

**SMITH COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**SMITH COUNTY, TEXAS**  
**Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2007**

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Annual Financial Report  
For the Fiscal Year Ended September 30, 2007**

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## **FINANCIAL SECTION**

**HENRY & PETERS, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Commissioners' Court of Smith County  
Tyler, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Smith County, Texas, as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Smith County, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Smith County, Texas as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2008 on our consideration of Smith County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 43 through 47 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Smith County, Texas' basic financial statements. The combining nonmajor fund financial statements and County data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements of Smith County, Texas. The combining nonmajor fund financial statements and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The County data has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Henry & Peters, P.C.*

Tyler, Texas  
April 24, 2008

# SMITH COUNTY, TEXAS

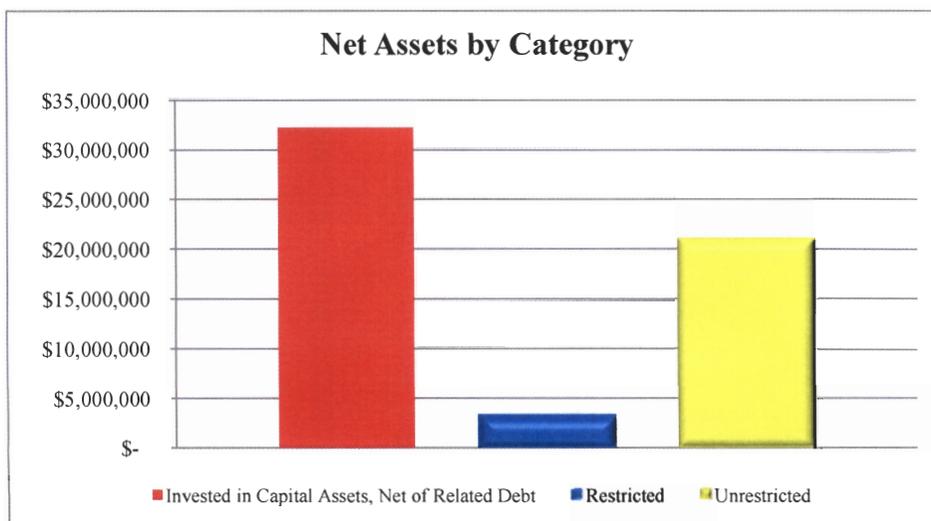
## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the County of Smith's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2007. The MD&A should be read in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements. The discussion and analysis includes comparative data for prior years of government-wide data.

### FINANCIAL HIGHLIGHTS

#### *Government-Wide:*

- The County's total net assets increased by \$7,375,193.
- The total government-wide assets of the County exceeded the liabilities at September 30, 2007 by \$57,681,763 as is reported as total net assets of the primary government. Of this amount, \$21,036,147 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$3,235,153 is restricted for specific purposes (restricted net assets), and \$33,410,463 is invested in capital assets, net of related debt.



***Fund Financial Statements:***

- At the end of the fiscal year, the combined unreserved fund balance for the general operating funds (General, Juvenile General, Facility Improvement, and Indigent Health Care) was \$11,770,364 or 25% of the combined expenditures.

***Long-Term Debt:***

- In fiscal year 2007, the County did not issue any additional long-term debt.
- Smith County's total debt decreased by \$1,900,000. Total debt at the end of fiscal year 2007 is \$14,210,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to introduce the reader to the County's basic financial statements. These statements are comprised of three components 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. Required supplementary information is included to the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of county finances, in a manner similar to a private-sector business. They include a Statement of Net Assets and a Statement of Activities. Both of these statements are presented using the accrual method of accounting; therefore, revenues and expenses are taken into account regardless of when cash is received or when liabilities are paid.

The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets will serve the reader as a useful indicator of whether the financial position of the County is improving or deteriorating. There are other non-financial factors, such as changes in the County's property tax base and the condition of the County's roads and facilities, that should be considered to assess the overall health of the County.

The Statement of Activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Due to a full accrual presentation, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general

government, judicial, public safety/law enforcement, health and welfare, public transportation, and community and economic development. The County has no business-type activities and no component units.

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows 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 the County's near-term financing requirements.

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

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Road and Bridge Fund, and Other Governmental Funds. The General Fund consists of the County's General Fund, Juvenile General Fund, Facility Improvement Fund, and the Indigent Health Care Trust Fund. Data from other governmental funds is combined into a single, aggregated presentation.

**Proprietary Funds** provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a component of proprietary funds) is used to report activities that provide supplies and services for other programs and activities, such as the County's self-insurance program. Because these services predominantly benefit governmental rather than business-type functions, the Internal Service Fund is reported with governmental activities in the government-wide financial statements.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Basic Financial Statements** provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information** is in addition to the basic financial statements and accompanying notes and presents a budgetary comparison schedule, which includes the original and final amended budget and actual figures.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Of the County's total assets of \$83,275,703 the largest components are: (1) cash and investments of \$25,921,555 or 31% (2) receivables which largely represent the deferred taxes for FY 2007 of \$6,006,637 or 7%, and (3) capital assets net of accumulated depreciation of \$50,765,842 or 61%. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of the total liabilities of \$25,593,940, approximately \$5,767,521 are current liabilities.

The County's assets exceeded liabilities by \$57,681,763 at the close of the most recent fiscal year. The County's net assets for fiscal year ended September 30, 2006 and 2007 are summarized as follows:

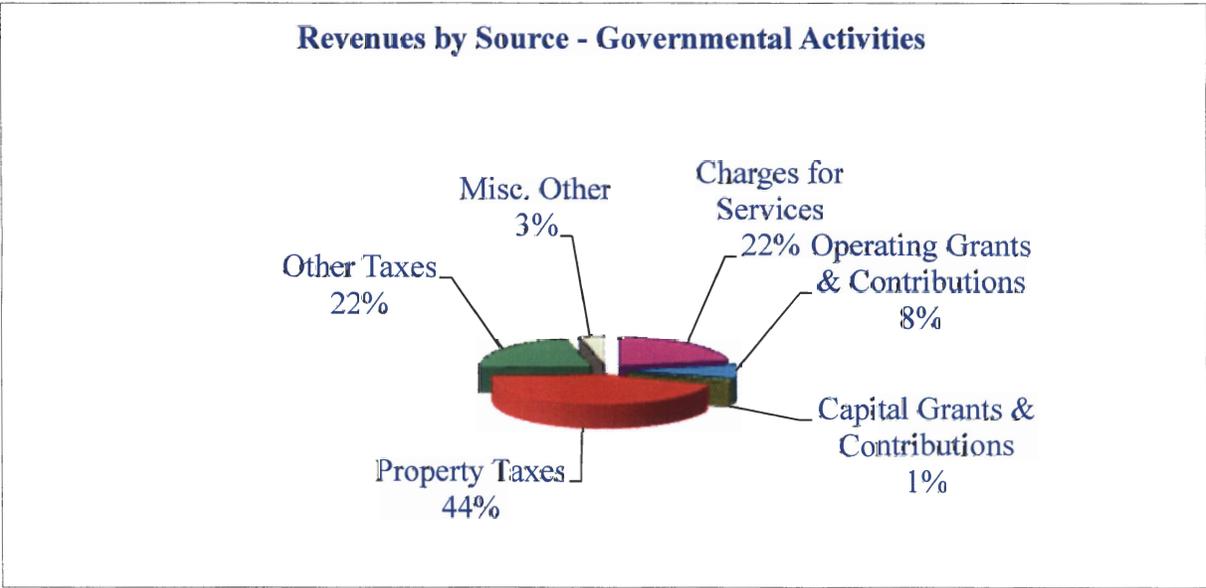
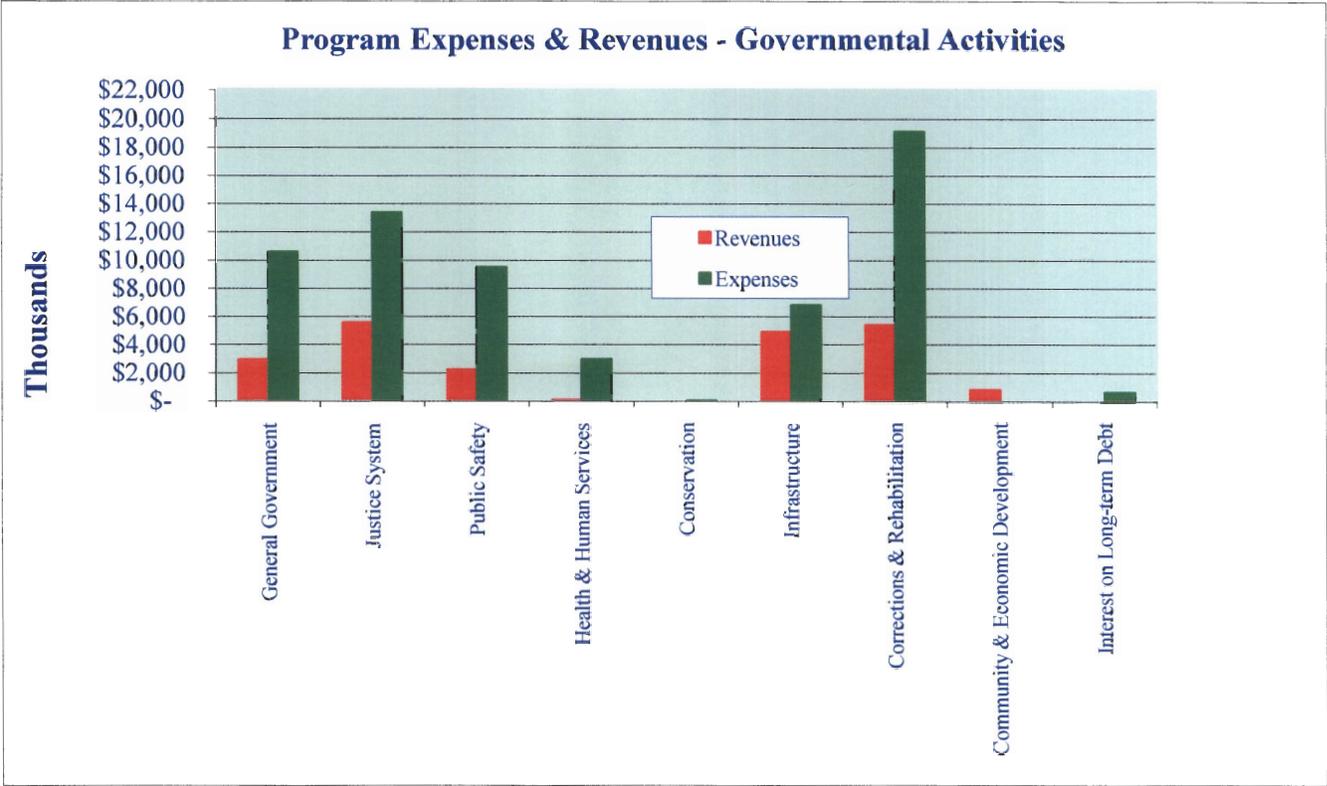
	<b>Governmental Activities FY06</b>	<b>Governmental Activities FY07</b>
Current and Other Assets	\$ 30,276,832	\$ 32,509,860
Capital Assets (net of depreciation)	48,434,255	50,765,843
<b>Total Assets</b>	<b>\$ 78,711,087</b>	<b>\$ 83,275,703</b>
Current and Other Liabilities	\$ 5,656,133	\$ 5,767,521
Long-term Liabilities	22,748,384	19,826,419
<b>Total Liabilities</b>	<b>\$ 28,404,517</b>	<b>\$ 25,593,940</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 27,880,686	\$ 33,410,463
Restricted	6,141,813	3,235,153
Unrestricted	16,284,071	21,036,147
<b>Total Net Assets</b>	<b>\$ 50,306,570</b>	<b>\$ 57,681,763</b>

About 6% or \$3,235,153 of the County's net assets represent restricted net assets which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion (\$33,410,463) of the County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) net of related debt.

Governmental activities increased the County's net assets by \$7,375,193. The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds further details the increase in net assets.

## Smith County's Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2007
<i>Revenues:</i>		
Net Program Revenues:		
Charges for Services	\$ 15,086,508	\$ 15,311,142
Operating Grants and Contributions	5,051,011	5,441,925
Capital Grants and Contributions	1,442,703	903,028
General Revenues:		
Property Taxes	26,427,379	30,751,982
Sales and Other Taxes	14,275,527	15,255,632
Rentals and Commissions	686,611	620,441
Reimbursements	78,417	38,336
Miscellaneous	176,327	143,508
State Shared	-	144,718
Gain on Sale of Assets	7,565	3,274
Loss on donation of assets	-	-
Interest	1,264,887	1,551,451
Total Revenues	64,496,935	70,165,437
<i>Expenses:</i>		
General Government	\$ 9,095,728	\$ 10,562,099
Justice System	15,233,280	13,321,926
Public Safety	7,826,792	9,469,038
Health and Human Services	2,953,574	2,931,395
Conservation		25,112
Infrastructure	4,543,461	6,787,532
Corrections and Rehabilitation	18,619,469	19,083,700
Community and Economic Development	-	
Interest on Long-term Debt	998,811	609,442
Total Expenses	59,271,115	62,790,244
Change in Net Assets	5,225,820	7,375,193
Net Assets - Beginning	45,080,750	50,306,570
Other Increases (Decreases) in Fund Balance		
Net Assets - Ending	\$ 50,306,570	\$ 57,681,763



Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$21,656,095 equaled 34% of governmental expenses of \$62,790,244. As expected, general revenues of \$48,509,343 provided the additional support and coverage for expenses.
- Over 30% of the expenses are for Corrections & Rehabilitation (\$19,083,700) while this category provided about 8% of total revenues of \$70,165,438.
- The next largest category of expenses is the Justice System (\$13,321,926) at 21%. The Justice System provided about 7.8% of total revenues. Justice System expenses increases are due to indigent defense legislation that resulted in changes regarding assignment of attorneys and movement of prisoners and is dependent upon the number and costs of capital murder trials.
- Public Safety activities accounted for 15% of governmental expenses while this category provided 3% of total revenues.
- Infrastructure (Road & Bridge) accounted for 11% of governmental expenses while this category provided 6.92% of total revenues.
- Grant revenues and contributions comprised about 9% of total revenues.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund accounting and budget controls have been the framework of the County's strong fiscal management and accountability. The County has an AA3/AA bond rating.

**Governmental Funds** - The general government functions are reported in the General, Special Revenue, Debt Service and Capital Project Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

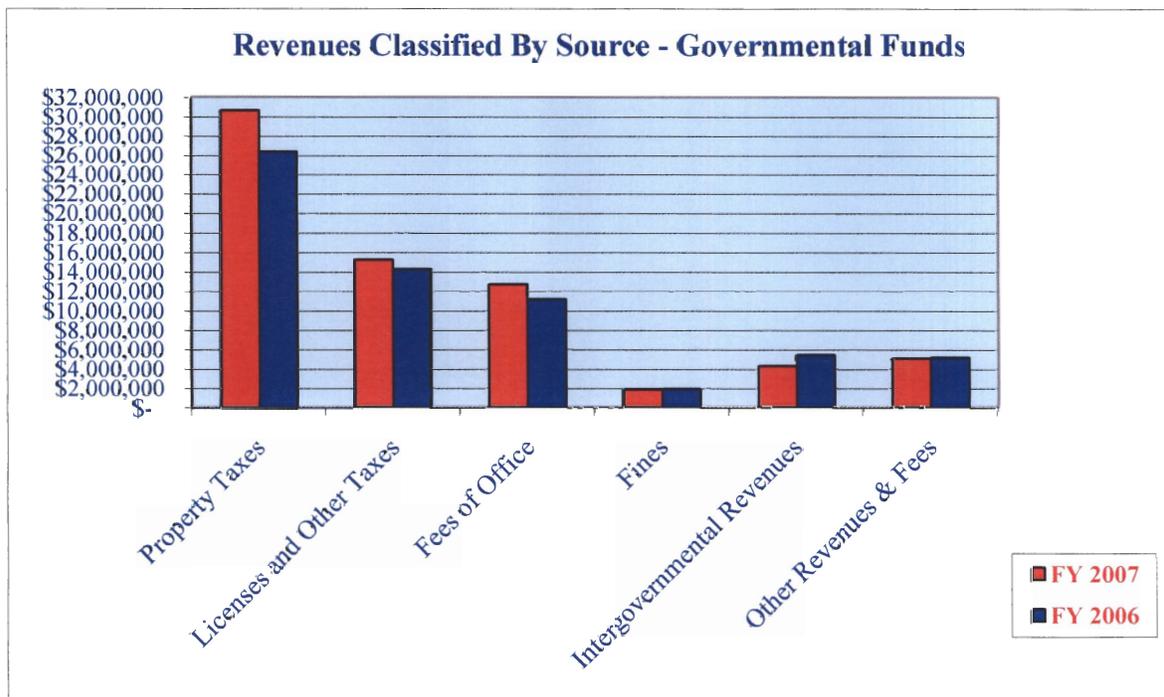
As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$24,168,979. Approximately 87%, or \$20,933,826, of the funds balance represents unreserved fund balance which is available for spending. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: (1) to pay debt service (\$1,227,199); (2) to fund capital projects (\$2,007,954).

The County's General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance in the County's General Fund was \$7,915,144. As a measure of the general fund's liquidity, we compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance in the County's general fund (\$7,915,144) represents approx. 17% of the County's general fund expenditures. General budgetary targets for reserves are 12% of expenditures. The fund balance of the County's general fund increased by \$1,201,263 during the current fiscal year.

The debt service fund has a total fund balance of \$1,227,199, an increase of \$452,391, as compared with the prior year.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues by Source	FY 2007	FY 2006	Increase (Decrease)	Percent of Change
Property Taxes	\$ 30,673,980	\$ 26,392,836	\$ 4,281,144	16.22%
Licenses and Other Taxes	15,258,333	14,280,687	977,646	6.85%
Fees of Office	12,716,102	11,191,108	1,524,994	13.63%
Fines	1,870,588	1,936,923	(66,335)	-3.42%
Intergovernmental Revenues	4,317,179	5,457,707	(1,140,528)	-20.90%
Other Revenues and Fees	5,106,537	5,203,132	(96,595)	-1.86%
<b>Total Revenues</b>	<b>\$ 69,942,719</b>	<b>\$ 64,462,393</b>	<b>\$ 5,480,326</b>	<b>8.50%</b>

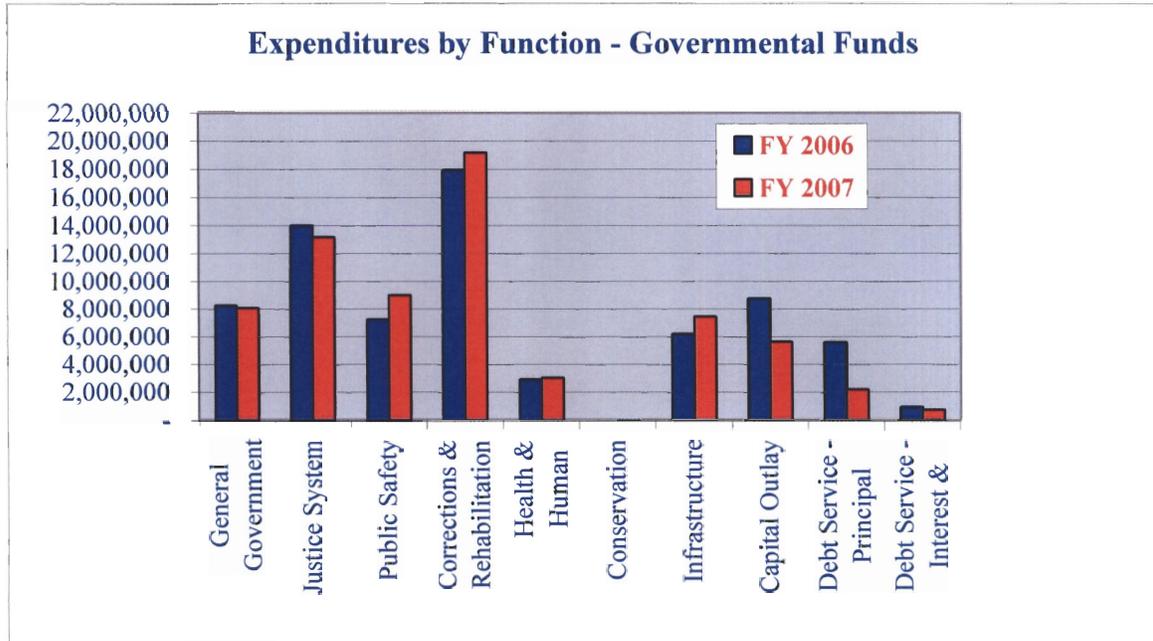


- Taxes - the increase of \$4,281,144 was primarily due to an increase from the prior year in the certified tax roll compiled by the Smith County Appraisal District and a slight tax rate increase from .25447 in FY 2006 to .268275 in FY 2007.
- The increase in Licenses and Other Taxes is primarily a result of the increase in sales tax revenue from FY 2006 of \$977,646.

The following table presents expenditure by function compared to prior year amounts.

Expenditures by Function	FY 2007	FY 2006	Increase (Decrease)	Percent of Change
General Government	\$ 8,065,066	\$ 8,244,300	\$ (179,234)	-2.17%
Justice System	13,187,193	14,005,201	(818,008)	-5.84%
Public Safety	8,993,405	7,251,811	1,741,594	24.02%
Corrections and Rehabilitation	19,180,368	17,953,557	1,226,811	6.83%
Health and Human Services	3,009,062	2,896,398	112,664	3.89%
Conservation	25,112	-	25,112	-
Infrastructure	7,444,547	6,188,899	1,255,648	20.29%
Capital Outlay	5,640,453	8,742,763	(3,102,310)	-35.48%
Debt Service - Principal	2,173,769	5,590,729	(3,416,960)	-61.12%
Debt Service - Interest and Fiscal Charges	716,713	935,618	(218,905)	-23.40%
	<b>\$ 68,435,688</b>	<b>\$71,809,276</b>	<b>\$ (3,373,588)</b>	<b>-4.70%</b>

Overall, total expenditures decreased by 4.7%. The primary decrease in expenditures was due to ongoing capital projects that are now reaching completion. Secondly, the debt service principal reduction decrease was due to the defeasance of remaining bond proceeds associated with the Juvenile Attention Facility construction project in FY 2006. The public safety increase of 24.02% is mostly attributed to staff and salary increases and the rising cost of fuel. Corrections and Rehabilitation increases of 6.83% are attributed primarily to the number of inmates being housed out of county.



**GENERAL FUND BUDGETARY HIGHLIGHTS**

The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the County Budget Officer and approved by the Commissioners Court following a public hearing. Appropriated budgets are approved and employed as a management control device during the year. The County maintains strict budgetary controls and sets its appropriations at the category level (i.e. salaries, benefits, operating expenses and capital) for each department. Appropriation transfers may be made between select categories or departments only with the approval of the Commissioners Court.

The following are significant variations between the final budget and actual amounts.

- Actual revenues were higher than budgeted by \$1,920,686. Sales tax (\$1,368,168), Fees of Office (\$340,220), and Interest Income (\$296,390) resulted in the most significant revenues increases.
- Actual expenditures were lower than budgeted in all categories. General and Administrative expenses were lower by \$1,214,234 mainly due to salary lag. Judicial expenses were lower by \$793,745 mainly attributable to salary lag in Juvenile Probation. Public Safety/Law Enforcement expenses were lower by \$256,910 mainly attributable to salary lag in the Sheriff’s office.

**DEBT ADMINISTRATION AND CAPITAL ASSETS**

**Long-term Debt** - At September 30, 2007, the County had certificates of obligation outstanding in the amount of \$14,210,000. The County’s bond rating is AA3 from Moody’s and AA from Standard and Poor’s.

The following represents the activity of the long-term debt of the County for FY2007.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Limited Tax Notes	\$ -	\$ -	\$ -	\$ -
Certificates of Obligation	16,110,000	-	1,900,000	14,210,000
Compensated Absences	1,946,649	200,836	-	2,147,485
Capital Leases	4,691,735	201,476	1,424,277	3,468,934
<b>Total</b>	<b>\$ 22,748,384</b>	<b>\$ 402,312</b>	<b>\$ 3,324,277</b>	<b>\$ 19,826,419</b>

**Capital Assets** - The capital assets of the County are those assets (land, buildings, improvements, roads and bridges, and machinery and equipment), which are used in the performance of the County's functions including infrastructure assets. At September 30, 2007, net capital assets of the governmental activities totaled \$50,765,843. Depreciation on capital assets is recognized in the government-wide financial statements.

**County's Capital Assets**

	Cost	Accumulated Depreciation	Net Capital Assets
<b>Governmental Activities:</b>			
Land	\$ 145,396	\$ -	\$ 145,396
Buildings and Improvements	36,118,750	15,750,951	20,367,799
Machinery and Equipment	18,814,284	11,620,460	7,193,824
Infrastructure	67,779,968	47,564,243	20,215,725
Construction in Progress	2,843,099	-	2,843,099
<b>Total</b>	<b>\$ 125,701,497</b>	<b>\$ 74,935,654</b>	<b>\$ 50,765,843</b>

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

The annual budget is developed to provide efficient and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the County budget for FY 2008, the County Commissioners and management considered the following factors:

- Property tax revenues, despite the overall economy, are budgeted to increase due to the rise in certified values.
- Interest rates are planned to decrease slightly.
- An approved 3 year salary plan was adopted by the Commissioners Court.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the appropriate financial office (County Auditor, County Treasurer or County Judge) at 200 E. Ferguson St., Tyler, Texas 75702 or visit the County's website at [www.smith-county.com](http://www.smith-county.com).

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**EXHIBIT 1**

**SMITH COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,807,981
Investments	24,113,574
Receivables (net of allowance for doubtful accounts)	6,006,637
Investment in joint venture	271,838
Prepays and other assets	265,393
Bond issue costs, net	44,438
Capital assets (net of accumulated depreciation):	
Land	145,396
Buildings	16,708,209
Improvements	3,659,589
Machinery and equipment	7,193,824
Construction in progress	2,843,099
Infrastructure	<u>20,215,725</u>
Total Assets	83,275,703
<b>LIABILITIES</b>	
Vouchers payable	4,220,017
Salaries payable	1,181,684
Accrued interest payable	99,996
Deferred revenues	265,824
Long-term debt:	
Due within one year	4,688,861
Due in more than one year	<u>15,137,558</u>
Total Liabilities	<u>25,593,940</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	33,410,463
Restricted for:	
Debt service	1,227,199
Capital projects	2,007,954
Unrestricted	<u>21,036,147</u>
Total Net Assets	<u>\$ 57,681,763</u>

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

EXHIBIT 2

SMITH COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>Primary Government:</b>					PRIMARY GOVERNMENT
Governmental activities:					GOVERNMENTAL ACTIVITIES
General government	\$ 10,562,099	\$ 2,667,458	\$ 223,384	\$ 3,129	\$ (7,668,128)
Justice system	13,321,926	3,798,594	1,710,089	-	(7,813,243)
Public safety	9,469,038	822,200	1,381,397	-	(7,265,441)
Health and human services	2,931,395	10	41,050	-	(2,890,335)
Conservation	25,112	-	-	-	(25,112)
Infrastructure	6,787,532	4,746,757	109,292	-	(1,931,483)
Corrections and rehabilitation	19,083,700	3,121,680	1,940,961	300,173	(13,720,886)
Community and economic development	-	154,443	35,752	599,726	789,921
Interest on long-term debt	609,442	-	-	-	(609,442)
Total primary government	\$ 62,790,244	\$ 15,311,142	\$ 5,441,925	\$ 903,028	\$ (41,134,149)
General revenues:					
Property taxes					\$ 30,751,982
Sales taxes					14,868,168
Other taxes					387,464
Rentals and commissions					620,441
Reimbursements					38,336
Miscellaneous					143,508
State Shared					144,718
Gain on sale of assets					3,274
Interest earned					1,551,451
Total general revenues and transfers					48,509,342
Change in net assets					7,375,193
Net assets - beginning of year					50,306,570
Net assets - end of year					\$ 57,681,763

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

**FUND FINANCIAL STATEMENTS**

SMITH COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 103,271	\$ 1,535,510	\$ 1,638,781
Investments	10,806,957	2,807,146	9,303,325	22,917,428
Receivables:				
Property taxes	1,550,954	228,994	189,066	1,969,014
Other	3,575,842	183,463	358,454	4,117,759
Prepaid and other assets	219,359	31,202	14,832	265,393
Due from other funds	243,545	-	-	243,545
Total assets	\$ 16,396,657	\$ 3,354,076	\$ 11,401,187	\$ 31,151,920

**LIABILITIES AND FUND BALANCES**

Liabilities:				
Vouchers payable	\$ 2,301,817	\$ 1,204,595	\$ 206,292	\$ 3,712,704
Salaries payable	868,532	113,292	199,860	1,181,684
Bank overdraft	152,749	-	1,652	154,401
Due to other funds	-	-	243,545	243,545
Deferred revenues	1,303,195	226,585	160,827	1,690,607
Total liabilities	4,626,293	1,544,472	812,176	6,982,941
Fund Balances:				
Reserved for:				
Debt service	-	-	1,227,199	1,227,199
Capital projects	-	-	2,007,954	2,007,954
Total reserved fund balances	-	-	3,235,153	3,235,153
Unreserved:				
Designated reported in:				
Indigent Health Care	1,644,337	-	-	1,644,337
Juvenile General	1,180,223	-	-	1,180,223
Undesignated reported in:				
General Fund	8,945,804	-	-	8,945,804
Special Revenue Fund	-	1,809,604	7,353,858	9,163,462
Total unreserved fund balances	11,770,364	1,809,604	7,353,858	20,933,826
Total fund balances	11,770,364	1,809,604	10,589,011	24,168,979
Total liabilities and fund balances	\$ 16,396,657	\$ 3,354,076	\$ 11,401,187	\$ 31,151,920

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

**EXHIBIT 4**

**SMITH COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS (EXHIBIT 1)  
SEPTEMBER 30, 2007**

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3)	\$ 24,168,979
Capital assets used in governmental activities are not current financial resources and therefore , are not reported in the governmental funds balance sheet.	51,037,680
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,526,566
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(99,996)
Internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	830,515
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.	<u>(19,781,981)</u>
Net assets of governmental activities	<u><u>\$ 57,681,763</u></u>

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

**SMITH COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Property taxes	\$ 24,231,170	\$ 3,529,409	\$ 2,913,401	\$ 30,673,980
Licenses and other taxes	15,258,333	-	-	15,258,333
Fees of office	5,269,120	3,704,576	3,742,406	12,716,102
Fines	845,271	1,025,317	-	1,870,588
Intergovernmental revenues	560,311	87,504	3,669,364	4,317,179
Other revenues and fees	3,055,844	204,996	1,845,697	5,106,537
Total revenues	49,220,049	8,551,802	12,170,868	69,942,719
<b>EXPENDITURES</b>				
Current:				
General government	7,586,654	-	478,412	8,065,066
Justice system	12,727,417	-	459,776	13,187,193
Public safety	7,516,404	-	1,477,001	8,993,405
Corrections and rehabilitation	14,826,064	-	4,354,304	19,180,368
Health and human services	2,803,912	-	205,150	3,009,062
Conservation	-	-	25,112	25,112
Infrastructure and environmental	-	7,444,547	-	7,444,547
Capital outlay	873,427	219,791	4,547,235	5,640,453
Debt service:				
Principal retirement	230,415	43,354	1,900,000	2,173,769
Interest and fiscal charges	16,708	3,582	696,423	716,713
Total expenditures	46,581,001	7,711,274	14,143,413	68,435,688
Excess (deficiency) of revenues over (under) expenditures	2,639,048	840,528	(1,972,545)	1,507,031
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	358,543	358,543
Transfers (out)	(758,543)	-	-	(758,543)
Bond proceeds	-	-	-	-
Capital lease proceeds	201,476	-	-	201,476
Total other financing sources (uses)	(557,067)	-	358,543	(198,524)
Net change in fund balances	2,081,981	840,528	(1,614,002)	1,308,507
Fund balances - beginning of year	9,688,383	969,076	12,203,013	22,860,472
Fund balances - end of year	\$ 11,770,364	\$ 1,809,604	\$ 10,589,011	\$ 24,168,979

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

**SMITH COUNTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ 1,308,507
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for County owned assets exceeded depreciation in the current period.	2,331,586
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	83,144
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	78,002
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,115,522
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(200,836)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	114,550
Internal service fund is used by management to charge the costs of health insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.	<u>544,718</u>
Change in net assets of governmental activities	<u>\$ 7,375,193</u>

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

**SMITH COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007**

	<b>Governmental Activities - Internal Service Funds</b>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 323,601
Accounts receivable	83,905
Investments	1,196,146
Total Current Assets	1,603,652
 <b>LIABILITIES</b>	
Current Liabilities:	
Vouchers payable	507,313
Deferred revenue	265,824
Total Current Liabilities	773,137
 <b>NET ASSETS</b>	
Unrestricted	830,515
Total Net Assets	\$ 830,515

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

**SMITH COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2007**

	<u>Governmental Activities - Internal Service Funds</u>
OPERATING REVENUES	
Premiums and reimbursements	\$ 5,039,308
Total Operating Revenues	<u>5,039,308</u>
OPERATING EXPENSES	
Insurance claims and administrative fees	<u>4,951,609</u>
Total Operating Expenses	<u>4,951,609</u>
Operating Gain	87,699
NON-OPERATING REVENUES	
Interest income and other	<u>57,019</u>
Gain before transfers	144,718
Transfers in	<u>400,000</u>
Change in net assets	<u>544,718</u>
NET ASSETS - SEPTEMBER 30, 2006	<u>285,797</u>
NET ASSETS - SEPTEMBER 30, 2007	<u><u>\$ 830,515</u></u>

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

**SMITH COUNTY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2007**

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for premiums	\$ 5,005,453
Cash paid to customers	(5,157,924)
Other operating revenues	<u>47,708.00</u>
Net cash used in operating activities	<u>(104,763)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers - in from other funds	<u>400,000</u>
Net cash provided by non-capital financing activities	<u>400,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net proceeds from purchases and redemptions of investments	(806,030)
Interest on investments	<u>59,564</u>
Net cash provided by investing activities	<u>(746,466)</u>
Net decrease in cash	(451,229)
Cash at beginning of year	<u>774,830</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 323,601</u></u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating gain	\$ 87,699
Adjustment to reconcile operating income to net cash used in operating activities:	
Increase in accounts receivable	(51,260)
Increase in due from other funds	461
Decrease vouchers payable	(158,557)
Increase in salaries payable	(50)
Increase in deferred revenue	<u>16,944</u>
<b>Net Cash Used In Operating Activities</b>	<u><u>\$ (104,763)</u></u>

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

**SMITH COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2007**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash	\$ 6,467,981
Investments	4,074,748
Accounts receivable	<u>211,917</u>
Total Assets	<u><u>\$ 10,754,646</u></u>
<b>LIABILITIES</b>	
Vouchers payable	\$ 535,480
Due to other governments	365,220
Other liabilities	<u>9,853,946</u>
Total Liabilities	<u><u>\$ 10,754,646</u></u>

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Smith County (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), justice system (courts, juries, district attorney, etc.), public safety (sheriff, constables, etc.), corrections and rehab (jail and community supervision), health and human services (assistance to indigents, veteran services, etc.), conservation, and infrastructure and environmental (streets and highways).

As required by generally accepted accounting principals (GAAP), the accompanying basic financial statements present the County (the primary government) and any component units in conformity with GASB Statement No. 14, *The Financial Reporting Entity* ("GASB 14"), and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* ("GASB 39"). Under these standards, the County has no component units which are required to be reported, discretely or blended, in combination with the primary government.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The **government-wide financial statements** include the Statement of Net Assets and the Statement of Activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements, but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues are reported separate from certain legally separate component units for which the government is financially accountable.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary funds included in the fund financial statements. Under this measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

The Statement of Activities reflects the degree to which the direct expenses of the County's programs are offset by those programs' revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or function. Program revenues for governmental activities include those generated from general government, judicial, public safety, health and human service, corrections and rehabilitation, and community and economic development. Taxes and other items not properly included in program revenues are reported as general revenues.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund and the Road and Bridge Fund are classified as **major governmental funds**. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include Special Revenue and Debt Service funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for all non-major funds are presented within Combining Schedules.

**FUND-LEVEL FINANCIAL STATEMENTS**

**Fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers revenues as available if they are collected within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property tax revenues, the County's primary revenue source, is susceptible to accrual and is considered available to the extent of delinquent taxes collected within 60 days after the end of the fiscal period. Grant and entitlement revenues are also subject to accrual. Encumbrances are used during the year and any unliquidated items are reported as a reservation of fund balance.

Governmental funds are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance (net of current assets) is considered a measure of "available spending resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Claims incurred, but not reported are included in payables and expenses. All assets and liabilities (current and noncurrent) associated with their activities are included in the fund's statement of net assets.

The County's accounts are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses or expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, although the latter are excluded from the government-wide statements.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

The government reports the following major governmental funds:

The **General Fund** is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general government, justice system, public safety, corrections and rehabilitation, health and human services, and infrastructure and environmental.

The **Road and Bridge Special Revenue Fund** accounts for the activities associated with the building, maintaining or improving roads, highways, and bridges within the County, including maintenance of road and bridge facilities.

Other Fund types include proprietary and fiduciary funds which are considered as non-major funds. Non-major funds include special revenue funds, other capital projects funds, and debt service funds.

**Proprietary fund level financial statements** are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. Internal Service funds are used to account for the financing of goods or services provided by one department or agency of the County to other County departments or agencies on a cost reimbursement basis.

The County has two proprietary funds which are classified as internal service funds: 1) The Insurance Fund used to account for the County's group medical self-insurance program. Revenues are derived from County contributions, employee and retiree/COBRA premiums, investment of idle funds and stop loss collections. Expenses are for claims and administrative expenses. 2) The Payroll fund acts as an agent for the payroll processing of the County's departments. The fund operates as an agency fund, where liabilities are recorded when monies are received. However, this fund is the recipient of interest and incurs certain related expenses. The residual interest and related expenditures result in an equity balance which is inappropriate for agency funds recorded in the Fiduciary Statements.

The **Proprietary funds** are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (e.g. insurance payments).

**Fiduciary fund level financial statements** include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. State statutes and the County's official Investment Policy authorize the County to invest in repurchase agreements, certificates of deposit, direct obligations of the U. S. Government and agency securities, money market mutual funds, and managed public funds investment pools.

The County records investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The reported value of the pool is the same as the fair value of the pool shares. All investment income is recognized as revenue in the appropriate fund's statement of activity and or statement of revenues, expenditures, and changes in fund balance.

2. Receivables and Payables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2007 and past due after January 31, 2008. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time of eligibility requirements established by the grantor have been met.

Lending or borrowing between funds is reflected as "due to or due from" (current portion) or "advances to/from other funds" (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund activity reflected in "due to or due from" is eliminated on the government-wide statements.

3. 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 fund financial statements are offset by a reservation of fund balance which indicates they do not represent "available spendable resources."

4. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and estimated useful lives in excess of one year. Infrastructure assets include County-owned roads and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

C. Assets, Liabilities, and Net Assets or Equity - Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15 to 23
Infrastructure	20 to 45
Machinery and Equipment	3 to 15

5. Construction-in-Progress

Expenditures on incomplete capital projects have been capitalized as construction-in-progress. The assets resulting from these projects will be transferred from the construction-in-progress accounts to the appropriate asset account as the projects are completed.

6. Compensated Absences

A liability for unused vacation and sick time for all full time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

Permanent full-time employees earn vacation leave at the rate of one working day per month and may accumulate up to 18 days if years of service is less than 10 years or 24 days if years of service is 10 years or greater. Employees lose, without pay, unused vacation leave which exceeds this limit.

Each permanent full-time employee earns sick leave at the rate of one working day per month and may accumulate maximum sick leave of 80 working days. After an employee accumulates the maximum number of sick days, any excess may be converted to vacation days at an exchange rate of four sick days for one day of vacation. Outstanding sick leave balances are canceled, without recompensation, upon termination, resignation, retirement or death. In accordance with the provisions of Government Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

The regular workweek is based on 40 hours actually worked. Overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp) time and earned at time and a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and either taken off or paid at the employees' current rate of pay on termination, resignation, retirement or death.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**C. Assets, Liabilities, and Net Assets or Equity - Continued**

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. On new bonds issued, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

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

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Deferred Bond Issue Costs

Deferred bond issue costs are amortized using the effective interest method over the remaining life of the bond.

**D. Implementation of New Standards**

The County will implement the following standard in fiscal year 2009:  
GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 45"), establishes standards for measurement, recognition and display of other post-employment benefits (OPEB) expense or expenditures and related liabilities (assets), note disclosures and if applicable, requires supplementary information (RSI) in the financial reports of state and local government employers.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

II. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.” The details of this \$19,781,981 difference are as follows:

Bonds payable	\$14,210,000
Deferred bond costs	(44,438)
Capital leases obligations	3,468,934
Compensated absences	<u>2,147,485</u>
Net adjustment to reduce fund balance - total government funds to arrive at net assets - governmental activities	<u>\$19,781,981</u>

Another element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$51,037,680 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$48,434,255
Capital asset additions, net of retirements	6,159,254
Depreciation of capital assets, current year	(3,827,667)
Investment in joint venture	<u>271,838</u>
	<u>\$51,037,680</u>

B. Explanation of certain differences between the government fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that “governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense” on capital outlays for County owned assets only. The details of this \$2,331,586 difference are as follows:

Capital outlay	\$ 7,148,312
Capital lease disposals	(989,059)
Depreciation expense	<u>(3,827,667)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,331,586</u>

**SMITH COUNTY, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2007**

**III. DEPOSITS AND INVESTMENTS**

The carrying amount of the County's cash was \$1,807,981 and total bank balances equaled \$2,220,561. The carrying amount of the County's Trust and Agency cash was \$6,467,981 and total bank balances equaled \$6,922,599. The bank deposits were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

All deposits are held in the County's main depository or subdepository banks except funds held in trust by the District Clerk, County Clerk and Justice of the Peace offices number 2 and 4, which are not under a subdepository contract.

The County's investment policies are governed by state statutes and county ordinance. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and repurchase agreements. The County holds investments in Local Government Investment Cooperative (LOGIC), Texstar, and MBIA. Investments at LOGIC normally consist of U.S. T-bills, commercial paper, Treasury notes, collateralized certificates of deposit and repurchase agreements. Investments at MBIA consist of commercial paper, repurchase agreements, municipal bonds and agency securities. Investments at Texstar normally consist of U.S. T-bills, T-notes, collateralized certificates of deposit and repurchase agreements. The County records all interest revenue earned from investment activities in the respective funds.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

Investments are stated at cost and are held by the County's agent in the County's name. The County's investments at year end are shown below.

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Credit Risk</u>
Local Government Investment Cooperative	\$ 10,856,224	28	AAA
Texstar	12,499,117	20	AAAm
MBIA	758,232	41	AAA
Cash in bank	<u>1,807,981</u>	N/A	N/A
	<u>\$25,921,554</u>		
Portfolio weighted average maturity		23	

Credit risk – Credit risk is the risk that an issuer or other counter part to an investment will not fulfill its obligations. The County has limited credit risk, in conformance to state statues and County ordinance, by investing in only the safest types of securities as permitted by the Public Funds Investment Act, using approved brokers and with different investment pools.

Inherent rate risk – Inherent rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**III. DEPOSITS AND INVESTMENTS - Continued**

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The County utilizes three investment pools to diversify this risk.

Custodial credit risk – Custodial credit risk is the risk for deposits that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County requires all bank deposits to be collateralized at a level not less than 100% of the total uninsured deposits. At September 30, 2007, the carrying value of the County’s bank deposits is \$1,807,981 and the bank balance is \$2,220,561.

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The County’s investment policy does not permit securities listed in foreign denominations. Consequently, the County is not exposed to foreign currency risk.

**IV. PROPERTY TAXES AND OTHER RECEIVABLES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to September 30, become due on October 1 and are delinquent after January 31. The County bills and collects its own property taxes and those for the City of Bullard, City of Troup, City of Whitehouse, City of Winona, the Bullard Independent School District (ISD), Tyler ISD, Whitehouse ISD, Winona ISD, Tyler Junior College and the Smith County Water Control District. The County is the only entity controlled by the Commissioners Court; the County acts only as an intermediary in the collection and distribution of property taxes to the other entities.

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor/Collector’s Agency Fund. Tax collections are recorded net of the entities’ related collection commission paid to the County in this agency fund according to the levy year for which the taxes are collected. Tax collections deposited for the County are distributed on a monthly basis to the General and Debt Service Funds of the County. This distribution is based upon the tax rate established for each fund by order of the Commissioners’ Court for the tax year for which the collections are made.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Deferred Property Taxes Receivable:	
General fund	\$1,303,195
Road & Bridge fund	226,585
Debt service fund	<u>160,827</u>
Total deferred	<u>\$1,690,607</u>

**SMITH COUNTY, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2007**

**IV. PROPERTY TAXES AND OTHER RECEIVABLES - Continued**

The County is authorized by the tax laws of the State of Texas to levy taxes up to \$.420954 per \$100 of assessed valuation for general governmental services and the payment of principal and interest on certain permanent improvement long-term debt. The tax rate as of September 30, 2007 was \$.268275.

Receivables as of year end for the governmental activities, individual major governmental funds and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, as required by GASB 34 are as follows:

	Internal Service and General Fund	Road and Bridge Special Reserve Fund	Other Nonmajor Funds	Total Governmental Activities
Receivables:				
Property Taxes	\$ 1,550,954	\$ 228,994	\$ 189,066	\$ 1,969,014
Other	<u>3,659,747</u>	<u>183,463</u>	<u>358,454</u>	<u>4,201,664</u>
Gross Receivables	5,210,701	412,457	547,520	6,170,678
Less: Allowance for Uncollectibles	<u>129,212</u>	<u>19,078</u>	<u>15,751</u>	<u>164,041</u>
Net Total Receivables	<u>\$ 5,081,489</u>	<u>\$ 393,379</u>	<u>\$ 531,769</u>	<u>\$ 6,006,637</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

V. CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are recorded at estimated acquisition costs by using indexes to discount estimated current replacement costs.

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 145,396	\$ -	\$ -	\$ 145,396
Construction in progress	<u>450,441</u>	<u>2,581,441</u>	<u>(188,783)</u>	<u>2,843,099</u>
Total capital assets, not being depreciated	595,837	2,581,441	(188,783)	2,988,495
Capital assets, being depreciated:				
Infrastructure	65,252,614	2,527,354	-	67,779,968
Buildings	30,531,910	-	-	30,531,910
Improvements	4,725,378	861,462	-	5,586,840
Machinery and equipment	<u>18,496,511</u>	<u>1,366,839</u>	<u>(1,049,066)</u>	<u>18,814,284</u>
Total capital assets being depreciated	119,006,413	4,755,655	(1,049,066)	122,713,002
Less accumulated depreciation for:				
Infrastructure	(46,463,630)	(1,100,613)	-	(47,564,243)
Buildings	(12,882,606)	(941,095)	-	(13,823,701)
Improvements	(1,696,378)	(230,872)	-	(1,927,250)
Machinery and equipment	<u>(10,125,381)</u>	<u>(1,555,087)</u>	<u>60,008</u>	<u>(11,620,460)</u>
Total accumulated depreciation	(71,167,995)	(3,827,667)	60,008	(74,935,654)
Total capital assets, being depreciated, net	<u>47,838,418</u>	<u>927,988</u>	<u>(989,058)</u>	<u>47,777,348</u>
Governmental activities capital assets, net	<u>\$ 48,434,255</u>	<u>\$ 3,509,429</u>	<u>\$ (1,177,841)</u>	<u>\$ 50,765,843</u>

**SMITH COUNTY, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2007**

**V. CAPITAL ASSETS - Continued**

Depreciation expense for FY 2007 was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 1,139,800
Public Safety	381,871
Correction and Rehabilitation	434,620
Health and Human Services	3,238
Infrastructure and Environmental	1,488,610
Justice System	379,528
Total depreciation expense – governmental activities	\$ 3,827,667

**VI. LONG-TERM DEBT**

The County’s last issuance of general obligation bonds was in 2004. The outstanding bonds were issued to provide funds for acquisition, renovation, and construction of major capital facilities. The following are general obligation bond issues outstanding at September 30, 2007:

Description	Interest Rates (%)	Date of Issue	Date of Maturity	Bonds Outstanding
Certificate of Obligation – 2000 Series	4.625 - 5.1	2000	2016	\$ 4,910,000
Certificate of Obligation – 2001 Series	4.0 - 4.5	2001	2011	3,600,000
Certificate of Obligation – 2004 Series	3.0 - 4.0	2004	2018	5,700,000
				\$14,210,000

*Certificates of Obligation*

The annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending September 30	Principal	Interest
2008	\$ 2,000,000	\$ 597,675
2009	2,100,000	514,300
2010	2,100,000	424,400
2011	2,300,000	334,600
2012	1,400,000	235,600
2013 – 2017	3,610,000	514,400
2018	700,000	28,000
Total	\$14,210,000	\$2,648,975

**SMITH COUNTY, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2007**

**VI. LONG-TERM DEBT - Continued**

*Changes in Long-Term Debt*

Long-term liability for the year ended September 30, 2007 was as follows:

Governmental Activities:	Beginning Balance <u>10/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/07</u>	Due Within <u>One Year</u>
Certificates of obligation	\$16,110,000	\$ -	\$1,900,000	\$14,210,000	\$2,000,000
Compensated absences	1,946,649	200,836	-	2,147,485	2,147,485
Capital leases	<u>4,691,735</u>	<u>201,476</u>	<u>1,424,277</u>	<u>3,468,934</u>	<u>541,376</u>
Total	<u>\$22,748,384</u>	<u>\$ 402,312</u>	<u>\$3,324,277</u>	<u>\$19,826,419</u>	<u>\$4,688,861</u>

*Prior Year Bond Refundings*

In prior years, the County legally defeased certain obligations, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the County's report. As of September 30, 2007, previously defeased debt still outstanding amounted to \$3,390,000. During the current year, no defeased debt was retired.

**VII. LEASES**

*Operating Leases*

The County operates under numerous lease agreements classified as operating leases. The leases contain annual renewals and include leases for copy machines and postage meter. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2007 was approximately \$312,500.

*Capital Leases*

During the year ended September 30, 2007, the County entered into two new lease agreements classified as capital leases in addition to the ten other leases capitalized in prior years. The County obtained eight vehicles for the District Attorney Office and four vehicles for the Sheriff's Department. The amounts capitalized as equipment were \$111,674 and \$89,802, respectively. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$4,545,732
Less: Accumulated depreciation	<u>(1,402,409)</u>
Total	<u>\$3,143,323</u>

Depreciation expense for the year ended September 30, 2007 was \$657,743.

**SMITH COUNTY, TEXAS**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2007**

**VII. LEASES - Continued**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, were as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Governmental</u> <u>Activities</u>
2008	\$ 613,105
2009	536,152
2010	408,000
2011	413,200
2012	420,000
Thereafter	<u>1,734,400</u>
Total minimum lease payments	4,124,857
Less: amount representing interest	<u>(655,923)</u>
Present value of minimum lease payments	<u>\$3,468,934</u>

**VIII. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS**

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances between individual governmental funds are eliminated in the government-wide financial statements

The composition of interfund balances as of September 30, 2007 is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	<u>\$243,545</u>
	Total	<u>\$243,545</u>

The following summarized the County's transfers for the year ended September 30, 2007:

	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Fund</u>	
Transfers Out:					
General Fund	\$ -	\$ -	\$ 358,543	\$ 400,000	\$ 758,543
Nonmajor Governmental Fund	-	-	-	-	-
Internal Service Fund	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,543</u>	<u>\$ 400,000</u>	<u>\$ 758,543</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**IX. RETIREMENT COMMITMENTS**

(a) PLAN DESCRIPTION

The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 573 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employers, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 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 who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

Benefits 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 with 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. 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.

(b) FUNDING POLICY

The employer has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.62% for the months of the accounting year 2007, and 9.09% for the months of the accounting year 2006.

The deposit rate payable by the employee members for calendar year 2007 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer deposit rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

(c) ANNUAL PENSION COST

For the employer's accounting year ending September 30, 2007, the annual pension cost for the TCDRS plan for its employees was \$2,219,928 and the actual contributions were \$2,364,357. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004, 2005 and 2006, the basis for determining the contributions rates for calendar years 2006 and 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

IX. RETIREMENT COMMITMENTS - Continued

	<u>Actuarial Valuation Information</u>		
<u>Actuarial valuation date</u>	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, closed
Amortization period	20 years	20 years	15 years
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	SAF: 10-yr smoothed value; ESF: fund value
Assumptions:			
Investment return (1)	8%	8%	8%
Projected salary increases (1)	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0%	0%	0%

(1) Includes inflation at the stated rate.

Trend Information for the Retirement Plan for the Employees of Smith County, Texas

Accounting Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Ending</u>			
9/30/05	\$2,085,286	100%	\$ -0-
9/30/06	2,119,636	100%	-0-
9/30/07	2,364,357	100%	-0-

Schedule of Funding Progress for the Retirement Plan  
For the Employees of Smith County, Texas

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/04	\$42,236,322	\$52,218,290	\$9,981,968	80.88%	\$21,904,262	45.57%
12/31/05	46,102,246	55,957,957	9,855,711	82.39%	22,339,408	44.12%
12/31/06	52,034,418	60,093,707	8,059,289	86.59%	23,398,446	34.44%

(1) The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**X. OTHER INFORMATION**

RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The County maintains commercial insurance coverage for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this commercial insurance coverage during the current fiscal year.

CONTINGENT LIABILITIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. A contingent liability was not established because potential reimbursements are considered immaterial.

Litigation

The County is involved in lawsuits and other claims in the ordinary course of operations. Such litigation included lawsuits alleging violations of the Texas Open Records Act, unlawful termination, and violations of civil rights. The County is aggressively defending these suits and believes that the loss, if any, resulting from the suits listed above will not have a material impact on the County's financial position, results of operations and cash flows in the future years.

JOINT VENTURE

The North Texas Public Health District was established, effective October 1, 1993, by a cooperative agreement between the City of Tyler and Smith County, Texas pursuant to authority by the Texas Health and Safety Code for the purpose of providing public health services previously provided by the participating entities. The District is considered a joint venture between the City and County with each retaining an equity interest based upon the percentage each contributed to the budget.

For the year ended September 30, 2007, the County budgeted funding of \$486,000 for the Health District. The County's equity interest in the Health District was \$271,838 at September 30, 2007. Financial statements for the Health District may be obtained at the entity's Administrative Offices.

DEFERRED COMPENSATION

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are not a part of the County's financial statements because a third party administrator holds these plan assets in trust.

The market value and carrying value of deferred compensation plan assets is \$1,869,190 as of September 30, 2007.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

X. OTHER INFORMATION - Continued

HEALTH, DENTAL AND LIFE PLANS

The County implemented a self-insured health plan for employees, including dental and prescription benefits. The County pays the full amount of insurance premiums for their retirees except dependent coverage. The employees pay a \$30 monthly premium plus the cost of coverage for any dependents they enroll under the plan. The County maintains an Insurance Fund to track premiums and claim payments. The County has retained an insurance policy for specific and aggregate stop-loss coverage. There is an individual stop-loss of \$100,000 and aggregate protection at 135% of total health and prescription claims per year.

Changes in the estimated liability for medical claims for fiscal year 2007 are presented below:

	Insurance Claims Payable <u>at 9/30/06</u>	Current Year Claims and Changes <u>in Estimates</u>	Actual Claim <u>Payments</u>	Insurance Claims Payable <u>at 9/30/07</u>
Insurance Fund	\$644,664	\$4,736,295	\$4,942,610	\$ 438,349

**REQUIRED SUPPLEMENTARY INFORMATION**

**SMITH COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES</b>				
Property Taxes:				
Taxes - current	\$ 23,552,134	\$ 23,552,134	\$ 23,132,641	\$ (419,493)
Taxes - delinquent	985,000	985,000	717,357	(267,643)
Penalty and collection fees	450,000	450,000	381,172	(68,828)
<b>Total Property Taxes</b>	<u>24,987,134</u>	<u>24,987,134</u>	<u>24,231,170</u>	<u>(755,964)</u>
Licenses and Other Taxes:				
Liquor drink tax	330,000	330,000	358,537	28,537
Sales tax	13,500,000	13,500,000	14,868,168	1,368,168
Bingo taxes	32,000	32,000	28,928	(3,072)
Miscellaneous	3,400	3,400	2,700	(700)
<b>Total Licenses and Other Taxes</b>	<u>13,865,400</u>	<u>13,865,400</u>	<u>15,258,333</u>	<u>1,392,933</u>
Fees of Office:				
County Judge	4,500	4,500	4,570	70
Sheriff	372,000	372,000	352,221	(19,779)
Constables	162,000	162,000	201,259	39,259
County Clerk	1,429,500	1,429,500	1,580,675	151,175
Tax Assessor-Collector	170,000	170,000	184,397	14,397
Criminal District Attorney	45,000	45,000	56,055	11,055
District Clerk	360,000	360,000	431,762	71,762
Justices of the Peace	101,000	101,000	109,073	8,073
County Courts at Law	-	-	59	59
Vehicle sales tax commission	290,000	290,000	329,109	39,109
Auto registration	445,000	445,000	469,621	24,621
Records management	68,000	68,000	86,699	18,699
Court imposed fees	485,200	485,200	477,080	(8,120)
State imposed fees	175,100	175,100	174,101	(999)
Titles and certificates	301,000	301,000	318,251	17,251
Telephone coin station revenues	426,200	426,200	384,355	(41,845)
Miscellaneous	94,400	94,400	109,833	15,433
<b>Total Fees of Office</b>	<u>4,928,900</u>	<u>4,928,900</u>	<u>5,269,120</u>	<u>340,220</u>
Fines:				
District and county courts	845,000	845,000	845,271	271
<b>Total Fines</b>	<u>845,000</u>	<u>845,000</u>	<u>845,271</u>	<u>271</u>
Intergovernmental revenues:				
Intergovernmental revenues	512,999	512,999	560,311	47,312
<b>Total Intergovernmental Revenues</b>	<u>512,999</u>	<u>512,999</u>	<u>560,311</u>	<u>47,312</u>
Other Revenues and Fees:				
Interest	618,000	618,000	914,390	296,390
Rentals	240,603	240,603	236,757	(3,846)
Sale of equipment	-	-	3,274	3,274
Donations	-	-	22,725	22,725
Reimbursements	202,000	202,000	291,313	89,313
Prisoner care	1,060,000	1,060,000	1,169,405	109,405
Other revenues	28,000	39,327	417,980	378,653
<b>Total Other Revenues and Fees</b>	<u>2,148,603</u>	<u>2,159,930</u>	<u>3,055,844</u>	<u>895,914</u>
<b>Total Revenues</b>	<u>47,288,036</u>	<u>47,299,363</u>	<u>49,220,049</u>	<u>1,920,686</u>

**SMITH COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Commissioners' Court	\$ 457,641	\$ 400,109	\$ 396,349	\$ 3,760
Record Service Bureau	126,457	126,298	122,223	4,075
County Auditor	668,398	619,984	614,931	5,053
Election division	310,298	290,782	275,694	15,088
County Treasurer	120,225	118,029	117,714	315
Tax Assessor-Collector	1,138,408	1,107,380	1,106,867	513
General operations	3,194,611	3,765,709	2,667,954	1,097,755
Physical plant	987,644	961,298	923,123	38,175
Personnel	140,315	148,400	145,796	2,604
Budget officer	-	-	-	-
Information services	930,591	829,323	801,864	27,459
Collections	171,556	162,947	146,102	16,845
Veterans' service office	135,216	132,038	131,786	252
Purchasing agent	147,047	138,591	136,251	2,340
<b>Total General Government</b>	<b>8,528,407</b>	<b>8,800,888</b>	<b>7,586,654</b>	<b>1,214,234</b>
<b>Justice System:</b>				
County Court	223,712	229,911	220,522	9,389
County Court at Law	343,536	339,554	333,030	6,524
County Court at Law #2	341,428	337,080	329,953	7,127
County Court at Law #3	348,805	344,467	341,446	3,021
County Clerk	1,093,476	1,071,433	1,058,960	12,473
District Courts	1,726,846	1,988,590	1,843,545	145,045
District Clerk	929,762	975,311	955,784	19,527
Justices of the Peace	959,072	953,748	947,405	6,343
Indigent Defense	1,235,500	1,169,211	1,125,802	43,409
Pre-trial release	120,235	127,403	126,003	1,400
Juvenile Probation	3,243,247	3,243,247	2,758,336	484,911
Criminal District Attorney	2,815,433	2,741,207	2,686,631	54,576
<b>Total Justice System</b>	<b>13,381,052</b>	<b>13,521,162</b>	<b>12,727,417</b>	<b>793,745</b>
<b>Public Safety:</b>				
Civil defense and rural fire aid	604,645	604,754	600,356	4,398
Constables	847,109	860,626	854,137	6,489
Sheriff's department	5,603,088	5,483,003	5,264,796	218,207
Adult and juvenile probation	394,227	394,227	394,227	-
License and weights	69,766	66,155	54,773	11,382
Litter Abatement Office	71,577	69,317	61,473	7,844
Animal Control	84,909	84,382	78,544	5,838
Juvenile Board	91,513	90,638	90,642	(4)
Warrant division	122,484	120,212	117,456	2,756
<b>Total Public Safety</b>	<b>7,889,318</b>	<b>7,773,314</b>	<b>7,516,404</b>	<b>256,910</b>
<b>Health and Human Services:</b>				
Indigent health care	988,985	925,985	213,736	712,249
Agricultural extension	223,522	219,187	705,885	(486,698)
Public services	1,884,291	1,884,291	1,884,291	-
<b>Total Health and Human Services</b>	<b>3,096,798</b>	<b>3,029,463</b>	<b>2,803,912</b>	<b>225,551</b>

**SMITH COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>EXPENDITURES (cont'd.)</b>				
Corrections and Rehab:				
Jail	\$ 14,910,577	\$ 14,821,975	\$ 14,811,726	\$ 10,249
Adult probation	21,550	21,550	14,338	7,212
Total Corrections and Rehab	<u>14,932,127</u>	<u>14,843,525</u>	<u>14,826,064</u>	<u>17,461</u>
Capital Outlay:				
Equipment	<u>878,056</u>	<u>748,550</u>	<u>873,427</u>	<u>(124,877)</u>
Total Capital Outlay	<u>878,056</u>	<u>748,550</u>	<u>873,427</u>	<u>(124,877)</u>
Debt Service:				
Principal	-	-	230,415	(230,415)
Interest	-	-	16,708	(16,708)
Total Debt Service	<u>-</u>	<u>-</u>	<u>247,123</u>	<u>(247,123)</u>
Total Expenditures	<u>48,705,758</u>	<u>48,716,902</u>	<u>46,581,001</u>	<u>2,135,901</u>
Excess of Revenues Over (Under) Expenditures	(1,417,722)	(1,417,539)	2,639,048	4,056,587
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	(634,043)	(634,043)	(758,543)	(124,500)
Capital lease proceeds	-	-	201,476	201,476
Total Other Financing Sources (Uses)	<u>(634,043)</u>	<u>(634,043)</u>	<u>(557,067)</u>	<u>76,976</u>
Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses	(2,051,765)	(2,051,582)	2,081,981	4,133,563
FUND BALANCE, SEPTEMBER 30, 2006	9,688,383	9,688,383	9,688,383	-
Other increase (decrease) in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2007	<u>\$ 7,636,618</u>	<u>\$ 7,636,801</u>	<u>\$ 11,770,364</u>	<u>\$ 4,133,563</u>

**SMITH COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SPECIAL REVENUE FUND - ROAD and BRIDGE**  
**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>BUDGET ORIGINAL</b>	<b>BUDGET FINAL</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
<b>REVENUES</b>				
Property Taxes:				
Taxes - current	\$ 3,027,586	\$ 3,027,586	\$ 3,418,232	\$ 390,646
Taxes - delinquent	110,000	110,000	111,177	1,177
Penalty and collection fees	-	-	-	-
Total Property Taxes	<u>3,137,586</u>	<u>3,137,586</u>	<u>3,529,409</u>	<u>391,823</u>
Fees of Office:				
Auto registration	3,450,000	3,450,000	3,551,210	101,210
Other fees	120,500	120,500	153,366	32,866
Total Fees of Office	<u>3,570,500</u>	<u>3,570,500</u>	<u>3,704,576</u>	<u>134,076</u>
Fines:				
Justices of the Peace	978,000	978,000	1,025,317	47,317
Total Fines	<u>978,000</u>	<u>978,000</u>	<u>1,025,317</u>	<u>47,317</u>
Intergovernmental Revenues:				
FEMA reimbursements	-	-	87,504	87,504
Total Fines	<u>-</u>	<u>-</u>	<u>87,504</u>	<u>87,504</u>
Other Revenues and Fees:				
Interest	60,000	60,000	188,132	128,132
Other revenue	23,000	23,000	16,864	(6,136)
Total Other Revenues and Fees	<u>83,000</u>	<u>83,000</u>	<u>204,996</u>	<u>121,996</u>
Total Revenues	<u>7,769,086</u>	<u>7,769,086</u>	<u>8,551,802</u>	<u>782,716</u>
<b>EXPENDITURES</b>				
Infrastructure and Environmental Services:				
Administrative	398,281	933,392	387,977	545,415
Labor Division	5,765,776	5,989,644	5,856,318	133,326
Equipment Division	1,262,250	1,229,932	1,200,252	29,680
Total Infrastructure and Environmental Services	<u>7,426,307</u>	<u>8,152,968</u>	<u>7,444,547</u>	<u>708,421</u>
Capital Outlay:				
Equipment	1,006,677	280,002	219,791	60,211
Total Capital Outlay	<u>1,006,677</u>	<u>280,002</u>	<u>219,791</u>	<u>60,211</u>
Debt Service:				
Interest and fiscal charges	-	-	3,582	(3,582)
Principal payments	-	-	43,354	(43,354)
Total Debt Service	<u>-</u>	<u>-</u>	<u>46,936</u>	<u>(46,936)</u>
Total Expenditures	<u>8,432,984</u>	<u>8,432,970</u>	<u>7,711,274</u>	<u>721,696</u>
Excess of Revenues Over (Under) Expenditures	(663,898)	(663,884)	840,528	1,504,412
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	-	-	-	-
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(663,898)	(663,884)	840,528	1,504,412
FUND BALANCE, SEPTEMBER 30, 2006	969,076	969,076	969,076	-
FUND BALANCE, SEPTEMBER 30, 2007	<u>\$ 305,178</u>	<u>\$ 305,192</u>	<u>\$ 1,809,604</u>	<u>\$ 1,504,412</u>

**SMITH COUNTY, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2007**

**BUDGETS AND BUDGETARY ACCOUNTING**

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to September 1, the County Judge submits to the Commissioners' Court a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. After adoption by Commissioners' Court, the control for the detailed fee office/department budgets is at the department head or elected official level and by the County Auditor.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) The budget is legally enacted through adoption by the Commissioners' Court.
- (4) Budgets for the General, certain Special Revenue Funds (Courthouse Security, Road & Bridge, County Law Library, Records Preservation, Courthouse Security, and Justice Court Technology), Capital Projects, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America.
- (5) Encumbrances expire at fiscal year end, which is consistent with generally accepted accounting principles in the United States of America.
- (6) Comparison of budgeted and actual amounts as shown in Schedules 1 through 2 in the accompanying financial report include the General Fund and the Road and Bridge Special Revenue Fund which are the County's major funds in the current fiscal year.
- (7) Budgetary data for certain Special Revenue funds encompassing various Federal and State programs are cumulative as opposed to annual budgets or the annual budgets have a fiscal year end consistent with the state program or agency from which they receive state funding rather than the County's fiscal year end. Therefore, budget and actual comparisons are not reported in the accompanying financial report for these funds.
- (8) In addition, certain Special Revenue funds are not required under the Texas Local Government Code to submit budgets under the county budgeting process. During the current year, these Smith County offices submitted a budget to Commissioners' Court for reporting purposes only.

The budgets as presented in the financial statements reflect all amendments approved by the Commissioners' Court for the year ended September 30, 2007, if designated as final budget.

Note: See accompanying independent auditors' report.

**CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS**

**OTHER SUPPLEMENTARY INFORMATION**

**SMITH COUNTY, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**COMPARATIVE SCHEDULES BY SOURCE**  
**SEPTEMBER 30, 2007**

	<b>TOTAL</b>
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>	
Land	\$ 145,396
Buildings	30,531,910
Improvements	5,586,840
Machinery and equipment	18,814,285
Infrastructure	67,779,968
Construction in progress	2,843,099
Total governmental funds capital assets	\$ 125,701,498
 <b>INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:</b>	
General fund	\$ 112,067,909
Special revenue funds	11,936,710
Grants and donations	1,696,879
Total governmental funds capital assets	\$ 125,701,498

SCHEDULE 4

SMITH COUNTY, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 SEPTEMBER 30, 2007

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government	\$ 43,376	\$ 8,495,456	\$ 3,709,046	\$ 7,012,354	\$ -	\$ 2,668,233	\$ 21,928,465
Justice system	74,500	9,289,303	94,212	826,610	-	164,255	10,448,880
Public safety	-	860,000	680,644	2,381,341	-	-	3,921,985
Corrections and rehabilitation	-	11,610,468	872,908	243,905	-	10,611	12,737,892
Health and human services	-	86,683	80,470	-	-	-	167,153
Infrastructure and environmental	27,520	190,000	149,560	8,350,075	67,779,968	-	76,497,123
Total general fixed assets/ governmental funds capital assets	\$ 145,396	\$ 30,531,910	\$ 5,586,840	\$ 18,814,285	\$ 67,779,968	\$ 2,843,099	\$ 125,701,498

**SMITH COUNTY, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2007</u>
General government	\$ 18,860,197	\$ 3,068,268	\$ -	\$ 21,928,465
Justice system	10,213,171	249,361	(13,652)	10,448,880
Public safety	3,741,788	180,495	(298)	3,921,985
Corrections and rehabilitation	12,033,785	740,423	(36,316)	12,737,892
Health and human services	86,683	80,470	-	167,153
Infrastructure and environmental	74,666,626	2,829,297	(998,800)	76,497,123
Total governmental funds capital assets	<u>\$ 119,602,250</u>	<u>\$ 7,148,314</u>	<u>\$ (1,049,066)</u>	<u>\$ 125,701,498</u>

SMITH COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

		SPECIAL REVENUE FUNDS										
	DISTRICT CLERK TITLE IV-D	COUNTY LAW LIBRARY	COUNTY CLERK RECORDS PRESERVATION	DISTRICT CLERK RECORDS PRESERVATION	GRAFFITI ERADICATION	COURTHOUSE SECURITY	COURT IMPROVEMENT	DISTRICT ATTORNEY	D.A. DRUG FORFEITURE	DPS SEIZURES		
<b>ASSETS</b>												
Cash	\$ 17,234	\$ -	\$ 20,599	\$ 17,455	\$ 1,069	\$ 4,823	\$ 15,577	\$ 9,388	\$ 79,011	\$ 104,823		
Investments	-	215,283	1,844,218	-	-	88	-	-	-	-		
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-		
Accounts receivable	-	5,576	14,131	341	-	5,046	-	2,997	437	-		
Prepaid and other assets	-	862	-	-	-	3,433	-	583	-	-		
Due from other funds	-	-	-	-	-	-	-	-	-	-		
<b>TOTAL ASSETS</b>	\$ 17,234	\$ 221,721	\$ 1,878,948	\$ 17,796	\$ 1,069	\$ 13,390	\$ 15,577	\$ 12,968	\$ 79,448	\$ 104,823		
<b>LIABILITIES AND FUND BALANCE</b>												
<b>LIABILITIES</b>												
Bank overdraft	\$ -	\$ 1,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Vouchers payable	238	2,381	21,782	-	-	113	-	334	2,055	-		
Salaries payable	-	2,870	1,867	-	-	10,328	377	6,536	2,229	-		
Due to other funds	-	-	-	-	-	192,500	13,589	-	-	-		
Due to other governments	-	-	-	-	-	-	-	-	-	-		
Deferred revenue	-	-	-	-	-	-	-	-	-	-		
<b>Total Liabilities</b>	238	6,903	23,649	-	-	202,941	13,966	6,870	4,284	-		
<b>FUND BALANCE</b>												
Fund Balance:												
Reserved:												
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-		
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-		
Unreserved:												
Undesignated	16,996	214,818	1,855,299	17,796	1,069	(189,551)	1,611	6,098	75,164	104,823		
<b>Total fund balance</b>	16,996	214,818	1,855,299	17,796	1,069	(189,551)	1,611	6,098	75,164	104,823		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 17,234	\$ 221,721	\$ 1,878,948	\$ 17,796	\$ 1,069	\$ 13,390	\$ 15,577	\$ 12,968	\$ 79,448	\$ 104,823		

SMITH COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS										JUSTICE COURT TECHNOLOGY FUND
	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	EAST TEXAS AUTO CRUSHERS	JUVENILE PROBATION COMMISSION	CRIME VICTIMS SERVICES	CRIME VICTIMS COMPENSATION	STEP TOBACCO GRANT	SHERIFF DEA TASK FORCE		
ASSETS	\$ 116,004	\$ 157,562	\$ 333,761	\$ 72,537	\$ 32,187	\$ 21,383	\$ 2,897	\$ 3,080	\$ 121,110	\$ 17,518	\$ 246,748
Cash	-	-	1,261,662	-	1,637,317	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	9,884	57,075	219,414	80	8,049	-	8,128	2,562	-
Prepaid and other assets	-	-	46	432	5,919	388	606	-	-	-	-
Due from other funds	-	-	-	-	-	6,000	-	-	-	-	-
TOTAL ASSETS	\$ 116,004	\$ 157,562	\$ 1,605,353	\$ 130,044	\$ 1,894,837	\$ 27,851	\$ 11,552	\$ 3,080	\$ 129,238	\$ 266,828	
LIABILITIES AND FUND BALANCE	\$ 8,274	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 886
LIABILITIES	8,274	-	10,247	4,963	19,484	11	-	-	11,314	-	886
Bank overdraft	-	-	125,981	1,432	33,225	1,768	1,198	63	-	-	-
Vouchers payable	-	-	-	-	-	-	6,000	-	-	-	-
Salaries payable	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	8,274	-	136,228	6,395	52,709	1,779	7,198	63	11,314	-	886
FUND BALANCE	-	-	-	-	-	-	-	-	-	-	-
Fund Balance:	-	-	-	-	-	-	-	-	-	-	-
Reserved:	-	-	-	-	-	-	-	-	-	-	-
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-	-
Unreserved:	-	-	-	-	-	-	-	-	-	-	-
Undesignated	107,730	157,562	1,469,125	123,649	1,842,128	26,072	4,354	3,017	117,924	265,942	
Total fund balance	107,730	157,562	1,469,125	123,649	1,842,128	26,072	4,354	3,017	117,924	265,942	
TOTAL LIABILITIES AND FUND BALANCES	\$ 116,004	\$ 157,562	\$ 1,605,353	\$ 130,044	\$ 1,894,837	\$ 27,851	\$ 11,552	\$ 3,080	\$ 129,238	\$ 266,828	

SMITH COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS											
	LOCAL LAW										FORFEITURE INTEREST 10%	
	JUVENILE JUSTICE ALTERNATIVE EDUCATION	JUVENILE ACCOUNTABILITY BLOCK GRANT-2001/2002	LEOSE FUND	JUDICIAL EDUCATION	ENFORCEMENT BLOCK GRANT - 2005	ETCOG-SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.	HARGIS CDBG GRANT			
<b>ASSETS</b>												
Cash	\$ 3,278	\$ 8,068	\$ 23,115	\$ 10,306	\$ -	\$ 8,461	\$ 57,120	\$ 200	\$ -	\$ -	\$ 83,093	
Investments	412,714	-	-	-	-	-	-	-	-	-	-	
Taxes receivable-definquent, net	-	-	-	-	-	-	-	-	-	-	-	
Accounts receivable	4,248	-	-	160	-	-	-	-	-	-	125	
Prepaid and other assets	2,563	-	-	-	-	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 422,803</b>	<b>\$ 8,068</b>	<b>\$ 23,115</b>	<b>\$ 10,466</b>	<b>\$ -</b>	<b>\$ 8,461</b>	<b>\$ 57,120</b>	<b>\$ 200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 83,218</b>	
<b>LIABILITIES AND FUND BALANCE</b>												
<b>LIABILITIES</b>												
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Vouchers payable	309	-	-	749	-	-	-	-	-	-	-	
Salaries payable	11,398	-	-	-	-	588	-	-	-	-	-	
Due to other funds	-	-	-	-	-	-	27,616	-	-	-	-	
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Liabilities</b>	<b>11,707</b>	<b>-</b>	<b>-</b>	<b>749</b>	<b>-</b>	<b>588</b>	<b>27,616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>FUND BALANCE</b>												
Fund Balance:												
Reserved:												
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-	-	
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-	-	
Unreserved:												
Undesignated	411,096	8,068	23,115	9,717	-	7,873	29,504	200	-	-	83,218	
<b>Total fund balance</b>	<b>411,096</b>	<b>8,068</b>	<b>23,115</b>	<b>9,717</b>	<b>-</b>	<b>7,873</b>	<b>29,504</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>83,218</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 422,803</b>	<b>\$ 8,068</b>	<b>\$ 23,115</b>	<b>\$ 10,466</b>	<b>\$ -</b>	<b>\$ 8,461</b>	<b>\$ 57,120</b>	<b>\$ 200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 83,218</b>	





SMITH COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	DISTRICT CLERK TITLE IV-D	COUNTY LAW LIBRARY	COUNTY CLERK RECORDS PRESERVATION	DISTRICT CLERK RECORDS PRESERVATION	GRAFFITI ERADICATION	COURTHOUSE SECURITY	DISTRICT ATTORNEY	COURT IMPROVEMENT	DISTRICT ATTORNEY DRUG FORFEITURE	DPS SEIZURES
<b>REVENUES</b>										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	154,443	650,657	10,983	306	163,727	132,705	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	1,491	-	-	-	-	-	-	-	12,016	-
Other revenues and fees	909	16,050	87,280	663	43	253	20,528	-	5,397	8,926
Total Revenues	2,400	170,493	737,937	11,646	349	163,980	153,233	17,413	71,837	8,926
<b>EXPENDITURES</b>										
General government	-	-	357,347	-	-	-	-	-	-	-
Justice system	3,262	148,522	-	9,251	-	-	161,108	-	15,802	-
Public safety	-	-	-	-	-	325,493	-	-	71,475	103,807
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	3,262	148,522	357,347	9,251	-	325,493	161,108	15,802	71,475	103,807
Excess of Revenue Over (Under) Expenditures	(862)	21,971	380,590	2,395	349	(161,513)	(7,875)	1,611	362	(94,881)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(862)	21,971	380,590	2,395	349	(161,513)	(7,875)	1,611	362	(94,881)
FUND BALANCE, SEPTEMBER 30, 2006	17,858	192,847	1,474,709	15,401	720	(28,038)	13,973	-	74,802	199,704
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2007	\$ 16,996	\$ 214,818	\$ 1,855,299	\$ 17,796	\$ 1,069	\$ (189,551)	\$ 6,098	\$ 1,611	\$ 75,164	\$ 104,823

SMITH COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS											JUSTICE COURT TECHNOLOGY FUND
	TEXAS										SHERIFF DEA TASK FORCE	
	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	EAST TEXAS AUTO CRUSHERS	JUVENILE PROBATION COMMISSION	CRIME VICTIM'S SERVICES	CRIME VICTIM'S COMPENSATION	STEP TOBACCO GRANT	SHERIFF DEA TASK FORCE	JUSTICE COURT TECHNOLOGY FUND		
<b>REVENUES</b>												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	2,521,011	-	-	-	-	-	-	-	-	63,534
Fines	-	-	780,504	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	379,627	917,649	40,672	35,433	-	-	-	-	95,355	-
Other revenues and fees	9,283	96,375	583,212	5,156	86,064	3,217	324	133,847	12,805	-	-	-
<b>Total Revenues</b>	<b>9,283</b>	<b>96,375</b>	<b>3,884,727</b>	<b>384,783</b>	<b>1,003,713</b>	<b>54,921</b>	<b>324</b>	<b>229,202</b>	<b>76,339</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>												
General government	-	-	113,272	-	-	48,231	-	-	-	-	-	-
Justice system	-	-	-	-	-	-	-	-	-	-	-	32,502
Public safety	84,013	71,429	-	402,065	-	-	7,185	150,424	-	-	-	-
Corrections and rehabilitation	-	-	3,370,976	-	683,059	-	-	-	-	-	-	-
Health and human services	-	-	-	-	196,150	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>84,013</b>	<b>71,429</b>	<b>3,484,248</b>	<b>402,065</b>	<b>879,209</b>	<b>48,231</b>	<b>7,185</b>	<b>150,424</b>	<b>32,502</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(74,730)</b>	<b>24,946</b>	<b>400,479</b>	<b>(17,282)</b>	<b>124,504</b>	<b>6,690</b>	<b>(6,861)</b>	<b>78,778</b>	<b>43,837</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in (out)	-	-	-	-	124,500	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(74,730)</b>	<b>24,946</b>	<b>400,479</b>	<b>(17,282)</b>	<b>249,004</b>	<b>6,690</b>	<b>(6,861)</b>	<b>78,778</b>	<b>43,837</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, SEPTEMBER 30, 2006</b>	<b>182,460</b>	<b>132,616</b>	<b>1,068,646</b>	<b>140,931</b>	<b>1,593,124</b>	<b>19,382</b>	<b>9,878</b>	<b>39,146</b>	<b>222,105</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Residual Equity Transfers</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Increases (Decreases) in Fund Balance</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>FUND BALANCE, SEPTEMBER 30, 2007</b>	<b>107,730</b>	<b>157,562</b>	<b>1,469,125</b>	<b>123,649</b>	<b>1,842,128</b>	<b>26,072</b>	<b>3,017</b>	<b>117,924</b>	<b>265,942</b>	<b>43,837</b>	<b>222,105</b>	<b>-</b>

SMITH COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	JUVENILE JUSTICE ALTERNATIVE EDUCATION	JUVENILE ACCOUNTABILITY GRANT - 2001/2002	LEOSE FUND	JUDICIAL EDUCATION	ENFORCEMENT BLOCK GRANT-2005	ETCOG SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.	HARGIS CDBG GRANT	FORFEITURE INTEREST 10%
<b>REVENUES</b>										
Property taxes	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	206,474	26,158	-	3,380	-	20,000	161,144	-	180,209	-
Other revenues and fees	113,107	375	27,763	630	(34)	10,752	1,878	9	-	20,485
Total Revenues	319,581	26,533	27,763	4,010	(34)	30,752	163,022	9	180,209	20,485
<b>EXPENDITURES</b>										
General government	-	-	-	-	-	-	-	-	-	-
Justice system	-	-	-	7,261	-	-	-	-	-	-
Public safety	-	-	29,753	-	-	-	161,145	-	-	-
Corrections and rehabilitation	284,729	15,540	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	9,000
Conservation	-	-	-	-	-	25,112	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	180,209	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	284,729	15,540	29,753	7,261	-	25,112	161,145	-	180,209	9,000
Excess of Revenue Over (Under) Expenditures	34,852	10,993	(1,990)	(3,251)	(34)	5,640	1,877	9	-	11,485
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	34,852	10,993	(1,990)	(3,251)	(34)	5,640	1,877	9	-	11,485
FUND BALANCE, SEPTEMBER 30, 2006	376,244	(2,925)	25,105	12,968	34	2,233	27,627	191	-	71,733
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2007	\$ 411,096	\$ 8,068	\$ 23,115	\$ 9,717	\$ -	\$ 7,873	\$ 29,504	\$ 200	\$ -	\$ 83,218

SMITH COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	SEARCH & RESCUE	JAC MAINTENANCE	ELECTIONS VOTING MACHINE REPLACEMENT	ELECTION SERVICES CONTRACT	CHAPTER 19 VOTER REGISTRATION	LOCAL LAW ENFORCEMENT BLOCK GRANT-2000	LINDALE RURAL WSC	BYRNE JUSTICE ASSISTANCE GRANT		
<b>REVENUES</b>										
Property taxes	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	-
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	7,545	-	-	37,495	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	3,129	-	3,717	-	236,850	-	-	-
Other revenues and fees	5,444	17,769	95	841	113	(1)	153,767	2,131	-	-
Total Revenues	12,989	17,769	3,224	38,336	3,830	(1)	390,617	2,131	-	-
<b>EXPENDITURES</b>										
General government	-	-	4,076	-	3,717	-	-	-	-	-
Justice system	-	-	-	-	-	-	-	-	-	-
Public safety	14,944	-	-	-	-	-	-	25,630	-	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	112,776	135	-	-	-	356,190	-	-	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	14,944	112,776	4,211	38,336	3,717	-	356,190	25,630	-	-
Excess of Revenue Over (Under) Expenditures	(1,955)	(95,007)	(987)	-	113	(1)	34,427	(23,499)	-	-
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in (out)	-	234,043	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	234,043	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,955)	139,036	(987)	38,336	113	(1)	34,427	(23,499)	-	-
FUND BALANCE, SEPTEMBER 30, 2006	3,059	292,323	2,048	-	-	1	-	44,483	-	-
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2007	\$ 1,104	\$ 431,359	\$ 1,061	\$ 38,336	\$ 113	\$ -	\$ 34,427	\$ 20,984	\$ -	\$ -

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS			DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	EDWARD BYRNE GRANT 2006	STAR MOUNTAIN WSC	TOTAL	PERMANENT IMPROVEMENT	JUVENILE FACILITY	TOTAL	DEBT SERVICE FUND
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,913,401
Licenses and other taxes	-	-	-	-	-	-	-
Fees of office	-	-	3,742,406	-	-	-	3,742,406
Fines	-	-	-	-	-	-	-
Intergovernmental revenues	60,277	205,279	3,369,364	300,000	-	300,000	3,669,364
Other revenues and fees	1,418	-	1,512,960	203,280	173	203,453	1,845,697
Total Revenues	61,695	205,279	8,624,730	503,280	173	503,453	12,170,868
<b>EXPENDITURES</b>							
General government	-	-	478,412	-	-	-	478,412
Justice system	-	-	459,776	-	-	-	459,776
Public safety	29,638	-	1,477,001	-	-	-	1,477,001
Corrections and rehabilitation	-	-	4,354,304	-	-	-	4,354,304
Health and human services	-	-	205,150	-	-	-	205,150
Conservation	-	-	25,112	-	-	-	25,112
Capital outlay	-	41,550	690,860	3,856,375	-	3,856,375	4,547,235
Infrastructure and Environmental	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	1,900,000
Debt Service-interest and fiscal charges	-	-	-	-	-	-	696,423
Total Expenditures	29,638	41,550	7,690,615	3,856,375	-	3,856,375	14,143,413
Excess of Revenue Over (Under) Expenditures	32,057	163,729	934,115	(3,353,095)	173	(3,352,922)	(1,972,545)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in (out)	-	-	358,543	-	(6,129)	(6,129)	358,543
Total Other Financing Sources (Uses)	-	-	358,543	-	(6,129)	(6,129)	358,543
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	32,057	163,729	1,292,658	(3,353,095)	(5,956)	(3,359,051)	(1,614,002)
FUND BALANCE, SEPTEMBER 30, 2006	-	(163,729)	6,061,200	5,361,049	5,956	5,367,005	12,203,013
Residual Equity Transfers	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2007	\$ 32,057	\$ -	\$ 7,353,858	\$ 2,007,954	\$ -	\$ 2,007,954	\$ 10,589,011

**SMITH COUNTY, TEXAS**  
**COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2007**

	<b>Governmental Activities</b>		
	<b>Insurance Fund</b>	<b>Payroll Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 216,395	\$ 107,206	\$ 323,601
Accounts receivable	83,792	113	83,905
Investments	1,196,146	-	1,196,146
Total Current Assets	<u>1,496,333</u>	<u>107,319</u>	<u>1,603,652</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Vouchers payable	438,349	68,964	507,313
Deferred revenue	265,824	-	265,824
Total Current Liabilities	<u>704,173</u>	<u>68,964</u>	<u>773,137</u>
<b>NET ASSETS</b>			
Unrestricted	<u>792,160</u>	<u>38,355</u>	<u>830,515</u>
Total Net Assets	<u>\$ 792,160</u>	<u>\$ 38,355</u>	<u>\$ 830,515</u>

**SMITH COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2007**

	<b>Governmental Activities</b>		
	<b>Insurance Fund</b>	<b>Payroll Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Premiums and reimbursements	\$ 5,039,308	\$ -	\$ 5,039,308
Total Operating Revenues	5,039,308	-	5,039,308
<b>OPERATING EXPENSES</b>			
Insurance claims and administrative fees	4,951,609	-	4,951,609
Total Operating Expenses	4,951,609	-	4,951,609
Operating gain (loss)	87,699	-	87,699
<b>NON-OPERATING REVENUES</b>			
Interest income and other	43,101	13,918	57,019
Gain (loss) before transfers	130,800	13,918	144,718
Transfers in	400,000	-	400,000
Change in net assets	530,800	13,918	544,718
NET ASSETS - SEPTEMBER 30, 2006	261,360	24,437	285,797
NET ASSETS - SEPTEMBER 30, 2007	<u>\$ 792,160</u>	<u>\$ 38,355</u>	<u>\$ 830,515</u>

**SMITH COUNTY, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2007**

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for premiums	\$ 5,005,453	\$ -	\$ 5,005,453
Cash paid to customers	(5,157,924)	-	(5,157,924)
Other operating revenues	-	47,708	47,708
Net cash (used in) provided by operating activities	<u>(152,471)</u>	<u>47,708</u>	<u>(104,763)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers - in from other funds	400,000	-	400,000
Net cash provided by non-capital financing activities	<u>400,000</u>	<u>-</u>	<u>400,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from purchases and redemptions of investments	(806,030)	-	(806,030)
Interest on investments	43,101	16,463	59,564
Net cash (used in) provided by investing activities	<u>(762,929)</u>	<u>16,463</u>	<u>(746,466)</u>
Net (decrease) increase in cash	(515,400)	64,171	(451,229)
Cash at beginning of year	731,795	43,035	774,830
<b>CASH AT END OF YEAR</b>	<u>\$ 216,395</u>	<u>\$ 107,206</u>	<u>\$ 323,601</u>
<b>Reconciliation of operating income to net cash used by operating activities:</b>			
Operating gain (loss)	\$ 87,699	\$ -	\$ 87,699
Adjustment to reconcile operating income to net cash (used in) provided by operating activities:			
Increase in accounts receivable	(51,260)	-	(51,260)
Decrease in due from other funds	461	-	461
Decrease (increase) in vouchers payable	(206,315)	47,758	(158,557)
Increase in salaries payable	-	(50)	(50)
Increase in deferred revenue	16,944	-	16,944
<b>Net Cash (Used in) provided by Operating Activities</b>	<u>\$ (152,471)</u>	<u>\$ 47,708</u>	<u>\$ (104,763)</u>

**SINGLE AUDIT SECTION**

**SMITH COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2007**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Office of Rural Community Affairs:			
Community Development Block Grant	14.228 **	724126	\$ 205,279
Community Development Block Grant	14.228 **	725290	236,850
Passed Through Texas Department of Agriculture:			
Community Development Block Grant	14.228 **	723182	<u>180,209</u>
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>622,338</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Programs:			
Local Law Enforcement Block Grant	16.592		29,639
Passed Through U.S. Marshals Service - Prisoner Services Division:			
US Marshals Cooperative Agreement Program (CAP)	N/A **	07-78-05	300,000
Passed Through City of Kilgore:			
DEA Task Force	16.579	N/A	95,355
Passed Through State of Texas Office of the Governor - Criminal Justice Assistance Division:			
Crime Victim Assistance	16.575	VA-04-V30-13733-07	40,672
Juvenile Accountability Incentive Block Grant	16.523	JB-05-J20-17905-02	<u>16,723</u>

**SMITH COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2007**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF JUSTICE - Continued</u>			
TOTAL U. S. DEPARTMENT OF JUSTICE			\$ 482,389
<u>U. S. ELECTIONS ASSISTANCE COMMISSION</u>			
Passed Through Texas Secretary of State:			
HAVA - County Education Fund	39.011	N/A	4,212
TOTAL U. S. ELECTIONS ASSISTANCE COMMISSION			4,212
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Department of Family and Protective Services:			
Foster Care Title IV-E	93.658	N/A	196,150
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			196,150
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State of Texas Governor's Division of Emergency Management:			
Emergency Management Planning Grant	97.042	07TX-EMPG-0274	27,616

**SMITH COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2007**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY - Continued</u>			
Passed Through Texas Engineering Extension Service:			
Homeland Security Grant	97.067	07-SR48423-01	\$ 161,144
Passed Through Texas Department of Safety's Division of Emergency Management:			
FEMA	97.036 **	N/A	<u>228,634</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>417,394</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,722,483</u></u>

\*\* Denotes Major Programs  
Notes to Schedule on Following Page

**SMITH COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2007**

**NOTE A - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Smith County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# HENRY & PETERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Commissioners' Court of Smith County  
Tyler, Texas

We have audited the basic financial statements of Smith County, Texas as of and for the year ended September 30, 2007, and have issued our report thereon dated April 24, 2008. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

### Compliance and Other Matters

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

This report is intended for the information of the Commissioners' Court, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record and its distribution is not limited.

*Henry & Peters, P.C.*

Tyler, Texas  
April 24, 2008

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**HENRY & PETERS, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

The Honorable Commissioners' Court of Smith County  
Tyler, Texas

Compliance

We have audited the compliance of Smith County, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Smith County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Smith County, Texas' management. Our responsibility is to express an opinion on Smith County's compliance based on our audit.

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

In our opinion, Smith County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Smith County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Smith County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Smith County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

Smith County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Smith County's response and, accordingly, we express no opinion on it.

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

*Henry & Peters, P.C.*

Tyler, Texas  
April 24, 2008

**SMITH COUNTY, TEXAS  
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2007**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: *Unqualified*

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228**	Community Development Block Grant
97.036	FEMA
N/A	US Marshals Service Cooperative Agreement Program (CAP)

\*\* Denotes program cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X  Yes    \_\_\_\_\_No

**Section II – Financial Statement Findings**

No matters requiring reporting under *Government Auditing Standards* were noted.

**Section III – Federal Award Findings and Questioned Costs**

No matters requiring reporting under *OMB Circular A-133* were noted.

**SMITH COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2007**

**06-01 Duplicate Payments**

- Condition:** The County accepted duplicate invoices, receiving documents and account statements as acceptable support for payment. This led to duplicate payment of invoices.
- Criteria:** Controls and procedures that were in place to prevent duplicate payments should have been adhered to by all employees.
- Effect:** Duplicate invoices were paid.
- Recommendation:** Policies and procedures should be reviewed with employees and payment on any document other than an original invoice should only occur with supervisor approval.
- Management Response:** Reviewed policies and procedures with employees entering accounts payable and monitored accounts payable entry to ensure that controls were working as designed.

**UNAUDITED COUNTY DATA**

**SMITH COUNTY, TEXAS  
ELECTED OFFICIALS  
SEPTEMBER 30, 2007**

**COUNTY**

Joel Baker, County Judge  
JoAnn Fleming, Commissioner, Precinct No. 1  
William McGinnis, Commissioner, Precinct No. 2  
Bobby Van Ness, Commissioner, Precinct No. 3  
JoAnn Hampton, Commissioner, Precinct No. 4  
Matt Bingham, Criminal District Attorney  
Lois Rogers, District Clerk  
Judy Carnes, County Clerk  
Gary Barber, Tax Assessor-Collector  
J. B. Smith, Sheriff  
Henry Jackson, Constable, Precinct No. 1  
Frank Creath, Constable, Precinct No. 2  
Danny Smith, Constable, Precinct No. 3  
John Smith, Constable, Precinct No. 4  
Dennis Taylor, Constable, Precinct No. 5  
Kelli White, Treasurer

**JUDICIAL**

Kerry Russell, Judge, 7<sup>th</sup> Judicial District Court  
Cynthia Kent, Judge, 114<sup>th</sup> Judicial District Court  
Jack Skeen Jr., Judge, 241<sup>st</sup> Judicial District Court  
Carole Clark, Judge, 321<sup>st</sup> Judicial District Court  
Tom Dunn, Judge, County Court at Law No. 1  
Randall Rogers, Judge, County Court at Law No. 2  
Floyd Getz, Judge, County Court at Law No. 3  
Quincy Beavers, Jr., Justice of the Peace, Precinct No. 1  
Bill Lemmert, Justice of the Peace, Precinct No. 2  
James Meredith, Justice of the Peace, Precinct No. 3  
Mitch Shamburger, Justice of the Peace, Precinct No. 4  
James Cowart, Justice of the Peace, Precinct No. 5

**TABLE 2**

**SMITH COUNTY, TEXAS  
NON-ELECTED OFFICIALS  
SEPTEMBER 30, 2007**

Ann Wilson, County Auditor  
Kelli Davis, Purchasing Director  
Gerald Hayden, Adult Probation Chief  
Nelson Downing, Juvenile Probation Director  
Toby Cross, Veterans Service Officer  
Arvilla Banks, Pre-Trial Release Bail Bond Program Officer  
Jim Seaton, Fire Marshall  
William Bala, County Engineer  
Danny Kee, Record Service Director  
Steve Christian, Physical Plant Director  
Cristy Keul, Law Library  
Brian Triplett, Agriculture Extension Service  
Harvy Tanner, IT Director  
Denise Rebolini, Personnel Director  
Christopher Scott Cothran, Collections Director  
Karen Chaney, Elections/Voter Registration

TABLE 3

**SMITH COUNTY, TEXAS  
ASSESSED VALUE OF TAXES OF SMITH COUNTY  
(UNAUDITED)**

<u>TAXROLL YEAR</u>	<u>BUDGET YEAR</u>	<u>RATE OF TAXATION*</u>	<u>VALUE FOR COUNTY TAX</u>	<u>TOTAL TAX</u>
1996	1997	0.2363	\$ 5,552,485,380	\$ 13,121,078
1997	1998	0.2311	5,871,931,069	13,570,033
1998	1999	0.2311	6,252,047,999	14,448,483
1999	2000	0.2295	6,550,807,247	15,034,103
2000	2001	0.2545	7,071,093,436	17,993,811
2001	2002	0.2545	7,705,326,029	19,607,743
2002	2003	0.2545	8,101,054,805	20,614,841
2003	2004	0.2545	8,686,720,755	22,105,098
2004	2005	0.2545	9,495,600,851	24,185,650
2005	2006	0.2545	10,256,348,195	25,963,432
2006	2007	0.2683	11,506,501,352	29,299,092

\* Total tax rate