

SMITH COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2008

SMITH COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2008

TABLE OF CONTENTS

	<u>Exhibit or Schedule</u>	<u>Page(s)</u>
FINANCIAL SECTION		
Independent Auditors' Report		1-2
Management's Discussion and Analysis (Unaudited)		3-14
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	Exhibit 1	15
Statement of Activities	Exhibit 2	16
Fund Financial Statements:		
Balance Sheet – Governmental Funds	Exhibit 3	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 1)	Exhibit 4	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit 6	20
Statement of Net Assets – Proprietary Funds	Exhibit 7	21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	Exhibit 8	22
Statement of Cash Flows – Proprietary Funds	Exhibit 9	23
Statement of Fiduciary Assets and Liabilities – Agency Funds	Exhibit 10	24
Notes to the Basic Financial Statements		25-42
Required Supplementary Information:		
Schedule of Funding Progress for the Retirement Plan for the Employees of Smith County	Schedule 1	43
General Fund – Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	Schedule 2	44-46
Special Revenue Fund – Road and Bridge – Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	Schedule 3	47
Notes to Required Supplementary Information		48
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedules by Source	Schedule 4	49
Schedule by Function and Activity	Schedule 5	50
Schedule of Changes by Function and Activity	Schedule 6	51

SMITH COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2008

TABLE OF CONTENTS

		<u>Page(s)</u>
Other Supplementary Information:		
Combining and Individual Funds Statements and Schedules:		
Combining Balance Sheet – Nonmajor Governmental Funds	Schedule 7	52-56
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances – Nonmajor Governmental Funds	Schedule 8	57-61
Combining Statement of Net Assets – Internal Service Funds	Schedule 9	62
Combining Statement of Revenues, Expenses and Changes in Net Fund		
Assets – Internal Service Funds	Schedule 10	63
Combining Statement of Cash Flows – Internal Service Funds	Schedule 11	64
 SINGLE AUDIT SECTION		
Schedule of Expenditures of Federal Awards		65-66
Notes to Schedule of Expenditures of Federal Awards		67
Schedule of Expenditures of State Awards		68
Notes to Schedule of Expenditures of State Awards		69
Report on Compliance and on Internal Control Over		
Financial Reporting Based on an Audit of Financial		
Statements Performed in Accordance With		
<i>Government Auditing Standards</i>		70
Report on Compliance with Requirements Applicable		
to Each Major Program and on Internal Control Over		
Compliance In Accordance With OMB Circular A-133		71-72
Schedule of Federal Findings and Questioned Costs		73
Schedule of State Findings and Questioned Costs		74
Summary Schedule of Prior Audit Findings		75
 UNAUDITED COUNTY DATA		
Elected Officials, September 30, 2008	Table 1	76
Non-Elected Officials, September 30, 2008	Table 2	77
Assessed Value of Taxes of Smith County	Table 3	78

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, 2008, 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, 2008, 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 June 1, 2009 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 48 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 and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management, Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular, 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
June 1, 2009

SMITH COUNTY, TEXAS

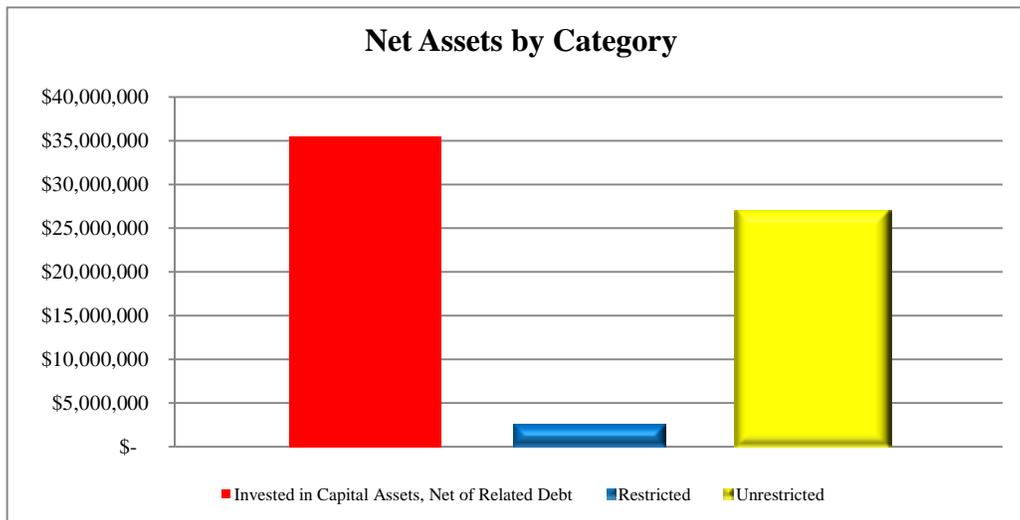
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. 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 \$7,515,293.
- ◆ The total government-wide assets of the County exceeded the liabilities at September 30, 2008 by \$65,197,056 as is reported as total net assets of the primary government. Of this amount, \$27,043,288 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$2,669,251 is restricted for specific purposes (restricted net assets), and \$35,484,517 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, Road & Bridge, Juvenile General, Facility Improvement, and Indigent Health Care) was \$18,126,393 or 30% of the combined expenditures.

Long-Term Debt:

- ◆ In fiscal year 2008, the County did not issue any additional long-term debt.
- ◆ Smith County's total debt decreased by \$2,000,000. Total debt at the end of fiscal year 2008 is \$12,210,000.

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 & 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 \$87,726,188 the largest components are: (1) cash and investments of \$30,372,071 or 35% (2) receivables which largely represent the deferred taxes for FY2008 of \$6,558,223 or 7%, and (3) capital assets net of accumulated depreciation of \$50,795,894 or 58%. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of the total liabilities of \$22,529,132, approximately \$9,671,318 are current liabilities.

The County's assets exceeded liabilities by \$65,197,056 at the close of the most recent fiscal year. The County's net assets for fiscal year ended September 30, 2007 and 2008 are summarized as follows:

	Governmental Activities FY07	Governmental Activities FY08
Current & Other Assets	\$ 32,509,860	\$ 36,930,294
Capital Assets (net of depreciation)	50,765,843	50,795,894
Total Assets	\$ 83,275,703	\$ 87,726,188
Current & Other Liabilities	\$ 5,767,521	\$ 9,671,318
Long-term Liabilities	19,826,419	12,857,814
Total Liabilities	\$ 25,593,940	\$ 22,529,132
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 33,410,463	\$ 35,484,517
Restricted	3,235,153	2,669,251
Unrestricted	21,036,147	27,043,288
Total Net Assets	\$ 57,681,763	\$ 65,197,056

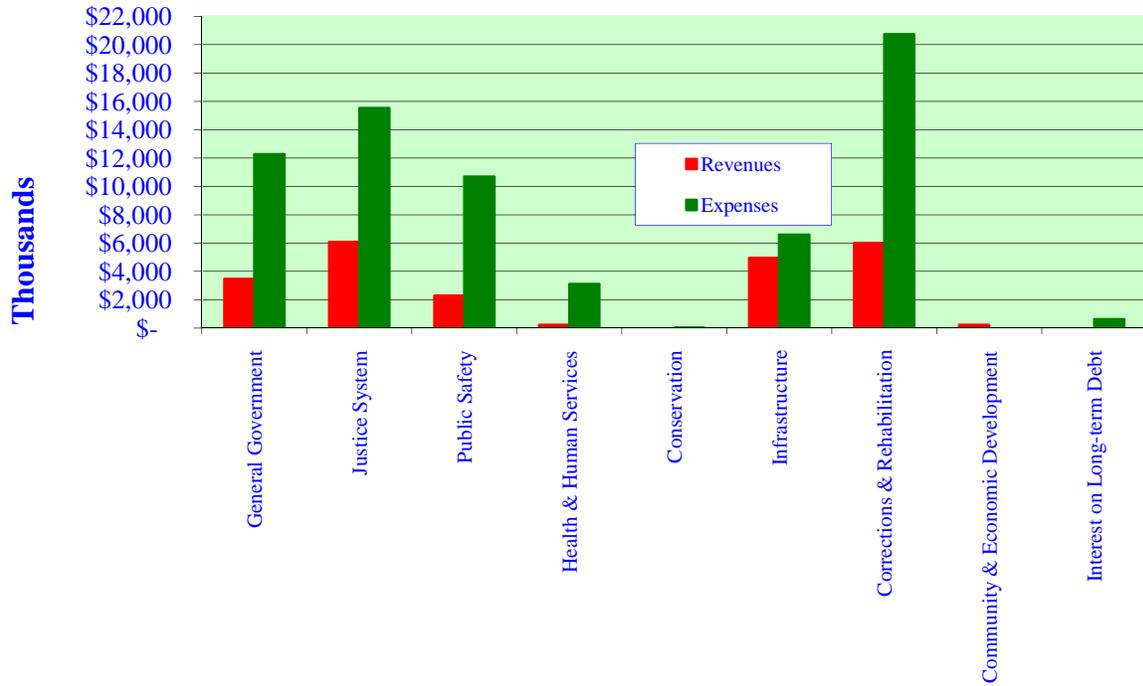
About 4% or \$2,669,251 of the County's net assets represent restricted net assets which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion (\$35,484,517) of the County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery & equipment) net of related debt.

Governmental activities increased the County's net assets by \$7,515,293. The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds further details the increase in net assets.

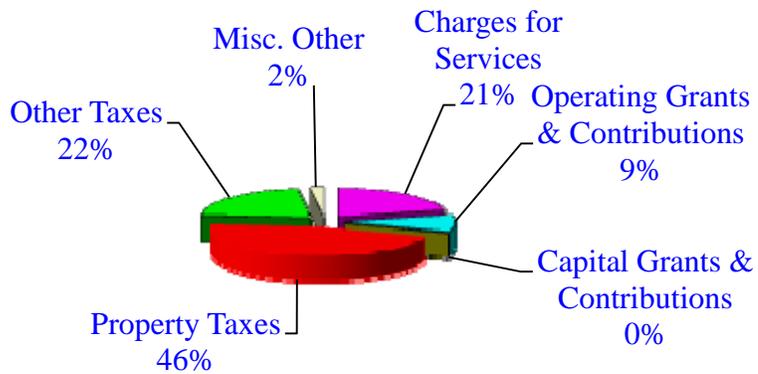
Smith County's Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2008
<i>Revenues:</i>		
Net Program Revenues:		
Charges for Services	\$ 15,311,142	\$ 16,408,235
Operating Grants & Contributions	5,441,925	6,757,471
Capital Grants & Contributions	903,028	71,609
General Revenues:		
Property Taxes	\$ 30,751,982	\$ 35,633,926
Sales & Other Taxes	15,255,632	16,675,084
Rentals & Commissions	620,441	592,221
Reimbursements	38,336	167,900
Miscellaneous	143,508	106,346
State Shared	144,718	-
Gain in Sale of Assets	3,274	-
Loss on donation of assets	-	(341,031)
Interest	1,551,451	998,463
Total Revenues	\$ 70,165,437	\$ 77,070,224
 <i>Expenses:</i>		
General Government	\$ 10,562,099	\$ 12,277,826
Justice System	13,321,926	15,533,927
Public Safety	9,469,038	10,674,578
Health & Human Services	2,931,395	3,110,244
Conservation	25,112	15,328
Infrastructure	6,787,532	6,576,941
Corrections & Rehabilitation	19,083,700	20,750,890
Community & Economic Development	-	-
Interest on Long-term Debt	609,442	615,197
Total Expenses	\$ 62,790,244	\$ 69,554,931
Change in Net Assets	\$ 7,375,193	\$ 7,515,293
Net Assets - Beginning	50,306,570	57,681,763
Net Assets - Ending	\$ 57,681,763	\$ 65,197,056

Program Expenses & Revenues - Governmental Activities



Revenues by Source - Governmental Activities



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

- ◆ Program revenues of \$23,237,315 equaled 33% of governmental expenses of \$69,654,234. As expected, general revenues of \$53,832,908 provided the additional support and coverage for expenses.
- ◆ Approximately 30% of the expenses are for Corrections & Rehabilitation (\$20,401,531) while this category provided about 8% of total revenues of \$77,070,223.
- ◆ The next largest category of expenses is the Justice System (\$15,100,425) at 22%. 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 9.5% of governmental expenses while this category provided 6.41% 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 \$29,387,714. Approximately \$26,718,463, or 91%, 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 (\$1,599,898); (2) to fund capital projects (\$1,069,353).

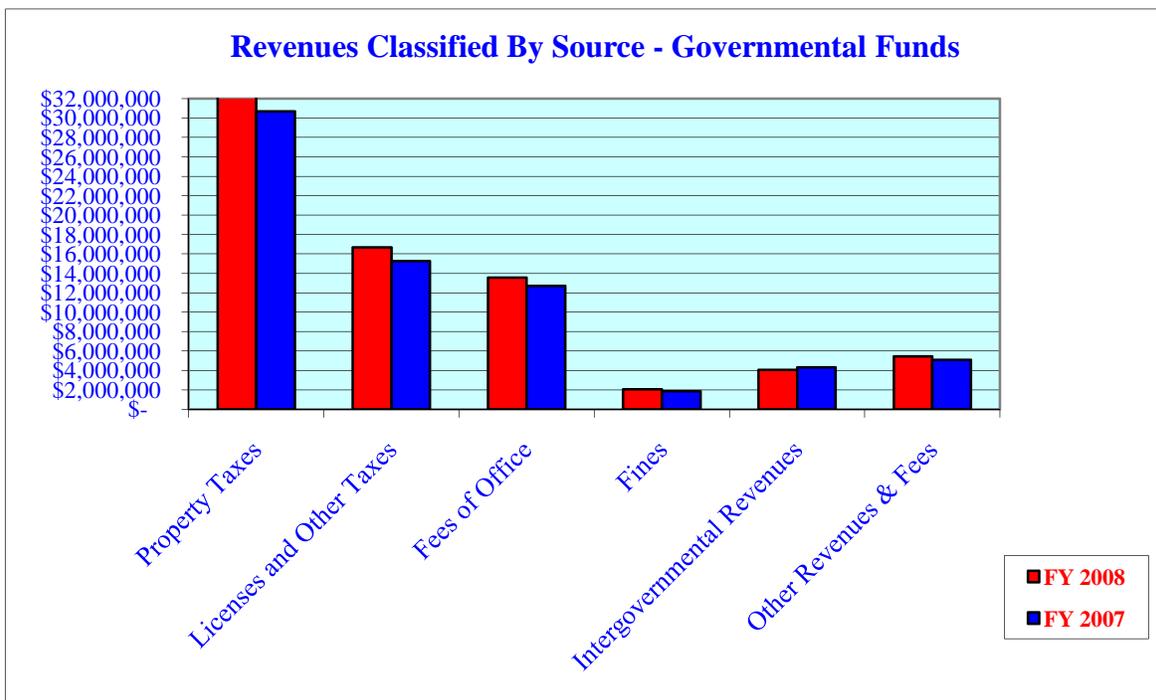
The County's General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance in the County's General Fund was \$10,974,024. As a measure of the general fund's liquidity, we compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance in the County's general fund (\$10,974,024) represents approx. 21% 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 \$3,054,629 during the current fiscal year.

The debt service fund has a total fund balance of \$1,599,898, an increase of \$372,699 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.

Governmental Funds - Revenues Classified by Source

Revenues by Source	FY 2008	FY 2007	Increase (Decrease)	Percent of Change
Property Taxes	\$ 35,532,179	\$ 30,673,980	\$ 4,858,199	15.84%
Licenses and Other Taxes	16,678,405	15,258,333	\$ 1,420,072	9.31%
Fees of Office	13,563,299	12,716,102	\$ 847,197	6.66%
Fines	2,064,635	1,870,588	\$ 194,047	10.37%
Intergovernmental Revenues	4,043,632	4,317,179	\$ (273,547)	-6.34%
Other Revenues & Fees	5,450,312	5,106,537	\$ 343,775	6.73%
Total Revenues	77,332,462	69,942,719	\$ 7,389,743	10.57%



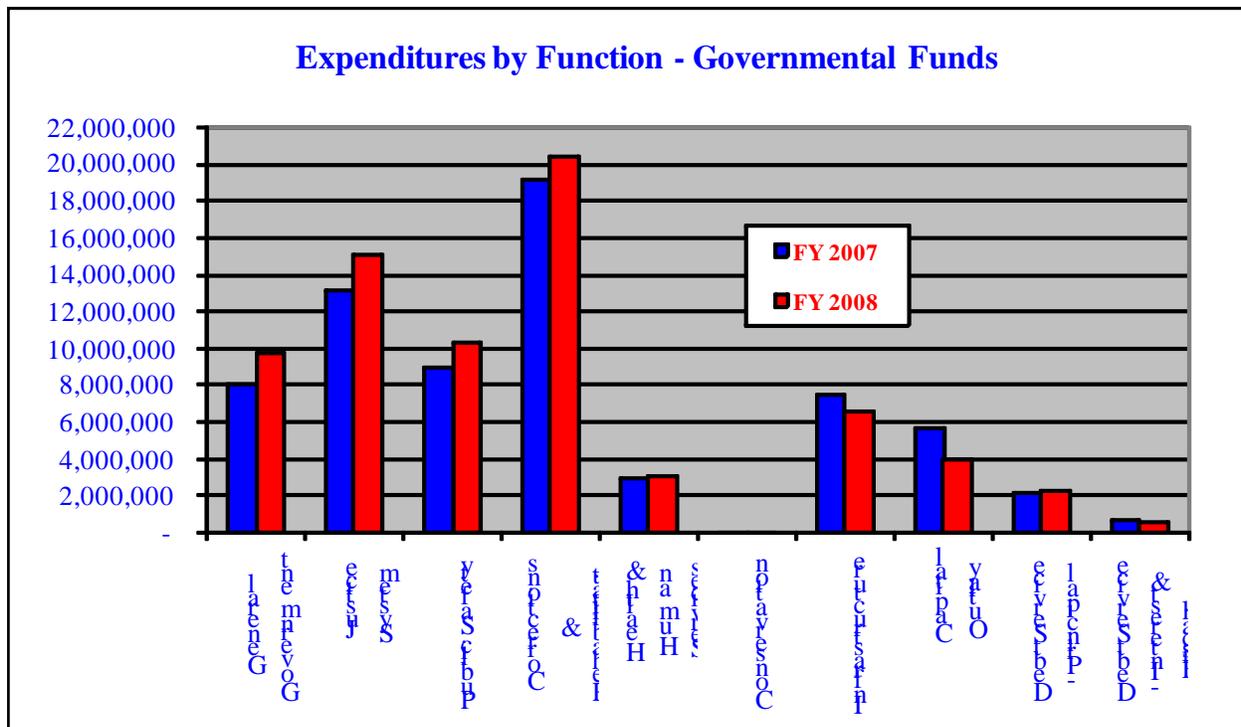
- ◆ Taxes - the increase of \$4,858,199 was primarily due to an increase from the prior year in the certified tax roll compiled by the Smith County Appraisal District.
- ◆ The increase in Licenses & Other Taxes is primarily a result of the increase in sales tax revenue from FY07 of \$1,420,072.

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

Expenditures by Function - Governmental Funds

Expenditures by Function	FY 2008	FY 2007	Increase (Decrease)	Percent of Change
General Government	9,713,381	8,065,066	\$ 1,648,315	20.44%
Justice System	15,100,425	13,187,193	1,913,232	14.51%
Public Safety	10,280,652	8,993,405	1,287,247	14.31%
Corrections & Rehabilitation	20,401,531	19,180,368	1,221,163	6.37%
Health & Human Services	3,098,054	3,009,062	88,992	2.96%
Conservation	15,308	25,112	(9,804)	
Infrastructure	6,618,657	7,444,547	(825,890)	-11.09%
Capital Outlay	4,029,595	5,640,453	(1,610,858)	-28.56%
Debt Service - Principal	2,266,315	2,173,769	92,546	4.26%
Debt Service - Interest & Fiscal Charges	618,924	716,713	(97,789)	-13.64%
	72,142,842	68,435,688	\$ 3,707,154	5.42%

Overall, total expenditures increased by 5.42%. The primary increase in expenditures was due to the implementation of a three year salary plan and unanticipated high fuel costs.



OPERATING FUNDS - 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 in the combined operating funds (general, road & bridge, facility improvement, indigent health care & juvenile general).

- ◆ Actual revenues were higher than budgeted by \$3,325,766. Sales tax (\$2,260,126) was the most significant revenue increases.
- ◆ Actual expenditures were lower than budgeted by \$3,705,754. Correctional & Rehabilitation expenses were lower by \$976,863 which is mainly attributable to the reduction in prisoner transfer expenses. Road & Transportation expenses were lower by \$1,594,492 which is mainly attributable to salary lag and maintenance completions.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt - At September 30, 2008, the County had certificates of obligation outstanding in the amount of \$12,210,000. 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 FY2008.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Limited Tax Notes	\$ -	\$ -	\$ -	\$ -
Certificates of Obligation	14,210,000	-	2,000,000	12,210,000
Compensated Absences	2,147,485	205,966	-	2,353,451
Capital Leases	3,468,934	429,116	547,798	3,350,252
Total	\$ 19,826,419	\$ 635,082	\$ 2,547,798	\$ 17,913,703

Capital Assets - The capital assets of the County are those assets (land, buildings, improvements, roads & bridges, and machinery & equipment), which are used in the performance of the County's functions including infrastructure assets. At September 30, 2008, net capital assets of the governmental activities totaled \$50,795,894. Depreciation on capital assets is recognized in the Government-wide financial statements.

County's Capital Assets

	Cost	Accumulated Depreciation	Net Capital Assets
Governmental Activities:			
Land	\$ 600,817	\$ -	\$ 600,817
Buildings & Improvements	39,292,568	17,013,652	22,278,916
Machinery & Equipment	19,315,934	11,989,957	7,325,977
Infrastructure	69,151,884	48,772,203	20,379,681
Construction in Progress	210,503		210,503
Total	\$ 128,571,706	\$ 77,775,812	\$ 50,795,894

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 FY2009, 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 and the second year of the plan will be included.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SMITH COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

EXHIBIT 1

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 3,011,960
Investments	27,360,111
Receivables (net of allowance for doubtful accounts)	6,053,552
Investment in joint venture	204,437
Prepays and other assets	262,616
Bond issue costs, net	37,618
Capital assets (net of accumulated depreciation):	
Land	600,817
Buildings	15,878,131
Improvements	6,400,785
Machinery and equipment	7,325,977
Construction in progress	210,503
Infrastructure	20,379,681
Total Assets	87,726,188
LIABILITIES	
Vouchers payable	2,909,352
Salaries payable	1,342,184
Accrued interest payable	89,449
Deferred revenues	274,444
Long-term debt:	
Due within one year	5,055,889
Due in more than one year	12,857,814
Total Liabilities	22,529,132
NET ASSETS	
Investment in capital assets, net of related debt	35,484,517
Restricted for:	
Debt service	1,599,898
Capital projects	1,069,353
Unrestricted	27,043,288
Total Net Assets	\$ 65,197,056

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, 2008

Functions/Programs	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
			OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental activities:					
General government	\$ 12,277,826	\$ 3,273,290	\$ 180,043	\$ 23,003	\$ (8,801,490)
Justice system	15,533,927	4,065,826	2,000,112	-	(9,467,989)
Public safety	10,674,578	854,056	1,438,791	-	(8,381,731)
Health and human services	3,110,244	-	222,624	-	(2,887,620)
Conservation	15,328	-	-	-	(15,328)
Infrastructure	6,576,941	4,611,315	332,015	-	(1,633,611)
Corrections and rehabilitation	20,750,890	3,456,577	2,548,659	-	(14,745,654)
Community and economic development	-	147,171	35,227	48,606	231,004
Interest on long-term debt	615,197	-	-	-	(615,197)
Total primary government	\$ 69,554,931	\$ 16,408,235	\$ 6,757,471	\$ 71,609	\$ (46,317,616)
General revenues:					
Property taxes					\$ 35,633,927
Sales taxes					16,260,126
Other taxes					414,958
Rentals and commissions					592,221
Reimbursements					167,900
Miscellaneous					106,345
Loss on sale of assets					(341,031)
Interest earned					998,463
Total general revenues and transfers					<u>53,832,909</u>
Change in net assets					7,515,293
Net assets - beginning of year					<u>57,681,763</u>
Net assets - end of year					<u>\$ 65,197,056</u>

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, 2008**

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 401,494	\$ 84,654	\$ 1,958,320	\$ 2,444,468
Investments	14,000,992	3,259,669	9,667,484	26,928,145
Receivables:				
Property taxes	1,655,693	211,194	167,197	2,034,084
Other	3,791,778	92,283	280,874	4,164,935
Prepaid and other assets	232,702	29,914	-	262,616
Due from other funds	107,963	-	-	107,963
Total assets	\$ 20,190,622	\$ 3,677,714	\$ 12,073,875	\$ 35,942,211
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers payable	\$ 1,822,664	\$ 359,603	\$ 346,993	\$ 2,529,260
Salaries payable	1,019,778	123,306	199,100	1,342,184
Bank overdraft	783,896	-	17,439	801,335
Due to other funds	-	-	107,963	107,963
Deferred revenues	1,424,473	208,223	141,059	1,773,755
Total liabilities	5,050,811	691,132	812,554	6,554,497
Fund Balances:				
Reserved for:				
Debt service	-	-	1,599,898	1,599,898
Capital projects	-	-	1,069,353	1,069,353
Total reserved fund balances	-	-	2,669,251	2,669,251
Unreserved:				
Designated reported in:				
Indigent Health Care	1,846,279	-	-	1,846,279
Juvenile General	894,266	-	-	894,266
Undesignated reported in:				
General Fund	12,399,266	-	-	12,399,266
Special Revenue Fund	-	2,986,582	8,592,070	11,578,652
Total unreserved fund balances	15,139,811	2,986,582	8,592,070	26,718,463
Total fund balances	15,139,811	2,986,582	11,261,321	29,387,714
Total liabilities and fund balances	\$ 20,190,622	\$ 3,677,714	\$ 12,073,875	\$ 35,942,211

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, 2008

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)	\$ 29,387,714
Capital assets used in governmental activities are not current financial resources and therefore , are not reported in the governmental funds balance sheet.	51,000,331
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,628,286
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.	(89,449)
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.	1,146,257
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>(17,876,083)</u>
Net assets of governmental activities	<u>\$ 65,197,056</u>

SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property taxes	\$ 28,997,958	\$ 3,648,404	\$ 2,885,817	\$ 35,532,179
Licenses and other taxes	16,678,405	-	-	16,678,405
Fees of office	5,760,125	3,568,107	4,235,067	13,563,299
Fines	1,050,420	1,014,215	-	2,064,635
Intergovernmental revenues	724,571	323,941	2,995,120	4,043,632
Other revenues and fees	3,304,839	215,035	1,930,438	5,450,312
Total revenues	<u>56,516,318</u>	<u>8,769,702</u>	<u>12,046,442</u>	<u>77,332,462</u>
EXPENDITURES				
Current:				
General government	9,025,683	-	687,699	9,713,382
Justice system	14,567,271	-	533,154	15,100,425
Public safety	9,237,002	-	1,043,650	10,280,652
Corrections and rehabilitation	15,093,748	-	5,307,783	20,401,531
Health and human services	2,873,357	-	224,697	3,098,054
Conservation	-	-	15,308	15,308
Infrastructure and environmental	-	6,618,657	-	6,618,657
Capital outlay	1,788,764	927,131	1,313,700	4,029,595
Debt service:				
Principal retirement	224,153	42,162	2,000,000	2,266,315
Interest and fiscal charges	11,352	4,774	602,798	618,924
Total expenditures	<u>52,821,330</u>	<u>7,592,724</u>	<u>11,728,789</u>	<u>72,142,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,694,988</u>	<u>1,176,978</u>	<u>317,653</u>	<u>5,189,619</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,095	-	354,657	359,752
Transfers (out)	(759,752)	-	-	(759,752)
Capital lease proceeds	429,116	-	-	429,116
Total other financing sources (uses)	<u>(325,541)</u>	<u>-</u>	<u>354,657</u>	<u>29,116</u>
Net change in fund balances	3,369,447	1,176,978	672,310	5,218,735
Fund balances - beginning of year	<u>11,770,364</u>	<u>1,809,604</u>	<u>10,589,011</u>	<u>24,168,979</u>
Fund balances - end of year	<u>\$ 15,139,811</u>	<u>\$ 2,986,582</u>	<u>\$ 11,261,321</u>	<u>\$ 29,387,714</u>

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, 2008

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

Net change in fund balances - total governmental funds	\$ 5,218,735
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.	394,016
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(431,365)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	101,722
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.	2,111,862
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.	(205,966)
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.	10,547
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>315,742</u>
Change in net assets of governmental activities	<u>\$ 7,515,293</u>

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

EXHIBIT 7

**SMITH COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008**

	<u>Governmental Activities - Internal Service Funds</u>
ASSETS	
Current Assets:	
Cash	\$ 1,368,827
Investments	<u>431,966</u>
Total Current Assets	<u>1,800,793</u>
 LIABILITIES	
Current Liabilities:	
Vouchers payable	380,092
Deferred revenue	<u>274,444</u>
Total Current Liabilities	<u>654,536</u>
 NET ASSETS	
Unrestricted	<u>1,146,257</u>
Total Net Assets	<u><u>\$ 1,146,257</u></u>

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, 2008

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premiums and reimbursements	\$ 5,384,665
Total Operating Revenues	5,384,665
OPERATING EXPENSES	
Insurance claims and administrative fees	5,512,571
Total Operating Expenses	5,512,571
Operating Loss	(127,906)
NON-OPERATING REVENUES	
Interest income and other	43,648
Loss before transfers	(84,258)
Transfers in	400,000
Change in net assets	315,742
NET ASSETS - SEPTEMBER 30, 2007	830,515
NET ASSETS - SEPTEMBER 30, 2008	\$ 1,146,257

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, 2008**

EXHIBIT 9

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for premiums	\$ 5,477,077
Cash paid to customers	(5,632,516)
Other operating revenues	<u>(7,276.00)</u>
Net cash used in operating activities	<u>(162,715)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers - in from other funds	<u>400,000</u>
Net cash provided by non-capital financing activities	<u>400,000</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Net proceeds from purchases and redemptions of investments	764,180
Interest on investments	<u>43,761</u>
Net cash provided by investing activities	<u>807,941</u>
Net decrease in cash	1,045,226
Cash at beginning of year	<u>323,601</u>
CASH AT END OF YEAR	<u><u>\$ 1,368,827</u></u>
 Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (127,906)
Adjustment to reconcile operating income to net cash used in operating activities:	
Increase in accounts receivable	83,792
Decrease vouchers payable	(127,221)
Increase in deferred revenue	<u>8,620</u>
Net Cash Used In Operating Activities	<u><u>\$ (162,715)</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, 2008**

	Agency Funds
ASSETS	
Cash	\$ 5,634,353
Investments	4,333,900
Accounts receivable	104,007
Total Assets	\$ 10,072,259
 LIABILITIES	
Vouchers payable	\$ 600,274
Due to other governments	385,630
Other liabilities	9,086,355
Total Liabilities	\$ 10,072,259

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

SMITH COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008

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, Capital Projects, 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 judgments, 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, 2008

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, 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, 2008

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, 2008 and past due after January 31, 2009. 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, which include County-owned roads and bridges, are capitalized with a cost of \$50,000 or more. 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, 2008

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 GASB 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, 2008

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.

The County will implement the following standard in fiscal year 2011:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

SMITH COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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 \$17,876,083 difference are as follows:

Bonds payable	\$12,210,000
Deferred bond costs	(37,618)
Capital leases obligations	3,350,248
Compensated absences	<u>2,353,453</u>
Net adjustment to reduce fund balance - total government funds to arrive at net assets - governmental activities	<u>\$17,876,083</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 \$51,000,331 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$50,765,846
Capital asset additions, net of retirements	4,265,444
Depreciation of capital assets, current year	(4,235,396)
Investment in joint venture	<u>204,437</u>
	<u>\$51,000,331</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 \$394,016 difference are as follows:

Capital outlay	\$ 4,629,412
Depreciation expense	<u>(4,235,396)</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>\$ 394,016</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

III. DEPOSITS AND INVESTMENTS

The carrying amount of the County's cash was \$3,011,960 and total bank balances equaled \$3,643,297. The carrying amount of the County's Trust and Agency cash was \$5,634,353 and total bank balances equaled \$7,083,460. 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, 3, and 4, and Auto Registration, 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), and Texstar. Investments at LOGIC normally consist of U.S. T-bills, commercial paper, Treasury notes, collateralized certificates of deposit and repurchase agreements. Investments at Texstar 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	\$14,346,600	37	AAA
Texstar	13,013,511	34	AAAm
Cash in bank	3,643,297	N/A	N/A
	<u>\$31,003,408</u>		
Portfolio weighted average maturity		31	

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, 2008

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 two 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, 2008, the carrying value of the County’s bank deposits is \$3,011,960 and the bank balance is \$3,643,297.

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	\$1,424,473
Road & Bridge fund	208,223
Debt service fund	<u>141,059</u>
Total deferred	<u>\$1,773,755</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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, 2008 was \$.28894.

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	\$ 1,655,693	\$ 211,194	\$ 167,197	\$ 2,034,084
Other	<u>3,791,778</u>	<u>92,283</u>	<u>280,874</u>	<u>4,164,935</u>
Gross Receivables	5,447,471	303,477	448,071	6,199,019
Less: Allowance for Uncollectibles	<u>118,407</u>	<u>15,104</u>	<u>11,956</u>	<u>145,467</u>
Net Total Receivables	<u>\$ 5,329,064</u>	<u>\$ 288,373</u>	<u>\$ 436,115</u>	<u>\$ 6,053,552</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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	\$ 455,421	\$ -	\$ 600,817
Construction in progress	<u>2,843,099</u>	<u>133,866</u>	<u>(2,766,462)</u>	<u>210,503</u>
Total capital assets, not being depreciated	2,988,495	589,287	(2,766,462)	811,320
Capital assets, being depreciated:				
Infrastructure	67,779,968	1,371,916	-	69,151,884
Buildings	30,531,910	156,729	(86,683)	30,601,956
Improvements	5,586,841	3,184,241	(80,470)	8,690,612
Machinery and equipment	<u>18,814,286</u>	<u>2,093,697</u>	<u>(1,592,049)</u>	<u>19,315,934</u>
Total capital assets being depreciated	122,713,005	6,806,583	(1,759,202)	127,760,386
Less accumulated depreciation for:				
Infrastructure	(47,564,243)	(1,207,960)	-	(48,772,203)
Buildings	(13,823,701)	(941,299)	41,175	(14,723,825)
Improvements	(1,927,250)	(366,950)	4,373	(2,289,827)
Machinery and equipment	<u>(11,620,460)</u>	<u>(1,719,187)</u>	<u>1,349,690</u>	<u>(11,989,957)</u>
Total accumulated depreciation	(74,935,654)	(4,235,396)	1,395,238	(77,775,812)
Total capital assets, being depreciated, net	<u>47,777,351</u>	<u>2,571,187</u>	<u>(363,964)</u>	<u>49,984,574</u>
Governmental activities capital assets, net	<u>\$ 50,765,846</u>	<u>\$ 3,160,474</u>	<u>\$ (3,130,426)</u>	<u>\$ 50,795,894</u>

SMITH COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

V. CAPITAL ASSETS - Continued

Depreciation expense for FY 2008 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,422,357
Public safety	376,097
Correction and rehabilitation	494,571
Health and human services	6,191
Infrastructure and environmental	1,593,427
Justice system	<u>342,753</u>
Total depreciation expense – governmental activities	<u>\$ 4,235,396</u>

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, 2008:

<u>Description</u>	<u>Original Bond Amt</u>	<u>Interest Rates (%)</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Bonds Outstanding</u>
Certificate of Obligation – 2000 Series	\$12,000,000	4.625 - 5.1	2000	2016	\$ 4,210,000
Certificate of Obligation – 2001 Series	6,000,000	4.0 - 4.5	2001	2011	2,700,000
Certificate of Obligation – 2004 Series	<u>6,500,000</u>	3.0 - 4.0	2004	2018	<u>5,300,000</u>
	<u>\$24,500,000</u>				<u>\$12,210,000</u>

Certificates of Obligation

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

<u>Years Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
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	1,310,000	173,850
2014 – 2018	<u>3,000,000</u>	<u>368,550</u>
Total	<u>\$12,210,000</u>	<u>\$2,051,300</u>

SMITH COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

VI. LONG-TERM DEBT - Continued

Changes in Long-Term Debt

Long-term liability for the year ended September 30, 2008 was as follows:

Governmental Activities:	Beginning Balance <u>10/1/07</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/08</u>	Due Within <u>One Year</u>
Certificates of obligation	\$14,210,000	\$ -	\$2,000,000	\$12,210,000	\$2,100,000
Compensated absences	2,147,485	205,966	-	2,353,451	2,353,453
Capital leases	<u>3,468,934</u>	<u>429,116</u>	<u>547,798</u>	<u>3,350,252</u>	<u>602,436</u>
Total	<u>\$19,826,419</u>	<u>\$ 635,082</u>	<u>\$2,547,798</u>	<u>\$17,913,703</u>	<u>\$5,055,889</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, 2008, 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, postage meter, and dump trucks. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2008 was approximately \$380,000.

Capital Leases

During the year ended September 30, 2008, the County entered into three new lease agreements classified as capital leases in addition to the six other leases capitalized in prior years. The County obtained seven vehicles for the District Attorney Office, four vehicles for Physical Plant, and ten vehicles for the Sheriff's Department. The amounts capitalized as equipment were \$152,208, \$68,360 and \$208,548, 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:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$4,776,819
Less: Accumulated depreciation	<u>(1,909,580)</u>
Total	<u>\$2,867,239</u>

Depreciation expense for the year ended September 30, 2008 was \$705,158.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

VII. LEASES - Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2009	\$ 689,694
2010	561,542
2011	493,404
2012	420,000
2013	424,000
2014-2016	<u>1,310,400</u>
Total minimum lease payments	3,899,040
Less: amount representing interest	<u>(548,788)</u>
Present value of minimum lease payments	<u>\$3,350,252</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, 2008 is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-major Governmental Funds	\$107,963	Supplement fund sources
	Total	<u>\$107,963</u>	

The following summarized the County's transfers for the year ended September 30, 2008:

	<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	\$ -	\$ -	359,752	\$ 400,000	\$ 759,752
Nonmajor Governmental Fund	5,095	-	-	-	5,095
Totals	<u>\$ 5,095</u>	<u>\$ -</u>	<u>\$ 359,752</u>	<u>\$ 400,000</u>	<u>\$ 764,847</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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 574 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 9.64% for the months of the accounting year 2008, and 9.62% for the months of the accounting year 2007.

The deposit rate payable by the employee members for calendar year 2008 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, 2008, the annual pension cost for the TCDRS plan for its employees was \$2,219,928 and the actual contributions were \$2,802,111. 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, 2005, 2006 and 2007, the basis for determining the contributions rates for calendar years 2007 and 2008. The December 31, 2007 actuarial valuation is the most recent valuation.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

IX. RETIREMENT COMMITMENTS - Continued

<u>Actuarial valuation date</u>	<u>Actuarial Valuation Information</u>		
	<u>12/31/05</u>	<u>12/31/06</u>	<u>12/31/07</u>
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	20 years	15 years	15 years
Asset valuation method	Long-term appreciation with adjustment	SAF: 10-yr smoothed value; ESF: fund value	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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/06	\$2,119,636	100%	\$ -0-
9/30/07	2,364,357	100%	-0-
9/30/08	2,802,111	100%	-0-

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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, 2008, the County budgeted funding of \$486,000 for the Health District. The County's equity interest in the Health District was \$204,437 at September 30, 2008. 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 \$1,413,993 as of September 30, 2008.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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 2008 are presented below:

	Insurance Claims Payable <u>at 9/30/07</u>	Current Year Claims and Changes <u>in Estimates</u>	Actual Claim <u>Payments</u>	Insurance Claims Payable <u>at 9/30/08</u>
Insurance Fund	\$ 438,349	\$5,392,627	\$5,512,572	\$ 318,404

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

**SMITH COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF SMITH COUNTY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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)
12/31/2005	\$ 46,102,246	\$ 55,957,957	\$ 9,855,711	82.39%	\$ 22,339,408	44.12%
12/31/2006	\$ 52,034,418	\$ 60,840,932	\$ 8,806,514	85.53%	\$ 23,398,446	37.64%
12/31/2007	\$ 56,869,682	\$ 65,872,352	\$ 9,002,670	86.33%	\$ 26,107,118	34.48%

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

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, 2008

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Property Taxes:				
Taxes - current	\$ 27,568,403	\$ 27,568,403	\$ 27,641,733	\$ 73,330
Taxes - delinquent	1,102,736	1,102,736	864,421	(238,315)
Penalty and collection fees	450,000	450,000	491,804	41,804
Total Property Taxes	<u>29,121,139</u>	<u>29,121,139</u>	<u>28,997,958</u>	<u>(123,181)</u>
Licenses and Other Taxes:				
Liquor drink tax	350,000	350,000	381,667	31,667
Sales tax	14,000,000	14,000,000	16,260,126	2,260,126
Bingo taxes	35,000	35,000	33,291	(1,709)
Miscellaneous	3,400	3,400	3,321	(79)
Total Licenses and Other Taxes	<u>14,388,400</u>	<u>14,388,400</u>	<u>16,678,405</u>	<u>2,290,005</u>
Fees of Office:				
County Judge	4,500	4,500	4,931	431
Sheriff	352,000	352,000	358,224	6,224
Constables	190,000	190,000	230,335	40,335
County Clerk	1,480,000	1,480,000	1,503,973	23,973
Tax Assessor-Collector	180,000	180,000	200,991	20,991
Criminal District Attorney	53,000	53,000	86,264	33,264
District Clerk	430,000	430,000	427,948	(2,052)
Justices of the Peace	104,000	104,000	159,281	55,281
County Courts at Law	-	-	54	54
Vehicle sales tax commission	450,000	450,000	507,297	57,297
Auto registration	455,000	455,000	633,291	178,291
Records management	77,000	77,000	102,552	25,552
Court imposed fees	585,700	585,700	580,754	(4,946)
State imposed fees	164,100	164,100	179,113	15,013
Titles and certificates	287,000	287,000	318,156	31,156
Telephone coin station revenues	401,000	401,000	357,132	(43,868)
Miscellaneous	106,400	106,400	109,829	3,429
Total Fees of Office	<u>5,319,700</u>	<u>5,319,700</u>	<u>5,760,125</u>	<u>440,425</u>
Fines:				
District and county courts	838,000	838,000	1,050,420	212,420
Total Fines	<u>838,000</u>	<u>838,000</u>	<u>1,050,420</u>	<u>212,420</u>
Intergovernmental revenues:				
Intergovernmental revenues	663,595	693,703	724,571	30,868
Total Intergovernmental Revenues	<u>663,595</u>	<u>693,703</u>	<u>724,571</u>	<u>30,868</u>
Other Revenues and Fees:				
Interest	831,000	831,000	619,785	(211,215)
Rentals	237,700	237,700	235,089	(2,611)
Sale of equipment	-	4,593	22,933	18,340
Donations	-	-	40,925	40,925
Reimbursements	344,700	400,989	827,593	426,604
Prisoner care	1,120,000	1,120,000	1,036,624	(83,376)
Other revenues	150,000	178,497	521,890	343,393
Total Other Revenues and Fees	<u>2,683,400</u>	<u>2,772,779</u>	<u>3,304,839</u>	<u>532,060</u>
Total Revenues	<u>53,014,234</u>	<u>53,133,721</u>	<u>56,516,318</u>	<u>3,382,597</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, 2008

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES				
General Government:				
Commissioners' Court	\$ 497,293	\$ 436,753	\$ 434,180	\$ 2,573
Record Service Bureau	142,565	140,010	139,598	412
County Auditor	687,719	651,244	649,163	2,081
Election division	333,783	418,261	415,845	2,416
County Treasurer	129,667	127,702	126,865	837
Tax Assessor-Collector	1,328,030	1,277,887	1,251,446	26,441
General operations	3,338,412	4,032,957	3,445,549	587,408
Physical plant	1,033,827	956,291	890,403	65,888
Public service	-	-	7,997	(7,997)
Personnel	163,170	157,004	154,494	2,510
Information services	1,120,125	1,098,454	1,064,267	34,187
Collections	161,891	157,787	155,528	2,259
Veterans' service office	142,904	134,315	134,198	117
Purchasing agent	164,662	156,906	156,150	756
Total General Government	9,244,048	9,745,571	9,025,683	719,888
Justice System:				
County Court	372,779	288,027	282,622	5,405
County Court at Law	353,962	349,769	348,913	856
County Court at Law #2	354,884	348,920	345,579	3,341
County Court at Law #3	356,482	353,417	348,537	4,880
County Clerk	1,244,209	1,208,644	1,166,243	42,401
District Courts	2,223,107	2,208,895	1,918,901	289,994
District Clerk	1,170,636	1,124,087	1,101,319	22,768
Justices of the Peace	1,360,157	1,323,022	1,289,617	33,405
Indigent defense	1,379,500	1,307,273	1,305,662	1,611
Pre-trial release	135,258	133,002	131,460	1,542
Juvenile probation	4,093,794	4,093,794	3,135,462	958,332
Criminal District Attorney	3,457,727	3,207,560	3,192,956	14,604
Total Justice System	16,502,495	15,946,410	14,567,271	1,379,139
Public Safety:				
Civil defense and rural fire aid	648,407	649,084	642,746	6,338
Constables	1,128,078	1,119,692	1,112,808	6,884
Sheriff's department	6,371,657	6,417,210	6,180,004	237,206
Jail	-	-	68	(68)
Adult and juvenile probation	862,569	862,569	862,569	-
License and weights	70,912	57,909	55,410	2,499
Litter abatement office	100,054	104,479	100,147	4,332
Animal control	-	862	862	-
Juvenile board	125,219	124,008	124,012	(4)
Warrant division	162,592	159,594	158,376	1,218
Total Public Safety	9,469,488	9,495,407	9,237,002	258,405
Health and Human Services:				
Indigent health care	1,288,985	1,288,985	821,555	467,430
Agricultural extension	234,562	216,740	211,935	4,805
Public services	1,880,787	1,839,953	1,839,867	86
Total Health and Human Services	3,404,334	3,345,678	2,873,357	472,321

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, 2008

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES (cont'd.)				
Corrections and Rehab:				
Jail	\$ 15,045,615	\$ 15,180,823	\$ 15,079,368	\$ 101,455
Adult probation	21,550	21,550	14,380	7,170
Total Corrections and Rehab	<u>15,067,165</u>	<u>15,202,373</u>	<u>15,093,748</u>	<u>108,625</u>
Capital Outlay:				
Equipment	<u>1,511,119</u>	<u>1,575,478</u>	<u>1,788,764</u>	<u>(213,286)</u>
Total Capital Outlay	<u>1,511,119</u>	<u>1,575,478</u>	<u>1,788,764</u>	<u>(213,286)</u>
Debt Service:				
Principal	-	-	224,153	(224,153)
Interest	-	-	11,352	(11,352)
Total Debt Service	<u>-</u>	<u>-</u>	<u>235,505</u>	<u>(235,505)</u>
Total Expenditures	<u>55,198,649</u>	<u>55,310,917</u>	<u>52,821,330</u>	<u>2,489,587</u>
Excess of Revenues Over (Under) Expenditures	(2,184,415)	(2,177,196)	3,694,988	5,872,184
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	5,095	5,095
Transfers (out)	(247,823)	(247,823)	(759,752)	(511,929)
Capital lease proceeds	-	-	429,116	429,116
Total Other Financing Sources (Uses)	<u>(247,823)</u>	<u>(247,823)</u>	<u>(325,541)</u>	<u>(77,718)</u>
Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses	(2,432,238)	(2,425,019)	3,369,447	5,794,466
FUND BALANCE, SEPTEMBER 30, 2007	<u>11,770,364</u>	<u>11,770,364</u>	<u>11,770,364</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2008	<u>\$ 9,338,126</u>	<u>\$ 9,345,345</u>	<u>\$ 15,139,811</u>	<u>\$ 5,794,466</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, 2008

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Property Taxes:				
Taxes - current	\$ 3,516,527	\$ 3,516,527	\$ 3,533,242	\$ 16,715
Taxes - delinquent	140,661	140,661	115,162	(25,499)
Total Property Taxes	<u>3,657,188</u>	<u>3,657,188</u>	<u>3,648,404</u>	<u>(8,784)</u>
Fees of Office:				
Auto registration	3,510,000	3,510,000	3,416,921	(93,079)
Other fees	123,000	123,000	151,186	28,186
Total Fees of Office	<u>3,633,000</u>	<u>3,633,000</u>	<u>3,568,107</u>	<u>(64,893)</u>
Fines:				
Justices of the Peace	996,000	996,000	1,014,215	18,215
Total Fines	<u>996,000</u>	<u>996,000</u>	<u>1,014,215</u>	<u>18,215</u>
Intergovernmental Revenues:				
FEMA reimbursements	-	323,941	323,941	-
Total Fines	<u>-</u>	<u>323,941</u>	<u>323,941</u>	<u>-</u>
Other Revenues and Fees:				
Sale of equipment	-	-	1,993	1,993
Interest	150,000	150,000	123,363	(26,637)
Other revenue	68,000	87,536	89,679	2,143
Total Other Revenues and Fees	<u>218,000</u>	<u>237,536</u>	<u>215,035</u>	<u>(22,501)</u>
Total Revenues	<u>8,504,188</u>	<u>8,847,665</u>	<u>8,769,702</u>	<u>(77,963)</u>
EXPENDITURES				
Infrastructure and Environmental Services:				
Administrative	413,369	427,883	380,431	47,452
Labor Division	6,046,371	5,786,710	4,681,838	1,104,872
Equipment Division	1,442,864	1,717,864	1,556,388	161,476
Total Infrastructure and Environmental Services	<u>7,902,604</u>	<u>7,932,457</u>	<u>6,618,657</u>	<u>1,313,800</u>
Capital Outlay:				
Equipment	939,100	1,252,722	927,131	325,591
Total Capital Outlay	<u>939,100</u>	<u>1,252,722</u>	<u>927,131</u>	<u>325,591</u>
Debt Service:				
Interest and fiscal charges	-	-	4,774	(4,774)
Principal payments	-	-	42,162	(42,162)
Total Debt Service	<u>-</u>	<u>-</u>	<u>46,936</u>	<u>(46,936)</u>
Total Expenditures	<u>8,841,704</u>	<u>9,185,179</u>	<u>7,592,724</u>	<u>1,592,455</u>
Excess of Revenues Over (Under) Expenditures	(337,516)	(337,514)	1,176,978	1,514,492
OTHER FINANCING SOURCES (USES)				
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	(337,516)	(337,514)	1,176,978	1,514,492
FUND BALANCE, SEPTEMBER 30, 2007	<u>1,809,604</u>	<u>1,809,604</u>	<u>1,809,604</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2008	<u>\$ 1,472,088</u>	<u>\$ 1,472,090</u>	<u>\$ 2,986,582</u>	<u>\$ 1,514,492</u>

SMITH COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2008

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, 2008, if designated as final budget.

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

SCHEDULE 4

SMITH COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 SEPTEMBER 30, 2008

	<u>TOTAL</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	\$ 600,817
Buildings	30,601,956
Improvements	8,690,612
Machinery and equipment	19,315,934
Infrastructure	69,151,884
Construction in progress	<u>210,503</u>
Total governmental funds capital assets	<u>\$ 128,571,706</u>
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:	
General fund	\$ 113,584,892
Special revenue funds	13,278,135
Grants and donations	<u>1,708,679</u>
Total governmental funds capital assets	<u>\$ 128,571,706</u>

SCHEDULE 5

SMITH COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2008

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government	\$ 498,797	\$ 8,495,456	\$ 6,648,155	\$ 8,051,518	\$ -	\$ 210,503	\$ 23,904,429
Justice system	74,500	9,426,008	58,763	336,848	-	-	9,896,119
Public safety	-	880,024	379,278	2,399,750	-	-	3,659,052
Corrections and rehabilitation	-	11,610,468	1,437,471	414,365	-	-	13,462,304
Health and human services	-	-	-	-	-	-	-
Infrastructure and environmental	27,520	190,000	166,945	8,113,453	69,151,884	-	77,649,802
Total general fixed assets/ governmental funds capital assets	<u>\$ 600,817</u>	<u>\$ 30,601,956</u>	<u>\$ 8,690,612</u>	<u>\$ 19,315,934</u>	<u>\$ 69,151,884</u>	<u>\$ 210,503</u>	<u>\$ 128,571,706</u>

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, 2008

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2008</u>
General government	\$ 21,928,466	\$ 4,618,591	\$ (2,642,628)	\$ 23,904,429
Justice system	10,448,880	(418,805)	(133,956)	9,896,119
Public safety	3,921,985	109,616	(372,549)	3,659,052
Corrections and rehabilitation	12,737,892	735,023	(10,611)	13,462,304
Health and human services	167,153	-	(167,153)	-
Infrastructure and environmental	76,497,124	2,351,445	(1,198,767)	77,649,802
Total governmental funds capital assets	<u>\$ 125,701,500</u>	<u>\$ 7,395,870</u>	<u>\$ (4,525,664)</u>	<u>\$ 128,571,706</u>

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OTHER SUPPLEMENTARY INFORMATION

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

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
ASSETS										
Cash	\$ 14,553	\$ 16,946	\$ 79,776	\$ 24,550	\$ 1,431	\$ 131,632	\$ 8,870	\$ 47,385	\$ 51,658	\$ 18,497
Investments	-	197,428	2,141,465	-	-	-	-	-	-	-
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	4,114	25,740	215	33	5,473	1,000	5,921	1,677	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 14,553	\$ 218,488	\$ 2,246,981	\$ 24,765	\$ 1,464	\$ 137,105	\$ 9,870	\$ 53,306	\$ 53,335	\$ 18,497
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	446	4,331	122,061	-	-	100,000	3,399	344	1,084	-
Salaries payable	-	2,136	1,423	-	-	(1,197)	552	3,907	2,229	-
Due to other funds	-	-	-	-	-	96,913	8,850	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total Liabilities	446	6,467	123,484	-	-	195,716	12,801	4,251	3,313	-
FUND BALANCE										
Fund Balance:										
Reserved:										
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Undesignated	14,107	212,021	2,123,497	24,765	1,464	(58,611)	(2,931)	49,055	50,022	18,497
Total fund balance	14,107	212,021	2,123,497	24,765	1,464	(58,611)	(2,931)	49,055	50,022	18,497
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,553	\$ 218,488	\$ 2,246,981	\$ 24,765	\$ 1,464	\$ 137,105	\$ 9,870	\$ 53,306	\$ 53,335	\$ 18,497

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	SPECIAL REVENUE FUNDS									
	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	EAST TEXAS AUTO CRUSHERS	TEXAS JUVENILE PROBATION COMMISSION	CRIME VICTIM'S SERVICES	CRIME VICTIM'S COMPENSATION	STEP TOBACCO GRANT	SHERIFF DEA TASK FORCE	JUSTICE COURT TECHNOLOGY FUND
ASSETS										
Cash	\$ 45,350	\$ 78,222	\$ 415,897	\$ -	\$ 124,139	\$ 25,525	\$ 13,726	\$ 11,865	\$ 75,533	\$ 20,516
Investments	-	-	1,950,160	-	1,701,720	-	-	-	-	266,867
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-
Accounts receivable	1,790	2,086	(17,192)	151,216	31,753	5,409	4,029	-	27,658	1,461
Due from other funds	-	-	-	-	-	6,000	-	-	-	-
TOTAL ASSETS	\$ 47,140	\$ 80,308	\$ 2,348,865	\$ 151,216	\$ 1,857,612	\$ 36,934	\$ 17,755	\$ 11,865	\$ 103,191	\$ 288,844
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Bank overdraft	\$ -	\$ -	\$ -	\$ 17,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	250	3,713	2,543	16,025	10,576	2,810	-	-	1,745	401
Salaries payable	-	-	145,848	1,001	27,736	792	1,675	-	-	-
Due to other funds	-	-	-	2,000	200	-	6,000	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total Liabilities	250	3,713	148,391	36,465	38,512	3,602	7,675	-	1,745	401
FUND BALANCE										
Fund Balance:										
Reserved:										
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Undesignated	46,890	76,595	2,200,474	114,751	1,819,100	33,332	10,080	11,865	101,446	288,443
Total fund balance	46,890	76,595	2,200,474	114,751	1,819,100	33,332	10,080	11,865	101,446	288,443
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,140	\$ 80,308	\$ 2,348,865	\$ 151,216	\$ 1,857,612	\$ 36,934	\$ 17,755	\$ 11,865	\$ 103,191	\$ 288,844

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	SPECIAL REVENUE FUNDS									
	JUVENILE JUSTICE ALTERNATIVE EDUCATION	JUVENILE ACCOUNTABILITY BLOCK GRANT-2001/2002	LEOSE FUND	JUDICIAL EDUCATION	COMMUNITY POLICING	ETCOG- SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.	DA CRIME PREVENTION	FORFEITURE INTEREST 10%
ASSETS										
Cash	\$ 71,663	\$ 390	\$ 28,062	\$ 7,634	\$ 26,221	\$ 17,498	\$ 27,637	\$ -	\$ 5,268	\$ 91,659
Investments	177,958	-	-	-	-	-	-	-	-	-
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	125	5,900	5,879	-	-	-	703
Due from other funds	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 249,621	\$ 390	\$ 28,062	\$ 7,759	\$ 32,121	\$ 23,377	\$ 27,637	\$ -	\$ 5,268	\$ 92,362
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	292	-	785	139	375	-	4,565	-	-	-
Salaries payable	8,057	214	-	-	4,142	585	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total Liabilities	8,349	214	785	139	4,517	585	4,565	-	-	-
FUND BALANCE										
Fund Balance:										
Reserved:										
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-
Unreserved:										
Undesignated	241,272	176	27,277	7,620	27,604	22,792	23,072	-	5,268	92,362
Total fund balance	241,272	176	27,277	7,620	27,604	22,792	23,072	-	5,268	92,362
TOTAL LIABILITIES AND FUND BALANCES	\$ 249,621	\$ 390	\$ 28,062	\$ 7,759	\$ 32,121	\$ 23,377	\$ 27,637	\$ -	\$ 5,268	\$ 92,362

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	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
ASSETS								
Cash	\$ 10,859	\$ 45,961	\$ 48	\$ 61,742	\$ 165	\$ 54,879	\$ -	\$ 19
Investments	-	645,124	-	-	-	-	-	-
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-
Accounts receivable	148	-	-	2,231	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 11,007	\$ 691,085	\$ 48	\$ 63,973	\$ 165	\$ 54,879	\$ -	\$ 19
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	32	5,716	-	-	-	-	-	-
Salaries payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total Liabilities	32	5,716	-	-	-	-	-	-
FUND BALANCE								
Fund Balance:								
Reserved:								
Reserved for Capital Projects	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-
Unreserved:								
Undesignated	10,975	685,369	48	63,973	165	54,879	-	19
Total fund balance	10,975	685,369	48	63,973	165	54,879	-	19
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,007	\$ 691,085	\$ 48	\$ 63,973	\$ 165	\$ 54,879	\$ -	\$ 19

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	SPECIAL REVENUE FUNDS			TOTAL	CAPITAL PROJECT FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	EDWARD BYRNE GRANT 2006	STAR MOUNTAIN WSC	DA FEDERAL ASSETS		PERMANENT IMPROVEMENT	DEBT SERVICE FUND	
ASSETS							
Cash	\$ 4,633	\$ -	\$ 250,147	\$ 1,910,556	\$ 8,270	\$ 39,494	\$ 1,958,320
Investments	-	-	-	7,080,722	1,066,001	1,520,761	9,667,484
Taxes receivable-delinquent, net	-	-	-	-	-	167,197	167,197
Accounts receivable	-	-	-	267,369	-	13,505	280,874
Due from other funds	-	-	-	6,000	-	-	6,000
TOTAL ASSETS	\$ 4,633	\$ -	\$ 250,147	\$ 9,264,647	\$ 1,074,271	\$ 1,740,957	\$ 12,079,875
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Bank overdraft	\$ -	\$ -	\$ -	\$ 17,439	\$ -	\$ -	\$ 17,439
Vouchers payable	3,755	-	56,688	342,075	4,918	-	346,993
Salaries payable	-	-	-	199,100	-	-	199,100
Due to other funds	-	-	-	113,963	-	-	113,963
Deferred revenue	-	-	-	-	-	141,059	141,059
Total Liabilities	3,755	-	56,688	672,577	4,918	141,059	818,554
FUND BALANCE							
Fund Balance:							
Reserved:							
Reserved for Capital Projects	-	-	-	-	1,069,353	-	1,069,353
Reserved for Debt Service	-	-	-	-	-	1,599,898	1,599,898
Unreserved:							
Undesignated	878	-	193,459	8,592,070	-	-	8,592,070
Total fund balance	878	-	193,459	8,592,070	1,069,353	1,599,898	11,261,321
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,633	\$ -	\$ 250,147	\$ 9,264,647	\$ 1,074,271	\$ 1,740,957	\$ 12,079,875

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	147,171	633,785	10,920	366	159,171	118,948	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	1,264	-	-	-	-	-	-	22,610	-	-
Other revenues and fees	331	12,587	67,401	441	29	1,272	15,902	3,602	63,670	(4,343)
Total Revenues	1,595	159,758	701,186	11,361	395	160,443	134,850	26,212	63,670	(4,343)
EXPENDITURES										
General government	-	-	432,988	-	-	-	-	-	-	-
Justice system	4,484	162,555	-	-	-	-	91,893	30,754	-	-
Public safety	-	-	-	-	-	29,503	-	-	88,812	81,983
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	4,392	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,484	162,555	432,988	4,392	-	29,503	91,893	30,754	88,812	81,983
Excess of Revenue Over (Under) Expenditures	(2,889)	(2,797)	268,198	6,969	395	130,940	42,957	(4,542)	(25,142)	(86,326)
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,889)	(2,797)	268,198	6,969	395	130,940	42,957	(4,542)	(25,142)	(86,326)
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
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2008	\$ 14,107	\$ 212,021	\$ 2,123,497	\$ 24,765	\$ 1,464	\$ (58,611)	\$ 49,055	\$ (2,931)	\$ 50,022	\$ 18,497

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	SPECIAL REVENUE FUNDS									
	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	EAST TEXAS AUTO CRUSHERS	TEXAS JUVENILE PROBATION COMMISSION	CRIME VICTIM'S SERVICES	CRIME VICTIM'S COMPENSATION	STEP TOBACCO GRANT	SHERIFF DEA TASK FORCE	JUSTICE COURT TECHNOLOGY FUND
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	3,031,649	-	-	-	-	-	-	58,947
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	861,877	455,549	968,289	49,926	33,184	13,000	60,680	-
Other revenues and fees	66,950	24,825	1,055,206	1,445	60,353	29,095	4,216	196	3,147	8,832
Total Revenues	66,950	24,825	4,948,732	456,994	1,028,642	79,021	37,400	13,196	63,827	67,779
EXPENDITURES										
General government	-	-	130,557	-	-	-	-	-	-	-
Justice system	-	-	-	-	63,988	67,761	31,674	-	-	45,278
Public safety	83,070	105,792	-	465,892	-	-	-	4,348	65,447	-
Corrections and rehabilitation	-	-	4,071,217	-	871,303	-	-	-	-	-
Health and human services	-	-	-	-	215,697	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Capital outlay	44,720	-	15,609	-	-	4,000	-	-	14,858	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	127,790	105,792	4,217,383	465,892	1,150,988	71,761	31,674	4,348	80,305	45,278
Excess of Revenue Over (Under) Expenditures	(60,840)	(80,967)	731,349	(8,898)	(122,346)	7,260	5,726	8,848	(16,478)	22,501
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	-	-	-	-	99,318	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	99,318	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(60,840)	(80,967)	731,349	(8,898)	(23,028)	7,260	5,726	8,848	(16,478)	22,501
FUND BALANCE, SEPTEMBER 30, 2007	107,730	157,562	1,469,125	123,649	1,842,128	26,072	4,354	3,017	117,924	265,942
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2008	\$ 46,890	\$ 76,595	\$ 2,200,474	\$ 114,751	\$ 1,819,100	\$ 33,332	\$ 10,080	\$ 11,865	\$ 101,446	\$ 288,443

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	SPECIAL REVENUE FUNDS									
	JUVENILE JUSTICE ALTERNATIVE EDUCATION	JUVENILE ACCOUNTABILITY BLOCK GRANT - 2001/2002	LEOSE FUND	JUDICIAL EDUCATION	COMMUNITY POLICING	ETCOG SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.	DA CRIME PREVENTION	FORFEITURE INTEREST 10%
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	100,600	14,318	-	3,425	-	10,000	-	-	-	-
Other revenues and fees	146,071	48	29,841	215	118,701	20,227	1,108	(200)	5,268	18,144
Total Revenues	246,671	14,366	29,841	3,640	118,701	30,227	1,108	(200)	5,268	18,144
EXPENDITURES										
General government	-	-	-	-	91,097	-	-	-	-	-
Justice system	-	-	-	5,737	-	-	-	-	-	-
Public safety	-	-	25,679	-	-	-	7,540	-	-	-
Corrections and rehabilitation	335,489	29,774	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	9,000
Conservation	-	-	-	-	-	15,308	-	-	-	-
Capital outlay	81,006	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	416,495	29,774	25,679	5,737	91,097	15,308	7,540	-	-	9,000
Excess of Revenue Over (Under) Expenditures	(169,824)	(15,408)	4,162	(2,097)	27,604	14,919	(6,432)	(200)	5,268	9,144
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	-	7,516	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	7,516	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(169,824)	(7,892)	4,162	(2,097)	27,604	14,919	(6,432)	(200)	5,268	9,144
FUND BALANCE, SEPTEMBER 30, 2007	411,096	8,068	23,115	9,717	-	7,873	29,504	200	-	83,218
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2008	\$ 241,272	\$ 176	\$ 27,277	\$ 7,620	\$ 27,604	\$ 22,792	\$ 23,072	\$ -	\$ 5,268	\$ 92,362

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	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
REVENUES								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-
Fees of office	12,271	-	-	61,839	-	-	-	-
Fines	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	23,003	-	37,054	106,865	3,700	-
Other revenues and fees	10,164	15,615	20	879	52	1,446	-	281
Total Revenues	22,435	15,615	23,023	62,718	37,106	108,311	3,700	281
EXPENDITURES								
General government	-	-	7,822	12,131	12,104	-	1,000	-
Justice system	-	-	-	-	-	-	-	-
Public safety	12,564	-	-	-	-	53,432	-	9,044
Corrections and rehabilitation	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-
Capital outlay	-	9,428	16,214	24,950	24,950	-	37,127	12,202
Debt Service-principal retirement	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-
Total Expenditures	12,564	9,428	24,036	37,081	37,054	53,432	38,127	21,246
Excess of Revenue Over (Under) Expenditures	9,871	6,187	(1,013)	25,637	52	54,879	(34,427)	(20,965)
OTHER FINANCING SOURCES (USES)								
Transfers in (out)	-	247,823	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	247,823	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	9,871	254,010	(1,013)	25,637	52	54,879	(34,427)	(20,965)
FUND BALANCE, SEPTEMBER 30, 2007	1,104	431,359	1,061	38,336	113	-	34,427	20,984
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2008	\$ 10,975	\$ 685,369	\$ 48	\$ 63,973	\$ 165	\$ 54,879	\$ -	\$ 19

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	SPECIAL REVENUE FUNDS			TOTAL	CAPITAL PROJECT FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	EDWARD BYRNE GRANT 2006	STAR MOUNTAIN WSC	DA FEDERAL ASSETS		PERMANENT IMPROVEMENT	DEBT SERVICE FUND	
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,885,817	\$ 2,885,817
Licenses and other taxes	-	-	-	-	-	-	-
Fees of office	-	-	-	4,235,067	-	-	4,235,067
Fines	-	-	-	-	-	-	-
Intergovernmental revenues	-	7,800	221,976	2,995,120	-	-	2,995,120
Other revenues and fees	588	-	513	1,784,138	56,620	89,680	1,930,438
Total Revenues	588	7,800	222,489	9,014,325	56,620	2,975,497	12,046,442
EXPENDITURES							
General government	-	-	-	687,699	-	-	687,699
Justice system	-	-	29,030	533,154	-	-	533,154
Public safety	10,544	-	-	1,043,650	-	-	1,043,650
Corrections and rehabilitation	-	-	-	5,307,783	-	-	5,307,783
Health and human services	-	-	-	224,697	-	-	224,697
Conservation	-	-	-	15,308	-	-	15,308
Capital outlay	21,223	7,800	-	318,479	995,221	-	1,313,700
Debt Service-principal retirement	-	-	-	-	-	2,000,000	2,000,000
Debt Service-interest and fiscal charges	-	-	-	-	-	602,798	602,798
Total Expenditures	31,767	7,800	29,030	8,130,770	995,221	2,602,798	11,728,789
Excess of Revenue Over (Under) Expenditures	(31,179)	-	193,459	883,555	(938,601)	372,699	317,653
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	-	-	-	354,657	-	-	354,657
Total Other Financing Sources (Uses)	-	-	-	354,657	-	-	354,657
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(31,179)	-	193,459	1,238,212	(938,601)	372,699	672,310
FUND BALANCE, SEPTEMBER 30, 2007	32,057	-	-	7,353,858	2,007,954	1,227,199	10,589,011
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2008	\$ 878	\$ -	\$ 193,459	\$ 8,592,070	\$ 1,069,353	\$ 1,599,898	\$ 11,261,321

SMITH COUNTY, TEXAS
 COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2008

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 1,262,230	\$ 106,597	\$ 1,368,827
Investments	431,966	-	431,966
Total Current Assets	<u>1,694,196</u>	<u>106,597</u>	<u>1,800,793</u>
LIABILITIES			
Current Liabilities:			
Vouchers payable	318,404	61,688	380,092
Deferred revenue	274,444	-	274,444
Total Current Liabilities	<u>592,848</u>	<u>61,688</u>	<u>654,536</u>
NET ASSETS			
Unrestricted	<u>1,101,348</u>	<u>44,909</u>	<u>1,146,257</u>
Total Net Assets	<u>\$ 1,101,348</u>	<u>\$ 44,909</u>	<u>\$ 1,146,257</u>

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND ASSETS -
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
OPERATING REVENUES			
Premiums and reimbursements	\$ 5,384,665	\$ -	\$ 5,384,665
Total Operating Revenues	<u>5,384,665</u>	<u>-</u>	<u>5,384,665</u>
OPERATING EXPENSES			
Insurance claims & administrative fees	<u>5,512,571</u>	<u>-</u>	<u>5,512,571</u>
Total Operating Expenses	<u>5,512,571</u>	<u>-</u>	<u>5,512,571</u>
Operating gain (loss)	(127,906)	-	(127,906)
NON-OPERATING REVENUES			
Interest income and other	<u>37,094</u>	<u>6,554</u>	<u>43,648</u>
Gain (loss) before transfers	(90,812)	6,554	(84,258)
Transfers in	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Change in net assets	<u>309,188</u>	<u>6,554</u>	<u>315,742</u>
NET ASSETS - SEPTEMBER 30, 2007	<u>792,160</u>	<u>38,355</u>	<u>830,515</u>
NET ASSETS - SEPTEMBER 30, 2008	<u>\$ 1,101,348</u>	<u>\$ 44,909</u>	<u>\$ 1,146,257</u>

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for premiums	\$ 5,477,077	\$ -	\$ 5,477,077
Cash paid to customers	(5,632,516)	-	(5,632,516)
Other operating revenues	-	(7,276)	(7,276)
Net cash used in operating activities	<u>(155,439)</u>	<u>(7,276)</u>	<u>(162,715)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers - in from other funds	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Net cash provided by non-capital financing activities	<u>400,000</u>	<u>-</u>	<u>400,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from purchases and redemptions of investments	764,180	-	764,180
Interest on investments	<u>37,094</u>	<u>6,667</u>	<u>43,761</u>
Net cash provided by investing activities	<u>801,274</u>	<u>6,667</u>	<u>807,941</u>
Net (decrease) increase in cash	1,045,835	(609)	1,045,226
Cash at beginning of year	<u>216,395</u>	<u>107,206</u>	<u>323,601</u>
CASH AT END OF YEAR	<u>\$ 1,262,230</u>	<u>\$ 106,597</u>	<u>\$ 1,368,827</u>
Reconciliation of operating income to net cash used by operating activities:			
Operating gain (loss)	\$ (127,906)	\$ -	\$ (127,906)
Adjustment to reconcile operating income to net cash (used in) provided by operating activities:			
Increase in accounts receivable	83,792	-	83,792
Decrease (increase) in vouchers payable	(119,945)	(7,276)	(127,221)
Increase in deferred revenue	<u>8,620</u>	<u>-</u>	<u>8,620</u>
Net Cash (Used in) provided by Operating Activities	<u>\$ (155,439)</u>	<u>\$ (7,276)</u>	<u>\$ (162,715)</u>

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SINGLE AUDIT SECTION

**SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

<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	\$ 7,800
Community Development Block Grant	14.228	725290	<u>13,150</u>
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>20,950</u>
 <u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Programs:			
Local Law Enforcement Block Grant	16.592 **	2006-DJ-BX-1052	31,767
Edward Byrne Memorial Justice Assistance Grant	16.738 **	2007-DJ-BX-0667	53,433
Passed Through City of Kilgore:			
DEA Task Force	16.579	N/A	33,022
Passed Through State of Texas Office of the Governor - Criminal Justice Assistance Division:			
Crime Victim Assistance	16.575	VA-04-V30-13733-09	38,367
Crime Victim Assistance	16.575	VA-04-V30-13733-10	14,710
Juvenile Accountability Incentive Block Grant	16.523	JB-05-J20-17905-02	<u>22,259</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>193,558</u>

**SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

<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. ELECTIONS ASSISTANCE COMMISSION</u>			
Passed Through Texas Secretary of State:			
HAVA - County Education Fund	39.011	77507	\$ 4,596
HAVA - Opportunities for Access	39.011	78316	1,850
HAVA - Compliance	39.011	78687	<u>15,475</u>
TOTAL U. S. ELECTIONS ASSISTANCE COMMISSION			<u>21,921</u>
<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
Emergency Management Planning Grant	97.042 **	08TX-EMPG-0274	61,638
Homeland Security Grant - Law Enforcement Terrorism Prevention Program (LETPP)	97.067	2007-GE-T7-0024	71,835
Homeland Security Grant - State Homeland Security Program (SHSP)	97.067	2007-GE-T7-0024	3,674
Passed Through Texas Department of Safety's Division of Emergency Management:			
FEMA	97.036	N/A	<u>215,272</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>380,035</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 616,464</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, 2008**

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.

**SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>GRANT CONTRACT NUMBER</u>	<u>STATE EXPENDITURES</u>
<u>STATE OF TEXAS - OFFICE OF THE ATTORNEY GENERAL</u>		
Victim Assistance Grant	0801951-08	\$ 30,439
Victim Assistance Grant	0801951-09	1,366
Total Victim Assistance Grant		<u>31,805</u>
Texas VINE Automated Victim Notification Services	---	<u>30,108</u>
TOTAL STATE OF TEXAS - OFFICE OF THE ATTORNEY GENERAL		<u>61,913</u>
<u>STATE OF TEXAS - OFFICE OF THE GOVERNOR CRIMINAL JUSTICE DIVISION</u>		
Drug Court Grant	1976201	13,387
Drug Court Grant	2087401	17,363
Total Drug Court Grant		<u>30,750</u>
<u>TEXAS STATEWIDE TOBACCO EDUCATION AND PREVENTION</u>		
Tobacco Funds	---	<u>4,349</u>
<u>AUTOMOBILE THEFT PREVENTION AUTHORITY</u>		
East Texas Auto Theft Task Force	SA-T01-10064-08 **	448,287
East Texas Auto Theft Task Force	SA-T01-10064-09 **	17,605
Total East Texas Auto Theft Task Force Grant		<u>465,892</u>
<u>TASK FORCE ON INDIGENT DEFENSE</u>		
Formula Grant - Imaging System and Attorney Access	---	94,254
Equalization Grant	---	80,484
Total Task Force on Indigent Defense Grant		<u>174,738</u>
<u>BUREAU OF JUSTICE ASSISTANCE</u>		
State Criminal Alien Assistance Program (SCAPP)	2008-AP-BX-0346	<u>87,389</u>
<u>SECRETARY OF STATE</u>		
Chapter 19 Voter Registration	---	<u>37,054</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 862,085</u>

** Denotes Major Programs
Notes to Schedule on Following Page

**SMITH COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state awards includes the state 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 Uniform Grants Management Standards Chapter IV "Texas State Single Audit Circular." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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, 2008, and have issued our report thereon dated June 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this report is a matter of public record and its distribution is not limited.

Henry & Peters, P.C.

Tyler, Texas
June 1, 2009

-70-

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*, and the State of Texas Single Audit Circular that are applicable to each of its major federal and state programs for the year ended September 30, 2008. Smith County's major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133, and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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, 2008.

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 and state 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 or state 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 or state 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 or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state 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 or state 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.

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

Henry & Peters, P.C.

Tyler, Texas
June 1, 2009

**SMITH COUNTY, TEXAS
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008**

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>
16.592 & 16.738** 97.042	Local Law Enforcement Block Grant, Edward Byrne Memorial Justice Asst. Grant Emergency Management Planning

** *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
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008**

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
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

State Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? 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 Uniform Grants Management Standards? Yes X No

Identification of major programs:

Name of State Program or Cluster

East Texas Auto Theft Task Force

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

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

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

Section III – State Award Findings and Questioned Costs

No matters requiring reporting under Uniform Grants Management Standards were noted.

**SMITH COUNTY, TEXAS
SUMMARY SCHEDULE OF FEDERAL AND STATE PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2008**

None

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UNAUDITED COUNTY DATA

**SMITH COUNTY, TEXAS
ELECTED OFFICIALS
SEPTEMBER 30, 2008**

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
Dustin Rust, Constable, Precinct No. 3
John Smith, Constable, Precinct No. 4
Dennis Taylor, Constable, Precinct No. 5
Kelli White, Treasurer

JUDICIAL

Kerry Russell, Judge, 7th Judicial District Court
Cynthia Kent, Judge, 114th Judicial District Court
Jack Skeen Jr., Judge, 241st Judicial District Court
Carole Clark, Judge, 321st 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, 2008**

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
Doug Nicholson, Road & Bridge Administrator
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>
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
2007	2008	0.2889	12,552,461,136	35,058,455

* Total tax rate

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