC), d/b/a East Texas Community Loan Center (CLC), was organized by the Council in 2016 to offer low-interest, low-fee personal loans to employees of enrolled employers as an alternative to high-cost payday and auto title loans. ETRLC is a nonprofit corporation assists very low, low and moderate-income persons through credit solutions, loans, and financial counseling, as an alternative to payday loans to promote, develop and improve the economic conditions of people in the East Texas region. ETRLC is governed by a board of directors that is appointed by the Council's Executive Committee, and Council employees operate and administer ETRLC's day-to-day activities. The debt incurred by ETRLC is expected to be repaid using resources of the Council. Thus, ETRLC has been included in the Grant Fund as a blended component unit.

ETEDD. The East Texas Economic Development District (ETEDD) was organized as an economic development district recognized by the U.S. Economic Development Administration (EDA). ETEDD was organized for the purpose of supporting and coordinating economic development initiatives in the Council's 14-county region. ETEDD functionally operates as a department of the Council, and Council employees administer the EDA grants received by ETEDD. Thus, the component unit meets the fiscal dependency and imposition of will criteria. Any debt not related to the EDA grants will be liquidated entirely by the resources of the Council; therefore, ETEDD is reported in the Grant Fund as a blended component unit and its federal awards are included as part of the Council's Schedule of Expenditures of Federal Awards.

Discretely Presented Component Unit

ETRDC. The East Texas Regional Development Company (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 administers and coordinates underwriting of long-term Small Business Administration loans to small businesses in conjunction with private sector lenders. The Council's Board appoints a voting majority of ETRDC's Board and meets the financial benefit or burden criteria. Separate financial statements are produced for ETRDC and may be obtained from ETRDC's administrative office.

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 the activities of the primary government and its component units.

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

Certain eliminations have been made regarding 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*. 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.

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 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.

Assets, Liabilities and 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. 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, 2025.

Interfund Receivables and Payables

During 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The Council uses the consumption method to account for prepaid items.

Unearned Revenue

Unearned revenue represents amounts received from grantors in excess of expenditures for programs in progress as of September 30, 2025.

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 Council as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than 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
Right to use:	
Buildings	2-10
Equipment	6-7

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension expenses, information about the Fiduciary Net Position of the Texas County and District retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Council has the following items that qualify for reporting in this category:

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in expected and actual economic experience for the Council's pension – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Council has the following items that qualify for reporting in this category:

- The Council recognizes deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.
- Difference in expected and actual economic experience for the Council's pension – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

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 full-time position for six months or more. 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.

In the governmental fund financial statements, liabilities for compensated absences are recognized when leave is used. In the government-wide financial statements, compensated absences are reported based on the amount of leave that is earned and accumulated that is more likely than not to be used or paid in the future. This primarily consists of the amount of accumulated leave that would be paid on termination.

Leases

The Council has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the Council determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Council uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the Council generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Council is reasonably certain to exercise.

The Council monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The Council is a lessee for noncancellable leases of equipment and buildings. The Council recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the Council initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor. The Council is a lessor in an arrangement to house telecommunications infrastructure. In both the government-wide financial statements and the governmental fund financial statements, the Council initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Fund Balance

Fund balance classifications 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 is 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:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes determined by a formal action of the Board of Directors, the Council's highest level of decision-making authority. A commitment of funds requires the passage of a resolution by a simple majority vote. Governing action to commit fund balance must occur within the fiscal reporting period, no later than September 30th of the applicable fiscal year. If the actual amount of the commitment is not available by September 30th, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same type of formal action taken to establish the commitment.
- **Assigned:** This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Directors has the authority to assign funds for specific purposes. Assignment of funds by the Board of Directors requires a simple majority vote, and such action must be recorded in the Board minutes. Through passage of a resolution, the Board of Directors has authorized the Executive Director of East Texas Council of Governments to assign funds for specific purposes. Such assignments cannot exceed the available unassigned fund balance of a given fund. Any assignments made by the Executive Director must be reported to the Board of Directors at their next regular meeting. The Board of Directors may change or remove any assignment of funds by a simple majority vote.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Flow Assumption of Fund Balance and 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. Similarly, when an expenditure is incurred for which restricted, and unrestricted fund balances are available, it is the Council's policy to apply restricted fund balance first, then committed, assigned, and unassigned fund balance.

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.

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.

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.

3. DEPOSITS AND INVESTMENTS

Cash and investments as of September 30, 2025, consist of and are classified in the accompanying financial statements as follows:

Governmental activities:	
Demand deposits	\$ 2,773,166
TexPool	<u>310,334</u>
Total primary government cash and investments	<u>3,083,500</u>
Component unit:	
Demand deposits	533,893
TexPool	<u>5,324</u>
Total component unit cash and investments	<u>539,217</u>
Total cash and investments	<u>\$ 3,622,717</u>

TexPool investments are recorded as cash equivalents and are measured at net asset value per share, which approximates fair value. As of September 30, 2025, the pool's portfolio carried a weighted average maturity of 44 Days.

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's independent auditors to 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.

TexPool

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act ("PFIA") of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company ("Trust Company") to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the Council's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

TexPool has a redemption notice period of 1 day and may redeem daily. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool’s liquidity.

Deposit and Investment Risk Policies

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, 2025, the primary government and component unit had bank deposits of \$3,378,379 and \$533,893, respectively, with carrying values of \$2,773,166 and \$533,893, respectively. As of September 30, 2025, the Council deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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.

4. RECEIVABLES

Grantor receivables consist of receivables for reimbursement of expenditures under various programs and grants. Other receivables consist of receivables for reimbursement of expenditures from various subcontractors and customers. Management’s estimates these balances will be 100% collectable based on prior experience.

A summary of loans and notes receivable for the year ended September 30, 2025, is as follows:

	Number of Loans Outstanding	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:					
CLC loans receivable	0	\$ 55,180	\$ 33,852	\$ (89,032)	\$ -
Notes receivable	4	<u>266,010</u>	<u>-</u>	<u>(132,975)</u>	<u>133,035</u>
Total		<u>\$ 321,190</u>	<u>\$ 33,852</u>	<u>\$ (222,007)</u>	<u>\$ 133,035</u>

The resources used as capital for the loans and notes are restricted for the community loan center and assigned for economic development, respectively; thus, the fund balances relating to these receivables are included in those restricted and assigned categories.

Loans Receivable

The Council has issued loans through its ETRLC component unit to individuals throughout the ETCOG region. These small-dollar loans are issued up to \$1,000 with a one-year repayment term and are offered as a lower-cost alternative to payday lending. The loans are collected through payroll withholdings in coordination with the individual’s employer. In the event of default, all outstanding principal and interest becomes immediately due. This program was sunset during FY25 and no new loans were issued after February 2025.

Notes Receivable

The Council has issued multiple notes through its Chapman Revolving Loan Fund for the purpose of providing low-cost business startup capital. The funds are provided through the RLF’s residual fund balance, which was federally funded but has had all performance obligations satisfied in previous years. The loans are payable in principal and interest monthly and mature over periods of 3-15 years. The loans are generally secured by an interest in any equipment purchased by the new business; in the event of default, the Council may accelerate payment or take court action to enforce the equipment lien.

Lease Receivable

On December 1, 2021, the Council entered into a lease as lessor to house and operate telecommunications infrastructure. The lessee is required to make annual payments of \$3,000. A summary of the Council’s lease receivables as of September 30, 2025, is as follows:

<u>Purpose of Lease</u>	<u>Interest Rate</u>	<u>Initial Year of Lease</u>	<u>Amount of Initial Lease Receivable</u>	<u>Interest Current Year</u>	<u>Amounts Receivable 9/30/25</u>
Right to Use:					
Cell Tower	3.50%	2021	\$ 58,201	\$ 145	\$ 46,830
Total				\$ 145	\$ 46,830

5. INTERFUND TRANSACTIONS

The interfund transactions between the Council’s funds and component unit are shown below. The amounts due from and to the respective governmental funds will be cleared in the subsequent fiscal year.

The following is a summary of interfund transactions, due from/to other funds, as of September 30, 2025:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Grant Fund	General Fund	\$ 338,768	Short-term pooled cash loan
Component Unit	General Fund	<u>636,778</u>	Short-term pooled cash loan
		<u>\$ 975,546</u>	

6. CAPITAL ASSETS

Primary government capital asset activity for the year ended September 30, 2025, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 695,184	\$ 159,468	\$ -	\$ 854,652
Construction in progress	<u>1,020,451</u>	-	<u>(1,020,451)</u>	-
Total capital assets, not being depreciated	<u>1,715,635</u>	<u>159,468</u>	<u>(1,020,451)</u>	<u>854,652</u>
Capital assets, being depreciated:				
Buildings	2,787,269	3,155,848	1,020,451	6,963,568
Furniture, fixtures and equipment	10,371,625	1,779,133	(264,158)	11,886,600
Right to use:				
Buildings	2,197,673	-	(40,601)	2,157,072
Equipment	<u>492,786</u>	-	-	<u>492,786</u>
Total capital assets being depreciated	<u>15,849,353</u>	<u>4,934,981</u>	<u>715,692</u>	<u>21,500,026</u>
Less accumulated depreciation for:				
Buildings	(1,971,238)	(110,461)	-	(2,081,699)
Furniture, fixtures and equipment	(7,370,088)	(1,307,549)	260,533	(8,417,104)
Right to use:				
Buildings	(751,153)	(356,678)	-	(1,107,831)
Equipment	<u>(441,127)</u>	<u>(45,910)</u>	-	<u>(487,037)</u>
Total accumulated depreciation	<u>(10,533,606)</u>	<u>(1,820,598)</u>	<u>260,533</u>	<u>(12,093,671)</u>
Governmental activities capital assets, net	<u>\$ 7,031,382</u>	<u>\$ 3,273,851</u>	<u>\$ (44,226)</u>	<u>\$ 10,261,007</u>

The decreases in the right to use assets relate to the remeasurement of certain leases caused by changes to the payment amounts in the current year. See Note 8 for more information on leases.

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

General government	\$ 124,043
Workforce development	370,728
Emergency communications	385,038
Environmental quality	70
Economic development	565
Homeland security	369
Aging	108,677
Criminal justice	324
Housing and urban development	275
Transportation	<u>830,509</u>
Total	<u>\$ 1,820,598</u>

7. SHORT-TERM DEBT

During fiscal year 2025, the Council purchased certain equipment and transportation service contracts from a private party. The purchase totaled \$1,320,000, which included a cash payment of \$520,000 and the issuance of a promissory note of \$800,000 with the seller. The note bore interest at 0% and matured in April 2025. This results in short-term debt activity of \$800,000 issued and \$800,000 repaid during the year, with no outstanding balance at fiscal year-end.

8. LONG-TERM LIABILITIES

A summary of long-term liability activity for the primary government for the year ended September 30, 2025, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in One Year
Governmental activities:					
Notes payable	\$ -	\$ 550,000	\$ -	\$ 550,000	\$ 13,601
Loans payable	185,777	-	(185,777)	-	-
Leases	1,509,847	-	(433,128)	1,076,719	291,214
Compensated absences	<u>390,669</u>	<u>13,728</u>	<u>-</u>	<u>404,397</u>	<u>396,073</u>
Total	<u>\$ 2,086,293</u>	<u>\$ 563,728</u>	<u>\$ (618,905)</u>	<u>\$ 2,031,116</u>	<u>\$ 700,888</u>

Changes in compensated absences are presented as a net increase or decrease in the schedule above.

Decreases to long-term debt include principal expenditures of \$574,695 and a decrease related to lease remeasurement totaling \$44,210. See the lease disclosures on the following page for information on this remeasurement.

Line of Credit

The Council maintains a line of credit with a financial institution, currently totaling \$1,000,000. The line was most recently renewed in July 2025. Any amounts drawn on the line would be due in July 2027 and bear interest at 6.18%, with the Council's primary office building securing the line as collateral. No draws were made on this line of credit during the fiscal year.

Loans Payable

The Council has entered into two loan agreements for the purpose of providing capital for the CLC Small Dollar Loan Program. The proceeds were restricted for use in that program and are not considered capital-related debt. The loans are classified as direct borrowings; in the event of default, the loan holders are entitled to accelerate all outstanding principal or otherwise seek relief from a court of proper jurisdiction ordering payment.

The loans, which bore interest at 3.25% and 3%, matured in 2025 and are no longer outstanding.

Notes Payable

In February 2025, the Council secured a note for the purchase of a building to use as a workforce center. The note totaled \$550,000 and bears an interest rate of 5.58%. Interest payments are made monthly. Principal payments commenced on December 19, 2025. The loan has a maturity date of February 19, 2045. The note is a direct borrowing and is secured by the purchased building.

Annual debt service requirements to maturity of notes payable are as follows:

Year Ended September 30,	Principal	Interest
2026	\$ 13,601	\$ 31,754
2027	17,176	29,496
2028	18,160	28,513
2029	19,199	27,473
2030	20,298	26,374
2031-2035	120,312	113,050
2036-2040	158,927	74,436
2041-2045	<u>182,327</u>	<u>23,811</u>
Total	<u>\$ 550,000</u>	<u>\$ 354,907</u>

Leases Payable

The Council has entered into multiple leases as lessee for buildings and equipment. The lease terms range from 24 to 60 months. The Council is required to make monthly payments ranging from \$354 to \$23,569.

During fiscal year 2025, the Council remeasured two of its lease liabilities for buildings. These were the result of negotiated changes to payment amounts and, most significantly, the shortening of the noncancelable lease term on a building by one year. This resulted in a reduction of \$40,601 in the right to use asset and \$44,210 of the lease liability. The difference was recognized in program expenses in the government-wide financial statements.

A summary of the governmental activities long-term lease payable as of September 30, 2025, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/25
Right to Use:					
Postage meter	3.50%	2018	\$ 162,944	\$ 598	\$ 5,455
Copiers	3.50%	2019	329,842	221	-
Buildings - aging	3.50%	2024	54,388	612	2,359
Buildings - workforce	3.50%	2019 - 2024	2,102,684	<u>43,083</u>	<u>1,068,905</u>
Totals				<u>\$ 44,514</u>	<u>\$ 1,076,719</u>

Annual lease payments to maturity are as follows:

Year Ending September 30,	Lease Payable		Total Requirements
	Principal	Interest	
2026	\$ 291,214	\$ 32,733	\$ 323,947
2027	261,931	23,293	285,224
2028	268,792	14,040	282,832
2029	<u>254,782</u>	<u>4,480</u>	<u>259,262</u>
Totals	<u>\$ 1,076,719</u>	<u>\$ 74,546</u>	<u>\$ 1,151,265</u>

9. 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.

10. 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 \$1,000,000 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, 2025, 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.

11. DEFINED CONTRIBUTION PENSION PLAN

Prior to November 2021, the Council provided benefits for all its full-time employees through a defined contribution plan administered by Mission Square which included a 401a and a 457b account. The Council's employees were eligible to make a voluntary contribution to the 457b account under annual maximums set by the IRS. The Council would then provide a 1:1 match up to 5% for full-time employees only and was deposited into the 401a account. Those employees not paying into the Social Security retirement system made a mandatory contribution of 8% into the 401a account, and the Council matched 12%. Part-time employees in this category made a mandatory contribution of 7.5% into the 457b account. All employee & employer contributions to the 401a account ceased on November 1, 2021, while the 457b account remains open for employees who wish to make any voluntary contributions above their contribution in TCDRS, but within the IRS annual limits. Employees were provided with options to transfer funds in their 401a account over to their 457b account or to pursue other alternative options outside of Mission Square.

12. DEFINED BENEFIT PENSION PLAN

Plan Description

In November 2021, the Council began voluntary participation in the Texas County and District Retirement System ("TCDRS"), a statewide nontraditional defined benefit pension. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available annual comprehensive financial report that can be obtained at www.tcdrs.org.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	46
Active employees	152
Retirees or beneficiaries	<u>4</u>
	<u><u>202</u></u>

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer’s governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer’s plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the Council were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Council were 7.68% and 9.69% in calendar years 2024 and 2025, respectively. The Council’s contributions to TCDRS for the year ended September 30, 2025, were \$930,439, which were \$129,080 in excess of the actuarially determined required contributions.

Net Pension Liability

The Council’s Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.0% per year
Investment rate of return	7.5%, net of investment and administrative expenses

The Council has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the Council may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions that determined the total pension liability as of December 31, 2024, were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.60%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2024 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon; the most recent assumption was adopted in March 2021. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	8.15%
Hedge Funds	HFR, Inc. Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	<u>2.00%</u>	1.10%
		<u>100.00%</u>	

⁽¹⁾ Target asset allocation adopted at the March 2025 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2023	\$ 2,940,039	\$ 2,520,409	\$ 419,630
Changes for the year:			
Service cost	1,215,853	-	1,215,853
Interest on total pension liability ⁽¹⁾	315,333	-	315,333
Effect of plan changes ⁽²⁾	545,652	-	545,652
Effect of economic/demographic gains or losses	29,889	-	29,889
Refund of contributions	(9,526)	(9,526)	-
Benefit payments	(4,287)	(4,287)	-
Administrative expenses	-	(2,430)	2,430
Member contributions	-	605,311	(605,311)
Net investment income	-	290,141	(290,141)
Employer contributions	-	981,005	(981,005)
Other ⁽³⁾	-	82,949	(82,949)
Balance at 12/31/2024	<u>\$ 5,032,953</u>	<u>\$ 4,463,572</u>	<u>\$ 569,381</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Reflects plan changes adopted effective in 2025.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension asset of the Council, calculated using the discount rate of 7.60%, as well as what the Council's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-higher (8.60%) than the current rate:

	1% Decrease	Current	1% Increase
	6.60%	Discount Rate 7.60%	8.60%
Total Pension Liability	\$ 5,774,822	\$ 5,032,953	\$ 4,415,161
Fiduciary net position	<u>4,463,572</u>	<u>4,463,572</u>	<u>4,463,572</u>
Net Pension Liability/(Asset)	<u>\$ 1,311,250</u>	<u>\$ 569,381</u>	<u>\$ (48,411)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the Council recognized pension expense of \$1,216,150. At September 30, 2025, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 244,910	\$ -
Changes in actuarial assumptions	-	386
Net difference between projected and actual investment earnings	22,844	-
Contributions made subsequent to the measurement date	<u>717,536</u>	<u>-</u>
Total	<u>\$ 985,290</u>	<u>\$ 386</u>

\$717,536 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended September 30,</u>	
2026	\$ 78,358
2027	80,091
2028	51,438
2029	52,501
2030	4,980

13. EMPLOYER OF RECORD SERVICES

In prior years, the Council has entered into a service agreement with the Texas Association of Regional Councils (TARC), a nonprofit organization. Under the agreement, the Council serves as the employer of record for TARC’s employees and performs all payroll-related processing and administration. TARC reimburses the Council for actual payroll costs incurred, as well as a fee for service. For the year ended September 30, 2025, the Council incurred payroll costs under the agreement of \$525,845 and recognized revenues of \$571,010 from TARC.

14. FORTHCOMING ACCOUNTING STANDARDS

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the Council include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.



**east Texas
council of
GOVERNMENTS**

**REQUIRED
SUPPLEMENTARY INFORMATION**

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement date December 31,	2021	2022	2023	2024
Total Pension Liability				
Service Cost	\$ 108,703	\$ 653,811	\$ 1,117,880	\$ 1,215,853
Interest total pension liability	8,261	58,411	187,929	315,333
Effect of plan changes	-	214,490	256,781	545,652
Effect of assumption changes or inputs	(772)	-	-	-
Effect of economic/demographic (gains) or losses	83	334,712	43,046	29,889
Benefit payments, including refunds of contributions	-	(3,086)	(40,210)	(13,813)
Net change in Total Pension Liability	116,275	1,258,338	1,565,426	2,092,914
Total Pension Liability - beginning	-	116,275	1,374,613	2,940,039
Total Pension Liability - ending (a)	\$ 116,275	\$ 1,374,613	\$ 2,940,039	\$ 5,032,953
Plan Fiduciary Net Position				
Employer contributions	\$ 49,938	\$ 445,465	\$ 625,879	\$ 981,005
Member contributions	63,187	542,357	577,778	605,311
Investment income, net of investment expenses	13,003	(91,554)	139,054	290,141
Benefit payments, including refunds of contributions	-	(3,086)	(40,210)	(13,813)
Administrative expenses	(70)	(680)	(1,316)	(2,430)
Other	3,205	138,750	58,709	82,949
Net change in plan fiduciary net position	129,263	1,031,252	1,359,894	1,943,163
Plan fiduciary net position - beginning	-	129,263	1,160,515	2,520,409
Plan fiduciary net position - ending (b)	\$ 129,263	\$ 1,160,515	\$ 2,520,409	\$ 4,463,572
Net Pension Liability/(Asset) - ending (a) - (b)	\$ (12,988)	\$ 214,098	\$ 419,630	\$ 569,381
Fiduciary net position as a percentage of Total Pension Liability/(Asset)	111.17%	84.42%	85.73%	88.69%
Pensionable covered payroll	\$ 902,674	\$ 7,747,955	\$ 8,253,967	\$ 8,647,296
Net Pension Liability/Asset as a percentage of covered payroll	-1.44%	2.76%	5.08%	6.58%

Note: GASB 68 requires 10 years of data be reported, but information prior to 2021, the year the Council began participation in the plan, is not available.

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2022	\$ 363,224	\$ 363,224	\$ -	\$ 6,547,465	5.5%
2023	436,967	608,167	(171,200)	8,229,128	7.4%
2024	779,613	779,613	-	8,517,612	9.2%
2025	801,359	930,439	(129,080)	8,729,502	10.7%

Notes:

(1) Payroll is calculated based on contributions as reported to TCDRS.

(2) GASB 68 requires 10 years of data be reported, but information prior to 2022, the year the Council began participation, is not available.

EAST TEXAS COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Valuation date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14.2 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation.
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2023: Employer contributions reflect that the current service matching rate was increase to 150%. 2024: Employer contributions reflect that the current service matching rate was increased to 185% for future benefits.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

SUPPLEMENTAL SCHEDULES

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF FINAL INDIRECT COST RATE

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Salaries	\$ 1,138,815	\$ 1,114,783	\$ (24,032)
Fringe benefits	201,345	192,337	(9,008)
Group hospitalization	152,442	141,562	(10,880)
Pension costs	<u>245,500</u>	<u>230,459</u>	<u>(15,041)</u>
Total personnel	<u>1,738,102</u>	<u>1,679,141</u>	<u>(58,961)</u>
Insurance & Bonding	10,000	20,259	10,259
Professional Services	78,100	54,537	(23,563)
Computer Software	60,000	70,323	10,323
Staff Travel	45,400	68,902	23,502
Committee Travel	9,000	13,180	4,180
Office supplies	35,000	39,689	4,689
Public Education	4,000	3,155	(845)
Copier costs	4,000	-	(4,000)
Repairs & Maintenance	4,000	19,493	15,493
Communications	12,300	15,830	3,530
Meetings & Conferences	12,000	10,345	(1,655)
Membership Dues	22,000	24,081	2,081
Training costs	23,000	33,418	10,418
Depreciation Expense	<u>11,724</u>	<u>11,724</u>	<u>-</u>
Total Indirect Costs	<u>2,068,626</u>	<u>2,064,077</u>	<u>(4,549)</u>
Less Program Income		(22,414)	
Less amount allocated to component unit		(26,529)	
Less amount allocated to General Fund		<u>(2,319)</u>	
Total Indirect Costs Allocated to the Grant Fund		<u><u>\$ 2,012,815</u></u>	
Computation of Indirect Cost Rate:			
Direct personnel costs	<u><u>\$ 9,445,936</u></u>	<u><u>\$ 9,164,930</u></u>	
Allocation rate	21.90%	21.96%	

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EMPLOYEE BENEFITS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025

	<u>Actual</u>
State Unemployment taxes	\$ 13,898
Group disability insurance	23,211
Holidays	368,777
Vacation	399,403
Sick leave	273,175
Other release time	<u>32,249</u>
Total employee benefits	1,110,713
Less amount allocated to indirect cost pool	(192,337)
Less amount allocated to component unit	<u>(10,804)</u>
Total Employee Benefits Allocated to the Grant Fund	<u>\$ 907,572</u>
Chargeable time for full-time employees	<u>5,289,177</u>
Employee Benefit rate	17.16%



**east Texas
council of
GOVERNMENTS**

STATISTICAL SECTION



**east Texas
council of
GOVERNMENTS**

STATISTICAL SECTION

(unaudited)

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

<u>Contents</u>	<u>Page Number</u>
<i>Financial Trends</i> - These schedules contain trend information to help the reader understand how the Council's financial performance and well-being have changed over time.	40-47
<i>Debt Capacity</i> - These schedules present information to help the reader assess the affordability of the Council's current level of outstanding debt and the Council's ability to issue additional debt in the future.	48
<i>Economic and Demographic Indicators</i> - These schedules offer economic and demographic indicators to help the reader understand the environment within which the Council's financial activities take place.	49-64
<i>Operating Information</i> - 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.	65-72

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

EAST TEXAS COUNCIL OF GOVERNMENTS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(Full Accrual Basis of Accounting)

	Fiscal Year			
	2016	2017	2018	2019
Governmental activities:				
Net investment in capital assets	\$ 2,082,066	\$ 1,979,840	\$ 3,054,139	\$ 2,648,880
Restricted	995,119	1,198,239	1,154,274	1,854,567
Unrestricted	<u>1,389,451</u>	<u>1,191,024</u>	<u>1,320,161</u>	<u>843,765</u>
Total governmental				
activities net position	<u>\$ 4,466,636</u>	<u>\$ 4,369,103</u>	<u>\$ 5,528,574</u>	<u>\$ 5,347,212</u>

TABLE 1

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 2,960,934	\$ 5,446,268	\$ 4,555,719	\$ 4,164,334	\$ 5,521,535	\$ 8,634,288
2,336,577	546,152	474,875	362,285	376,569	164,006
<u>847,397</u>	<u>2,882,170</u>	<u>3,727,842</u>	<u>4,198,682</u>	<u>4,335,872</u>	<u>4,052,693</u>
<u>\$ 6,144,908</u>	<u>\$ 8,874,590</u>	<u>\$ 8,758,436</u>	<u>\$ 8,725,301</u>	<u>\$ 10,233,976</u>	<u>\$ 12,850,987</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(Full Accrual Basis of Accounting)

	Fiscal Year			
	2016	2017	2018	2019
EXPENSES				
Governmental activities:				
General government	\$ 368,717	\$ 516,365	\$ 754,237	\$ 895,272
Workforce development	28,445,401	26,598,671	27,729,764	33,718,468
Aging	3,788,491	3,992,021	3,845,733	4,086,606
Emergency communications	3,595,484	3,445,419	2,326,854	1,844,427
Transportation	3,409,942	3,555,383	3,878,162	4,041,021
Environmental quality	505,860	353,624	183,989	169,741
Homeland security	231,516	201,722	478,848	276,223
Criminal justice	295,384	291,903	306,096	262,731
Housing and urban development	11,146	14,789	9,016	-
Economic development	114,360	125,162	144,355	128,639
Total governmental activities expenses	<u>40,766,301</u>	<u>39,095,059</u>	<u>39,657,054</u>	<u>45,423,128</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services	-	-	-	-
Operating grants and contributions	<u>39,640,680</u>	<u>38,434,905</u>	<u>40,328,310</u>	<u>44,726,646</u>
Total governmental activities program revenues	<u>39,640,680</u>	<u>38,434,905</u>	<u>40,328,310</u>	<u>44,726,646</u>
NET (EXPENSE) REVENUES				
Governmental activities	<u>(1,125,621)</u>	<u>(660,154)</u>	<u>671,256</u>	<u>(696,482)</u>
Total	<u>(1,125,621)</u>	<u>(660,154)</u>	<u>671,256</u>	<u>(696,482)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Membership dues	181,581	206,366	187,853	210,406
Investment earnings	9,371	10,134	18,914	31,664
Miscellaneous	<u>207,392</u>	<u>471,170</u>	<u>434,269</u>	<u>273,050</u>
Total governmental activities	<u>398,344</u>	<u>687,670</u>	<u>641,036</u>	<u>515,120</u>
CHANGE IN NET POSITION				
Governmental activities	<u>(727,277)</u>	<u>27,516</u>	<u>1,312,292</u>	<u>(181,362)</u>
Total	<u>\$ (727,277)</u>	<u>\$ 27,516</u>	<u>\$ 1,312,292</u>	<u>\$ (181,362)</u>

TABLE 2

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 713,496	\$ 249,768	\$ 678,384	\$ 653,426	\$ 702,928	\$ 950,423
36,814,572	36,995,329	42,709,335	44,368,295	53,850,841	56,468,785
4,947,448	5,568,690	5,575,740	5,840,312	5,690,608	4,830,374
1,658,318	1,530,317	2,551,469	4,486,043	3,143,386	4,155,391
5,069,520	5,754,804	5,571,035	6,661,657	6,978,553	7,902,632
199,574	443,311	318,831	413,576	214,900	253,660
54,103	187,727	192,608	163,051	183,632	183,923
258,832	344,074	278,935	365,085	237,891	307,271
9,812	309	618,722	304,434	199,589	527,142
<u>106,056</u>	<u>485,677</u>	<u>67,516</u>	<u>76,910</u>	<u>108,973</u>	<u>175,619</u>
<u>49,831,731</u>	<u>51,560,006</u>	<u>58,562,575</u>	<u>63,332,789</u>	<u>71,311,301</u>	<u>75,755,220</u>
-	336,324	1,059,721	1,229,842	1,405,497	2,349,120
<u>50,137,345</u>	<u>53,715,706</u>	<u>57,131,283</u>	<u>61,731,479</u>	<u>71,038,861</u>	<u>75,719,920</u>
<u>50,137,345</u>	<u>54,052,030</u>	<u>58,191,004</u>	<u>62,961,321</u>	<u>72,444,358</u>	<u>78,069,040</u>
<u>305,614</u>	<u>2,492,024</u>	<u>(371,571)</u>	<u>(371,468)</u>	<u>1,133,057</u>	<u>2,313,820</u>
<u>305,614</u>	<u>2,492,024</u>	<u>(371,571)</u>	<u>(371,468)</u>	<u>1,133,057</u>	<u>2,313,820</u>
189,927	190,276	204,825	205,172	198,647	203,087
36,953	5,657	12,255	32,588	33,446	38,581
<u>265,202</u>	<u>41,725</u>	<u>38,337</u>	<u>100,573</u>	<u>143,795</u>	<u>61,523</u>
<u>492,082</u>	<u>237,658</u>	<u>255,417</u>	<u>338,333</u>	<u>375,888</u>	<u>303,191</u>
<u>797,696</u>	<u>2,729,682</u>	<u>(116,154)</u>	<u>(33,135)</u>	<u>1,508,945</u>	<u>2,617,011</u>
<u>\$ 797,696</u>	<u>\$ 2,729,682</u>	<u>\$ (116,154)</u>	<u>\$ (33,135)</u>	<u>\$ 1,508,945</u>	<u>\$ 2,617,011</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2016	2017	2018	2019
General fund				
Nonspendable-Prepaid items	\$ 69,078	\$ 33,813	\$ 93,454	\$ 176,642
Assigned - service delivery	-	-	-	-
Unassigned	<u>1,487,912</u>	<u>1,344,544</u>	<u>1,185,691</u>	<u>1,140,306</u>
Total general fund	<u>\$ 1,556,990</u>	<u>\$ 1,378,357</u>	<u>\$ 1,279,145</u>	<u>\$ 1,316,948</u>
All Other Governmental Funds				
Nonspendable - prepaid items	\$ -	\$ -	\$ -	\$ -
Restricted - state and federal grants	995,119	1,198,239	1,646,796	1,854,567
Restricted - community loan center	-	-	-	-
Assigned - service delivery	-	-	-	-
Assigned - economic development	-	-	-	-
Assigned - transportation	-	-	-	-
Total special revenue funds	<u>\$ 995,119</u>	<u>\$ 1,198,239</u>	<u>\$ 1,646,796</u>	<u>\$ 1,854,567</u>
Total primary government	<u>\$ 2,552,109</u>	<u>\$ 2,576,596</u>	<u>\$ 2,925,941</u>	<u>\$ 3,171,515</u>

TABLE 3

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 54,620	\$ 32,484	\$ 194,081	\$ 194,081	\$ 144,889	\$ 137,903
-	85,526	19,526	19,526	78,830	103,060
<u>1,382,274</u>	<u>1,122,165</u>	<u>1,234,156</u>	<u>1,234,156</u>	<u>1,286,409</u>	<u>1,532,608</u>
<u>\$ 1,436,894</u>	<u>\$ 1,240,175</u>	<u>\$ 1,447,763</u>	<u>\$ 1,447,763</u>	<u>\$ 1,510,128</u>	<u>\$ 1,773,571</u>
\$ 2,027	\$ -	\$ -	\$ -	\$ -	\$ -
2,336,577	383,725	272,363	272,363	310,967	164,006
-	162,427	89,922	89,922	65,602	-
-	-	-	-	-	97,334
-	700,261	729,014	729,014	752,393	765,595
<u>-</u>	<u>1,522,287</u>	<u>19,727,625</u>	<u>1,927,625</u>	<u>2,102,029</u>	<u>1,405,652</u>
<u>\$ 2,338,604</u>	<u>\$ 2,768,700</u>	<u>\$ 20,818,924</u>	<u>\$ 3,018,924</u>	<u>\$ 3,230,991</u>	<u>\$ 2,432,587</u>
<u>\$ 3,775,498</u>	<u>\$ 4,008,875</u>	<u>\$ 22,266,687</u>	<u>\$ 4,466,687</u>	<u>\$ 4,741,119</u>	<u>\$ 4,206,158</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2016	2017	2018	2019
REVENUES				
Grants - intergovernmental	\$ 38,912,645	\$ 37,749,088	\$ 39,417,603	\$ 44,138,626
Membership dues	181,581	185,177	187,853	188,624
Matching funds/program income	775,461	915,494	1,056,636	800,627
Investment income	9,371	10,134	18,914	31,664
Miscellaneous	127,809	49,562	182,162	87,259
Total revenues	<u>40,006,867</u>	<u>38,909,455</u>	<u>40,863,168</u>	<u>45,246,800</u>
EXPENDITURES				
Current:				
General government	289,462	488,918	851,189	2,212,425
Workforce development	28,395,465	26,533,064	27,481,703	33,670,643
Aging	3,730,974	3,967,727	3,796,332	4,085,177
Emergency communications	3,347,761	3,325,659	2,412,163	2,001,157
Transportation	3,198,882	3,354,509	3,477,267	2,160,422
Environmental quality	505,860	354,014	190,988	170,035
Homeland security	231,516	187,105	259,458	169,133
Criminal justice	295,384	292,634	319,360	217,517
Housing and urban development	11,146	15,158	10,671	13,853
Economic development	114,360	124,403	135,701	114,492
Debt service:				
Principal	99,282	75,443	84,057	97,071
Interest and fiscal charges	-	-	11,978	6,345
Capital outlay	461,655	291,285	1,582,956	132,956
Total expenditures	<u>40,681,747</u>	<u>39,009,919</u>	<u>40,613,823</u>	<u>45,051,226</u>
NET CHANGE IN FUND BALANCES	<u>(674,880)</u>	<u>(100,464)</u>	<u>249,345</u>	<u>195,574</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	250,000	100,000	100,000
Leases (as lessee)	-	-	-	-
Insurance recoveries	-	-	-	-
Sale of capital assets	31,597	-	-	-
Notes issued	-	-	-	-
Transfers in	62,500	23,862	-	-
Transfers out	(62,500)	(23,862)	-	-
Total other financing sources (uses)	<u>31,597</u>	<u>250,000</u>	<u>100,000</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCES	<u>\$ (643,283)</u>	<u>\$ 149,536</u>	<u>\$ 349,345</u>	<u>\$ 295,574</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>0.25%</u>	<u>0.20%</u>	<u>0.25%</u>	<u>0.23%</u>

TABLE 4

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 49,577,054	\$ 53,086,873	\$ 56,970,057	\$ 61,482,015	\$ 70,614,526	\$ 75,279,098
189,927	190,276	204,825	205,172	198,647	203,087
799,224	936,325	1,171,814	1,413,334	1,701,535	2,742,084
36,953	26,534	28,712	47,595	58,970	54,329
46,170	41,725	38,337	100,573	143,795	61,523
<u>50,649,328</u>	<u>54,281,733</u>	<u>58,413,745</u>	<u>63,248,689</u>	<u>72,717,473</u>	<u>78,340,121</u>
609,828	184,365	479,760	638,073	649,748	774,336
36,743,982	36,925,150	42,448,512	43,975,072	53,458,973	56,156,752
4,937,473	5,603,530	5,529,200	5,797,373	5,564,668	4,700,825
1,772,742	3,638,688	2,205,926	4,115,334	2,739,146	3,760,035
5,339,188	5,862,927	4,922,958	6,133,556	6,235,295	7,043,816
196,229	443,311	320,084	414,529	214,218	252,955
91,214	476,367	192,833	166,809	181,139	181,399
118,986	187,727	565,400	267,108	159,747	452,781
9,812	309	279,765	367,063	236,622	305,877
109,401	344,074	67,895	77,158	108,512	175,344
79,169	79,815	568,896	508,162	448,055	574,695
9,228	9,180	53,969	31,013	34,242	71,226
<u>128,093</u>	<u>371,781</u>	<u>708,561</u>	<u>749,807</u>	<u>3,888,142</u>	<u>5,010,776</u>
<u>50,145,345</u>	<u>54,127,224</u>	<u>58,343,759</u>	<u>63,241,057</u>	<u>73,918,507</u>	<u>79,460,817</u>
<u>503,983</u>	<u>154,509</u>	<u>69,986</u>	<u>7,632</u>	<u>(1,201,034)</u>	<u>(1,120,696)</u>
100,000	-	-	-	-	-
-	-	296,553	-	1,365,611	-
-	70,868	32,676	45,589	102,755	24,619
-	8,000	-	5,376	7,100	11,116
-	-	-	-	-	550,000
950	180,410	174,595	-	-	-
(950)	(180,410)	(174,595)	-	-	-
<u>100,000</u>	<u>78,868</u>	<u>329,229</u>	<u>50,965</u>	<u>1,475,466</u>	<u>585,735</u>
<u>\$ 603,983</u>	<u>\$ 233,377</u>	<u>\$ 399,215</u>	<u>\$ 58,597</u>	<u>\$ 274,432</u>	<u>\$ (534,961)</u>
<u>0.18%</u>	<u>0.18%</u>	<u>1.08%</u>	<u>0.86%</u>	<u>0.69%</u>	<u>0.87%</u>



**east Texas
council of
GOVERNMENTS**

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Governmental Activities			Leases	Total Governmental Activities	Percentage of Personal Income	Per Capita
Fiscal Year	Notes Payable					
2016	\$ 181,079	\$ -	\$ 181,079	0.52%	0.05%	
2017	105,636	-	105,636	0.28%	0.03%	
2018	371,579	-	371,579	0.98%	0.09%	
2019	324,508	-	324,508	0.83%	0.08%	
2020	345,339	-	345,339	0.83%	0.40%	
2021	265,524	-	265,524	0.59%	0.30%	
2022	206,582	1,603,212	1,809,794	3.77%	0.23%	
2023	195,330	582,738	778,068	1.55%	0.86%	
2024	185,777	1,509,847	1,695,624	3.20%	1.85%	
2025	550,000	1,076,719	1,626,719	n/a	1.74%	

EAST TEXAS COUNCIL OF GOVERNMENTS

REGIONAL COUNTY INFORMATION

Anderson County	
Area (Sq. miles) ¹	1,063
County Seat ¹	Palestine
Population, 2024 ²	59,512
Anglo	
Male	18,319
Female	14,755
Black	
Male	8,401
Female	3,329
Hispanic	
Male	8,063
Female	4,139
Other	
Male	1,130
Female	1,376
Vital Statistics, ³	
Marriages ²⁰¹⁹	294
Divorces ²⁰¹⁷	39
Births ²⁰²⁰	543
Deaths ²⁰²⁰	735
Unemployment Rate, Annual Average 2024 ⁴	4.4%

Camp County	
Area (Sq. miles) ¹	196
County Seat ¹	Pittsburg
Population, 2024 ²	13,162
Anglo	
Male	3,308
Female	3,525
Black	
Male	925
Female	1,085
Hispanic	
Male	1,848
Female	1,801
Other	
Male	352
Female	318
Vital Statistics, ³	
Marriages ²⁰¹⁹	67
Divorces ²⁰¹⁷	3
Births ²⁰²⁰	162
Deaths ²⁰²⁰	199
Unemployment Rate, Annual Average 2024 ⁴	4.5%

Cherokee County	
Area (Sq. miles) ¹	1,053
County Seat ¹	Rusk
Population, 2024 ²	53,225
Anglo	
Male	15,200
Female	15,542
Black	
Male	3,504
Female	3,083
Hispanic	
Male	7,114
Female	6,427
Other	
Male	1,124
Female	1,231
Vital Statistics, ³	
Marriages ²⁰¹⁹	247
Divorces ²⁰¹⁷	92
Births ²⁰²⁰	739
Deaths ²⁰²⁰	684
Unemployment Rate, Annual Average 2024 ⁴	4.4%

Gregg County	
Area (Sq. miles) ¹	273
County Seat ¹	Longview
Population, 2024 ²	126,668
Anglo	
Male	32,204
Female	34,946
Black	
Male	11,728
Female	13,560
Hispanic	
Male	13,659
Female	12,794
Other	
Male	3,692
Female	4,085
Vital Statistics, ³	
Marriages ²⁰¹⁹	923
Divorces ²⁰¹⁷	528
Births ²⁰²⁰	1574
Deaths ²⁰²⁰	1630
Unemployment Rate, Annual Average 2024 ⁴	4.8%

REGIONAL COUNTY INFORMATION

Harrison County	
Area (Sq. miles) ¹	900
County Seat ¹	Marshall
Population, 2024 ²	71,364
Anglo	
Male	20,806
Female	21,510
Black	
Male	6,453
Female	7,276
Hispanic	
Male	5,744
Female	5,625
Other	
Male	1,839
Female	2,111
Vital Statistics, ³	
Marriages ²⁰¹⁹	350
Divorces ²⁰¹⁷	99
Births ²⁰²⁰	765
Deaths ²⁰²⁰	769
Unemployment Rate, Annual Average 2024 ⁴	4.9%

Henderson County	
Area (Sq. miles) ¹	874
County Seat ¹	Athens
Population, 2024 ²	87,452
Anglo	
Male	30,909
Female	32,504
Black	
Male	2,697
Female	2,765
Hispanic	
Male	6,779
Female	6,678
Other	
Male	2,476
Female	2,644
Vital Statistics, ³	
Marriages ²⁰¹⁹	470
Divorces ²⁰¹⁷	53
Births ²⁰²⁰	955
Deaths ²⁰²⁰	1320
Unemployment Rate, Annual Average 2024 ⁴	4.5%

Marion County	
Area (Sq. miles) ¹	381
County Seat ¹	Jefferson
Population, 2024 ²	9,702
Anglo	
Male	3,264
Female	3,457
Black	
Male	894
Female	987
Hispanic	
Male	212
Female	239
Other	
Male	340
Female	309
Vital Statistics, ³	
Marriages ²⁰¹⁹	50
Divorces ²⁰¹⁷	40
Births ²⁰²⁰	91
Deaths ²⁰²⁰	182
Unemployment Rate, Annual Average 2024 ⁴	5.7%

Panola County	
Area (Sq. miles) ¹	802
County Seat ¹	Carthage
Population, 2024 ²	23,021
Anglo	
Male	7,874
Female	8,207
Black	
Male	1,618
Female	1,724
Hispanic	
Male	1,323
Female	1,217
Other	
Male	526
Female	532
Vital Statistics, ³	
Marriages ²⁰¹⁹	114
Divorces ²⁰¹⁷	82
Births ²⁰²⁰	264
Deaths ²⁰²⁰	378
Unemployment Rate, Annual Average 2024 ⁴	5.2%

EAST TEXAS COUNCIL OF GOVERNMENTS

REGIONAL COUNTY INFORMATION

Rains County	
Area (Sq. miles) ¹	230
County Seat ¹	Emory
Population, 2024 ²	13,305
Anglo	
Male	5,254
Female	5,229
Black	
Male	199
Female	235
Hispanic	
Male	771
Female	767
Other	
Male	423
Female	427
Vital Statistics, ³	
Marriages ²⁰¹⁹	81
Divorces ²⁰¹⁷	48
Births ²⁰²⁰	117
Deaths ²⁰²⁰	193
Unemployment Rate, Annual Average 2024 ⁴	4.0%

Rusk County	
Area (Sq. miles) ¹	924
County Seat ¹	Henderson
Population, 2024 ²	53,389
Anglo	
Male	16,361
Female	15,557
Black	
Male	4,666
Female	3,726
Hispanic	
Male	5,748
Female	4,798
Other	
Male	1,240
Female	1,293
Vital Statistics, ³	
Marriages ²⁰¹⁹	235
Divorces ²⁰¹⁷	178
Births ²⁰²⁰	618
Deaths ²⁰²⁰	682
Unemployment Rate, Annual Average 2024 ⁴	4.5%

Smith County	
Area (Sq. miles) ¹	922
County Seat ¹	Tyler
Population, 2024 ²	249,060
Anglo	
Male	65,999
Female	71,443
Black	
Male	18,764
Female	22,038
Hispanic	
Male	27,504
Female	27,314
Other	
Male	7,637
Female	8,361
Vital Statistics, ³	
Marriages ²⁰¹⁹	1395
Divorces ²⁰¹⁷	782
Births ²⁰¹⁷	2894
Deaths ²⁰²⁰	2726
Unemployment Rate, Annual Average 2024 ⁴	3.8%

Upshur County	
Area (Sq. miles) ¹	583
County Seat ¹	Gilmer
Population, 2024 ²	44,044
Anglo	
Male	16,136
Female	16,688
Black	
Male	1,551
Female	1,676
Hispanic	
Male	2,490
Female	2,374
Other	
Male	1,503
Female	1,626
Vital Statistics, ³	
Marriages ²⁰¹⁹	162
Divorces ²⁰¹⁷	150
Births ²⁰¹⁷	489
Deaths ²⁰²⁰	556
Unemployment Rate, Annual Average 2024 ⁴	4.5%

REGIONAL COUNTY INFORMATION

Van Zandt County	
Area (Sq. miles) ¹	843
County Seat ¹	Canton
Population, 2024 ²	65,290
Anglo	
Male	24,434
Female	25,596
Black	
Male	1,166
Female	1,227
Hispanic	
Male	4,619
Female	4,397
Other	
Male	1,878
Female	1,973
Vital Statistics, ³	
Marriages ²⁰¹⁹	309
Divorces ²⁰¹⁷	200
Births ²⁰²⁰	575
Deaths ²⁰²⁰	835
Unemployment Rate, Annual Average 2024 ⁴	4.1%

Wood County	
Area (Sq. miles) ¹	645
County Seat ¹	Quitman
Population, 2024 ²	48,742
Anglo	
Male	18,138
Female	18,935
Black	
Male	1,247
Female	1,103
Hispanic	
Male	3,284
Female	3,001
Other	
Male	1,442
Female	1,592
Vital Statistics, ³	
Marriages ²⁰¹⁹	191
Divorces ²⁰¹⁷	151
Births ²⁰²⁰	362
Deaths ²⁰²⁰	754
Unemployment Rate, Annual Average 2024 ⁴	4.8%

Source:

1: Texas Association of Counties

2: <http://demographics.texas.gov>

3: Texas Dept of State Health Services -VSTAT -note as of 2/12/2026
available date for divorce is 2017, marriages is 2019, births and deaths is 2020.

4: <https://texaslmi.com>

EAST TEXAS COUNCIL OF GOVERNMENTS

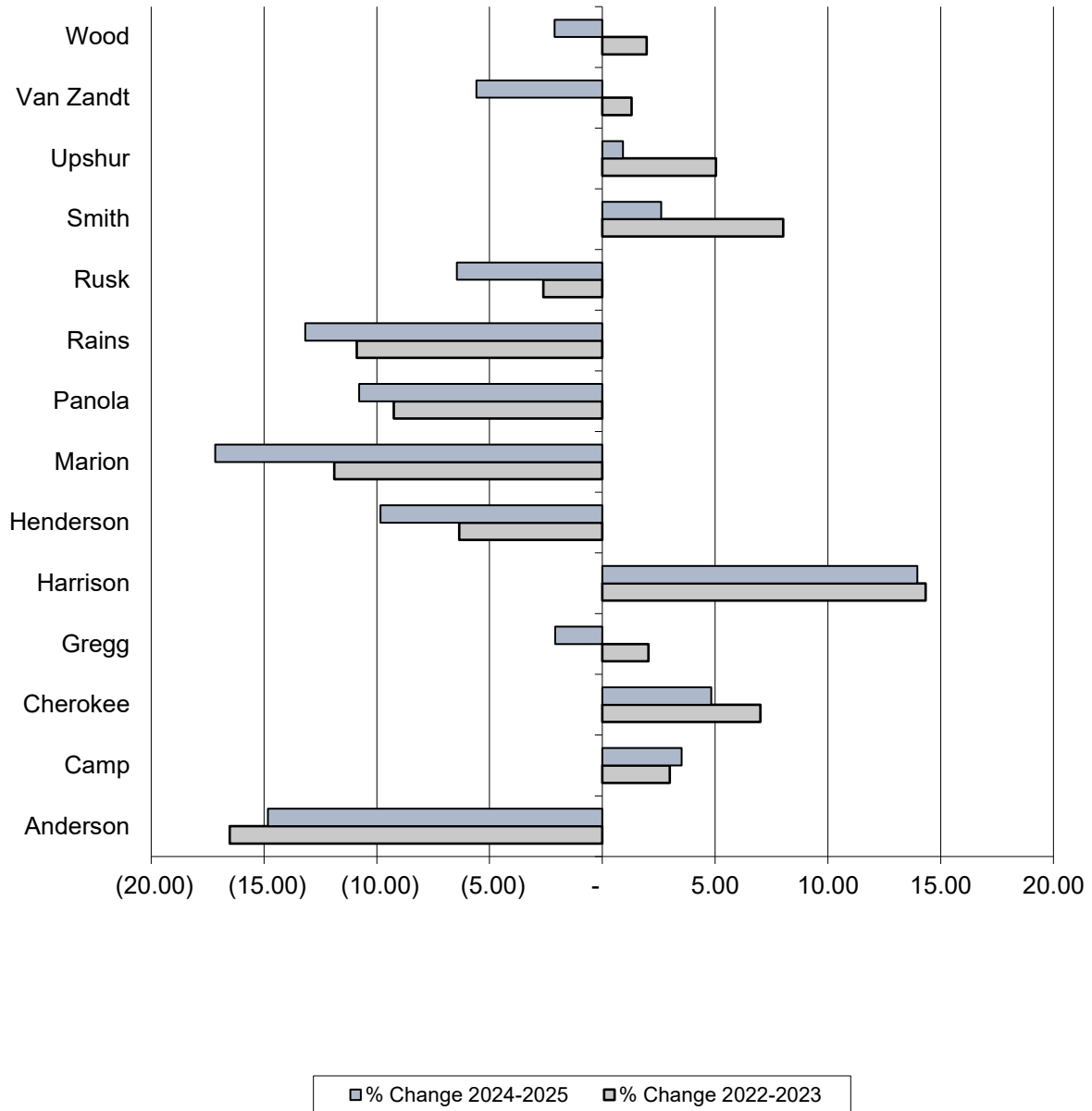
TABLE 7

EMPLOYMENT BY COUNTY

County	2022	2023	2024	2025	% Change 2022-2023	% Change 2024-2025
Anderson	22,560	22,472	22,111	18,833	(16.52)	(14.83)
Camp	4,983	4,913	4,958	5,132	2.99	3.51
Cherokee	19,533	19,404	19,939	20,902	7.01	4.83
Gregg	53,910	55,624	56,187	55,012	2.04	(2.09)
Harrison	26,846	27,994	26,934	30,694	14.33	13.96
Henderson	37,567	38,232	39,025	35,184	(6.34)	(9.84)
Marion	4,022	3,976	4,278	3,544	(11.88)	(17.16)
Panola	9,180	9,139	9,338	8,331	(9.25)	(10.78)
Rains	6,406	6,549	6,575	5,709	(10.88)	(13.17)
Rusk	21,256	21,856	22,127	20,701	(2.61)	(6.44)
Smith	106,916	109,693	112,553	115,494	8.02	2.61
Upshur	16,881	17,357	17,572	17,732	5.04	0.91
Van Zandt	26,478	27,628	28,405	26,821	1.30	(5.58)
Wood	17,034	17,989	17,745	17,370	1.97	(2.11)
WDA	373,572	382,826	387,747	381,459	2.11	(1.62)

Source: Texas Labor Market Information, <https://texaslmi.com>

EMPLOYMENT PERCENT CHANGE



EAST TEXAS COUNCIL OF GOVERNMENTS

POPULATION - CENSUS 1980-2020

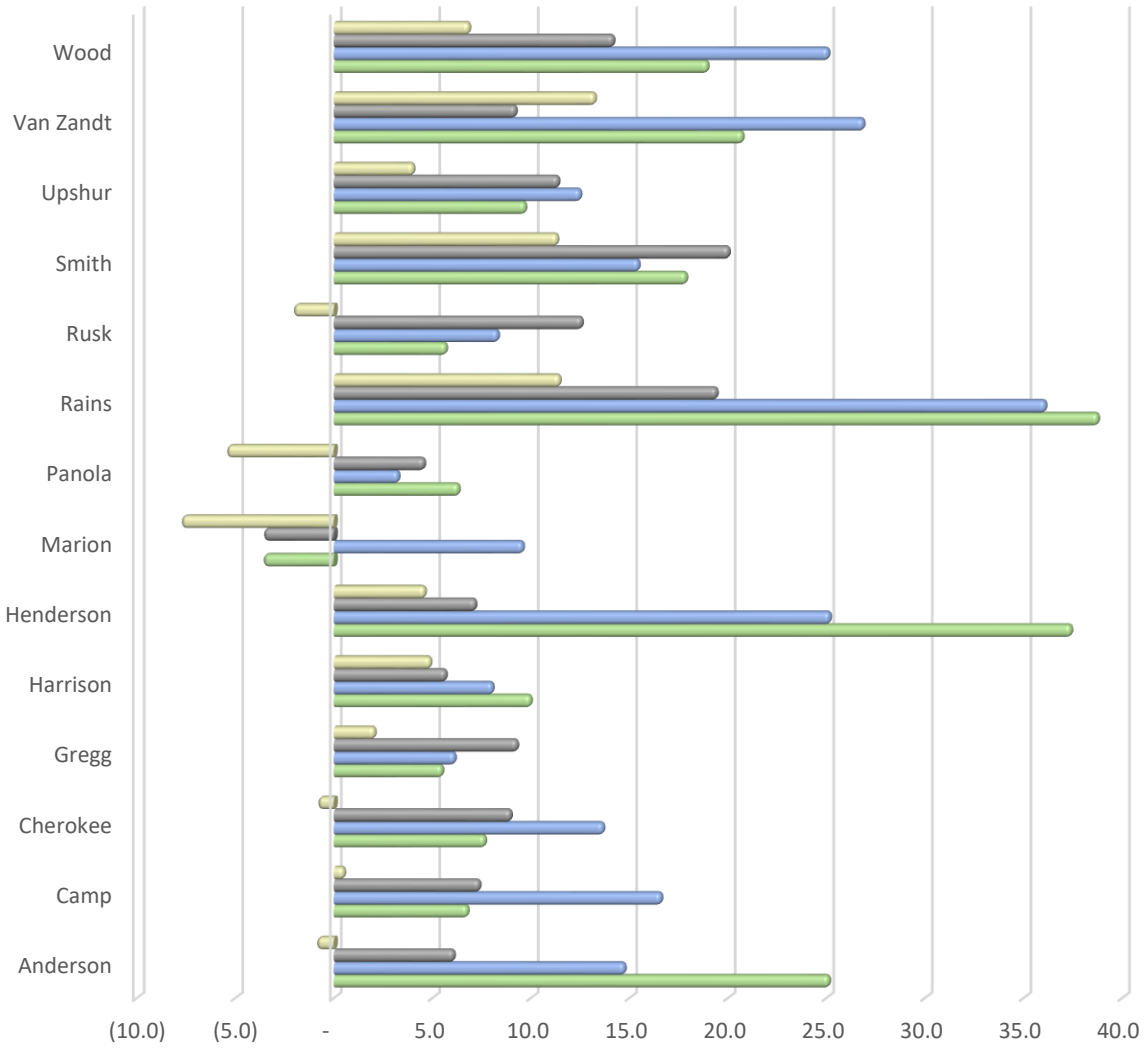
County	1980	1990	2000	2010	2020
Anderson	38,381	48,024	55,109	58,458	57,922
Camp	9,275	9,904	11,549	12,401	12,464
Cherokee	38,127	41,049	46,659	50,845	50,412
Gregg	99,487	104,948	111,379	121,730	124,239
Harrison	52,265	57,483	62,110	65,631	68,839
Henderson	42,606	58,543	73,277	78,532	82,150
Marion	10,360	9,984	10,941	10,546	9,725
Panola	20,724	22,035	22,756	23,796	22,491
Rains	4,839	6,715	9,139	10,914	12,164
Rusk	41,382	43,735	47,372	53,330	52,214
Smith	128,366	151,309	174,706	209,714	233,479
Upshur	28,595	31,370	35,291	39,309	40,892
Van Zandt	31,426	37,944	48,140	52,579	59,541
Wood	24,697	29,380	36,752	41,964	44,843
WDA	570,530	652,423	745,180	829,749	871,375
Texas	14,229,191	16,986,510	20,851,820	25,145,561	29,145,505

Source: Census Bureau - www.census.gov

TABLE 9

% Change 1980-1990	% Change 1990-2000	% Change 2000-2010	% Change 2010-2020
25.1	14.8	6.1	(0.9)
6.8	16.6	7.4	0.5
7.7	13.7	9.0	(0.9)
5.5	6.1	9.3	2.1
10.0	8.0	5.7	4.9
37.4	25.2	7.2	4.6
(3.6)	9.6	(3.6)	(7.8)
6.3	3.3	4.6	(5.5)
38.8	36.1	19.4	11.5
5.7	8.3	12.6	(2.1)
17.9	15.5	20.0	11.3
10	12.5	11.4	4.0
20.7	26.9	9.2	13.2
19.0	25.1	14.2	6.9
14.4	14.2	11.3	5.0
19.4	22.8	20.6	15.9

POPULATION CHANGE CENSUS 1980-2020



Percent Change
 ■ % Change 2010-2020 ■ % Change 2000-2010 ■ % Change 1990-2000 ■ % Change 1980-1990

POPULATION AND HOUSEHOLD BY COUNTY

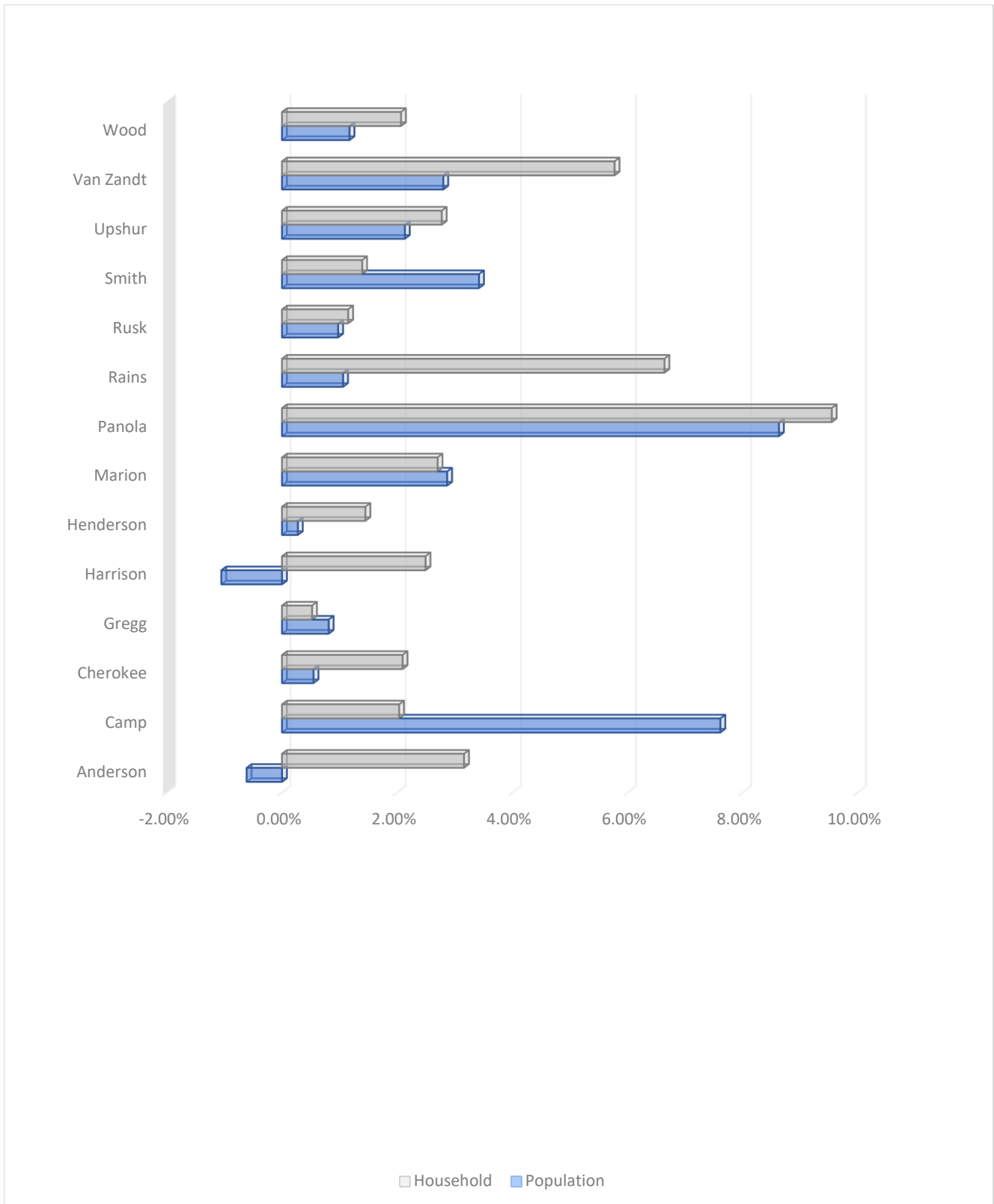
County	Population Forecast			Household Forecast		
	2024	2025	Percent Change	2024	2025	Percent Change
Anderson	59,512	59,147	-0.61%	20,648	21,300	3.16%
Camp	13,162	14,164	7.61%	5,824	5,942	2.03%
Cherokee	53,225	53,516	0.55%	21,053	21,493	2.09%
Gregg	126,668	127,694	0.81%	54,496	54,780	0.52%
Harrison	71,364	70,613	-1.05%	30,235	30,988	2.49%
Henderson	87,452	87,693	0.28%	43,037	43,660	1.45%
Marion	9,702	9,980	2.87%	5,623	5,775	2.70%
Panola	23,021	25,008	8.63%	10,853	11,889	9.55%
Rains	13,305	13,446	1.06%	5,925	6,318	6.64%
Rusk	53,389	53,909	0.97%	21,311	21,556	1.15%
Smith	249,060	257,573	3.42%	101,531	102,943	1.39%
Upshur	44,044	44,983	2.13%	17,519	18,005	2.77%
Van Zandt	65,290	67,117	2.80%	26,227	27,741	5.77%
Wood	48,742	49,313	1.17%	22,388	22,850	2.06%
WDA	917,936	934,156	1.77%	386,670	395,240	2.22%

Source: <https://www.census.gov/data/tables/time-series>



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POPULATION AND HOUSEHOLD CHANGE



EAST TEXAS COUNCIL OF GOVERNMENTS

TOTAL FOURTEEN COUNTY POPULATION AGE
HISTORICAL AND PROJECTED

Age Group	1990 Census		2000 Census		2010 Census	
0 to 4	45,463	7.00%	48,866	6.60%	55,011	7.10%
5 to 14	98,741	15.10%	106,354	14.30%	111,983	13.50%
15 to 19	48,123	7.40%	56,640	7.60%	58,000	6.60%
20 to 24	41,376	6.30%	45,203	6.10%	52,342	6.60%
25 to 34	99,693	15.30%	92,684	12.40%	101,974	12.90%
35 to 44	89,690	13.70%	112,034	15.00%	101,401	12.00%
45 to 54	66,524	10.20%	98,062	13.20%	117,180	13.20%
55 to 64	62,307	9.60%	73,642	9.90%	103,373	12.10%
65 to 74	56,244	8.60%	60,225	8.10%	71,607	8.70%
75 to 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://demographics.texas.gov/Data/TPEPP>

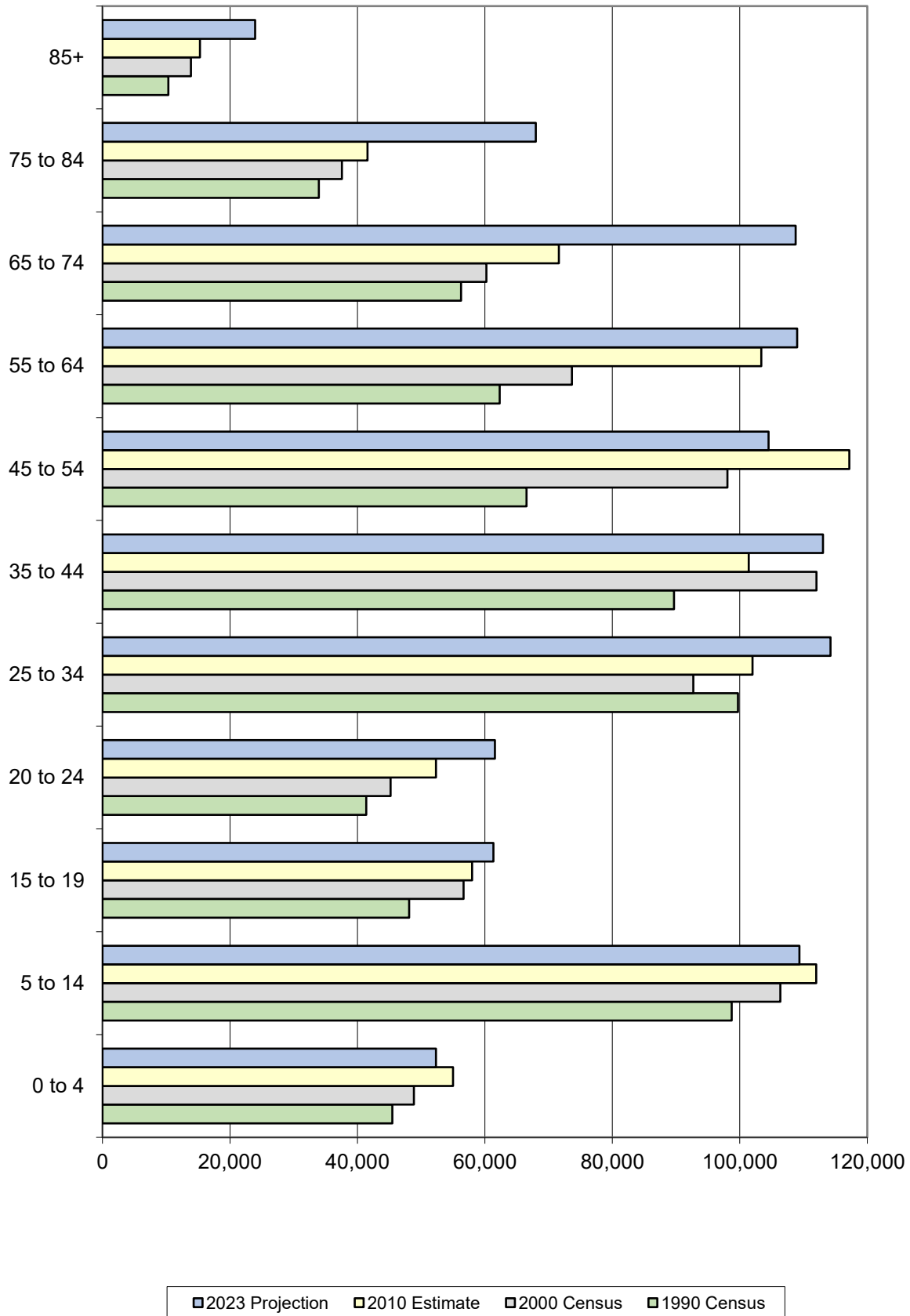
TABLE 13

2026 Projection		Percent Change	
		1990 to 2000	2010 to 2026
52,343	5.65%	7.50%	-4.85%
109,343	11.81%	7.70%	-2.36%
61,350	6.62%	17.70%	5.78%
61,585	6.65%	9.30%	17.66%
114,209	12.33%	-7.00%	12.00%
113,053	12.21%	24.90%	11.49%
104,513	11.29%	47.40%	-10.81%
109,005	11.77%	18.20%	5.45%
108,752	11.74%	7.10%	51.87%
67,998	7.34%	10.60%	63.50%
23,945	2.59%	34.50%	56.62%



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POPULATION AGE HISTORICAL AND PROJECTED



EAST TEXAS COUNCIL OF GOVERNMENTS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population ₁	Personal Income (in thousands) ₂	Per Capita Personal Income ₃	Gross Sales All Industries ₄
2016	853,857	\$ 34,910,348	\$ 37,131	\$ 36,315,638,574
2017	859,975	34,574,823	37,803	32,084,399,061
2018	867,027	37,847,979	39,586	35,152,608,333
2019	870,271	39,094,390	40,690	34,897,407,691
2020	871,375	41,362,391	43,217	33,590,007,805
2021	879,636	44,844,807	47,536	42,305,903,000
2022	893,668	47,970,990	49,371	42,702,827,530
2023	904,313	50,320,323	51,662	40,361,231,450
2024	917,936	52,988,250	53,556	41,679,145,433
2025	934,156	n/a	n/a	42,043,207,047

n/a = information not available

Source:

- 1: Texas Demographic Center: <http://demographics.texas.gov/Data/TPEPP/Projections>
- 2: Regional Economic Info System, Bureau of Economic Analysis, U.S. Department of Commerce
Note: as of 2/13/2026 complete information not yet available for 2025
- 3: Regional Economic Info System, Bureau of Economic Analysis, U.S. Department of Commerce
Note: as of 2/13/2026 complete information not yet available for 2025
- 4: Texas Comptroller of Public Accounts - <https://mycpa.cpa.state.tx.us>
Note: 2025 includes actual Q1, Q2, Q3, and estimated Q4
- 5: Texas Comptroller of Public Accounts - <https://mycpa.cpa.state.tx.us>
Note: 2025 includes actual Q1, Q2, Q3, and estimated Q4
- 6: <https://texaslmi.com>
- 7: <https://texaslmi.com>

TABLE 15

Gross Sales, All Industries Subject to State Tax ₅	Total Employed ₆	Unemployment Rate₇
\$ 8,349,291,122	360,948	0.1%
8,874,160,515	364,284	4.6%
9,540,201,777	363,035	4.7%
9,841,808,647	373,073	3.5%
9,714,993,581	355,615	4.3%
11,507,820,590	372,170	5.6%
12,647,047,136	373,572	4.3%
12,980,858,452	382,826	4.2%
12,875,353,243	390,908	4.2%
12,993,057,518	383,123	4.5%

EAST TEXAS COUNCIL OF GOVERNMENTS

TABLE 16

PRINCIPAL EMPLOYERS 1000+ EMPLOYEES

SEPTEMBER 30, 2025 AND SIX YEARS AGO

Company Information	Employees 2019	% of Total Employment	Employees 2025	% of Total Employment	Difference 2019-2025	Percent Difference 2019-2025
<u>Brookshire Grocery Company</u> 1600 W Southwest Loop 323 Smith County	1,620	7%	1,450	5%	(170)	-10.49%
<u>Christus Trinity Mother Frances</u> 536 S Beckham Ave. Tyler, TX 75702 Smith County	4,095	17%	4,500	16%	405	9.89%
<u>Christus Good Shepherd Health</u> 700 E Marshall Ave Longview, TX 75601-5572 Gregg County	2,530	10%	3,289	11%	759	30.00%
<u>Eastman Chemical CO</u> 300 Kodak Blvd Longview, TX 75602 Gregg County	1,447	6%	1,508	5%	61	4.22%
<u>Longview ISD</u> 1125 Judson Rd Longview, TX 75601 Gregg County	1,263	5%	1,300	5%	37	2.93%
<u>Longview Regional Medical</u> 2901 4th Street Longview, TX 75601 Gregg County	1,064	4%	1,393	5%	329	30.92%
<u>Optimum Communications</u> 4949 S. Broadway Ave. Tyler, TX 75703 Smith County	0	0%	1,150	4%	1,150	0.00%
<u>Sanderson Farms</u> 13523 FM2015 Tyler, TX 75708 Smith County	1,315	5%	1,750	6%	435	33.08%
<u>The Trane Company</u> 6200 Troup Hwy Tyler, TX 75707-1948 Smith County	1,331	5%	2,459	9%	1,128	84.75%
<u>Tyler Independent School</u> 1319 Earl Campbell Parkway Tyler, TX 75701 Smith County	2,639	11%	2,550	9%	(89)	-3.37%
<u>UT Health East Texas</u> 1000 S Beckham Ave Tyler, TX 75701-1908 Smith County	4,439	18%	4,500	16%	61	1.37%

EAST TEXAS COUNCIL OF GOVERNMENTS

TABLE 16

PRINCIPAL EMPLOYERS 1000+ EMPLOYEES

SEPTEMBER 30, 2025 AND SIX YEARS AGO

Company Information	Employees 2019	% of Total Employment	Employees 2025	% of Total Employment	Difference 2019-2025	Percent Difference 2019-2025
<u>UT Health Science Center</u> 11937 US Hwy 271 Tyler, TX 75708-3154 Smith County	1,440	6%	1,450	5%	10	0.69%
<u>Walmart</u> 6801 S. Broadway Ave. Tyler, TX 75703 Smith County	1,241	5%	1,503	5%	262	21.11%
	24,424		28,802			

Source:

http://longviewusa.com/major_employers

<http://tedc.org>

EAST TEXAS COUNCIL OF GOVERNMENTS

FULL TIME EMPLOYEE EQUIVALENTS BY FUNCTION

SEPTEMBER 30, 2025 AND LAST TEN YEARS

	2016	2017	2018	2019	2020
General Government	19.65	17.66	19.60	18.71	20.47
Workforce	25.90	22.46	24.07	27.33	29.65
Area Agency on Aging	16.06	20.85	20.80	19.80	23.67
Transportation	46.97	47.03	43.00	42.00	42.38
Economic Development	0.92	0.85	0.88	1.01	2.56
Environmental Quality	1.35	0.45	0.45	0.42	0.86
ETRDC -Loan Programs	1.29	2.00	2.00	1.90	0.20
Emergency Communications	7.45	8.85	8.85	8.38	9.49
Homeland Security	1.73	1.25	1.25	1.35	0.66
Criminal Justice	1.08	1.10	1.10	1.10	1.56
	<u>122.40</u>	<u>122.50</u>	<u>122.00</u>	<u>122.00</u>	<u>131.50</u>

TABLE 17

2021	2022	2023	2024	2025
22.85	26.81	27.21	29.56	29.56
28.90	30.74	30.02	30.99	31.29
28.15	21.50	20.50	18.80	17.30
52.70	51.70	51.70	51.80	51.80
2.89	2.91	1.61	0.65	1.27
0.68	0.92	0.73	1.15	1.33
0.13	0.47	1.08	1.00	1.50
9.79	11.53	11.19	11.21	11.35
0.48	0.48	0.96	0.84	0.64
0.93	0.94	1.00	1.00	0.56
147.50	148.00	146.00	147.00	146.60

EAST TEXAS COUNCIL OF GOVERNMENTS

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

<u>Workforce Development</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of Children Served	6,914	5,795	7,666	7,705
Total Population Served at Workforce Centers	46,128	37,527	30,094	24,534
WIOA Adults Served	519	452	467	371
WIOA Adults Entering Employment	246	235	232	199
WIOA Dislocated Workers Served	449	333	292	163
WIOA Dislocated Workers Entering Employment	271	258	179	149
WIOA Youth Served	230	211	214	236
WIOA Youth Entering Employment	103	95	105	92
TANF Participants Served	810	901	763	730
TANF Participants Entering Employment	433	472	500	435
Food Stamp Participants Served	1,137	725	752	694
Food Stamp Participants Entering Employment	546	453	373	465
<u>Aging</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Care Coordination	1,827	1,510	919	1,362
Caregiver Information Services	7,100	2,750	2,058	1,572
Respite In Home	3,897	4,174	4,983	8,273
Respite Out of Home	1,670	15	32	101
Caregiver Support Coordination	550	1,194	479	1,178
Congregate Meals	76,827	71,381	69,050	68,941
Emergency Response	326	242	218	230
Evidence Based Intervention	-	462	396	425
Health Maintenance	10	-	35	9
HICAP Assistance & Outreach	-	-	-	-
Home Delivered Meals	313,175	345,458	357,967	367,884
Homemaker	5,415	2,588	3,110	2,463
Income Support	-	-	-	-
Information & Referral	3,540	1,264	2,969	2,311
Instruction & Training	-	-	440	409
Legal Assistance over 60	816	1,012	1,144	821
Legal Awareness & Assistance	620	501	304	165
Nutrition Education	-	14,073	26,842	6,738
Personal Assistance	1,690	848	1,324	995
Residential Repairs	45	105	23	17
Transportation	22,580	27,050	22,642	22,612
<u>Criminal Justice</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Peace Officers Receiving Training	3,525	2,873	3,270	2,586
<u>Emergency Communications</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Calls Received	219,705	193,059	187,066	196,912
<u>Transportation</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Number of Trips	102,395	93,572	88,864	105,780
<u>Environmental Quality</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Tons of Material Diverted	65	18	73	92
Total Number of Illegal Dump Sites Cleaned	257	812	836	503
<u>Economic Development SBA 504 Loans</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Debentures Funded	31	30	32	34
Actual Job Retention from Debentures Funded	240	262	254	326

TABLE 18

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
4,177	3,990	4,105	5,167	5,569	5,817
42,910	82,774	66,680	66,496	57,625	60,285
192	143	327	179	141	235
44	77	49	70	54	154
36	110	134	41	38	55
8	26	38	12	11	37
139	102	185	48	69	101
13	13	14	23	32	56
166	163	300	87	180	192
101	4	-	45	86	127
327	190	578	154	141	233
84	42	99	73	65	104

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1,564	2,495	2,591	1,065	1,656	1,205
974	1,259	1,237	52	46	19
14,519	15,694	16,655	6,489	15,540	6,593
40	20	67	116	150	60
2,002	2,209	1,655	1,065	1,656	843
38,006	19,515	69,031	80,711	56,322	43,334
292	617	901	927	459	368
96	253	631	659	843	703
23	35	23	4	-	-
933	1,093	2,872	1,064	5,137	492
409,680	416,144	452,978	483,699	417,373	293,162
2,938	2,841	4,478	4,011	4,250	1,979
26	15	3	10	3	-
5,602	5,138	7,244	8,402	7,078	4,040
303	77	178	351	249	341
60	234	-	-	-	195
533	197	-	4,261	1,895	3,973
1,811	1,044	879	4,668	2,213	1,453
1,679	4,589	10,686	3,747	3,157	2,863
28	40	21	8	10	5
12,839	16,431	10,750	19,038	25,005	33,778

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1,664	1,156	1,655	1,874	1,550	1,314

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
184,493	162,283	235,610	223,742	235,000	194,000

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
94,314	92,283	109,421	125,031	131,000	155,000

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
729	524	23	112	25	112
571	267	577	92	93	57

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
32	38	41	40	46	2
326	265	274	282	311	16

EAST TEXAS COUNCIL OF GOVERNMENTS

TABLE 19

CAPITAL ASSETS STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

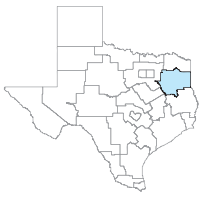
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>General Government</u>										
Buildings (Kilgore, Marshall)	1	1	1	1	1	1	1	1	1	2
Building Improvements	4	5	5	6	6	8	9	9	10	11
Facility Storage Shed	1	1	1	1	1	1	1	1	1	1
Longview & HG Mosley Land	-	-	-	-	-	1	1	1	2	2
Office Equipment	13	14	15	15	13	13	13	13	13	13
Ring Central Phone System	-	-	-	-	1	1	1	1	1	1
Security Equipment	1	1	1	1	1	1	1	1	1	1
Vehicles	6	9	10	10	10	10	11	11	11	12
Haulmark Enclosed Trailer	-	-	-	-	-	1	1	1	1	1
Information Tech Servers	-	-	-	-	-	-	-	-	-	2
Generator	-	-	-	-	-	-	1	1	1	1
<u>Workforce Development</u>										
Office Equipment	4	4	4	4	4	4	4	4	4	4
Arc Welder Equipment	1	1	1	1	1	1	1	1	1	1
Building Improvements/Signage	1	1	1	1	1	1	1	1	1	2
Vehicles	1	5	5	6	8	9	8	8	8	8
Mobile Unit	3	3	3	3	3	3	3	3	2	3
<u>Emergency Communications</u>										
PSAP Equipment	17	17	17	17	17	18	2	2	2	2
Network	-	-	-	-	-	1	1	1	1	1
Recorders	5	5	5	5	5	6	6	6	6	6
Access Control System	-	-	-	1	1	1	1	1	1	1
911 Server	-	-	-	-	1	1	1	1	2	2
Office Equipment	12	13	13	14	12	14	13	13	13	13
Generator	-	-	-	-	-	1	1	1	1	1
Vehicles	-	-	-	-	-	-	-	2	2	2
<u>Aging</u>										
Buildings	1	1	1	1	2	2	2	2	2	2
Transportation Vehicles	13	13	13	10	10	11	11	12	11	9
Office Equipment	7	7	7	7	6	6	6	6	8	8
<u>Transportation</u>										
Buildings - Construction in Progress	-	-	-	-	-	-	-	-	-	1
Furniture for new building	-	-	-	-	-	-	-	-	-	1
Tyler GoBus -NDMJ	-	-	-	-	-	-	-	-	-	1
NDMJ Equipment/Business	-	-	-	-	-	-	-	-	-	1
Transportation Vehicles	51	52	75	72	66	76	74	75	74	70
Addition to Transp Vehicle	-	-	-	-	1	5	5	5	5	5
Trolley	-	-	-	-	1	1	1	1	1	1
SmartDrive SR4 Camera System	-	-	-	-	1	1	1	1	1	1
Decontamination System	-	-	-	-	1	1	1	1	1	1
Marshall Chair Lift	1	1	1	1	1	1	1	1	1	1

Note: Assets in excess of \$5,000

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

East Texas Workforce Development Area

September 2025



WDA Labor Force Statistics

	Sep-25	Aug-25	Sep-24	Yearly Change
Civilian Labor Force	401,347	400,342	396,627	4,720
Employed	383,123	381,076	379,232	3,891
Unemployed	18,224	19,266	17,395	829
Unemployment Rate	4.5%	4.8%	4.4%	0.1%

Texas Labor Force Statistics

	Sep-25	Aug-25	Sep-24	Yearly Change
Civilian Labor Force	15,966,295	15,885,423	15,725,337	240,958
Employed	15,257,506	15,144,991	15,080,090	177,416
Unemployed	708,789	740,432	645,247	63,542
Unemployment Rate	4.4%	4.7%	4.1%	0.3%

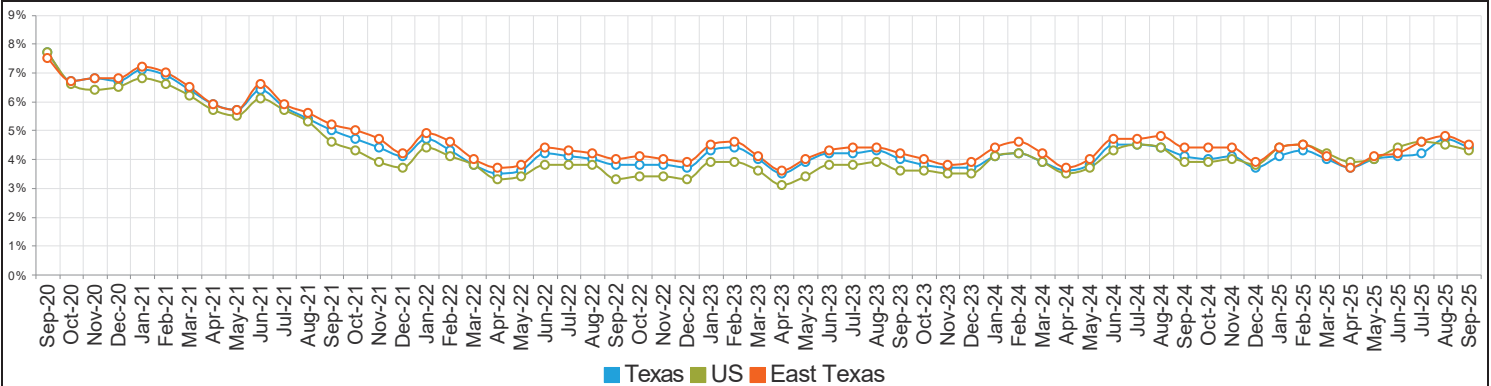
US Labor Force Statistics

	Sep-25	Aug-25	Sep-24	Yearly Change
Civilian Labor Force	171,217,000	171,035,000	168,569,000	2,648,000
Employed	163,894,000	163,288,000	162,046,000	1,848,000
Unemployed	7,324,000	7,747,000	6,524,000	800,000
Unemployment Rate	4.3%	4.5%	3.9%	0.4%

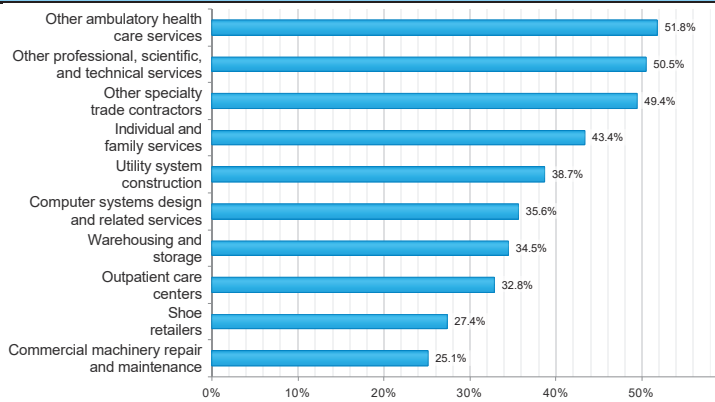
Continued Claims for the Week of the 12th

	Sep-25	Aug-25	Sep-24	Yearly Change
WDA	2,652	2,752	2,871	-219
Texas	129,753	140,132	118,534	11,219

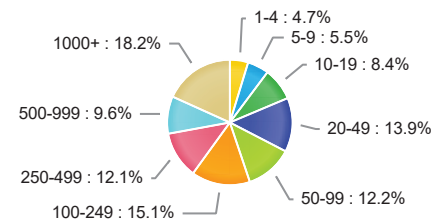
Historical Unemployment Rates



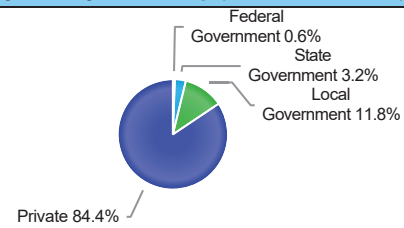
Projected Top Ten Fastest Growing Industries in WDA (% Growth 2022-2032)



Employment by Size Class (2nd Quarter 2025)



Employment by Ownership (2nd Quarter 2025)



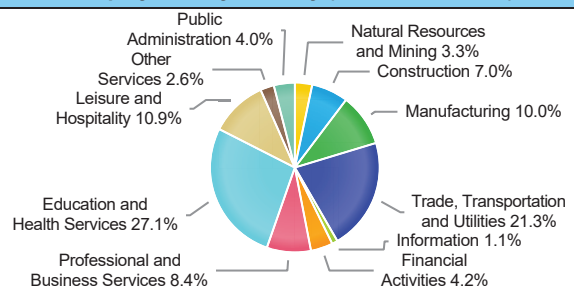
Average Weekly Wage (2nd Quarter 2025)

	Q2 2025	Q1 2025	Q2 2024	Quarterly Change	Yearly Change
WDA	\$1,082	\$1,110	\$1,043	-\$28	\$39
Texas	\$1,422	\$1,586	\$1,380	-\$164	\$42
US	N/A	\$1,589	\$1,389	N/A	N/A

Employment by Industry (2nd Quarter 2025, Percent Change)

Industry	Employment	% of Total	% Quarterly Change	% Yearly Change
Natural Resources and Mining	10,836	3.3%	-2.8%	-5.0%
Construction	22,992	7.0%	1.8%	2.3%
Manufacturing	32,762	10.0%	0.1%	-1.0%
Trade, Transportation and Utilities	69,965	21.3%	-0.1%	0.4%
Information	3,622	1.1%	-1.6%	-6.7%
Financial Activities	13,607	4.2%	0.0%	1.7%
Professional and Business Services	27,536	8.4%	2.1%	3.4%
Education and Health Services	88,978	27.1%	-1.0%	1.9%
Leisure and Hospitality	35,817	10.9%	5.7%	1.4%
Other Services	8,662	2.6%	1.7%	0.1%
Public Administration	13,088	4.0%	1.1%	4.0%

Employment by Industry (2nd Quarter 2025)





**east Texas
council of
GOVERNMENTS**

SINGLE AUDIT SECTION



**east Texas
council of
GOVERNMENTS**

INDEPENDENT AUDITOR'S 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

Board of Directors
East Texas Council of Governments
Kilgore, Texas

We have audited, 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, 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, 2025, 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 31, 2026.

Report on 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) as a basis for designing 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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 entity'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.

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

Waco, Texas
March 31, 2026

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL AND STATE PROGRAMS AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
AND THE STATE OF TEXAS GRANT MANAGEMENT STANDARDS**

Board of Directors
East Texas Council of Governments
Kilgore, Texas

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Programs

We have audited East Texas Council of Governments' (the "Council") compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *Texas Grant Management Standards (TxGMS)* that could have a direct and material effect on each of the Council's major federal and state programs for the year ended September 30, 2025. The Council's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2025.

Basis for Opinion on Each Major Federal and State Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 *TxGMS*. Our responsibilities under those standards, the *Uniform Guidance*, and *TxGMS* are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state programs. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Council's federal and state programs.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the *Uniform Guidance*, and *TxGMS* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Council's compliance with the requirements of each major federal and state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the *Uniform Guidance*, and *TxGMS* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and *TxGMS*, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 and state programs 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *TxGMS*. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
March 31, 2026

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Expenditures	Amounts Provided to Subrecipients
Federal Awards:				
<u>U.S. Department of Agriculture</u>				
Passed through Texas Workforce Commission:				
Supplemental Nutrition Assistance Program 9/30/25	10.561	0825SNE001	\$ 254,949	\$ 149,598
Supplemental Nutrition Assistance Program 9/30/24	10.561	0824SNE001	(5,400)	(5,400)
Supplemental Nutrition Assistance Program 9/30/25	10.561.FED	0825SNE001	89,183	52,488
<i>Total SNAP Cluster</i>			<u>338,732</u>	<u>196,686</u>
<i>Total Passed through Texas Workforce Commission</i>			<u>338,732</u>	<u>196,686</u>
Total U.S. Department Agriculture			<u>338,732</u>	<u>196,686</u>
<u>U.S. Department of Commerce</u>				
Direct Programs:				
District Planning Assistance Program 12/31/26	11.302	ED24AUS0G0106	68,727	-
Total U.S. Department of Commerce			<u>68,727</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Texas Department of Agriculture:				
Texas Community Development Program 8/31/25	14.228	CEDAF24-13	16,820	-
<i>Total Passed through Texas Department of Agriculture</i>			<u>16,820</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>16,820</u>	<u>-</u>
<u>U.S. Department of Labor</u>				
Passed through Texas Workforce Commission:				
Workforce Commission Initiatives 9/30/25	17.207	0825WCI001	10,849	-
Employment Services 12/31/25	17.207	0825WPA001	178,193	-
Employment Services 2/28/25	17.207	0824WPA001	186,825	-
Veterans Outreach Program 9/30/25	17.801	0825TVC001	36,400	-
<i>Total Employment Service Cluster</i>			<u>412,267</u>	<u>-</u>
Reemployment & Eligibility 9/30/25	17.225	0825REA001	731,094	517,914
Reemployment & Eligibility 2/28/25	17.225	0824REA001	117,676	46,716
<i>Subtotal 17.225</i>			<u>848,770</u>	<u>564,630</u>
Trade Act 9/30/25	17.245	0825TRA001	9,832	-
High Demand Job Training -HDJT-001 5/31/25	17.258	0824HJT001	72,498	-
High Demand Job Training -HDJT-002 5/31/25	17.258	0824HJT002	65,204	-
High Demand Job Training -HDJT-001 12/31/25	17.258	0825HJT001	713	-
High Demand Job Training -HDJT-002 4/30/26	17.258	0825HJT002	5,877	-
High Demand Job Training -HDJT-003 7/31/26	17.258	0825HJT003	1,196	-

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Expenditures	Amounts Provided to Subrecipients
Federal Awards (Continued):				
<u>U.S. Department of Labor (Continued)</u>				
Passed through Texas Workforce Commission (Continued):				
WIOA Adult 6/30/27	17.258	0825WOA001	\$ 7,190	\$ 2,426
WIOA Adult 6/30/26	17.258	0824WOA001	2,280,923	1,211,925
WIOA Adult 6/30/25	17.258	0823WOA001	49	-
WIOA Youth 6/30/27	17.259	0825WOY001	4,070	470
WIOA Youth 6/30/26	17.259	0824WOY001	1,488,223	1,009,216
WIOA Youth 6/30/25	17.259	0823WOY001	358,944	90,068
WIOA Youth 6/30/24	17.259	0822WOY001	(24,732)	-
WIOA Rapid Response 6/30/26	17.278	0825WOR001	606	606
WIOA Rapid Response 6/30/25	17.278	0824WOR001	430	-
WIOA Dislocated Worker 6/30/26	17.278	0824WOD001	1,332,461	645,086
WIOA Dislocated Worker 6/30/25	17.278	0823WOD001	930,685	640,638
<i>Total WIOA Cluster</i>			<u>6,524,337</u>	<u>3,600,435</u>
<i>Total Passed through Texas Workforce Commission</i>			<u>7,795,206</u>	<u>4,165,065</u>
Total U.S. Department of Labor			<u>7,795,206</u>	<u>4,165,065</u>
<u>U.S. Department of Transportation</u>				
Passed through Texas Department of Transportation:				
Regional Federal Planning 8/31/26	20.505	51008011026	68	-
Regional Federal Planning 8/31/27	20.505	51008011023	2,500	-
Regional Federal Planning 8/31/25	20.505	51008011025	37,762	-
Regional Federal Planning 8/31/24	20.505	51008012224	(1,550)	-
<i>Subtotal 20.505</i>			<u>38,780</u>	<u>-</u>
Rural Transportation 8/31/25	20.509	51218011025	1,529,124	-
Rural Transportation 11/30/26	20.509	51018021025	140,152	-
Rural Transportation 11/30/26	20.509	51018011026	178,315	-
Rural Transportation 3/31/25	20.509	51018011023	2,164,331	-
Rural Transportation 11/30/24	20.509	51018011024	90,551	-
Rural Transportation 11/30/25	20.509	51018011025	3,031,116	-
Rural Transportation 8/31/25	20.509	51018021025	119,336	-
<i>Subtotal 20.509</i>			<u>7,252,925</u>	<u>-</u>
Enhanced Mobility -ED-2403 Smith Co 8/31/25	20.513	51016031024	83,357	-
Enhanced Mobility -ED-2506 Smith Co 9/30/25	20.513	51016061025	14,762	-
Enhanced Mobility -ED-2510 Smith Co 9/30/25	20.513	51016101025	59,055	-
Enhanced Mobility -ED-2508 Smith Co 9/30/25	20.513	51016081025	188,414	-
Enhanced Mobility -ED-2507 Smith Co 9/30/25	20.513	51016071025	610,786	-
Enhanced Mobility -ED-2509 Smith Co 9/30/25	20.513	51016091025	149,025	-
<i>Subtotal Transit Services Programs Cluster</i>			<u>1,105,399</u>	<u>-</u>
<i>Total Passed through Texas Department of Transportation</i>			<u>8,397,104</u>	<u>-</u>
Total U.S. Department of Transportation			<u>8,397,104</u>	<u>-</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Expenditures	Amounts Provided to Subrecipients
Federal Awards (Continued):				
U.S. Environmental Protection Agency				
Passed through Texas Commission on Environmental Quality:				
Solid Waste Infrastructure for Recycling Grant 8/31/26	66.920	582-25-00034	\$ 125,000	\$ -
<i>Subtotal 66.920</i>			<u>125,000</u>	<u>-</u>
Brownfields 9/30/27	66.818	02F40501	114,673	-
<i>Subtotal 66.818</i>			<u>114,673</u>	<u>-</u>
<i>Total Passed through Texas Commission on Environmental Quality</i>			<u>239,673</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>239,673</u>	<u>-</u>
U.S. Department of Health and Human Services				
Passed through Texas Health and Human Services Commission:				
Title VII Elder Abuse 9/30/25	93.041	HHS000874100011	18,624	-
<i>Subtotal 93.041</i>			<u>18,624</u>	<u>-</u>
Title VII Ombudsman Services 9/30/25	93.042	HHS000874100011	75,192	-
COVID-19 - Title VII Omb Staff 9/30/25 - ARP	93.042	HHS000874100011	7,255	-
<i>Subtotal 93.042</i>			<u>82,447</u>	<u>-</u>
Title III Part D 9/30/25	93.043	HHS000874100011	76,772	-
<i>Subtotal 93.043</i>			<u>76,772</u>	<u>-</u>
Aging Cluster:				
Title III Part B 9/30/25	93.044	HHS000874100011	1,207,599	-
Title III Part C1 9/30/2025	93.045	HHS000874100011	774,133	101,569
Title III Part C2 9/30/25	93.045	HHS000874100011	1,309,716	712,204
Nutrition Service Incentive Program 9/30/25	93.053	HHS000874100011	281,952	281,952
<i>Total Aging Cluster</i>			<u>3,573,400</u>	<u>1,095,725</u>
Title III Part E 9/30/25	93.052	HHS000874100011	374,341	35,407
MIPPA Priority 8/31/26	93.071	HHS000874100011	-	-
MIPPA Priority 8/31/25	93.071	HHS000874100011	42,086	-
<i>Subtotal 93.071</i>			<u>42,086</u>	<u>-</u>
HICAP 3/31/26	93.324	HHS000874100011	60,695	-
HICAP 3/31/25	93.324	HHS000874100011	21,451	-
<i>Subtotal 93.324</i>			<u>82,146</u>	<u>-</u>
<i>Total Passed through Texas Health and Human Services Commission</i>			<u>4,249,816</u>	<u>1,131,132</u>
Passed through Texas Workforce Commission:				
Employment Services 12/31/25	93.558	0825WPA001	10,211	-
Employment Services 2/28/25	93.558	0824WPA001	2,730	-
TANF 10/31/25	93.558	0825TAF001	1,224,128	805,468
TANF 10/31/24	93.558	0824TAF001	154,929	93,180
Non Custodial Parent 9/30/26	93.558	0826NCP001	677	-
Non Custodial Parent 9/30/25	93.558	0825NCP001	163,553	99,849
Workforce Commission Initiatives 9/30/25	93.558	0825WCI001	30,847	16,257
<i>Subtotal 93.558</i>			<u>1,587,075</u>	<u>1,014,754</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor's Number	Expenditures	Amounts Provided to Subrecipients
Federal Awards (Continued):				
<u>U.S. Department of Health and Human Services (Continued)</u>				
Passed through Texas Workforce Commission (Continued):				
Childcare 12/31/25	93.575	0825CCF001	\$ 27,399,763	\$ 26,047,032
Childcare 12/31/24	93.575	0824CCF001	2,415,390	2,177,153
Childcare Quality 10/31/25	93.575	0825CCQ001	1,261,638	-
Childcare Quality 10/31/24	93.575	0824CCQ001	161,803	-
Childcare CCDF Quality 10/31/25	93.575	0825CQF001	1,227,944	-
Childcare 12/31/25	93.596	0824CCF001	5,984,956	5,689,478
Childcare Local Match 12/31/25	93.596	0825CCM001	721,185	721,185
Childcare Local Match 12/31/24	93.596	0824CCM001	<u>1,758,568</u>	<u>1,758,568</u>
<i>Total CCDF Cluster</i>			<u>40,931,247</u>	<u>36,393,416</u>
Childcare Social Services Block Grant 12/31/25	93.667	0825CCF001	<u>59,605</u>	<u>56,662</u>
<i>Total Passed through Texas Workforce Commission</i>			<u>42,577,927</u>	<u>37,464,832</u>
Total U.S. Department of Health and Human Services			<u>46,827,743</u>	<u>38,595,964</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the Office of the Governor, Division of Emergency Management:				
Homeland Security Program 9/30/25	97.067	2947610	78,300	-
Homeland Security Program RAVE 9/30/25	97.067	3115109	<u>80,000</u>	-
<i>Subtotal 97.067</i>			<u>158,300</u>	-
Homeland Security M&A 8/31/26	97.073	3002400107-26	214	-
Homeland Security M&A 8/31/25	97.073	3002400107-25	<u>9,443</u>	-
<i>Subtotal 97.073</i>			<u>9,657</u>	-
<i>Total Passed through the Office of the Governor, Division of Emergency Management</i>			<u>167,957</u>	-
Total U.S. Department of Homeland Security			<u>167,957</u>	-
Total Federal Awards			<u>\$ 63,851,962</u>	<u>\$ 42,957,715</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

<u>State Grantor/Program Title</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
State Awards:			
<u>Texas Health and Human Services Commission</u>			
OMB ALF 8/31/25	HHS000874100011	\$ 73,107	\$ -
Housing Bond 8/31/25	HHS000874100011	14,475	-
State General Revenue 9/30/25	HHS000874100011	145,353	-
State General Revenue HDM Rate Increase 8/31/25	HHS000874100011	119,658	119,658
Total Texas Health and Human Services Commission		<u>352,593</u>	<u>119,658</u>
<u>Office of the Governor, Criminal Justice Division</u>			
Police Training 8/31/26	1426519	605	-
Police Training 8/31/25	1426518	209,646	186,810
Criminal Justice 8/31/26	3002400107-26	4,219	-
Criminal Justice 8/31/25	3002400107-25	46,634	-
Regional Evaluation Services for Juveniles 8/31/26	2541714	3,109	1,141
Regional Evaluation Services for Juveniles 8/31/25	2541713	38,000	34,728
Regional Evaluation Services for Juveniles 8/31/24	2541712	(1,196)	-
Total Office of the Governor, Criminal Justice Division		<u>301,017</u>	<u>222,679</u>
<u>Office of the Governor, Homeland Security Grants Division</u>			
Rusk County - Radio/Repeater Infrastructure Project		<u>1,000,000</u>	<u>1,000,000</u>
<i>Total Statewide Emergency Radio Infrastructure Program</i>		<u>1,000,000</u>	<u>1,000,000</u>
Total Office of the Governor, Homeland Security Grants Division		<u>1,000,000</u>	<u>1,000,000</u>
<u>Texas Commission on Environmental Quality</u>			
Solid Waste 8/31/25	582-24-50086	174,910	71,210
Solid Waste 8/31/27	582-26-00078	6,578	-
Rider 7 Air Quality 12-31-25	582-20-11978	252,562	-
Rider 7 PM2.5 Air Quality 12-31-25	582-24-01388	100,770	-
Total Texas Commission on Environmental Quality		<u>534,820</u>	<u>71,210</u>
<u>Commission on State Emergency Communications</u>			
9-1-1 8/31/26	911-ET-26	262,288	121,694
9-1-1 8/31/25	911-ET-25	2,569,010	979,143
<i>Total 9-1-1 - State</i>		<u>2,831,298</u>	<u>1,100,837</u>
Total Commission on State Emergency Communications		<u>2,831,298</u>	<u>1,100,837</u>
<u>Texas Department of Transportation</u>			
Rural Transportation 8/31/26	51218011026	131,336	-
Service Expansion Program 8/31/26	51418011025	319,748	-
<i>Total Rural Transportation - State</i>		<u>451,084</u>	<u>-</u>
Total Texas Department of Transportation		<u>451,084</u>	<u>-</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

<u>State Grantor/Program Title</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
State Awards (Continued):			
<u>Texas Workforce Commission</u>			
Childcare DFPS 12/31/26	0826CCP001	\$ 135,867	\$ 128,014
Childcare DFPS 12/31/25	0825CCP001	1,685,211	1,660,820
Childcare DFPS 12/31/24	0824CCP001	(610)	(610)
Childcare 12/31/25	0824CCF001	<u>3,058,055</u>	<u>2,907,078</u>
<i>Total CCDF - State</i>		<u>4,878,523</u>	<u>4,695,302</u>
VR SEAL 9-30-25	3022VRS033	98,972	93,993
VR Navigator 8-31-27	3024VRS044	123,156	-
VR Paid Work Experience 9-30-27	3024VRS099	209,773	-
ISS 8/31/26	0826COL001	16,896	-
ISS 10/31/25	0825COL001	153,087	-
Supplemental Nutrition Assistance Program 9/30/25	0825SNE001	<u>41,612</u>	<u>24,490</u>
<i>Total Other Workforce - State</i>		<u>643,496</u>	<u>118,483</u>
TANF 10/31/25	0824TAF001	253,954	167,100
Non Custodial Parent 9/30/25	0825NCP001	<u>180,351</u>	<u>110,105</u>
<i>Total TANF - State</i>		<u>434,305</u>	<u>277,205</u>
<i>Total Texas Workforce Commission</i>		<u>5,956,324</u>	<u>5,090,990</u>
<i>Total State Awards</i>		<u>11,427,136</u>	<u>7,605,374</u>
<i>Total Federal and State Awards</i>		<u>\$ 75,279,098</u>	<u>\$ 50,563,089</u>

EAST TEXAS COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

3. NEGATIVE AMOUNTS

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

4. INDIRECT COSTS

The Council has elected not to use the 15% de minimis indirect cost rate as allowed in the Uniform Guidance.

EAST TEXAS COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Summary of Auditor's Results

Financial Statements:

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

Federal and State Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance or <i>Texas Grant Management Standards</i> ?	None
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Identification of major programs:

Assistance Listing Numbers: 17.258, 17.259, 17.278 93.044, 93.045, 93.053 93.575, 93.596	Name of Federal/State Program or Cluster: WIOA Cluster Aging Cluster CCDF Cluster
State	CCDF - State
State	State Emergency Radio Infrastructure Program

Dollar threshold used to distinguish between type A and type B federal programs	\$1,915,559
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Dollar threshold used to distinguish between type A and type B state programs	\$1,000,000
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Auditee qualified as low-risk auditee?	Yes
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Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Government Auditing Standards

None

Findings and Questioned Costs for Federal and State Awards

None



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SERVING A FOURTEEN COUNTY REGION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

None