

SMITH COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2009

SMITH COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2009

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FINANCIAL SECTION

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Smith County, Texas, as of and for the year ended September 30, 2009, 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, 2009, 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 March 19, 2010 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 46 through 52 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 schedule of expenditures of state awards is 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 is not a required part of the basic financial statements of Smith County, Texas. The combining nonmajor fund financial statements and the schedule of expenditures of 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
March 19, 2010

SMITH COUNTY, TEXAS

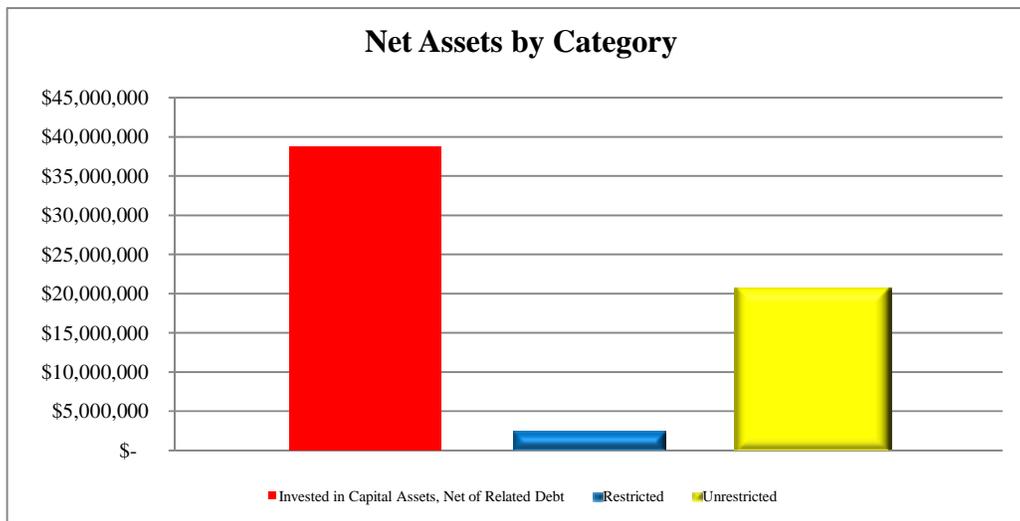
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. 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 decreased by \$3,163,895.
- The total government-wide assets of the County exceeded the liabilities at September 30, 2009 by \$62,033,161 as is reported as total net assets of the primary government. Of this amount, \$20,707,155 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$2,619,999 is restricted for specific purposes (restricted net assets), and \$38,706,007 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, Workforce Investment and Indigent Health Care) was \$16,124,307 or 23% of the combined expenditures.

Long-Term Debt:

- In fiscal year 2009, the County did not issue any additional long-term debt.
- Smith County's total debt decreased by \$2,100,000. Total certificates of obligation debt at the end of fiscal year 2009 is \$10,110,000.

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, the Workforce Investment 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 \$89,905,981 the largest components are: (1) cash and investments of \$29,064,988 or 32% (2) receivables which largely represent the deferred taxes for FY2009 of \$6,830,699 or 8%, and (3) capital assets net of accumulated depreciation of \$53,469,216 or 59%. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of the total liabilities of \$27,872,820, approximately \$11,693,807 are current liabilities.

The County's assets exceeded liabilities by \$62,033,161 at the close of the most recent fiscal year. The County's net assets for fiscal year ended September 30, 2008 and 2009 are summarized as follows:

	Governmental Activities FY08	Governmental Activities FY09
Current & Other Assets	\$ 36,930,294	\$ 36,436,765
Capital Assets (net of depreciation)	50,795,894	53,469,216
<i>Total Assets</i>	\$ 87,726,188	\$ 89,905,981
Current & Other Liabilities	\$ 9,671,318	\$ 11,693,807
Long-term Liabilities	12,857,814	16,179,013
<i>Total Liabilities</i>	\$ 22,529,132	\$ 27,872,820
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 35,484,517	\$ 38,706,007
Restricted	2,669,251	2,619,999
Unrestricted	27,043,288	20,707,155
<i>Total Net Assets</i>	\$ 65,197,056	\$ 62,033,161

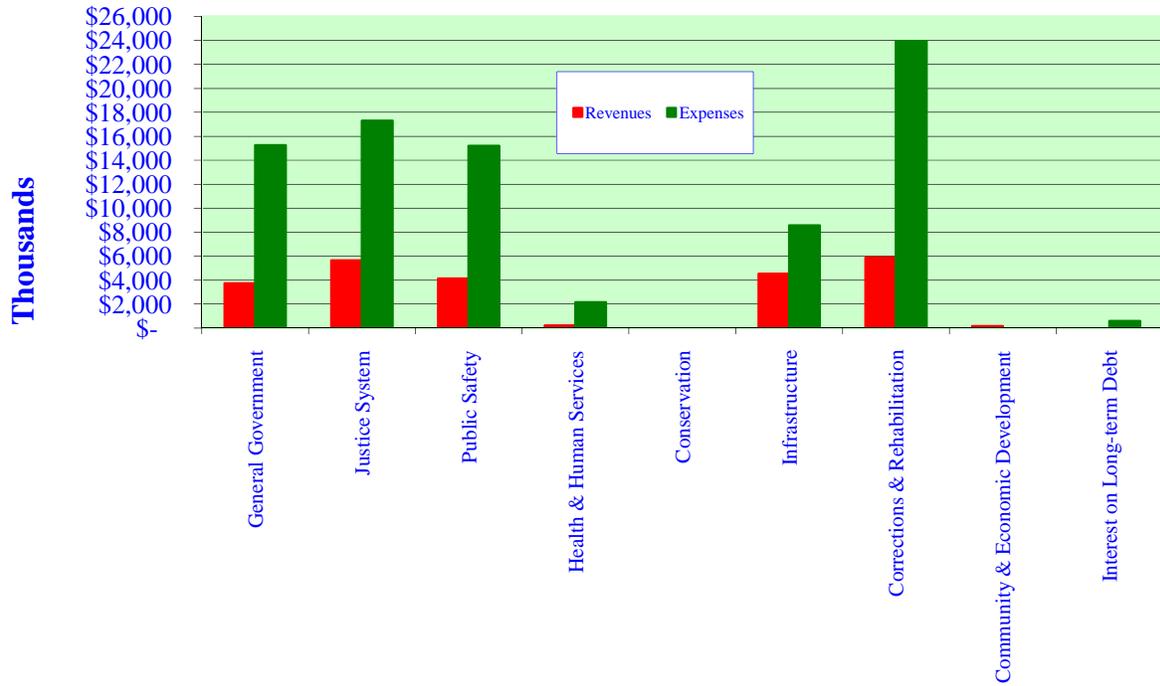
About 4% or \$2,619,999 of the County's net assets represent restricted net assets which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion (\$38,706,007) of the County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery & equipment) net of related debt.

Governmental activities decreased the County's net assets by \$3,163,895. The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds further details the increase in net assets.

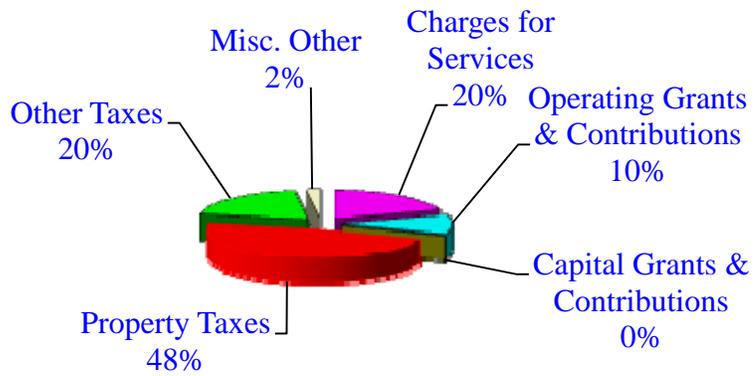
Smith County's Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2009
<i>Revenues:</i>		
Net Program Revenues:		
Charges for Services	\$ 16,408,235	\$ 16,214,898
Operating Grants & Contributions	6,757,471	8,057,403
Capital Grants & Contributions	71,609	17,573
General Revenues:		
Property Taxes	\$ 35,633,926	\$ 37,881,773
Sales & Other Taxes	16,675,084	15,974,356
Rentals & Commissions	592,221	632,439
Reimbursements	167,900	439,483
Miscellaneous	106,346	153,909
Gain in Sale of Assets	-	203,866
Loss on donation of assets	(341,031)	-
Interest	998,463	281,304
Total Revenues	\$ 77,070,224	\$ 79,857,004
 <i>Expenses:</i>		
General Government	\$ 12,277,826	\$ 15,254,066
Justice System	15,533,927	17,280,920
Public Safety	10,674,578	15,195,201
Health & Human Services	3,110,244	2,137,001
Conservation	15,328	3
Infrastructure	6,576,941	8,565,139
Corrections & Rehabilitation	20,750,890	23,944,201
Interest on Long-term Debt	615,197	591,880
Total Expenses	\$ 69,554,931	\$ 82,968,411
Change in Net Assets	\$ 7,515,293	\$ (3,111,407)
Net Assets - Beginning	57,681,763	65,197,056
Other Increases (Decreases) in Fund Balance	-	(52,488)
Net Assets - Ending	\$ 65,197,056	\$ 62,033,161

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 \$24,289,874 equaled 29% of governmental expenses of \$82,968,411. As expected, general revenues of \$55,567,130 and fund balance provided the additional support and coverage for expenses.
- Approximately 29% of the expenses are for Corrections & Rehabilitation (\$23,944,201) while this category provided about 7% of total revenues of \$79,857,004.
- The next largest category of expenses is the Justice System (\$17,280,920) at 21%. The Justice System provided about 7% 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 18% of governmental expenses while this category provided 5% of total revenues.
- Infrastructure (Road & Bridge) accounted for 10% of governmental expenses while this category provided 6% of total revenues.
- Grant revenues and contributions comprised about 10% 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 \$28,177,456. Approximately \$25,557,457, 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 (\$1,921,211); (2) to fund capital projects (\$698,788).

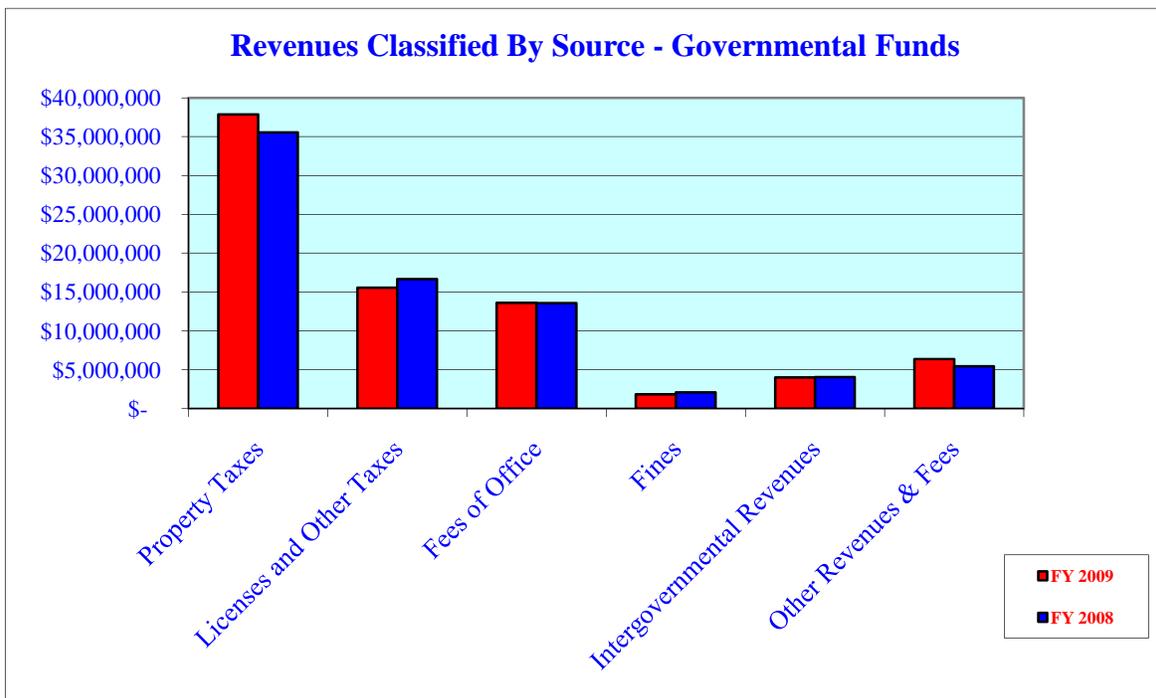
The County's General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance in the County's General Fund was \$10,207,339. As a measure of the general fund's liquidity, we compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance in the County's general fund (\$10,207,339) represents approx. 18% 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 decreased by \$766,685 during the current fiscal year.

The debt service fund has a total fund balance of \$1,921,211, an increase of \$321,313 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 2009	FY 2008	Increase (Decrease)	Percent of Change
Property Taxes	\$ 37,881,772	\$ 35,532,179	\$ 2,349,593	6.61%
Licenses and Other Taxes	15,579,801	16,678,405	(1,098,604)	-6.59%
Fees of Office	13,600,572	13,563,299	37,273	0.27%
Fines	1,830,601	2,064,635	(234,034)	-11.34%
Intergovernmental Revenues	3,994,127	4,043,632	(49,505)	-1.22%
Other Revenues & Fees	6,386,699	5,450,312	936,387	17.18%
Total Revenues	\$ 79,273,572	\$ 77,332,462	\$ 1,941,110	2.51%



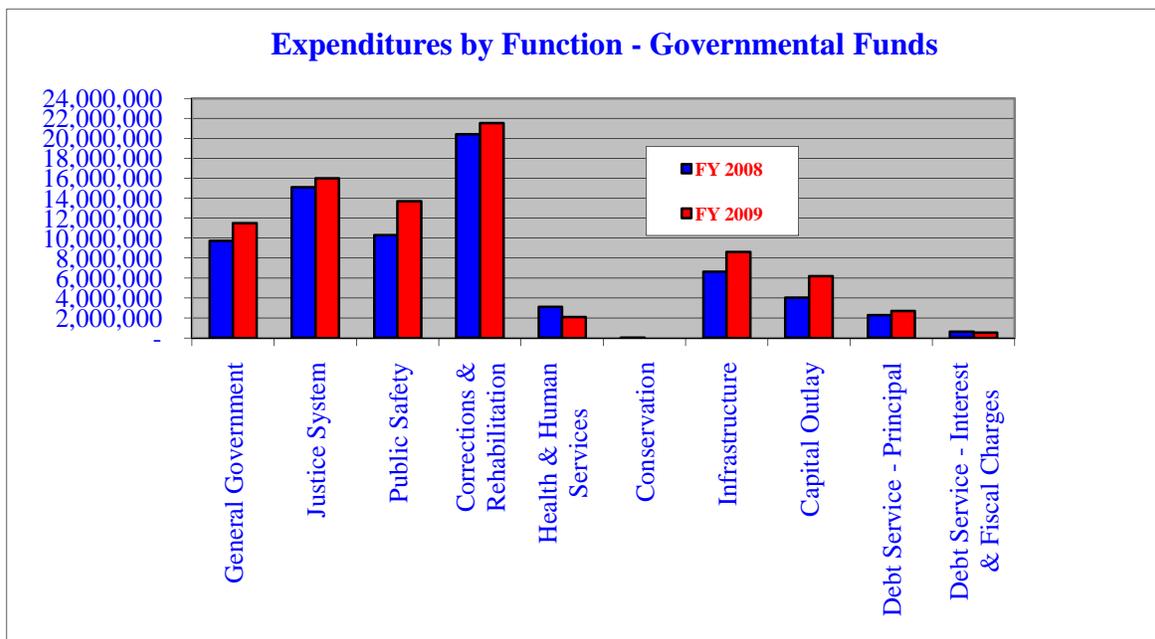
- Taxes - the increase of \$2,349,593 was primarily due to an increase from the prior year in the certified tax roll compiled by the Smith County Appraisal District.
- The decrease in Licenses & Other Taxes is primarily a result of the decrease in sales tax revenue from FY08 of \$1,108,833 due to the weakened state of economy.

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

Expenditures by Function - Governmental Funds

Expenditures by Function	FY 2009	FY 2008	Increase (Decrease)	Percent of Change
General Government	\$ 11,514,944	\$ 9,713,381	\$ 1,801,563	18.55%
Justice System	15,986,133	15,100,425	885,708	5.87%
Public Safety	13,714,061	10,280,652	3,433,409	33.40%
Corrections & Rehabilitation	21,505,263	20,401,531	1,103,732	5.41%
Health & Human Services	2,083,805	3,098,054	(1,014,249)	-32.74%
Conservation	3	15,308	(15,305)	-99.98%
Infrastructure	8,619,006	6,618,657	2,000,349	30.22%
Capital Outlay	6,205,822	4,029,595	2,176,227	54.01%
Debt Service - Principal	2,707,355	2,266,315	441,040	19.46%
Debt Service - Interest & Fiscal Charges	542,561	618,924	(76,363)	-12.34%
	\$ 82,878,953	\$72,142,842	\$ 10,736,111	14.88%

Overall, total expenditures increased by 14.88%. The primary increase in expenditures was due to higher costs of workers compensation premiums in FY09 and the increased amount of capital projects.



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 lower than budgeted by \$210,638 primarily due to the economic changes that faced the nation in FY09. Smith County experienced decreases in anticipated revenues from sales tax and interest earnings.

Actual expenditures were lower than budgeted by \$3,572,788. Savings from budgeted amounts were primarily from salary lag and decreased levels of spending.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt - At September 30, 2009, the County had certificates of obligation outstanding in the amount of \$10,110,000. The County's bond rating is AA3 from Moody's and AA+ from Standard and Poor's. In compliance with Governmental Accounting Standards Board (GASB) Statement 45, Smith County began reporting the Other Post Employment Benefit (OPEB) obligation in FY09.

The following represents the activity of the long-term debt of the County for FY2009.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Certificates of Obligation	\$ 12,210,000	\$ -	\$ 2,100,000	\$ 10,110,000
Compensated Absences	2,353,451	432,503	-	2,785,954
OPEB Obligation	-	4,143,012	-	4,143,012
Capital Leases	3,350,252	2,447,614	900,629	4,897,237
Total	<u>\$ 17,913,703</u>	<u>\$ 7,023,129</u>	<u>\$ 3,000,629</u>	<u>\$ 21,936,203</u>

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, 2009, net capital assets of the governmental activities totaled \$53,469,216. 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	\$ 602,819	\$ -	\$ 602,819
Buildings & Improvements	40,541,666	18,448,303	22,093,363
Machinery & Equipment	22,359,664	13,571,603	8,788,061
Infrastructure	71,697,830	50,007,685	21,690,145
Construction in Progress	294,828	-	294,828
Total	\$ 135,496,807	\$ 82,027,591	\$ 53,469,216

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 FY2010, 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.
- An approved 3 year salary plan was adopted by the Commissioners Court and a modified third 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

EXHIBIT 1

**SMITH COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 1,676,643
Investments	27,388,345
Receivables (net of allowance for doubtful accounts)	6,897,085
Investment in joint venture	206,408
Prepays and other assets	303,376
Bond issue costs, net	31,294
Capital assets (net of accumulated depreciation):	
Land	602,819
Buildings	15,385,850
Improvements	6,707,513
Machinery and equipment	8,788,061
Construction in progress	294,828
Infrastructure	<u>21,690,145</u>
Total Assets	89,972,367
LIABILITIES	
Vouchers payable	3,712,971
Salaries payable	1,883,144
Accrued interest payable	132,444
Deferred revenues	274,444
Long-term debt:	
Due within one year	5,757,190
Due in more than one year	<u>16,179,013</u>
Total Liabilities	<u>27,939,206</u>
NET ASSETS	
Investment in capital assets, net of related debt	38,706,007
Restricted for:	
Debt service	1,921,211
Capital projects	698,788
Unrestricted	<u>20,707,155</u>
Total Net Assets	<u><u>\$ 62,033,161</u></u>

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

**SMITH COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

EXHIBIT 2

Functions/Programs	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
					PRIMARY GOVERNMENT
					GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental activities:					
General government	\$ 15,254,066	\$ 3,398,804	\$ 332,375	\$ -	\$ (11,522,887)
Justice system	17,280,920	4,041,662	1,596,112	-	(11,643,146)
Public safety	15,195,201	835,080	3,298,138	-	(11,061,983)
Health and human services	2,137,001	-	213,108	-	(1,923,893)
Conservation	3	-	-	-	(3)
Infrastructure	8,565,139	4,383,023	157,397	-	(4,024,719)
Corrections and rehabilitation	23,944,201	3,411,496	2,455,243	-	(18,077,462)
Community and economic development	-	144,833	5,030	17,573	167,436
Interest on long-term debt	591,880	-	-	-	(591,880)
Total primary government	<u>\$ 82,968,411</u>	<u>\$ 16,214,898</u>	<u>\$ 8,057,403</u>	<u>\$ 17,573</u>	<u>\$ (58,678,537)</u>
General revenues:					
Property taxes					\$ 37,881,772
Sales taxes					15,548,524
Other taxes					425,833
Rentals and commissions					632,439
Reimbursements					439,483
Miscellaneous					153,909
Gain on sale of assets					203,866
Interest earned					281,304
Total general revenues and transfers					<u>55,567,130</u>
Change in net assets					(3,111,407)
Net assets - beginning of year					<u>65,197,056</u>
Prior period adjustment					<u>(52,488)</u>
Net assets - end of year					<u>\$ 62,033,161</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, 2009**

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 5,363	\$ -	\$ 2,685,859	\$ 2,691,222
Investments	14,548,547	2,706,931	9,619,019	26,874,497
Receivables:				
Property taxes	2,182,409	163,566	105,093	2,451,068
Other	3,296,772	185,388	643,318	4,125,478
Prepaid and other assets	267,742	34,201	1,433	303,376
Due from other funds	74,757	-	77,872	152,629
	<u>20,375,590</u>	<u>3,090,086</u>	<u>13,132,594</u>	<u>36,598,270</u>
Total assets	<u>\$ 20,375,590</u>	<u>\$ 3,090,086</u>	<u>\$ 13,132,594</u>	<u>\$ 36,598,270</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers payable	\$ 2,458,830	\$ 37,304	\$ 589,234	\$ 3,085,368
Salaries payable	1,437,006	160,468	285,670	1,883,144
Bank overdraft	658,187	477,790	17,864	1,153,841
Due to other funds	-	-	107,722	107,722
Deferred revenues	1,951,189	160,595	78,955	2,190,739
	<u>6,505,212</u>	<u>836,157</u>	<u>1,079,445</u>	<u>8,420,814</u>
Total liabilities	<u>6,505,212</u>	<u>836,157</u>	<u>1,079,445</u>	<u>8,420,814</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	1,921,211	1,921,211
Capital projects	-	-	698,788	698,788
Total reserved fund balances	-	-	2,619,999	2,619,999
Unreserved:				
Designated reported in:				
Indigent Health Care	1,994,397	-	-	1,994,397
Juvenile General	698,860	-	-	698,860
Undesignated reported in:				
General Fund	11,177,121	-	-	11,177,121
Special Revenue Fund	-	2,253,929	9,433,150	11,687,079
Total unreserved fund balances	<u>13,870,378</u>	<u>2,253,929</u>	<u>9,433,150</u>	<u>25,557,457</u>
Total fund balances	<u>13,870,378</u>	<u>2,253,929</u>	<u>12,053,149</u>	<u>28,177,456</u>
Total liabilities and fund balances	<u>\$ 20,375,590</u>	<u>\$ 3,090,086</u>	<u>\$ 13,132,594</u>	<u>\$ 36,598,270</u>

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, 2009**

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)	\$ 28,177,456
Capital assets used in governmental activities are not current financial resources and therefore , are not reported in the governmental funds balance sheet.	53,675,626
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,025,514
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.	(132,444)
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.	191,918
Net other post employment benefit obligation in governmental activities does not require current financial resources and therefore are not reported in the governmental funds balance sheet.	(4,143,012)
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>(17,761,897)</u>
Net assets of governmental activities	<u>\$ 62,033,161</u>

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

SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	GENERAL	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property taxes	\$ 30,437,742	\$ 4,532,073	\$ 2,911,957	\$ 37,881,772
Licenses and other taxes	15,579,801	-	-	15,579,801
Fees of office	6,033,645	3,412,654	4,154,273	13,600,572
Fines	917,627	912,974	-	1,830,601
Intergovernmental revenues	1,239,733	-	2,754,394	3,994,127
Other revenues and fees	2,991,083	187,174	3,208,442	6,386,699
Total revenues	57,199,631	9,044,875	13,029,066	79,273,572
EXPENDITURES				
Current:				
General government	10,761,289	-	753,655	11,514,944
Justice system	15,412,124	-	574,009	15,986,133
Public safety	11,763,717	-	1,950,344	13,714,061
Corrections and rehabilitation	15,648,281	-	5,856,982	21,505,263
Health and human services	1,842,679	-	241,126	2,083,805
Conservation	-	-	3	3
Infrastructure and environmental	-	8,619,006	-	8,619,006
Capital outlay	4,071,900	1,588,614	545,308	6,205,822
Debt service:				
Principal retirement	348,381	258,974	2,100,000	2,707,355
Interest and fiscal charges	22,188	2,451	517,922	542,561
Total expenditures	59,870,559	10,469,045	12,539,349	82,878,953
Excess (deficiency) of revenues over (under) expenditures	(2,670,928)	(1,424,170)	489,717	(3,605,381)
OTHER FINANCING SOURCES (USES)				
Transfers in	22,819	-	377,418	400,237
Transfers (out)	(377,418)	-	(22,819)	(400,237)
Capital lease proceeds	1,756,094	691,517	-	2,447,611
Total other financing sources (uses)	1,401,495	691,517	354,599	2,447,611
Net change in fund balances	(1,269,433)	(732,653)	844,316	(1,157,770)
Fund balances - beginning of year	15,139,811	2,986,582	11,261,321	29,387,714
Other increases (decreases) to fund balance				
Prior period adjustment	-	-	(52,488)	(52,488)
Fund balances - end of year	\$ 13,870,378	\$ 2,253,929	\$ 12,053,149	\$ 28,177,456

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, 2009

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

Net change in fund balances - total governmental funds	\$ (1,157,770)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for County owned assets exceeded depreciation in the current period.	2,487,128
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	188,160
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	397,230
Governmental funds report all payments to other post employment benefits as expenditures. However, in the government-wide statement of activities the actuarial annually required contribution is considered an expense. Any deficit amount is considered a liability. Change in net other post employment benefits obligation.	(4,143,012)
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.	546,694
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.	(432,503)
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.	(42,995)
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.	(954,339)
Change in net assets of governmental activities	<u>\$ (3,111,407)</u>

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

**SMITH COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash	\$ 139,262
Accounts receivable	440,855
Investments	<u>513,848</u>
Total Current Assets	<u>1,093,965</u>
 LIABILITIES	
Current Liabilities:	
Vouchers payable	627,603
Deferred revenue	<u>274,444</u>
Total Current Liabilities	<u>902,047</u>
 NET ASSETS	
Unrestricted	<u>191,918</u>
Total Net Assets	<u><u>\$ 191,918</u></u>

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

EXHIBIT 8

**SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2009**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premiums and reimbursements	<u>\$ 5,850,097</u>
Total Operating Revenues	<u>5,850,097</u>
OPERATING EXPENSES	
Insurance claims and administrative fees	<u>6,832,946</u>
Total Operating Expenses	<u>6,832,946</u>
Operating Loss	(982,849)
NON-OPERATING REVENUES	
Interest income and other	<u>28,510</u>
Loss before transfers	(954,339)
Transfers in	<u>-</u>
Change in net assets	<u>(954,339)</u>
NET ASSETS - SEPTEMBER 30, 2008	<u>1,146,257</u>
NET ASSETS - SEPTEMBER 30, 2009	<u><u>\$ 191,918</u></u>

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

EXHIBIT 9

**SMITH COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2009**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for premiums	\$ 5,477,430
Cash paid to customers	(6,588,356)
Other operating revenues	<u>2,921</u>
Net cash used in operating activities	<u>(1,108,005)</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers - in from other funds	<u>-</u>
Net cash provided by non-capital financing activities	<u>-</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Net proceeds from purchases and redemptions of investments	(81,882)
Interest on investments	<u>(39,678)</u>
Net cash provided by investing activities	<u>(121,560)</u>
Net decrease in cash	(1,229,565)
Cash at beginning of year	<u>1,368,827</u>
CASH AT END OF YEAR	<u><u>\$ 139,262</u></u>
 Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (982,849)
Adjustment to reconcile operating income to net cash used in operating activities:	
Increase in accounts receivable	(372,667)
Decrease vouchers payable	247,511
Increase in deferred revenue	<u>-</u>
Net Cash Used In Operating Activities	<u><u>\$ (1,108,005)</u></u>

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

EXHIBIT 10

**SMITH COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
SEPTEMBER 30, 2009**

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 5,930,531
Investments	4,551,369
Accounts receivable	<u>129,455</u>
 Total Assets	 <u><u>\$ 10,611,355</u></u>
 LIABILITIES	
Vouchers payable	\$ 611,654
Due to other governments	374,242
Other liabilities	<u>9,625,459</u>
 Total Liabilities	 <u><u>\$ 10,611,355</u></u>

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 rehabilitation (jail and community supervision), health and human services (assistance to indigents, veteran services, etc.), conservation, and infrastructure and environmental (streets and highways).

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide* and by the Financial Accounting Standards Board (when applicable). As allowed in GASB's Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the County has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

The basic financial statements are prepared in conformity GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Significantly, the County's statement of net assets includes both noncurrent assets and noncurrent liabilities of the County, which were previously recorded in the General Fixed Asset Account Group and General Long-term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the County's capital assets, including infrastructure.

For financial reporting purposes, based on standards established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, this financial statement presents the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. Under these standards, the County has no component units which are required to be reported, discretely or blended, in combination with the primary government.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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.

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.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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.

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.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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.

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, 2009 and past due after January 31, 2010. 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.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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 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.

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.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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.

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.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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

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. Future Implementation of New Standards

In April 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* ("GASB 56"). This statement incorporates into GASB authoritative accounting literature and financial reporting guidance on related party transactions, going concern considerations and subsequent events previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature. The requirements of this statement are effective upon issuance and have no impact on the County's financial statements.

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, 2009

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 \$17,761,897 difference are as follows:

Bonds payable	\$10,110,000
Deferred bond costs	(31,294)
Capital leases obligations	4,897,237
Compensated absences	<u>2,785,954</u>
Net adjustment to reduce fund balance - total government funds to arrive at net assets - governmental activities	<u>\$17,761,897</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 \$53,675,626 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$50,795,894
Capital asset additions, net of retirements	7,841,786
Depreciation of capital assets, current year	(5,168,462)
Investment in joint venture	<u>206,408</u>
	<u>\$53,675,626</u>

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that “governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense” on capital outlays for County owned assets only. The details of this \$2,487,128 difference are as follows:

Capital outlay	\$ 7,655,590
Depreciation expense	<u>(5,168,462)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,487,128</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

III. DEPOSITS AND INVESTMENTS

The carrying amount of the County's cash was \$1,676,643 and total bank balances equaled \$2,793,500. The carrying amount of the County's Trust and Agency cash was \$5,930,531 and total bank balances equaled \$5,990,946. 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 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 fair value 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	\$14,474,925	56	AAAm
Texstar	12,913,420	48	AAAm
Cash in bank	<u>2,793,500</u>	N/A	N/A
	<u>\$30,181,845</u>		
Portfolio weighted average maturity		52	

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 statutes 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, 2009

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, 2009, the carrying value of the County’s bank deposits is \$1,676,643 and the bank balance is \$2,793,500.

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 County of Bullard, County of Troup, County of Whitehouse, County 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	\$1,951,189
Road & Bridge fund	160,595
Debt service fund	<u>78,955</u>
Total deferred	<u>\$2,190,739</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 \$.452844 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, 2009 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:

	<u>Internal Service and General Fund</u>	<u>Road and Bridge Special Reserve Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Activities</u>
Receivables:				
Property Taxes	\$ 2,182,409	\$ 163,566	\$ 105,093	\$ 2,451,068
Other	<u>3,716,148</u>	<u>185,388</u>	<u>643,318</u>	<u>4,544,854</u>
Gross Receivables	5,898,557	348,954	748,411	6,995,922
Less: Allowance for Uncollectibles	<u>132,350</u>	<u>20,014</u>	<u>12,859</u>	<u>165,223</u>
Net Total Receivables	<u>\$ 5,766,207</u>	<u>\$ 328,940</u>	<u>\$ 735,552</u>	<u>\$ 6,830,699</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 600,817	\$ 2,002	\$ -	\$ 602,819
Construction in progress	210,503	294,828	(210,503)	294,828
Total capital assets, not being depreciated	811,320	296,830	(210,503)	897,647
Capital assets, being depreciated:				
Infrastructure	69,151,884	2,545,946	-	71,697,830
Buildings	30,601,956	456,868	-	31,058,824
Improvements	8,690,612	792,230	-	9,482,842
Machinery and equipment	19,315,934	4,007,752	(964,022)	22,359,664
Total capital assets being depreciated	127,760,386	7,802,796	(964,022)	134,599,160
Less accumulated depreciation for:				
Infrastructure	(48,772,203)	(1,235,482)	-	(50,007,685)
Buildings	(14,723,825)	(949,149)	-	(15,672,974)
Improvements	(2,289,827)	(485,502)	-	(2,775,329)
Machinery and equipment	(11,989,957)	(2,498,329)	916,683	(13,571,603)
Total accumulated depreciation	(77,775,812)	(5,168,462)	916,683	(82,027,591)
Total capital assets, being depreciated, net	49,984,574	2,634,334	(47,339)	52,571,569
Governmental activities capital assets, net	\$ 50,795,894	\$ 2,931,164	\$ (257,842)	\$ 53,469,216

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

V. CAPITAL ASSETS - Continued

Depreciation expense for FY 2009 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 1,464,473
Public Safety	950,900
Correction and Rehabilitation	820,593
Health and Human Services	-
Infrastructure and Environmental	1,819,330
Justice System	<u>113,166</u>
Total depreciation expense – governmental activities	<u><u>\$ 5,168,462</u></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, 2009:

<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	\$ 3,410,000
Certificate of Obligation – 2001 Series	6,000,000	4.0 - 4.5	2001	2011	1,800,000
Certificate of Obligation – 2004 Series	<u>6,500,000</u>	3.0 - 4.0	2004	2018	<u>4,900,000</u>
	<u><u>\$24,500,000</u></u>				<u><u>\$10,110,000</u></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>
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	500,000	115,850
2015 – 2019	<u>2,500,000</u>	<u>252,700</u>
Total	<u><u>\$10,110,000</u></u>	<u><u>\$1,537,000</u></u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

VI. LONG-TERM DEBT - Continued

Changes in Long-Term Debt

Long-term liability for the year ended September 30, 2009 was as follows:

Governmental Activities:	Beginning Balance <u>10/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/09</u>	Due Within <u>One Year</u>
Certificates of obligation	\$12,210,000	\$ -	\$2,100,000	\$10,110,000	\$2,100,000
Compensated absences	2,353,451	432,503	-	2,785,954	2,785,954
OPEB obligation	-	4,143,012	-	4,143,012	-
Capital leases	<u>3,350,252</u>	<u>2,447,614</u>	<u>900,629</u>	<u>4,897,237</u>	<u>871,236</u>
Total	<u>\$17,913,703</u>	<u>\$7,023,129</u>	<u>\$3,000,629</u>	<u>\$21,936,203</u>	<u>\$5,757,190</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, 2009, 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, 2009 was approximately \$330,000.

Capital Leases

During the year ended September 30, 2009, the County entered into eight new lease agreements classified as capital leases in addition to the four other leases capitalized in prior years. The County obtained Motorola equipment for the Sheriff's Department, four vehicles for the Fire Marshall's Office, sixteen vehicles for the Sheriff's Department, fifteen vehicles, five dump trucks, and one cab and chassis for Road & Bridge Department, and seven vehicles for Constable Precinct numbers 1, 2, 3, 5, and the Environmental Department. The amounts capitalized as equipment were \$1,267,716, \$83,377, \$275,543, \$297,171, \$393,946, \$19,232, \$18,371, and \$91,855, respectively. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$6,977,231
Less: Accumulated depreciation	<u>(2,679,973)</u>
Total	<u>\$4,297,258</u>

Depreciation expense on assets under capital lease for the year ended September 30, 2009 was \$1,030,342.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

VII. LEASES - Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2010	\$ 1,065,548
2011	998,843
2012	776,401
2013	582,894
2014	589,294
2015-2019	<u>1,674,873</u>
Total minimum lease payments	5,687,853
Less: amount representing interest	<u>(790,616)</u>
Present value of minimum lease payments	<u>\$ 4,897,237</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, 2009 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	\$29,850	Supplement fund sources
General Fund	Fiduciary Funds	<u>44,907</u>	Correction of deposit
	Total	<u>\$74,757</u>	

The following summarized the County's transfers for the year ended September 30, 2009:

	<u>Transfers In</u>		<u>Total</u>	<u>Explanation</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>		
Transfers Out:				
General Fund	\$ -	\$ 377,418	\$ 377,418	Supplement fund sources
Nonmajor Governmental Fund	22,819	-	22,819	Supplement fund sources
Totals	<u>\$ 22,819</u>	<u>\$ 377,418</u>	<u>\$ 400,237</u>	

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 9.41% for the months of the accounting year 2009, and 9.64% for the months of the accounting year 2008.

The deposit rate payable by the employee members for calendar year 2009 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, 2009, the annual pension cost for the TCDRS plan for its employees was \$3,121,481 and the actual contributions were \$3,243,603. 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, 2006, 2007 and 2008, the basis for determining the contributions rates for calendar years 2008 and 2009. The December 31, 2008 actuarial valuation is the most recent valuation.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

IX. RETIREMENT COMMITMENTS - Continued

<u>Actuarial valuation date</u>	<u>Actuarial Valuation Information</u>		
	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/08</u>
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	15 years	15 years	20 years
Asset valuation method	SAF: 10-yr smoothed value; ESF: fund value	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)	5.3%	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</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Ending</u> 9/30/07	\$2,364,357	100%	\$ -0-
9/30/08	2,802,111	100%	-0-
9/30/09	3,121,481	100%	-0-

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 County 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 County and County with each retaining an equity interest based upon the percentage each contributed to the budget.

For the year ended September 30, 2009, the County budgeted funding of \$486,500 for the Health District. The County's equity interest in the Health District was \$206,408 at September 30, 2009. 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 \$1,412,211 as of September 30, 2009.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 2009 are presented below:

	<u>Insurance Claims Payable at 9/30/08</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Insurance Claims Payable at 9/30/09</u>
Insurance Fund	\$ 318,404	\$7,072,737	\$6,828,147	\$ 562,994

XI. POST EMPLOYMENT BENEFITS

Program Description

In addition to the pension benefits described in Note IX, as required by state law and defined by County Policy, the County makes available health care benefits, including medical/RX, dental, and life insurance, to all employees, and their spouses and children, who retire from the County and who are receiving benefits from a County sponsored retirement program (Texas County and District Retirement System (TCDRS)) through a single-employer defined benefit healthcare plan. The healthcare plan provides insurance to eligible retirees, their spouses, and children through the County's group health insurance plan, which covers both active and retired members, until age 65 when retirees become eligible and are required to enroll in Medicare Part B, at which time coverage supplements Medicare.

Current retirees in the health plan and at retirement, active employees that meet the conditions for retirement from TCERS (age 60 and above with 8 years or more of service, 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more) are eligible to remain in the health plan at the total blended contribution rate for active and retiree participants (Retiree Health Existing (Closed) Program).

Effective June 1, 2005 for active employees hired after June 1, 2005, these employees are not eligible to continue coverage in the County-sponsored medical/RX or dental plan, nor are they provided life insurance by the County. Under the provisions of GASB Statement 45, these employees who will not be eligible to continue coverage in the County's Health Plan do not receive an Other Post Employment Benefit. Accordingly, only those employees who are eligible to participate in the Retiree Health Existing (Closed) Program are included in the valuation results described below.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

XI. POST EMPLOYMENT BENEFITS - Continued

Funding Policy

Current retirees do not contribute to the Retiree Health Existing (Closed) Program unless their spouses or children are covered. The County contribution to the Retiree Health Existing (Closed) Program consists of pay-as-you-go claims for the full amount of the retiree premium and the amount in excess of the retiree contributions for spouse and children. Monthly retiree contribution rate for fiscal year 2009 for spouse was \$220, for children was \$183, and for family was \$687. The County contributions to the plan for fiscal year 2009, which are also equal to claims in excess of premiums collected, were \$1,064,288.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost (expense) for the Retiree Health Existing (Closed) Program is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The County had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

Annual required contribution (ARC)	\$ 5,207,300
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>5,207,300</u>
Contributions made	<u>(1,064,288)</u>
Change in OPEB obligation	<u>4,143,012</u>
Net OPEB obligation (asset) - beginning of year	-
Net OPEB obligation (asset) - end of year	<u><u>\$ 4,143,012</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Costs</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$5,207,300	20%	\$4,143,012

Funded Status and Funding Progress

As of October 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$65,995,677 all of which was unfunded. There are no valuation assets available to offset the liabilities of the plan.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

XI. POST EMPLOYMENT BENEFITS - Continued

Actuarial values of the program involve estimates of the value of reported amounts and assumption of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information (only one year presented in this year of implementation) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As the County chose to close its program as of June 1, 2005 and not to establish an irrevocable trust, plan assets will always be reported under GASB Statement 45 as zero.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008, actuarial valuation, the projected unit credit, level percent of payroll cost method was used. The actuarial assumptions included a 4.0% investment rate of return (compounded annually net after investment expenses) and an annual healthcare cost trend rate for medical/RX of 10.0% initially, reduced by decrements to an ultimate rate of 5.0% after 11 years, and the annual healthcare cost trend rate for dental of 6.0% initially, reduced by decrements to an ultimate rate of 5.0% after 5 years. Assumptions also include a 100% election of employees hired prior to June 1, 2005 to participate in the health insurance and dental insurance plans, and a 25% election of spousal coverage in both plans. Rates include a 4% inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with the GASB requirements.

XII. PRIOR PERIOD ADJUSTMENT

The financial statements as of September 30, 2009 have been restated to reflect the correction of \$1,032 of expenses related to the Crime Victim's Services Fund and \$53,520 of revenue related to Juvenile Justice Alternative Education Fund that were recorded twice during the prior year during the correction of other errors. These restatements resulted in a decrease in net assets of \$52,488 in the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds.

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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, 2009**

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)
12/31/2006	\$ 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%
12/31/2008	\$ 57,378,677	\$ 71,269,260	\$ 13,890,583	80.51%	\$ 30,048,837	46.23%

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

SCHEDULE 2

**SMITH COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
 FOR THE EMPLOYEES OF SMITH COUNTY, TEXAS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (1) (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	10/1/2008	\$ -	\$ 65,995,677	\$ 65,995,677	0.00%	\$ 16,493,762	400.13%

(1) The annual covered payroll is the payroll related to those grandfathered employees who will be able to retire and continue health coverage under the retiree health plan.

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, 2009

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes:				
Taxes - current	\$ 29,508,269	\$ 29,508,269	\$ 29,101,286	\$ (406,983)
Taxes - delinquent	590,165	590,165	769,830	179,665
Penalty and collection fees	450,000	450,000	566,626	116,626
Total Property Taxes	30,548,434	30,548,434	30,437,742	(110,692)
Licenses and Other Taxes:				
Liquor drink tax	380,000	380,000	391,689	11,689
Sales tax	15,500,000	15,500,000	15,151,293	(348,707)
Bingo taxes	32,000	32,000	34,144	2,144
Miscellaneous	3,000	3,000	2,675	(325)
Total Licenses and Other Taxes	15,915,000	15,915,000	15,579,801	(335,199)
Fees of Office:				
County Judge	4,500	4,500	5,140	640
Sheriff	348,000	348,000	376,125	28,125
Constables	212,000	212,000	226,858	14,858
County Clerk	1,555,000	1,555,000	1,415,829	(139,171)
Tax Assessor-Collector	200,000	200,000	196,067	(3,933)
Criminal District Attorney	80,000	80,000	69,343	(10,657)
District Clerk	410,000	410,000	522,321	112,321
Justices of the Peace	124,000	124,000	257,360	133,360
County Courts at Law	-	-	81	81
Vehicle sales tax commission	600,000	600,000	609,698	9,698
Auto registration	572,000	572,000	727,037	155,037
Records management	92,000	92,000	92,749	749
Court imposed fees	579,550	579,550	613,265	33,715
State imposed fees	178,600	178,600	173,377	(5,223)
Titles and certificates	305,000	305,000	251,657	(53,343)
Telephone coin station revenues	350,000	350,000	385,354	35,354
Miscellaneous	109,300	109,300	111,384	2,084
Total Fees of Office	5,719,950	5,719,950	6,033,645	313,695
Fines:				
District and county courts	944,000	944,000	917,627	(26,373)
Total Fines	944,000	944,000	917,627	(26,373)
Intergovernmental revenues:				
Intergovernmental revenues	977,369	1,144,493	1,239,733	95,240
Total Intergovernmental Revenues	977,369	1,144,493	1,239,733	95,240
Other Revenues and Fees:				
Interest	601,500	546,500	172,031	(374,469)
Rentals	232,200	232,200	247,086	14,886
Sale of equipment	-	-	17,664	17,664
Donations	-	-	143,258	143,258
Reimbursements	787,600	787,600	718,405	(69,195)
Prisoner care	1,020,000	1,020,000	987,850	(32,150)
Other revenues	152,000	276,110	704,789	428,679
Total Other Revenues and Fees	2,793,300	2,862,410	2,991,083	128,673
Total Revenues	56,898,053	57,134,287	57,199,631	65,344

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, 2009

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES				
General Government:				
Commissioners' Court	\$ 529,811	\$ 459,050	\$ 456,720	\$ 2,330
Record Service Bureau	164,261	161,885	158,059	3,826
County Auditor	742,694	727,905	724,257	3,648
Election division	357,939	373,328	371,125	2,203
County Treasurer	132,846	132,216	131,538	678
Tax Assessor-Collector	1,442,003	1,412,570	1,404,272	8,298
General operations	3,514,230	4,556,208	4,047,723	508,485
Physical plant	1,464,069	1,475,946	1,430,594	45,352
Public service	-	-	27,997	(27,997)
Personnel	172,053	152,983	150,384	2,599
Information services	1,382,119	1,417,057	1,379,451	37,606
Collections	167,173	164,606	160,870	3,736
Veterans' service office	148,712	143,255	142,493	762
Purchasing agent	170,519	176,737	175,806	931
Total General Government	10,388,429	11,353,746	10,761,289	592,457
Justice System:				
County Court	244,370	246,108	238,339	7,769
County Court at Law	359,009	360,487	359,429	1,058
County Court at Law #2	361,978	361,723	357,557	4,166
County Court at Law #3	368,342	369,315	362,677	6,638
County Clerk	1,318,485	1,291,413	1,224,290	67,123
District Courts	2,077,338	1,957,205	1,764,384	192,821
District Clerk	1,241,280	1,230,936	1,174,840	56,096
Justices of the Peace	1,370,278	1,378,021	1,365,700	12,321
Indigent defense	1,379,500	1,313,699	1,310,430	3,269
Pre-trial release	144,928	146,275	144,779	1,496
Juvenile probation	4,143,518	4,103,518	3,746,277	357,241
Criminal District Attorney	3,732,685	3,583,714	3,363,422	220,292
Total Justice System	16,741,711	16,342,414	15,412,124	930,290
Public Safety:				
Civil defense and rural fire aid	454,439	615,324	541,155	74,169
Constables	1,217,722	1,258,990	1,213,555	45,435
Sheriff's department	7,409,750	7,255,863	6,820,276	435,587
Jail	-	-	75,711	(75,711)
Adult and juvenile probation	788,436	1,192,068	1,192,069	(1)
License and weights	68,525	34,783	28,989	5,794
Warrant division	173,451	175,881	170,800	5,081
Juvenile board	124,792	123,967	123,970	(3)
Litter abatement office	180,647	175,828	133,948	41,880
Dispatcher	1,628,501	1,511,216	1,463,244	47,972
Total Public Safety	12,046,263	12,343,920	11,763,717	580,203
Health and Human Services:				
Indigent health care	1,238,985	1,238,985	887,976	351,009
Agricultural extension	243,802	242,851	235,754	7,097
Public services	719,035	719,035	718,949	86
Total Health and Human Services	2,201,822	2,200,871	1,842,679	358,192

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, 2009

	<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	\$ 16,344,802	\$ 15,772,096	\$ 15,634,206	\$ 137,890
Adult probation	18,050	18,050	14,075	3,975
Total Corrections and Rehab	<u>16,362,852</u>	<u>15,790,146</u>	<u>15,648,281</u>	<u>141,865</u>
Capital Outlay:				
Equipment	2,846,542	2,797,795	4,071,900	(1,274,105)
Total Capital Outlay	<u>2,846,542</u>	<u>2,797,795</u>	<u>4,071,900</u>	<u>(1,274,105)</u>
Debt Service:				
Principal	-	-	348,381	(348,381)
Interest	-	-	22,188	(22,188)
Total Debt Service	<u>-</u>	<u>-</u>	<u>370,569</u>	<u>(370,569)</u>
Total Expenditures	<u>60,587,619</u>	<u>60,828,892</u>	<u>59,870,559</u>	<u>958,333</u>
Excess of Revenues Over (Under) Expenditures	(3,689,566)	(3,694,605)	(2,670,928)	1,023,677
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	22,819	22,819
Transfers (out)	(247,823)	(287,823)	(377,418)	(89,595)
Capital lease proceeds	-	-	1,756,094	1,756,094
Total Other Financing Sources (Uses)	<u>(247,823)</u>	<u>(287,823)</u>	<u>1,401,495</u>	<u>1,689,318</u>
Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses	(3,937,389)	(3,982,428)	(1,269,433)	2,712,995
FUND BALANCE, SEPTEMBER 30, 2008	<u>11,770,364</u>	<u>11,770,364</u>	<u>15,139,811</u>	<u>3,369,447</u>
FUND BALANCE, SEPTEMBER 30, 2009	<u>\$ 7,832,975</u>	<u>\$ 7,787,936</u>	<u>\$ 13,870,378</u>	<u>\$ 6,082,442</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, 2009

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Property Taxes:				
Taxes - current	\$ 4,462,218	\$ 4,462,218	\$ 4,410,121	\$ (52,097)
Taxes - delinquent	89,244	89,244	121,952	32,708
Total Property Taxes	<u>4,551,462</u>	<u>4,551,462</u>	<u>4,532,073</u>	<u>(19,389)</u>
Fees of Office:				
Auto registration	3,390,000	3,390,000	3,221,413	(168,587)
Other fees	144,000	144,000	191,241	47,241
Total Fees of Office	<u>3,534,000</u>	<u>3,534,000</u>	<u>3,412,654</u>	<u>(121,346)</u>
Fines:				
Justices of the Peace	1,022,000	1,022,000	912,974	(109,026)
Total Fines	<u>1,022,000</u>	<u>1,022,000</u>	<u>912,974</u>	<u>(109,026)</u>
Other Revenues and Fees:				
Sale of equipment	-	-	41,739	41,739
Interest	125,000	125,000	35,815	(89,185)
Other revenue	56,000	56,133	109,620	53,487
Total Other Revenues and Fees	<u>181,000</u>	<u>181,133</u>	<u>187,174</u>	<u>6,041</u>
Total Revenues	<u>9,288,462</u>	<u>9,288,595</u>	<u>9,044,875</u>	<u>(243,720)</u>
EXPENDITURES				
Infrastructure and Environmental Services:				
Administrative	452,145	539,722	407,868	131,854
Labor Division	7,893,353	7,748,856	6,932,902	815,954
Equipment Division	1,712,892	1,455,989	1,278,236	177,753
Total Infrastructure and Environmental Services	<u>10,058,390</u>	<u>9,744,567</u>	<u>8,619,006</u>	<u>1,125,561</u>
Capital Outlay:				
Equipment	657,000	970,950	1,588,614	(617,664)
Total Capital Outlay	<u>657,000</u>	<u>970,950</u>	<u>1,588,614</u>	<u>(617,664)</u>
Debt Service:				
Interest and fiscal charges	-	-	2,451	(2,451)
Principal payments	-	-	258,974	(258,974)
Total Debt Service	<u>-</u>	<u>-</u>	<u>261,425</u>	<u>(261,425)</u>
Total Expenditures	<u>10,715,390</u>	<u>10,715,517</u>	<u>10,469,045</u>	<u>246,472</u>
Excess of Revenues Over (Under) Expenditures	(1,426,928)	(1,426,922)	(1,424,170)	2,752
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	691,517	691,517
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>691,517</u>	<u>691,517</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,426,928)	(1,426,922)	(732,653)	694,269
FUND BALANCE, SEPTEMBER 30, 2008	2,986,582	2,986,582	2,986,582	-
FUND BALANCE, SEPTEMBER 30, 2009	<u>\$ 1,559,654</u>	<u>\$ 1,559,660</u>	<u>\$ 2,253,929</u>	<u>\$ 694,269</u>

**SMITH COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009**

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, 2009, if designated as final budget.

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

SCHEDULE 5

**SMITH COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 SEPTEMBER 30, 2009**

	<u>TOTAL</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	\$ 602,819
Buildings	31,058,824
Improvements	9,482,842
Machinery and equipment	22,359,664
Infrastructure	71,697,830
Construction in progress	<u>294,828</u>
Total governmental funds capital assets	<u>\$ 135,496,807</u>
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:	
General fund	\$ 116,769,840
Special revenue funds	17,018,288
Grants and donations	<u>1,708,679</u>
Total governmental funds capital assets	<u>\$ 135,496,807</u>

SCHEDULE 6

SMITH COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2009

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government	\$ 500,799	\$ 8,814,034	\$ 7,483,081	\$ 7,587,087	\$ -	\$ -	\$ 24,385,001
Justice system	74,500	573,423	54,987	924,039	-	-	1,626,949
Public safety	-	954,275	418,271	4,612,791	-	294,828	6,280,165
Corrections and rehabilitation	-	20,527,093	1,359,559	462,278	-	-	22,348,930
Health and human services	-	-	-	-	-	-	-
Infrastructure and environmental	27,520	189,999	166,944	8,773,469	71,697,830	-	80,855,762
Total general fixed assets/ governmental funds capital assets	\$ 602,819	\$ 31,058,824	\$ 9,482,842	\$ 22,359,664	\$ 71,697,830	\$ 294,828	\$ 135,496,807

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, 2009

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2008</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2009</u>
General government	\$ 23,904,429	\$ 1,428,222	\$ (947,650)	\$ 24,385,001
Justice system	9,896,119	763,077	(9,032,247)	1,626,949
Public safety	3,659,052	2,956,156	(335,043)	6,280,165
Corrections and rehabilitation	13,462,304	9,095,261	(208,635)	22,348,930
Health and human services	-	-	-	-
Infrastructure and environmental	77,649,802	3,681,747	(475,787)	80,855,762
 Total governmental funds capital assets	 <u>\$ 128,571,706</u>	 <u>\$ 17,924,463</u>	 <u>\$ (10,999,362)</u>	 <u>\$ 135,496,807</u>

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OTHER SUPPLEMENTARY INFORMATION

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	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	
ASSETS										
Cash	\$ 13,272	\$ 15,892	\$ 137,314	\$ 30,794	\$ 1,757	\$ 60,060	\$ 2,309	\$ 88,931	\$ 193,335	
Investments	-	192,125	2,278,998	-	-	-	-	-	-	
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	
Accounts receivable	-	6,679	16,220	653	14	5,256	23,077	66	-	
Prepaid and other assets	-	860	-	-	-	-	-	573	-	
Due from other funds	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 13,272	\$ 215,556	\$ 2,432,532	\$ 31,447	\$ 1,771	\$ 65,316	\$ 25,386	\$ 89,570	\$ 193,335	
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Vouchers payable	-	465	251,042	-	-	482	1,291	643	877	
Salaries payable	-	4,016	1,368	-	-	-	-	5,225	2,222	
Due to other funds	-	-	-	-	-	-	22,350	-	-	
Deferred revenue	-	-	-	-	-	-	-	-	-	
Total Liabilities	-	4,481	252,410	-	-	482	23,641	5,868	3,099	
FUND BALANCE										
Fund Balance:										
Reserved:										
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	
Unreserved:										
Undesignated	13,272	211,075	2,180,122	31,447	1,771	64,834	1,745	83,702	190,236	
Total fund balance	13,272	211,075	2,180,122	31,447	1,771	64,834	1,745	83,702	190,236	
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,272	\$ 215,556	\$ 2,432,532	\$ 31,447	\$ 1,771	\$ 65,316	\$ 25,386	\$ 89,570	\$ 193,335	

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

		SPECIAL REVENUE FUNDS									
		EAST					TEXAS				
DPS SEIZURES	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	TEXAS AUTO CRUSHERS	JUVENILE PROBATION COMMISSION	CRIME VICTIM'S SERVICES	CRIME VICTIM'S COMPENSATION	STEP TOBACCO GRANT			
\$ 54,508	\$ 210,891	\$ 507,368	\$ 255,565	\$ 116,334	\$ 26,634	\$ 49,888	\$ 9,237	\$ 14,408			
-	-	-	1,783,107	-	1,509,923	-	-	-			
-	-	-	-	-	-	-	-	-			
-	-	-	472,383	38,576	56,412	-	4,329	-			
-	-	-	-	-	-	-	-	-			
-	38,936	-	-	-	-	-	-	-			
<u>\$ 54,508</u>	<u>\$ 249,827</u>	<u>\$ 507,368</u>	<u>\$ 2,511,055</u>	<u>\$ 154,910</u>	<u>\$ 1,592,969</u>	<u>\$ 49,888</u>	<u>\$ 13,566</u>	<u>\$ 14,408</u>			
ASSETS											
Cash											
Investments											
Taxes receivable-delinquent, net											
Accounts receivable											
Prepaid and other assets											
Due from other funds											
TOTAL ASSETS											
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Bank overdraft											
Vouchers payable											
Salaries payable											
Due to other funds											
Deferred revenue											
Total Liabilities											
FUND BALANCE											
Fund Balance:											
Reserved:											
Reserved for Capital Projects											
Reserved for Debt Service											
Unreserved:											
Undesignated											
Total fund balance											
TOTAL LIABILITIES AND FUND BALANCES											

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	SPECIAL REVENUE FUNDS									
	SHERIFF DEA TASK FORCE	JUSTICE COURT TECHNOLOGY FUND	JUVENILE JUSTICE ALTERNATIVE EDUCATION	JUVENILE ACCOUNTABILITY BLOCK GRANT-2001/2002	LEOSE FUND	JUDICIAL EDUCATION	COMMUNITY POLICING	ETCOG- SOLID WASTE	HOMELAND SECURITY	
ASSETS										
Cash	\$ 102,384	\$ 12,546	\$ -	\$ 2,310	\$ 19,338	\$ 3,913	\$ 25,459	\$ -	\$ 61,275	
Investments	-	268,910	1,003	-	-	-	-	-	-	
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	
Accounts receivable	-	1,741	-	1,619	403	180	-	-	-	
Prepaid and other assets	-	-	-	-	-	-	-	-	-	
Due from other funds	38,936	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 141,320	\$ 283,197	\$ 1,003	\$ 3,929	\$ 19,741	\$ 4,093	\$ 25,459	\$ -	\$ 61,275	
LIABILITIES AND FUND BALANCE										
Bank overdraft	\$ -	\$ -	\$ 425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Vouchers payable	1,180	2,254	2,034	-	1,104	-	777	-	-	
Salaries payable	-	-	10,545	718	-	-	3,646	-	-	
Due to other funds	-	-	-	-	-	-	-	-	77,872	
Deferred revenue	-	-	-	-	-	-	-	-	-	
Total Liabilities	1,180	2,254	13,004	718	1,104	-	4,423	-	77,872	
FUND BALANCE										
Fund Balance:										
Reserved:										
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	
Unreserved:										
Undesignated	140,140	280,943	(12,001)	3,211	18,637	4,093	21,036	-	(16,597)	
Total fund balance	140,140	280,943	(12,001)	3,211	18,637	4,093	21,036	-	(16,597)	
TOTAL LIABILITIES AND FUND BALANCES	\$ 141,320	\$ 283,197	\$ 1,003	\$ 3,929	\$ 19,741	\$ 4,093	\$ 25,459	\$ -	\$ 61,275	

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

SPECIAL REVENUE FUNDS

	DA CRIME PREVENTION	FORFEITURE INTEREST 10%	SEARCH & RESCUE	JAC MAINTENANCE	ELECTIONS VOTING MACHINE REPLACEMENT	ELECTION SERVICES CONTRACT	CHAPTER 19 VOTER REGISTRATION	LOCAL LAW ENFORCEMENT BLOCK GRANT - 2000
ASSETS								
Cash	\$ 5,300	\$ 148,484	\$ 5,941	\$ 4,995	\$ 48	\$ 56,438	\$ 7,452	\$ 39,937
Investments	-	-	-	895,194	-	-	-	-
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-
Accounts receivable	-	-	15	-	-	6,504	-	-
Prepaid and other assets	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 5,300	\$ 148,484	\$ 5,956	\$ 900,189	\$ 48	\$ 62,942	\$ 7,452	\$ 39,937
LIABILITIES AND FUND BALANCE								
Bank overdraft	-	-	-	-	-	-	-	-
Vouchers payable	-	-	729	-	48	8,500	6,504	-
Salaries payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total Liabilities	-	-	729	-	48	8,500	6,504	-
FUND BALANCE								
Fund Balance:								
Reserved:								
Reserved for Capital Projects	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-
Unreserved:								
Undesignated	5,300	148,484	5,227	900,189	-	54,442	948	39,937
Total fund balance	5,300	148,484	5,227	900,189	-	54,442	948	39,937
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,300	\$ 148,484	\$ 5,956	\$ 900,189	\$ 48	\$ 62,942	\$ 7,452	\$ 39,937

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	SPECIAL REVENUE FUNDS				DA FEDERAL ASSETS	TOTAL	CAPITAL PROJECT FUNDS			TOTAL NONMAJOR GOVERNMENTAL FUNDS
	BYRNE JUSTICE ASSISTANCE GRANT	EDWARD BYRNE JAG GRANT 2008	EDWARD BYRNE GRANT 2006				PERMANENT IMPROVEMENT	DEBT SERVICE FUND		
ASSETS										
Cash	\$ -	\$ 15,981	\$ -	\$ -	\$ 231,920	\$ 2,532,218	\$ 52,548	\$ 101,093	\$ -	\$ 2,685,859
Investments	-	-	-	-	-	6,929,260	904,970	1,784,789	-	9,619,019
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	105,093	-	105,093
Accounts receivable	-	-	-	-	-	634,127	-	9,191	-	643,318
Prepaid and other assets	-	-	-	-	-	1,433	-	-	-	1,433
Due from other funds	-	-	-	-	-	77,872	-	-	-	77,872
TOTAL ASSETS	\$ -	\$ 15,981	\$ -	\$ -	\$ 231,920	\$ 10,174,910	\$ 957,518	\$ 2,000,166	\$ -	\$ 13,132,594
LIABILITIES AND FUND BALANCE										
LIABILITIES										
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,864	\$ -	\$ -	\$ -	\$ 17,864
Vouchers payable	-	-	-	-	56	330,504	258,730	-	-	589,234
Salaries payable	-	-	-	-	-	285,670	-	-	-	285,670
Due to other funds	-	-	-	-	-	107,722	-	-	-	107,722
Deferred revenue	-	-	-	-	-	-	-	78,955	-	78,955
Total Liabilities	-	-	-	-	56	741,760	258,730	78,955	-	1,079,445
FUND BALANCE										
Fund Balance:										
Reserved:										
Reserved for Capital Projects	-	-	-	-	-	-	698,788	-	-	698,788
Reserved for Debt Service	-	-	-	-	-	-	-	1,921,211	-	1,921,211
Unreserved:										
Undesignated	-	15,981	-	-	231,864	9,433,150	-	-	-	9,433,150
Total fund balance	-	15,981	-	-	231,864	9,433,150	698,788	1,921,211	-	12,053,149
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 15,981	\$ -	\$ -	\$ 231,920	\$ 10,174,910	\$ 957,518	\$ 2,000,166	\$ -	\$ 13,132,594

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

		SPECIAL REVENUE FUNDS									
DISTRICT CLERK TITLE IV-D	COUNTY LAW LIBRARY	COUNTY CLERK RECORDS PRESERVATION	COUNTY CLERK RECORDS PRESERVATION	DISTRICT CLERK RECORDS PRESERVATION	GRAFFITI ERADICATION	COURTHOUSE SECURITY	DISTRICT ATTORNEY	COURT IMPROVEMENT	DISTRICT ATTORNEY DRUG FORFEITURE		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
REVENUES											
Property taxes	-	-	-	-	-	-	-	-	-	-	
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-	
Fees of office	144,833	617,687	11,469	298	148,010	96,489	-	-	-	-	
Fines	-	-	-	-	-	-	-	-	-	-	
Inergovernmental revenues	1,503	-	-	-	-	55,760	-	64,214	-	-	
Other revenues and fees	82	7,205	20,347	163	9	13,037	-	32	216,827	-	
Total Revenues	1,585	152,038	638,034	11,632	307	148,477	165,286	64,246	216,827	-	
EXPENDITURES											
General government	-	-	581,409	-	-	-	-	-	-	-	
Justice system	2,420	152,984	-	-	-	130,639	-	56,721	-	-	
Public safety	-	-	-	-	-	25,032	-	-	76,613	-	
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-	
Health and human services	-	-	-	-	-	-	-	-	-	-	
Conservation	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	4,950	-	-	-	2,849	-	-	
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-	
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	
Total Expenditures	2,420	152,984	581,409	4,950	-	25,032	130,639	59,570	76,613	-	
Excess of Revenue Over (Under) Expenditures	(835)	(946)	56,625	6,682	307	123,445	34,647	4,676	140,214	-	
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	-	-	-	-	-	-	
Transfers out	-	-	-	-	-	-	-	-	-	-	
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(835)	(946)	56,625	6,682	307	123,445	34,647	4,676	140,214	-	
FUND BALANCE, SEPTEMBER 30, 2008	14,107	212,021	2,123,497	24,765	1,464	(58,611)	49,055	(2,931)	50,022	-	
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	
FUND BALANCE, SEPTEMBER 30, 2009	\$ 13,272	\$ 211,075	\$ 2,180,122	\$ 31,447	\$ 1,771	\$ 64,834	\$ 83,702	\$ 1,745	\$ 190,236	\$ -	

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	SPECIAL REVENUE FUNDS									
	DPS SEIZURES	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	CRIME VICTIM'S	STEP TOBACCO GRANT
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	3,064,166	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	900,574	900,574	514,931	652,032	20,852	25,586	12,907	-
Other revenues and fees	143,104	419,445	1,130,239	909,610	543	15,584	23,040	5,606	86	-
Total Revenues	143,104	419,445	1,130,239	4,874,350	515,474	667,616	43,892	31,192	12,993	-
EXPENDITURES										
General government	-	-	-	-	-	-	-	-	-	-
Justice system	-	-	-	-	-	59,790	31,966	29,563	-	-
Public safety	107,093	176,074	713,878	4,779,887	444,690	740,616	-	-	10,858	-
Corrections and rehabilitation	-	-	-	-	-	229,126	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	14,261	50,000	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	107,093	231,116	713,878	4,794,148	494,690	1,029,532	31,966	29,563	10,858	-
Excess of Revenue Over (Under) Expenditures	36,011	188,329	416,361	80,202	20,784	(361,916)	11,926	1,629	2,135	-
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	85,035	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	85,035	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	36,011	188,329	416,361	80,202	20,784	(276,881)	11,926	1,629	2,135	-
FUND BALANCE, SEPTEMBER 30, 2008	18,497	46,890	76,595	2,200,474	114,751	1,819,100	33,332	10,080	11,865	-
Prior period adjustment	-	-	-	-	-	-	1,032	-	-	-
FUND BALANCE, SEPTEMBER 30, 2009	\$ 54,508	\$ 235,219	\$ 492,956	\$ 2,280,676	\$ 135,535	\$ 1,542,219	\$ 46,290	\$ 11,709	\$ 14,000	\$ -

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	SPECIAL REVENUE FUNDS									
	SHERIFF DEA TASK FORCE	JUSTICE COURT TECHNOLOGY FUND	JUVENILE JUSTICE ALTERNATIVE EDUCATION	JUVENILE ACCOUNTABILITY BLOCK GRANT - 2001/2002	LEOSE FUND	JUDICIAL EDUCATION	COMMUNITY POLICING	ETCOG SOLID WASTE	HOMELAND SECURITY	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-	-	-	-	-
Licenses and other taxes	-	52,064	-	-	-	-	-	-	-	-
Fees of office	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	24,401	-	3,620	-	-	71,019	-
Intergovernmental revenues	222,101	-	69,560	-	-	-	-	-	-	-
Other revenues and fees	75,212	2,133	1,240	-	27,869	41	82,469	30	316	-
Total Revenues	297,313	54,197	70,800	24,401	27,869	3,661	82,469	30	71,335	
EXPENDITURES										
General government	-	-	-	-	-	-	89,037	-	-	-
Justice system	61,697	-	-	-	-	7,188	-	-	-	-
Public safety	258,619	-	314,853	21,626	36,509	-	-	-	72,068	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	3	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	38,936	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	258,619	61,697	314,853	21,626	36,509	7,188	89,037	3	111,004	
Excess of Revenue Over (Under) Expenditures	38,694	(7,500)	(244,053)	2,775	(8,640)	(3,527)	(6,568)	27	(39,669)	
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	44,300	260	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(22,819)	-	-
Total Other Financing Sources (Uses)	-	-	44,300	260	-	-	-	(22,819)	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	38,694	(7,500)	(199,753)	3,035	(8,640)	(3,527)	(6,568)	(22,792)	(39,669)	
FUND BALANCE, SEPTEMBER 30, 2008	101,446	288,443	241,272	176	27,277	7,620	27,004	22,792	23,072	
Prior period adjustment	-	-	(53,520)	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2009	\$ 140,140	\$ 280,943	\$ (12,001)	\$ 3,211	\$ 18,637	\$ 4,093	\$ 21,036	\$ -	\$ (16,597)	

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

		SPECIAL REVENUE FUNDS							LOCAL LAW ENFORCEMENT BLOCK GRANT-2000
	DA CRIME PREVENTION	FORFEITURE INTEREST 10%	SEARCH & RESCUE	JAC MAINTENANCE	ELECTIONS VOTING MACHINE REPLACEMENT	ELECTION SERVICES CONTRACT	CHAPTER 19 VOTER REGISTRATION		
REVENUES									
Property taxes	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Licenses and other taxes	-	-	-	-	-	-	-	-	
Fees of office	-	-	5,206	-	-	14,051	-	-	
Fines	-	-	-	-	-	-	-	-	
Intergovernmental revenues	-	-	-	-	-	-	17,550	-	
Other revenues and fees	32	68,122	803	5,403	-	370	23	309	
Total Revenues	32	68,122	6,009	5,403	-	14,421	17,573	309	
EXPENDITURES									
General government	-	-	-	-	48	23,952	10,286	-	
Justice system	-	-	-	-	-	-	-	-	
Public safety	-	-	11,757	-	-	-	-	15,251	
Corrections and rehabilitation	-	-	-	-	-	-	-	-	
Health and human services	-	12,000	-	-	-	-	-	-	
Conservation	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	38,406	-	-	6,504	-	
Debt Service-principal retirement	-	-	-	-	-	-	-	-	
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	
Total Expenditures	-	12,000	11,757	38,406	48	23,952	16,790	15,251	
Excess of Revenue Over (Under) Expenditures	32	56,122	(5,748)	(33,003)	(48)	(9,531)	783	(14,942)	
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	247,823	-	-	-	-	
Transfers out	-	-	-	(247,823)	-	-	-	-	
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	32	56,122	(5,748)	214,820	(48)	(9,531)	783	(14,942)	
FUND BALANCE, SEPTEMBER 30, 2008	5,268	92,362	10,975	685,369	48	63,973	165	54,879	
Prior period adjustment	-	-	-	-	-	-	-	-	
FUND BALANCE, SEPTEMBER 30, 2009	\$ 5,300	\$ 148,484	\$ 5,227	\$ 900,189	\$ -	\$ 54,442	\$ 948	\$ 39,937	

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	BYRNE JUSTICE ASSISTANCE GRANT	EDWARD BYRNE JAG GRANT 2008	EDWARD BYRNE GRANT 2006	DA FEDERAL ASSETS	TOTAL		
REVENUES							
Property taxes	-	-	\$	-	\$	-	\$ 2,911,957
Licenses and other taxes	-	-	-	-	-	-	-
Fees of office	-	-	-	-	4,154,273	-	4,154,273
Fines	-	-	-	-	-	-	-
Intergovernmental revenues	1,000	31,900	-	64,884	2,754,394	-	2,754,394
Other revenues and fees	-	31	5	1,326	3,171,160	27,278	3,208,442
Total Revenues	1,000	31,931	5	66,210	10,079,827	29,939,235	13,029,066
EXPENDITURES							
General government	-	-	-	-	704,732	-	704,732
Justice system	-	15,950	-	25,091	574,009	-	574,009
Public safety	1,019	-	883	-	1,950,344	-	1,950,344
Corrections and rehabilitation	-	-	-	-	5,856,982	-	5,856,982
Health and human services	-	-	-	-	241,126	-	241,126
Conservation	-	-	-	-	3	-	3
Capital outlay	-	-	-	2,714	213,662	-	216,376
Debt Service-principal retirement	-	-	-	-	-	2,100,000	2,100,000
Debt Service-interest and fiscal charges	-	-	-	-	-	517,922	517,922
Total Expenditures	1,019	15,950	883	27,805	9,540,858	2,617,922	12,539,349
Excess of Revenue Over (Under) Expenditures	(19)	15,981	(878)	38,405	538,969	321,313	489,717
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	377,418	-	377,418
Transfers out	-	-	-	-	(22,819)	-	(22,819)
Total Other Financing Sources (Uses)	-	-	-	-	354,599	-	354,599
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(19)	15,981	(878)	38,405	893,568	(370,565)	844,316
FUND BALANCE, SEPTEMBER 30, 2008	19	-	878	193,459	8,592,070	1,599,898	11,261,321
Prior period adjustment	-	-	-	-	(52,488)	-	(52,488)
FUND BALANCE, SEPTEMBER 30, 2009	-	15,981	-	231,864	9,433,150	698,788	12,053,149

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2009

	Governmental Activities		
	Insurance Fund	Payroll Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 84,430	\$ 54,832	\$ 139,262
Accounts receivable	372,667	68,188	440,855
Investments	513,848	-	513,848
Total Current Assets	970,945	123,020	1,093,965
LIABILITIES			
Current Liabilities:			
Vouchers payable	562,994	64,609	627,603
Deferred revenue	274,444	-	274,444
Total Current Liabilities	837,438	64,609	902,047
NET ASSETS			
Unrestricted	133,507	58,411	191,918
Total Net Assets	\$ 133,507	\$ 58,411	\$ 191,918

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND ASSETS -
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2009

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
OPERATING REVENUES			
Premiums and reimbursements	\$ 5,850,097	\$ -	\$ 5,850,097
Total Operating Revenues	<u>5,850,097</u>	<u>-</u>	<u>5,850,097</u>
OPERATING EXPENSES			
Insurance claims & administrative fees	6,832,946	-	6,832,946
Total Operating Expenses	<u>6,832,946</u>	<u>-</u>	<u>6,832,946</u>
Operating loss	(982,849)	-	(982,849)
NON-OPERATING REVENUES			
Interest income and other	15,008	13,502	28,510
Gain (loss) before transfers	(967,841)	13,502	(954,339)
Transfers in	-	-	-
Change in net assets	<u>(967,841)</u>	<u>13,502</u>	<u>(954,339)</u>
NET ASSETS - SEPTEMBER 30, 2008	<u>1,101,348</u>	<u>44,909</u>	<u>1,146,257</u>
NET ASSETS - SEPTEMBER 30, 2009	<u>\$ 133,507</u>	<u>\$ 58,411</u>	<u>\$ 191,918</u>

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2009

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for premiums	\$ 5,477,430	\$ -	\$ 5,477,430
Cash paid to customers	(6,588,356)	-	(6,588,356)
Other operating revenues	-	2,921	2,921
Net cash used in operating activities	<u>(1,110,926)</u>	<u>2,921</u>	<u>(1,108,005)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers - in from other funds	-	-	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from purchases and redemptions of investments	(81,882)	-	(81,882)
Interest on investments	15,008	(54,686)	(39,678)
Net cash (used in) provided by investing activities	<u>(66,874)</u>	<u>(54,686)</u>	<u>(121,560)</u>
Net decrease in cash	(1,177,800)	(51,765)	(1,229,565)
Cash at beginning of year	1,262,230	106,597	1,368,827
CASH AT END OF YEAR	<u>\$ 84,430</u>	<u>\$ 54,832</u>	<u>\$ 139,262</u>
Reconciliation of operating income to net cash used by operating activities:			
Operating loss	\$ (982,849)	\$ -	\$ (982,849)
Adjustment to reconcile operating income to net cash used in by operating activities:			
Increase in accounts receivable	(372,667)	-	(372,667)
Decrease in vouchers payable	244,590	2,921	247,511
Increase in deferred revenue	-	-	-
Net Cash Used in by Operating Activities	<u>\$ (1,110,926)</u>	<u>\$ 2,921</u>	<u>\$ (1,108,005)</u>

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SINGLE AUDIT SECTION

**SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

<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	0801951-09	\$ 24,199
Texas VINE Automated Victim Notification Services	---	<u>30,108</u>
TOTAL STATE OF TEXAS - OFFICE OF THE ATTORNEY GENERAL		<u>54,307</u>
<u>STATE OF TEXAS - OFFICE OF THE GOVERNOR CRIMINAL JUSTICE DIVISION</u>		
Drug Court Grant	1976202	<u>58,614</u>
<u>TEXAS STATEWIDE TOBACCO EDUCATION AND PREVENTION</u>		
Tobacco Funds	---	<u>10,858</u>
<u>AUTOMOBILE THEFT PREVENTION AUTHORITY</u>		
East Texas Auto Theft Task Force	** SA-T01-10064-09	<u>384,021</u>
<u>TASK FORCE ON INDIGENT DEFENSE</u>		
Formula Grant - Imaging System and Attorney Access	** ---	93,730
Equalization Grant	** ---	<u>130,921</u>
Total Task Force on Indigent Defense Grant		<u>224,651</u>
<u>BUREAU OF JUSTICE ASSISTANCE</u>		
State Criminal Alien Assistance Program (SCAPP)	2008-AP-BX-0346	<u>103,834</u>
<u>SECRETARY OF STATE</u>		
Chapter 19 Voter Registration	---	<u>16,790</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 853,075</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, 2009**

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 modified 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.

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, 2009, and have issued our report thereon dated March 19, 2010. 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
March 19, 2010

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HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Commissioners' Court of Smith County
Tyler, Texas

Compliance

We have audited the compliance of Smith County, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the State of Texas Single Audit Circular that are applicable to each of its major state programs for the year ended September 30, 2009. Smith County's major 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 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 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 state programs for the year ended September 30, 2009.

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 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 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 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 state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a 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 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
March 19, 2010

**SMITH COUNTY, TEXAS
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2009**

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
Indigent Defense Cluster

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 STATE PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2009**

None

UNAUDITED COUNTY DATA

**SMITH COUNTY, TEXAS
ELECTED OFFICIALS
SEPTEMBER 30, 2009**

COUNTY

Joel Baker, County Judge
Jeff Warr, Commissioner, Precinct No. 1
William McGinnis, Commissioner, Precinct No. 2
Terry Phillips, 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
Andy Dunklin, 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
Christy Kennedy, 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
Paul Fisher, 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, 2009**

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
Leonardo Brown, 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>
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
2008	2009	0.2889	13,413,712,156	37,703,637

* Total tax rate

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