

SMITH COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2005

SMITH COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2005

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HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2006 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 grants. 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 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 supplementary information. However, we did not audit the information and express no opinion on it.

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

Henry & Peters, P.C.

Tyler, Texas
June 6, 2006

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, 2005. The MD&A should be read in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements. The discussion and analysis includes comparative data for prior years of government-wide data.

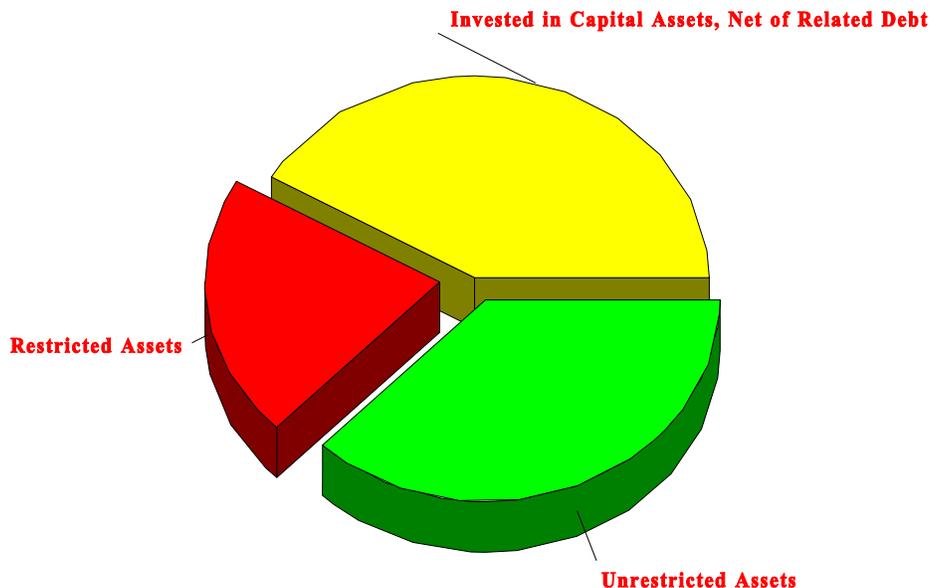
FINANCIAL HIGHLIGHTS

Government-Wide:

- ◆ The County's total net assets increased by \$4,276,329.
- ◆ The total government-wide assets of the County exceeded the liabilities at September 30, 2005 by \$45,080,750 as is reported as total net assets of the primary government. Of this amount, \$16,672,934 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$9,529,857 is restricted for specific purposes (restricted net assets), and \$18,877,959 is invested in capital assets, net of related debt.

NET ASSETS BY CATEGORY

September 30, 2005



Fund Financial Statements:

- ◆ At the end of the fiscal year, the combined unreserved fund balance for the general operating funds (General, Juvenile General, and Indigent Health Care) was \$9,425,090 or 24% of the combined expenditures.

Long-Term Debt:

- ◆ In fiscal year 2005, the County did not issue any additional long-term debt.
- ◆ Smith County's total debt decreased by \$1,950,000. Total debt at the end of fiscal year 2005 is \$21,400,000.

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, Juvenile Facility Capital Project Fund, and Other Governmental Funds. The General Fund consists of the County's General Fund, Juvenile General 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

As part of the tier two group, the County initially applied GASB 34 to reports for the prior fiscal period. A comparative analysis of government-wide data is presented.

Of the County's total assets of \$73,292,534, the largest components are: (1) cash and investments of \$27,532,942 or 38% (2) receivables which largely represent the deferred taxes for FY2005 of \$4,864,053 or 7%, and (3) capital assets net of accumulated depreciation of \$40,380,963 or 55%. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of the total liabilities of \$28,211,784, approx. \$4,829,607 are current liabilities.

The County's assets exceeded liabilities by \$45,080,750 at the close of the most recent fiscal year. The County's net assets for fiscal year ended September 30, 2004 and 2005 are summarized as follows:

	Governmental Activities FY04	Governmental Activities FY05
Current & Other Assets	\$ 32,046,253	\$ 32,911,571
Capital Assets (net of depreciation)	38,026,686	40,380,963
Total Assets	\$ 70,072,939	\$ 73,292,534
Current & Other Liabilities	\$ 7,687,888	\$ 4,829,607
Long-term Liabilities	21,580,630	23,382,177
Total Liabilities	\$ 29,268,518	\$ 28,211,784
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 14,626,952	\$ 18,877,959
Restricted	8,690,919	9,529,857
Unrestricted	17,486,550	16,672,934
Total Net Assets	\$ 40,804,421	\$ 45,080,750

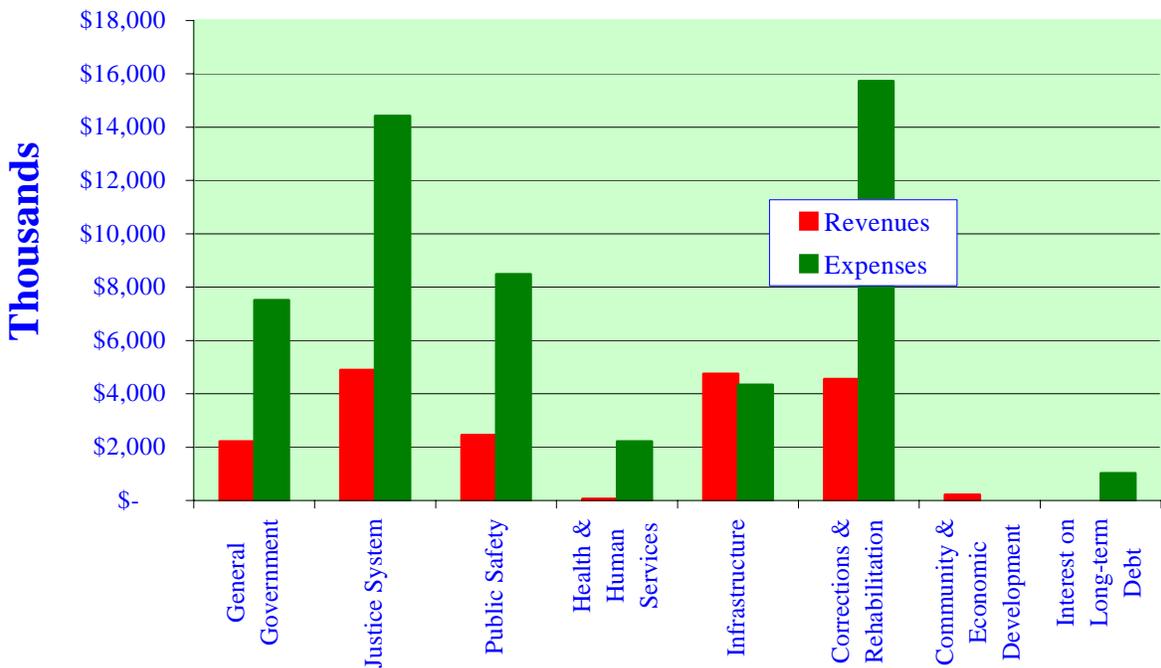
About 21% or \$9,529,857 of the County's net assets represent restricted net assets which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion (\$18,877,959) of the County's net assets reflects its investment in capital assets (e.g., land, buildings, machinery & equipment) net of related debt.

Governmental activities increased the County's net assets by \$4,276,329. The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds further details the increase in net assets.

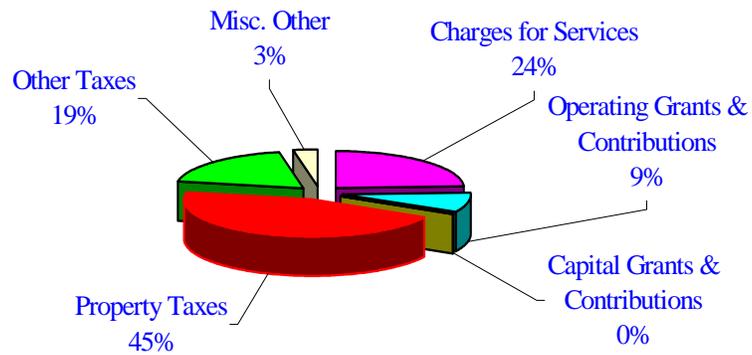
Smith County's Changes in Net Assets

	Governmental Activities 2004	Governmental Activities 2005
<i>Revenues:</i>		
Net Program Revenues:		
Charges for Services	\$ 13,281,533	\$ 14,059,437
Operating Grants & Contributions	5,980,885	4,959,734
Capital Grants & Contributions	31,880	112,893
General Revenues:		
Property Taxes	22,498,083	24,486,652
Sales & Other Taxes	11,671,090	12,594,960
Rentals & Commissions	868,933	792,444
Reimbursements	59,954	10,144
Miscellaneous	33,280	162,864
State Shared	89,239	129,983
Gain in Sale of Assets	11,816	5,384
Loss on donation of assets	(42,000)	-
Interest	186,867	664,187
Total Revenues	54,671,560	57,978,682
<i>Expenses:</i>		
General Government	7,291,686	7,505,881
Justice System	14,033,007	14,425,143
Public Safety	6,634,514	8,479,614
Health & Human Services	2,591,414	2,205,194
Infrastructure	6,367,850	4,332,439
Corrections & Rehabilitation	14,855,604	15,734,815
Community & Economic Development	-	-
Interest on Long-term Debt	827,558	1,019,267
Total Expenses	52,601,633	53,702,353
Change in Net Assets	2,069,927	4,276,329
Net Assets - Beginning	38,737,775	40,804,421
Other Increases (Decreases) in Fund	(3,281)	-
Net Assets - Ending	\$ 40,804,421	\$ 45,080,750

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 \$19,132,064 equaled 36% of governmental expenses of \$53,702,353. As expected, general revenues of \$38,846,618 provided the additional support and coverage for expenses.
- ◆ Over 29% of the expenses are for Corrections & Rehabilitation (\$15,734,815) while this category provided about 8% of total revenues of \$57,978,682.
- ◆ The next largest category of expenses is the Justice System (\$14,425,143) at 27%. The Justice System provided about 8.5% of total revenues. Justice System expenses increased due to indigent defense legislation that resulted in changes regarding assignment of attorneys and movement of prisoners and the increased number of capital murder trials.
- ◆ Public Safety activities accounted for 16% of governmental expenses while this category provided 4% of total revenues.
- ◆ Infrastructure (Road & Bridge) accounted for 8% of governmental expenses while this category provided 8% of total revenues.
- ◆ Grant revenues and contributions comprised about 9% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund accounting and budget control have been the framework of the County's strong fiscal management and accountability. The County has a 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 \$25,895,329. Approximately \$16,365,472, or 63%, 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 (\$327,026); (2) to fund capital projects (\$9,202,831).

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 \$6,832,854. 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 (\$6,832,854) represents approx. 16% of the County's general fund expenditures. General budgetary targets for reserves are 12% of expenditures. The fund balance of the County's general fund increased by \$400,738 during the current fiscal year.

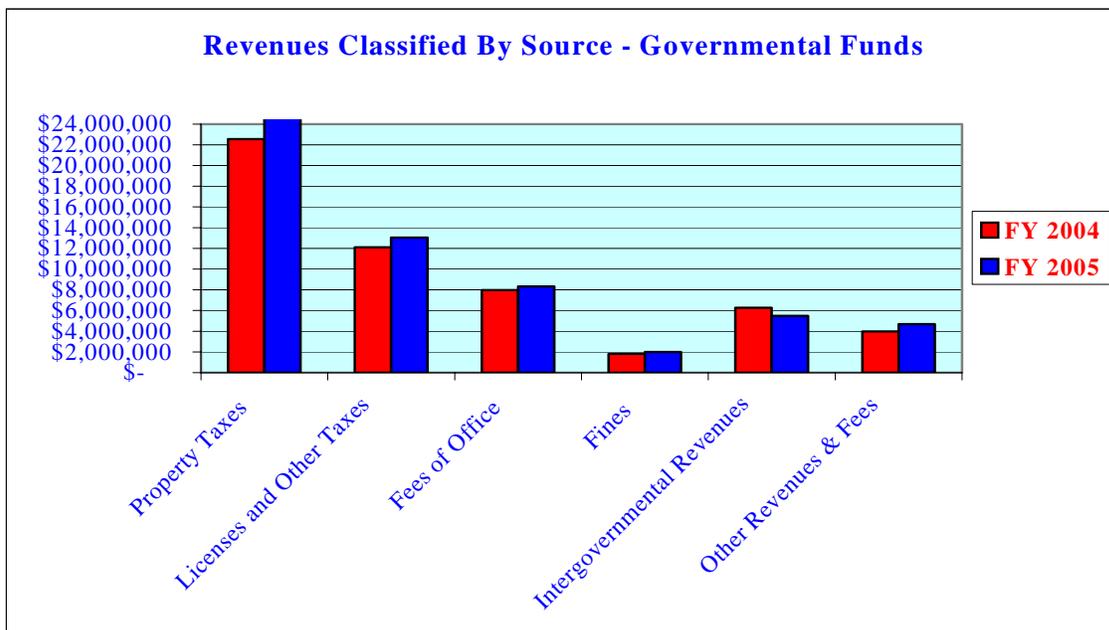
The debt service fund has a total fund balance of \$327,026, a decrease of \$68,810 as compared with the prior year.

The Juvenile Attention Center capital project fund has a fund balance of \$3,432,951. This project was completed in fiscal year 2004.

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 2005	FY 2004	Increase (Decrease)	Percent of Change
Property Taxes	\$24,751,619	\$22,544,199	\$ 2,207,420	9.79%
Licenses and Other Taxes	13,038,924	12,102,578	936,346	7.74%
Fees of Office	8,327,311	7,969,582	357,729	4.49%
Fines	1,992,136	1,806,392	185,744	10.28%
Intergovernmental Revenues	5,474,492	6,271,055	(796,563)	-12.70%
Other Revenues & Fees	4,679,738	3,981,375	698,363	17.54%
Total Revenues	\$58,264,220	\$54,675,181	\$ 3,589,039	6.56%



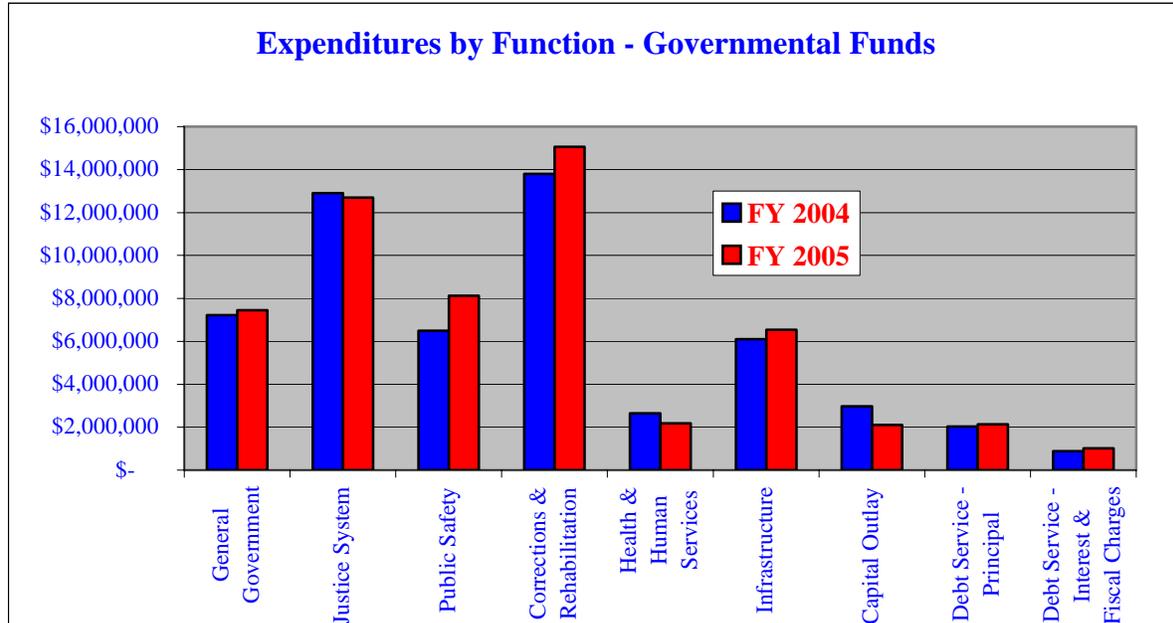
- ◆ Taxes - the increase of \$2,207,420 was primarily due to an increase from the prior year in the certified tax roll compiled by the Smith County Appraisal District. Increased tax collections resulted from an unchanged tax rate of .25447 by the increase in property values.
- ◆ The decrease in other revenues and fees is a result of tenant lease expirations in the Ferguson St. building. The building purchased in 2001 for the courthouse annex consisted of binding tenant leases until 2003 and 2004.

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

Expenditures by Function - Governmental Funds

Expenditures by Function	FY 2005	FY 2004	Increase (Decrease)	Percent of Change
General Government	\$ 7,439,789	\$ 7,221,999	\$ 217,790	3.02%
Justice System	12,698,186	12,901,932	(203,746)	-1.58%
Public Safety	8,123,191	6,494,988	1,628,203	25.07%
Corrections & Rehabilitation	15,058,288	13,807,053	1,251,235	9.06%
Health & Human Services	2,181,419	2,646,118	(464,699)	-17.56%
Infrastructure	6,539,127	6,103,245	435,882	7.14%
Capital Outlay	2,110,970	2,975,641	(864,671)	-29.06%
Debt Service - Principal	2,138,127	2,035,785	102,342	5.03%
Debt Service - Interest & Fiscal	1,020,116	879,841	140,275	15.94%
	\$57,309,213	\$55,066,602	\$2,242,611	4.07%

Overall, total expenditures increased by 4.07%; however some categories experienced significant change. Public Safety expenditures increased by 25.07% primarily due to the rise in fuel prices and the outsourcing of warrant and emergency dispatch services. Health and Human Services decrease is a result of savings generated through policy changes in the Indigent Health Care services. Capital outlay decreases are due to equipment purchases in FY04 that were not necessary in FY05.



GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

- ◆ Actual revenues were higher than budgeted by \$3,173,191. Sales tax (\$1,755,436), Fee of Office (\$376,430), Intergovernmental revenues (\$212,931) and Interest Income (\$208,425) resulted in the most significant revenues increases.
- ◆ Actual expenditures were lower than budgeted in all categories. General and Administrative expenses were lower by \$96,712 mainly due to salary lag. Judicial expenses were lower by \$710,879 mainly attributable to the Juvenile Probation. Public Safety/Law Enforcement expenses were lower by \$139,647 mainly attributable to salary lag in the Sheriff's office.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt - At September 30, 2005, the County had certificates of obligation outstanding in the amount of \$21,400,000. The County's bond rating is AA3 from Moody's and AA from Standard and Poor's.

The following represents the activity of the long-term debt of the County for FY2004.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Limited Tax Notes	\$ -	\$ -	\$ -	\$ -
Certificates of Obligation	23,350,000	-	1,950,000	21,400,000
Compensated Absences	1,547,553	125,369	-	1,672,922
Capital Leases	296,493	200,894	188,127	309,260
Total	\$ 25,194,046	\$ 326,263	\$2,138,127	\$23,382,182

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, 2005, net capital assets of the governmental activities totaled \$40,380,963. Depreciation on capital assets is recognized in the Government-wide financial statements.

County's Capital Assets

	Cost	Accumulated	Net Capital Assets
Governmental Activities:			
Land	\$ 145,396	\$ -	\$ 145,396
Buildings & Improvements	32,968,921	13,452,538	19,516,383
Machinery & Equipment	12,134,237	9,105,623	3,028,614
Infrastructure	61,009,912	45,480,261	15,529,651
Construction in Progress	2,160,919	-	2,160,919
Total	\$ 108,419,385	\$68,038,422	\$ 40,380,963

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 FY2006, 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 increase slightly.
- ◆ Structured 3% salary increases for the workforce (6% law enforcement) were approved effective January 2006.

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, 2005

	<u>PRIMARY GOVERNMENT</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 2,227,893
Investments	25,305,049
Receivables (net of allowance for doubtful accounts)	4,864,053
Investment in joint venture	206,250
Prepays and other assets	248,853
Bond issue costs, net	59,473
Capital assets (net of accumulated depreciation):	
Land	145,396
Buildings	16,378,979
Improvements	3,137,404
Machinery and equipment	3,028,614
Construction in progress	2,160,919
Infrastructure	<u>15,529,651</u>
Total Assets	73,292,534
LIABILITIES	
Vouchers payable	3,428,455
Salaries payable	1,035,170
Accrued interest payable	117,129
Deferred revenues	248,848
Non-current liabilities:	
Due within one year	3,757,723
Due in more than one year	<u>19,624,459</u>
Total Liabilities	<u>28,211,784</u>
NET ASSETS	
Investment in capital assets, net of related debt	18,877,959
Restricted for:	
Debt service	327,026
Capital projects	9,202,831
Unrestricted:	
Designated	2,592,236
Undesignated	<u>14,080,698</u>
Total Net Assets	<u>\$ 45,080,750</u>

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

EXHIBIT 2

SMITH COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

PROGRAM ACTIVITIES	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary Government:					PRIMARY GOVERNMENT
Governmental activities:					GOVERNMENTAL ACTIVITIES
General government	\$ 7,505,881	\$ 2,178,175	\$ -	\$ 37,866	\$ (5,289,840)
Justice system	14,425,143	3,319,752	1,565,284	-	(9,540,107)
Public safety	8,479,614	839,555	1,610,075	-	(6,029,984)
Health & human services	2,205,194	5	60,579	-	(2,144,610)
Infrastructure	4,332,439	4,744,108	-	-	411,669
Corrections and rehabilitation	15,734,815	2,827,040	1,656,913	75,027	(11,175,835)
Community and economic development	-	150,802	66,883	-	217,685
Interest on long-term debt	1,019,267	-	-	-	(1,019,267)
Total primary government	\$ 53,702,353	\$ 14,059,437	\$ 4,959,734	\$ 112,893	\$ (34,570,289)
General revenues:					
Property taxes					\$ 24,486,652
Sales taxes					12,255,436
Other taxes					339,524
Rentals and commissions					792,444
Reimbursements					10,144
Miscellaneous					162,864
State Shared					129,983
Gain on sale of assets					5,384
Interest earned					664,187
Total general revenues and transfers					38,846,618
Change in net assets					4,276,329
Net assets - beginning of year					40,804,421
Other increases (decreases) in fund balance					-
Net assets - end of year					\$ 45,080,750

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, 2005

	GENERAL	JUVENILE FACILITY FUND - CAPITAL PROJECTS	PERMANENT IMPROVEMENT FUND - CAPITAL PROJECTS	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and cash equivalents	\$ 213,045	\$ 52,778	-	\$ 20,637	\$ 1,865,922	\$ 2,152,382
Investments	8,632,815	3,380,010	5,811,724	2,354,455	3,903,797	24,082,801
Receivables:						
Property taxes	1,609,839	-	-	-	212,618	1,822,457
Other	2,992,718	163	-	74,111	135,848	3,202,840
Prepaid and other assets	210,491	-	-	25,053	13,309	248,853
Due from other funds	193,000	-	-	-	138,312	331,312
Total assets	\$ 13,851,908	\$ 3,432,951	\$ 5,811,724	\$ 2,474,256	\$ 6,269,806	\$ 31,840,645

LIABILITIES AND FUND BALANCES

Liabilities:						
Vouchers payable	\$ 2,109,069	-	\$ 38,014	\$ 721,487	\$ 110,211	\$ 2,978,781
Salaries payable	782,914	-	-	74,855	177,401	1,035,170
Bank overdraft	5,646	-	3,830	-	-	9,476
Due to other funds	122,612	-	-	-	184,000	306,612
Deferred revenues	1,406,577	-	-	-	208,700	1,615,277
Total liabilities	4,426,818	-	41,844	796,342	680,312	5,945,316
Fund Balances:						
Reserved for:						
Debt service	-	-	-	-	327,026	327,026
Capital projects	-	3,432,951	5,769,880	-	-	9,202,831
Total reserved fund balances	-	3,432,951	5,769,880	-	327,026	9,529,857
Unreserved:						
Designated reported in:						
Indigent Health Care	1,177,692	-	-	-	-	1,177,692
Juvenile General	1,414,544	-	-	-	-	1,414,544
Undesignated reported in:						
General Fund	6,832,854	-	-	-	-	6,832,854
Special Revenue Fund	-	-	-	1,677,914	5,262,468	6,940,382
Total unreserved fund balances	9,425,090	-	-	1,677,914	5,262,468	16,365,472
Total fund balances	9,425,090	3,432,951	5,769,880	1,677,914	5,589,494	25,895,329
Total liabilities and fund balances	\$ 13,851,908	\$ 3,432,951	\$ 5,811,724	\$ 2,474,256	\$ 6,269,806	\$ 31,840,645

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

SMITH COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS (EXHIBIT 1)
SEPTEMBER 30, 2005

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

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 25,895,329
Capital assets used in governmental activities are not current financial resources and therefore , are not reported in the governmental funds balance sheet	40,587,213
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,414,022
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.	(117,129)
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 is included in governmental activities in the statement of net assets.	624,019
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.	(23,322,704)
Net Assets of governmental activities	<u>\$ 45,080,750</u>

SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	GENERAL	JUVENILE FACILITY FUND - CAPITAL PROJECTS	PERMANENT IMPROVEMENT FUND - CAPITAL PROJECTS	ROAD AND BRIDGE FUND - SPECIAL REVENUE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property taxes	\$ 21,914,015	-	-	-	2,837,604	\$ 24,751,619
Licenses and other taxes	13,038,924	-	-	-	-	13,038,924
Fees of office	2,401,330	-	-	3,610,840	2,315,141	8,327,311
Fines	876,997	-	-	1,115,139	-	1,992,136
Intergovernmental revenues	1,725,053	-	-	-	3,749,439	5,474,492
Other revenues and fees	2,680,795	75,414	157,002	84,979	1,681,548	4,679,738
Total revenues	42,637,114	75,414	157,002	4,810,958	10,583,732	58,264,220
EXPENDITURES						
Current:						
General government	6,523,961	-	796	-	915,032	7,439,789
Justice system	11,281,542	-	-	-	1,416,644	12,698,186
Public safety	7,056,952	-	-	-	1,066,239	8,123,191
Corrections & rehabilitation	11,915,758	-	-	-	3,142,530	15,058,288
Health & human services	2,132,120	-	-	-	49,299	2,181,419
Infrastructure & environmental	-	-	-	6,539,127	-	6,539,127
Capital outlay	401,949	-	1,149,213	-	559,808	2,110,970
Debt service:						
Principal retirement	172,356	-	-	15,775	1,949,996	2,138,127
Interest and fiscal charges	10,709	-	-	1,468	1,007,939	1,020,116
Total expenditures	39,495,347	-	1,150,009	6,556,370	10,107,487	57,309,213
Excess (deficiency) of revenues over (under) expenditures	3,141,767	75,414	(993,007)	(1,745,412)	476,245	955,007
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	2,250,000	110,625	2,360,625
Transfers (out)	(2,860,625)	-	-	-	-	(2,860,625)
Bond proceeds	-	-	(5)	-	-	(5)
Capital lease proceeds	200,894	-	-	-	-	200,894
Total other financing sources (uses)	(2,659,731)	-	(5)	2,250,000	110,625	(299,111)
Net change in fund balances	482,036	75,414	(993,012)	504,588	586,870	655,896
Fund balances - beginning of year	8,943,054	3,357,537	6,762,892	1,173,326	5,002,624	25,239,433
Other increases (decreases) to fund balance	-	-	-	-	-	-
Residual equity transfer	-	-	-	-	-	-
Fund balances - end of year	\$ 9,425,090	\$ 3,432,951	\$ 5,769,880	\$ 1,677,914	\$ 5,589,494	\$ 25,895,329

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

EXHIBIT 5

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, 2005

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

Net change in fund balances - total governmental funds	\$	655,896
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.		2,334,339
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		(20,570)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(264,969)
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.		1,820,791
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.		
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.		(8,074)
Internal service fund is used by management to charge the costs of health insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		<u>(241,084)</u>
Change in net assets of governmental activities	\$	<u><u>4,276,329</u></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, 2005**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash	\$ 84,987
Accounts receivable	15,311
Investments	1,222,248
Total Current Assets	1,322,546
 LIABILITIES	
Current Liabilities:	
Insurance claims payable	449,674
Deferred revenue	248,853
Total Current Liabilities	698,527
 NET ASSETS	
Unrestricted	624,019
Total Net Assets	\$ 624,019

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

SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premiums and reimbursements	\$ 3,151,328
Total Operating Revenues	3,151,328
OPERATING EXPENSES	
Insurance claims & administrative fees	3,925,888
Total Operating Expenses	3,925,888
Operating Income (Loss)	(774,560)
NON-OPERATING REVENUES	
Interest income and other	33,476
Income (loss) before transfers	(741,084)
Transfers in	500,000
Change in net assets	(241,084)
NET ASSETS - SEPTEMBER 30, 2004	865,103
NET ASSETS - SEPTEMBER 30, 2005	\$ 624,019

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

**SMITH COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from participants	\$ 3,441,819
Cash payments for administrative fees and insurance claims	(3,987,241)
Other operating revenues	23
	(545,399)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers - in from other funds	1,259,569
	1,259,569
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,222,248)
Interest on investments	33,476
	(1,188,772)
Net decrease in cash	(474,602)
Cash at beginning of year	559,589
CASH AT END OF YEAR	\$ 84,987
 Reconciliation of operating income to net cash used by operating activities:	
Operating income (loss)	\$ (774,560)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:	
Decrease in accounts receivable	41,661
Decrease in insurance claims payable	(39,844)
Decrease in other liabilities	(21,509)
Increase in deferred revenue	248,853
	(725,899)
Net Cash Used in Operating Activities	\$ (545,399)

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

SMITH COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
SEPTEMBER 30, 2005

	Agency Funds
ASSETS	
Cash	\$ 4,814,720
Investments	4,335,246
Accounts receivable	71,473
Total Assets	\$ 9,221,439
 LIABILITIES	
Vouchers payable	\$ 517,800
Due to other governments	135,483
Other liabilities	8,568,156
Total Liabilities	\$ 9,221,439

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The accompanying basic financial statements present the government unit defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-wide and Fund 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.

The statement of activities reflects the degree to which the direct expenses of a given function or segment are offset by program 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 function or segment. 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, Juvenile Facility Capital Projects Fund, Permanent Improvement Fund, and the Road and Bridge Fund meet criteria as **major governmental funds**. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include Special Revenue and Debt Service funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for all non-major funds are presented within Combining Schedules.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. 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. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, and investments earnings.

Fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when the liability has matured and payment is due.

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 **Juvenile Facility Capital Projects Fund** accounts for the construction of a new juvenile attention facility.

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.

The **Permanent Improvement Capital Projects Fund** accounts for various construction projects of the County.

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

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The County's only Proprietary fund is the Internal Service 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.

(Continued)

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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

The **Proprietary fund** is 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.

D. 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, 2005 and past due after January 31, 2006. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

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

(Continued)

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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

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 and in 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. Infrastructure assets include County-owned roads and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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	23
Infrastructure	20 to 45
Machinery and Equipment	3 to 15

5. Construction-in-Progress

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

6. Compensated Absences

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

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

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

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

(Continued)

SMITH COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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

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

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

7. Long-term Obligations

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

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

8. Fund Equity

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

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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 \$23,382,182 difference are as follows:

Bonds payable	\$21,340,522
Capital leases obligations	309,260
Compensated absences	<u>1,672,922</u>
Net adjustment to reduce fund balance – total government funds to arrive at net assets – governmental activities	<u>\$23,322,704</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 \$40,587,213 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$38,026,686
Capital asset additions, net of retirements	5,133,116
Depreciation of capital assets, current year	(2,778,839)
Investment in joint venture	<u>206,250</u>
	<u>\$40,587,213</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 \$430,504 difference are as follows:

Capital outlay	\$3,209,343
Depreciation expense	<u>(2,778,839)</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>\$ 430,504</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

III. CASH, INVESTMENTS AND INVESTMENT POLICIES

The carrying amount of the County's cash was \$2,227,893 and total bank balances equaled \$2,654,529. The carrying amount of the County's Trust and Agency cash was \$4,814,720 and total bank balances equaled \$6,817,310. The bank deposits were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

All deposits are held in the County's main depository or subdepository banks except funds held in trust by the District Clerk, County Clerk, Justice of the Peace offices number 2, 3 and 4 and an auto registration account, which are not under a subdepository contracts.

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), Investors Cash Trust (ICT), Texstar, and MBIA. Investments at LOGIC normally consist of U.S. T-bills, commercial paper, Treasury notes, collateralized certificates of deposit and repurchase agreements. ICT is a money market fund whose portfolio consists of U.S. T-bills, notes, bonds, and repurchase agreements using only U. S. Treasury obligations as collateral. Investments at MBIA consist of commercial paper, repurchase agreements, municipal bonds and agency securities. Investments at Texstar normally consist of U.S. T-bills, T-notes, collateralized certificates of deposit and repurchase agreements. The County records all interest revenue earned from investment activities in the respective funds.

Investments are categorized into these three categories of credit risk:

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

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

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Investment Category</u>
Local Government Investment Cooperative	\$12,181,470	\$12,181,470	1
Investors Cash Trust	8,231,697	8,231,697	1
Texstar	1,025,280	1,025,280	1
MBIA	<u>3,866,602</u>	<u>3,866,602</u>	1
	<u>\$25,305,049</u>	<u>\$25,305,049</u>	

IV. PROPERTY TAXES AND OTHER RECEIVABLES

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

(Continued)

SMITH COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

IV. PROPERTY TAXES AND OTHER RECEIVABLES - Continued

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 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	\$1,406,577
Debt service fund	<u>184,000</u>
Total deferred	<u>\$1,590,577</u>

The County is authorized by the tax laws of the State of Texas to levy taxes up to \$.277940 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, 2005 was \$.25447.

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

	Internal Service And General Fund	Juvenile Facility Capital Projects Fund	Permanent Improvement Capital Projects Fund	Road and Bridge Special Reserve Fund	Other Nonmajor Funds	Total Governmental Activities
Receivables:						
Property Taxes	\$ 1,609,839	\$ -	\$ -	\$ -	\$ 212,618	\$ 1,822,457
Other	<u>3,008,029</u>	<u>163</u>	<u>-</u>	<u>74,111</u>	<u>135,848</u>	<u>3,218,151</u>
Gross Receivables	4,617,868	163	-	74,111	348,466	5,040,608
Less: Allowance						
for Uncollectibles	<u>155,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,598</u>	<u>176,555</u>
Net Total Receivables	<u>\$ 4,461,911</u>	<u>\$ 163</u>	<u>\$ -</u>	<u>\$ 74,111</u>	<u>\$ 327,868</u>	<u>\$ 4,864,053</u>

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.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

V. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 145,396	\$ -	\$ -	\$ 145,396
Construction in progress	<u>1,411,222</u>	<u>749,697</u>	-	<u>2,160,919</u>
Total capital assets, not being depreciated	1,556,618	749,697	-	2,306,315
Capital assets, being depreciated:				
Infrastructure	57,708,654	3,301,258	-	61,009,912
Buildings	28,332,709	-	(1)	28,332,708
Improvements	4,241,774	418,459	(24,020)	4,636,213
Machinery and equipment	<u>11,836,216</u>	<u>684,273</u>	<u>(386,252)</u>	<u>12,134,237</u>
Total capital assets being depreciated	102,119,353	4,403,990	(410,273)	106,113,070
Less accumulated depreciation for:				
Infrastructure	(44,661,808)	(818,453)	-	(45,480,261)
Buildings	(11,085,941)	(867,788)	-	(11,953,729)
Improvements	(1,318,940)	(185,351)	5,482	(1,498,809)
Machinery and equipment	<u>(8,582,596)</u>	<u>(907,247)</u>	<u>384,220</u>	<u>(9,105,623)</u>
Total accumulated depreciation	(65,649,285)	(2,778,839)	389,702	(68,038,422)
Total capital assets, being depreciated, net	<u>36,470,068</u>	<u>1,625,151</u>	<u>(20,571)</u>	<u>38,074,648</u>
Governmental activities capital assets, net	<u>\$38,026,686</u>	<u>\$2,374,848</u>	<u>\$ (20,571)</u>	<u>\$40,380,963</u>

Depreciation expense for FY 2005 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 517,773
Public Safety	287,154
Correction and Rehabilitation	395,851
Health and Human Services	2,880
Infrastructure and Environmental	1,213,306
Justice System	<u>361,875</u>
Total depreciation expense – governmental activities	<u>\$2,778,839</u>

SMITH COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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 issued outstanding at September 30, 2005:

Description	Interest Rates (%)	Date of Issue	Date of Maturity	Bonds Outstanding
Certificate of Obligation – 2000 Series	4.625 - 5.1	2000	2016	\$ 9,700,000
Certificate of Obligation – 2001 Series	4.0 - 4.5	2001	2011	5,200,000
Certificate of Obligation – 2004 Series	3.0 – 4.0	2004	2018	<u>6,500,000</u>
				<u>\$21,400,000</u>

Certificates of Obligation

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

Years Ending September 30	Principal	Interest
2006	\$ 1,900,000	\$ 937,025
2007	1,900,000	852,650
2008	2,000,000	768,275
2009	2,100,000	684,900
2010	2,100,000	595,000
2011 – 2015	8,400,000	1,741,500
2016 – 2020	<u>3,000,000</u>	<u>211,200</u>
Total	<u>\$21,400,000</u>	<u>\$5,790,550</u>

Changes in Long-Term Debt

Long-term liability for the year ended September 30, 2005 was as follows:

Governmental Activities:	Beginning Balance 10/1/04	Additions	Reductions	Ending Balance 9/30/05	Due Within One Year
General obligation	\$23,350,000	\$ -	\$1,950,000	\$21,400,000	\$1,900,000
Compensated absences	1,547,553	125,369	-	1,672,922	1,672,922
Capital leases	296,493	200,894	188,127	309,260	184,801
Total	<u>\$25,194,046</u>	<u>\$326,263</u>	<u>\$2,138,127</u>	<u>\$23,382,182</u>	<u>\$3,757,723</u>

VII. LEASES

Operating Leases

The County operates under numerous lease agreements classified as operating leases. The leases contain annual renewals and include leases for copy machines and postage meter. The combined annual expenditures for operating leases during the fiscal year ended September 30, 2005 were \$161,501.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

VII. LEASES - Continued

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of IBM judicial server software. The government also financed the acquisition of certain trucks for the Physical Plant department and the Road and Bridge department as well as vehicles for the Sheriff's department. 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	\$608,172
Less: Accumulated depreciation	<u>(203,441)</u>
Total	<u>\$404,731</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2006	\$198,233
2007	93,665
2008	22,929
2009	<u>16,945</u>
Total minimum lease payments	331,772
Less: amount representing interest	<u>(22,512)</u>
Present value of minimum lease payments	<u>\$309,260</u>

VIII. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2005 is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$138,312
Non-major Governmental Funds	General Fund	<u>193,000</u>
	Total	<u>\$331,312</u>

(Continued)

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

VIII. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS - Continued

	Transfers In			Internal Service Fund	Total
	General Fund	Road and Bridge	Nonmajor Governmental Funds		
Transfers Out:					
General Fund	\$ -	\$2,250,000	\$ 110,625	\$500,000	\$2,860,625
Nonmajor	-	-	-	-	-
Governmental Fund	-	-	-	-	-
Internal Service Fund	-	-	-	-	-
Totals	\$ -	\$2,250,500	\$ 110,625	\$500,000	\$2,860,625

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 559 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 9.52% for the months of the accounting year 2005, and 9.71% for the months of the accounting year 2004.

(Continued)

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

IX. RETIREMENT COMMITMENTS - Continued

The deposit rate payable by the employee members for calendar year 2005 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, 2005, the annual pension cost for the TCDRS plan for its employees was \$2,085,286 and the actual contributions were \$2,085,286. 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 No. 27 parameters based on the actuarial valuations as of December 31, 2002, 2003 and 2004, the basis for determining the contributions rates for calendar years 2004 and 2005. The December 31, 2004 actuarial valuation is the most recent valuation.

<u>Actuarial valuation date</u>	<u>Actuarial Valuation Information</u>		
	<u>12/31/02</u>	<u>12/31/03</u>	<u>12/31/04</u>
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	20 years	20 years	20 years
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	Long-term appreciation with adjustment

Assumptions:

Investment return (1)	8%	8%	8%
Projected salary increases (1)	5.5%	5.5%	5.5%
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>
9/30/03	\$2,037,894	100%	\$ -0-
9/30/04	2,117,545	100%	-0-
9/30/05	2,085,286	100%	-0-

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

IX. RETIREMENT COMMITMENTS - Continued

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
12/31/02	\$35,428,427	\$45,664,157	\$10,235,730	77.58%	\$20,321,614	50.36%
12/31/03	38,999,640	48,794,008	9,794,368	79.93%	20,521,802	47.73%
12/31/04	42,236,322	52,218,290	9,981,968	80.88%	21,904,262	45.57%

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

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

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.

JOINT VENTURE

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

For the year ended September 30, 2005, the County budgeted funding of \$486,000 for the Health District. The County's equity interest in the Health District was \$206,250 at September 30, 2005. 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 \$1,539,945 for September 30, 2005.

(Continued)

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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 125% of total health and prescription claims per year.

Changes in the estimated liability for medical claims for fiscal year 2005 are presented below:

	Insurance Claims Payable <u>at 9/30/04</u>	Current Year Claims and Changes <u>in Estimates</u>	Actual Claim <u>Payments</u>	Insurance Claims Payable <u>at 9/30/05</u>
Insurance Fund	\$489,518	\$3,886,044	\$3,925,888	\$ 449,674

REQUIRED SUPPLEMENTARY INFORMATION

SMITH COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Property Taxes:				
Taxes - current	\$ 20,490,625	\$ 20,490,625	\$ 19,797,692	\$ (692,933)
Taxes - delinquent	1,200,000	1,200,000	1,607,887	407,887
Penalty and collection fees	325,000	325,000	508,436	183,436
Total Property Taxes	<u>22,015,625</u>	<u>22,015,625</u>	<u>21,914,015</u>	<u>(101,610)</u>
Licenses and Other Taxes:				
Liquor drink tax	270,000	270,000	308,227	38,227
Sales tax	10,500,000	10,500,000	12,255,436	1,755,436
Bingo taxes	30,000	30,000	31,297	1,297
Auto registration	415,000	415,000	443,964	28,964
Total Licenses and Other Taxes	<u>11,215,000</u>	<u>11,215,000</u>	<u>13,038,924</u>	<u>1,823,924</u>
Fees of Office:				
County Judge	4,500	4,500	4,920	420
Sheriff	301,700	301,700	390,453	88,753
Constables	136,000	136,000	169,405	33,405
County Clerk	985,000	985,000	1,091,132	106,132
Tax Assessor-Collector	110,000	110,000	176,431	66,431
Criminal District Attorney	40,000	40,000	53,114	13,114
District Clerk	350,000	350,000	405,427	55,427
Justices of the Peace	97,500	97,500	110,025	12,525
County Courts at Law	200	200	423	223
Total Fees of Office	<u>2,024,900</u>	<u>2,024,900</u>	<u>2,401,330</u>	<u>376,430</u>
Fines:				
District and county courts	902,000	902,000	876,997	(25,003)
Total Fines	<u>902,000</u>	<u>902,000</u>	<u>876,997</u>	<u>(25,003)</u>
Intergovernmental revenues:				
Intergovernmental revenues	1,512,122	1,512,122	1,725,053	212,931
Total Intergovernmental Revenues	<u>1,512,122</u>	<u>1,512,122</u>	<u>1,725,053</u>	<u>212,931</u>
Other Revenues and Fees:				
Records management	72,000	72,000	71,996	(4)
Interest	172,000	172,000	380,425	208,425
Rentals	240,916	240,916	248,294	7,378
Court imposed fees	441,100	441,100	520,633	79,533
State imposed fees	156,900	156,900	214,945	58,045
Coin stations - reimbursement	331,000	331,000	546,512	215,512
Titles and Tax certificates	283,000	283,000	308,483	25,483
Sale of equipment	-	-	25,953	25,953
Other revenues	88,900	97,360	363,554	266,194
Total Other Revenues and Fees	<u>1,785,816</u>	<u>1,794,276</u>	<u>2,680,795</u>	<u>886,519</u>
Total Revenues	<u>39,455,463</u>	<u>39,463,923</u>	<u>42,637,114</u>	<u>3,173,191</u>

SMITH COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES				
General Government:				
Commissioners' Court	\$ 449,610	\$ 388,699	\$ 388,712	\$ (13)
Record Service Bureau	120,194	111,131	111,134	(3)
County Auditor	589,205	555,993	555,989	4
Election division	261,487	235,196	235,203	(7)
County Treasurer	118,991	120,324	120,330	(6)
Tax Assessor-Collector	1,062,999	970,990	965,115	5,875
General operations	2,495,606	2,187,251	2,124,897	62,354
Physical plant	890,422	840,094	814,610	25,484
Personnel	123,653	117,828	117,833	(5)
Budget officer	87,445	36,653	36,660	(7)
Information services	756,562	839,270	836,274	2,996
Collections	113,418	80,562	80,567	(5)
Purchasing agent	146,086	136,682	136,637	45
Total General Government	7,215,678	6,620,673	6,523,961	96,712
Justice System:				
County Court	200,750	199,347	199,355	(8)
County Court at Law	310,268	299,922	299,929	(7)
County Court at Law #2	313,354	299,446	299,452	(6)
County Court at Law #3	316,904	301,370	301,367	3
County Clerk	1,045,786	973,430	972,942	488
District Courts	1,394,967	1,331,510	1,340,374	(8,864)
District Clerk	840,572	791,258	791,262	(4)
Justices of the Peace	857,618	824,783	824,753	30
Indigent Defense	1,235,500	1,015,665	1,015,670	(5)
Pre-trial release	114,060	110,443	110,428	15
Juvenile Probation	3,285,080	3,287,208	2,568,303	718,905
Criminal District Attorney	2,768,369	2,558,039	2,557,707	332
Total Justice System	12,683,228	11,992,421	11,281,542	710,879
Public Safety:				
Civil defense and rural fire aid	584,397	581,074	581,084	(10)
Constables	752,155	746,662	746,665	(3)
Sheriff's department	4,802,540	4,702,921	4,563,026	139,895
911 Communications	1,062,356	1,062,356	1,062,585	(229)
Warrant division	100,461	103,586	103,592	(6)
Total Public Safety	7,301,909	7,196,599	7,056,952	139,647
Health and Human Services:				
Indigent health care	1,209,985	965,352	970,780	(5,428)
Agricultural extension	195,961	190,388	190,392	(4)
Animal control	75,048	70,427	70,404	23
Veterans Service Office	127,749	120,652	120,657	(5)
Litter Abatement Office	20,000	20,000	20,000	-
Public services	718,844	765,544	759,887	5,657
Total Health and Human Services	2,347,587	2,132,363	2,132,120	243
Corrections and Rehab:				
Jail	10,870,092	11,896,292	11,896,302	(10)
Adult probation	22,553	19,454	19,456	(2)
Total Corrections and Rehab	10,892,645	11,915,746	11,915,758	(12)

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, 2005

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES (cont'd.)				
Capital Outlay:				
Equipment	\$ -	\$ -	\$ 401,949	\$ (401,949)
Total Capital Outlay	-	-	401,949	(401,949)
Debt Service:				
Principal	-	-	172,356	(172,356)
Interest	-	-	10,709	(10,709)
Total Debt Service	-	-	183,065	(183,065)
Total Expenditures	40,441,047	39,857,802	39,495,347	362,455
Excess of Revenues Over (Under) Expenditures	(985,584)	(393,879)	3,141,767	3,535,646
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(2,250,000)	(2,750,000)	(2,860,625)	110,625
Capital lease proceeds	-	-	200,894	(200,894)
Total Other Financing Sources (Uses)	(2,250,000)	(2,750,000)	(2,659,731)	(90,269)
Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses	(3,235,584)	(3,143,879)	482,036	3,625,915
FUND BALANCE, SEPTEMBER 30, 2004	2,848,364	2,848,384	8,943,054	6,094,670
Other increase (decrease) in fund balance	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2005	<u>\$ (387,220)</u>	<u>\$ (295,495)</u>	<u>\$ 9,425,090</u>	<u>\$ 9,720,585</u>

SMITH COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
CAPITAL PROJECTS FUND - PERMANENT IMPROVEMENT
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Other Revenues and Fees:				
Interest	\$ 500	\$ 500	\$ 157,002	\$ 156,502
Total Revenues	<u>500</u>	<u>500</u>	<u>157,002</u>	<u>156,502</u>
EXPENDITURES				
General Government:				
Professional fees	400,000	400,000	796	399,204
Total General Government	400,000	400,000	796	399,204
Capital Outlay:				
Courthouse renovations	6,000,000	6,000,000	1,149,213	4,850,787
Total Capital Outlay	6,000,000	6,000,000	1,149,213	4,850,787
Total Expenditures	6,400,000	6,400,000	1,150,009	5,249,991
Excess of Revenues Over (Under) Expenditures	(6,399,500)	(6,399,500)	(993,007)	5,406,493
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	(5)	(5)
Total Other Financing Sources (Uses)	-	-	(5)	(5)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,399,500)	(6,399,500)	(993,012)	5,406,488
FUND BALANCE, SEPTEMBER 30, 2004	-	(500,000)	6,762,892	7,262,892
FUND BALANCE, SEPTEMBER 30, 2005	<u>\$ (6,399,500)</u>	<u>\$ (6,899,500)</u>	<u>\$ 5,769,880</u>	<u>\$ 12,669,380</u>

SMITH COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL REVENUE FUND - ROAD & BRIDGE
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Fees of Office:				
Auto registration	\$ 3,250,000	\$ 3,250,000	\$ 3,508,149	\$ 258,149
Other Fees	87,000	87,000	102,691	15,691
Total Fees of Office	3,337,000	3,337,000	3,610,840	273,840
Fines:				
Justices of the Peace	732,000	732,000	1,115,139	383,139
Total Fines	732,000	732,000	1,115,139	383,139
Other Revenues and Fees:				
Interest	11,000	11,000	66,925	55,925
Other revenue	3,000	3,000	18,054	15,054
Total Other Revenues and Fees	14,000	14,000	84,979	70,979
Total Revenues	4,083,000	4,083,000	4,810,958	727,958
EXPENDITURES				
Infrastructure & Environmental Services:				
Administrative	354,368	310,988	286,273	24,715
Labor Division	4,821,825	4,512,454	4,300,732	211,722
Equipment Division	775,149	883,424	853,749	29,675
Total Infrastructure & Environmental Services	5,951,342	5,706,866	5,440,754	266,112
Capital Outlay:				
Equipment	855,730	1,100,200	1,098,373	1,827
Total Capital Outlay	855,730	1,100,200	1,098,373	1,827
Debt Service:				
Interest and fiscal charges	-	-	1,468	(1,468)
Principal payments	-	-	15,775	(15,775)
Total Debt Service	-	-	17,243	(17,243)
Total Expenditures	6,807,072	6,807,066	6,556,370	250,696
Excess of Revenues Over (Under) Expenditures	(2,724,072)	(2,724,066)	(1,745,412)	978,654
OTHER FINANCING SOURCES (USES)				
Transfers in	2,250,000	2,250,000	2,250,000	-
Total Other Financing Sources (Uses)	2,250,000	2,250,000	2,250,000	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(474,072)	(474,066)	504,588	978,654
FUND BALANCE, SEPTEMBER 30, 2004	3,025	3,027	1,173,326	1,170,299
FUND BALANCE, SEPTEMBER 30, 2005	<u>\$ (471,047)</u>	<u>\$ (471,039)</u>	<u>\$ 1,677,914</u>	<u>\$ 2,148,953</u>

SMITH COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2005

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).
- (5) Encumbrances expire at fiscal year end, which is consistent with generally accepted accounting principles.
- (6) Comparison of budgeted and actual amounts as shown in Schedules 1 through 3 in the accompanying financial report include the General Fund, the Permanent Improvement Capital Project Fund, and the Road & Bridge Special Revenue Fund which are the County's major funds in the current fiscal year. The Juvenile Facility Capital Project Fund had no adopted budget for 2005, as such, no comparison is presented.
- (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, 2005, if designated as final budget.

Note: See accompanying independent auditors' report.

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

SCHEDULE 4

**SMITH COUNTY, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
SEPTEMBER 30, 2005**

	<u>TOTAL</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	\$ 145,396
Buildings	28,332,708
Improvements	4,636,213
Machinery and equipment	12,134,237
Infrastructure	61,009,912
Construction in progress	<u>2,160,919</u>
 Total governmental funds capital assets	 <u><u>\$ 108,419,385</u></u>
 INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:	
General fund	\$ 105,429,100
Special revenue funds	2,699,455
Grants and donations	<u>290,830</u>
 Total governmental funds capital assets	 <u><u>\$ 108,419,385</u></u>

SCHEDULE 5

SMITH COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2005

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government	\$ 43,376	\$ 6,296,254	\$ 3,665,510	\$ 1,470,908	\$ -	\$ 2,160,919	\$ 13,636,967
Justice system	74,500	9,289,303	34,877	772,815	-	-	10,171,495
Public safety	-	860,000	680,644	1,956,232	-	-	3,496,876
Corrections & rehabilitation	-	11,610,468	216,829	83,549	-	-	11,910,846
Health & human services	-	86,683	-	-	-	-	86,683
Infrastructure & environmental	27,520	190,000	38,353	7,850,733	61,009,912	-	69,116,518
Total general fixed assets/ governmental funds capital assets	\$ 145,396	\$ 28,332,708	\$ 4,636,213	\$ 12,134,237	\$ 61,009,912	\$ 2,160,919	\$ 108,419,385

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, 2005

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2005</u>
General government	\$ 12,779,139	\$ 857,828	\$ -	\$ 13,636,967
Justice system	10,181,040	29,636	(39,181)	10,171,495
Public safety	3,140,863	690,318	(334,305)	3,496,876
Corrections & rehabilitation	11,848,517	62,329	-	11,910,846
Health & human services	86,683	-	-	86,683
Infrastructure & environmental	65,639,730	3,513,576	(36,788)	69,116,518
 Total governmental funds capital assets	 <u>\$ 103,675,972</u>	 <u>\$ 5,153,687</u>	 <u>\$ (410,274)</u>	 <u>\$ 108,419,385</u>

OTHER SUPPLEMENTARY INFORMATION

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	SPECIAL REVENUE FUNDS										
	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	EAST TEXAS AUTO CRUSHERS	TEXAS JUVENILE PROBATION COMMISSION	CRIME VICTIMS SERVICES	CRIME VICTIMS COMPENSATION	STEP TOBACCO GRANT	SHERIFF DEPT TASK FORCE	JUSTICE COURT TECHNOLOGY FUND	JUVENILE JUSTICE ALTERNATIVE EDUCATION	TOTAL
ASSETS											
Cash	\$ 203,935	\$ 314,268	\$ 76,879	\$ 156,549	\$ 15,351	\$ 14,574	\$ 2,827	\$ 26,206	\$ 40,238	\$ 42,398	\$ 42,398
Investments	-	760,296	-	1,336,313	-	-	-	-	126,240	297,926	297,926
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	630	3,152	50,556	4,054	68	6,191	11	79	2,485	987	987
Prepaid and other assets	-	-	431	6,553	309	178	-	-	-	865	865
Due from other funds	-	-	-	11,987	7,700	-	-	-	-	-	-
TOTAL ASSETS	\$ 204,565	\$ 1,077,716	\$ 127,866	\$ 1,515,456	\$ 23,428	\$ 20,943	\$ 2,838	\$ 26,285	\$ 168,963	\$ 342,176	\$ 342,176
LIABILITIES AND FUND EQUITY											
LIABILITIES											
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	4,087	5,269	6,782	-	42	-	-	-	8,992	414	414
Salaries payable	-	116,281	1,362	27,714	1,990	1,146	376	-	-	9,353	9,353
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	181,000	-	15,700	-	-	-	-	-
Total Liabilities	4,087	121,550	8,144	208,714	2,032	16,846	376	-	8,992	9,767	9,767
FUND EQUITY											
Fund Balance:											
Reserved:											
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Undesignated	200,478	956,166	119,722	1,306,742	21,396	4,097	2,462	26,285	159,971	332,409	332,409
Total Fund Equity	200,478	956,166	119,722	1,306,742	21,396	4,097	2,462	26,285	159,971	332,409	332,409
TOTAL LIABILITIES AND FUND EQUITY	\$ 204,565	\$ 1,077,716	\$ 127,866	\$ 1,515,456	\$ 23,428	\$ 20,943	\$ 2,838	\$ 26,285	\$ 168,963	\$ 342,176	\$ 342,176

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

		SPECIAL REVENUE FUNDS											
ASSETS	JUVENILE ACCOUNTABILITY BLOCK GRANT-2001/2002	LEOSE FUND	JUDICIAL EDUCATION	LOCAL LAW ENFORCEMENT BLOCK GRANT - 2002		LOCAL LAW ENFORCEMENT BLOCK GRANT - 2004		LOCAL LAW ENFORCEMENT BLOCK GRANT - 2005		ETCOG-SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.	HARGIS CDBG GRANT
				GRANT - 2002	GRANT - 2004	GRANT - 2005	GRANT - 2005						
Cash	1,058	\$ 24,814	\$ 12,129	\$ -	\$ 3	\$ -	\$ 25,583	\$ 10,472	\$ 680	\$ 133	\$ -	\$ -	
Investments	-	-	-	-	-	-	-	-	-	-	-	-	
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-	-	-	
Accounts receivable	5	1,167	285	2	2	81	3,222	2	2	20	2,506	2,506	
Prepaid and other assets	-	-	-	-	-	-	431	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	1,063	\$ 25,981	\$ 12,414	\$ -	\$ 5	\$ -	\$ 25,664	\$ 14,125	\$ 682	\$ 153	\$ -	\$ 2,506	
LIABILITIES AND FUND EQUITY													
LIABILITIES													
Bank overdraft	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Vouchers payable	-	328	919	-	-	-	-	416	-	-	-	-	
Salaries payable	788	-	-	-	-	-	-	1,493	-	-	-	-	
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	12,000	-	-	-	-	
Total Liabilities	788	328	919	-	-	-	-	13,909	-	-	-	-	
FUND EQUITY													
Fund Balance:													
Reserved:													
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	
Unreserved:													
Undesignated	275	25,653	11,495	-	5	-	25,664	216	682	153	2,506	2,506	
Total Fund Equity	275	25,653	11,495	-	5	-	25,664	216	682	153	2,506	2,506	
TOTAL LIABILITIES AND FUND EQUITY	1,063	\$ 25,981	\$ 12,414	\$ -	\$ 5	\$ -	\$ 25,664	\$ 14,125	\$ 682	\$ 153	\$ -	\$ 2,506	

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	SPECIAL REVENUE FUNDS					TOTAL	DEBT SERVICE FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FORFEITURE INTEREST 10%	SEARCH & RESCUE	JAC MAINTENANCE	PAYROLL FUND	TOTAL		DEBT SERVICE FUND	DEBT SERVICE FUND	
ASSETS									
Cash	\$ 58,543	\$ 144	\$ -	\$ 19,202	\$ 1,740,150	\$ 125,772	\$ -	\$ 1,865,922	
Investments	-	-	-	-	3,743,471	160,326	-	3,903,797	
Taxes receivable-delinquent, net	-	-	-	-	-	212,618	-	212,618	
Accounts receivable	181	100	-	746	122,788	13,060	-	135,848	
Prepaid and other assets	-	-	-	-	13,309	-	-	13,309	
Due from other funds	-	-	110,625	-	138,312	-	-	138,312	
TOTAL ASSETS	\$ 58,724	\$ 244	\$ 110,625	\$ 19,948	\$ 5,758,030	\$ 511,776	\$ -	\$ 6,269,806	
LIABILITIES AND FUND EQUITY									
LIABILITIES									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Vouchers payable	-	244	-	6,802	109,461	750	-	110,211	
Salaries payable	-	-	-	(10)	177,401	-	-	177,401	
Due to other funds	-	-	-	-	-	184,000	-	184,000	
Deferred revenue	-	-	-	-	208,700	-	-	208,700	
Total Liabilities	-	244	-	6,792	495,562	184,750	-	680,312	
FUND EQUITY									
Fund Balance:									
Reserved:									
Reserved for Capital Projects	-	-	-	-	-	-	-	-	
Reserved for Debt Service	-	-	-	-	-	327,026	-	327,026	
Unreserved:									
Undesignated	58,724	-	110,625	13,156	5,262,468	-	-	5,262,468	
Total Fund Equity	58,724	-	110,625	13,156	5,262,468	327,026	-	5,589,494	
TOTAL LIABILITIES AND FUND EQUITY	\$ 58,724	\$ 244	\$ 110,625	\$ 19,948	\$ 5,758,030	\$ 511,776	\$ -	\$ 6,269,806	

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	SPECIAL REVENUE FUNDS										
	DISTRICT CLERK TITLE IV-D	COUNTY LAW LIBRARY	COUNTY CLERK RECORDS PRESERVATION	DISTRICT CLERK RECORDS PRESERVATION	COURTHOUSE SECURITY	GRAFFITI ERADICATION	DISTRICT ATTORNEY FORFEITURE	DISTRICT ATTORNEY FORFEITURE	DPS SEIZURES	DISTRICT ATTORNEY FORFEITURE	DRUG FORFEITURE
REVENUES											
Property taxes	-	-	-	-	-	-	-	-	-	-	-
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-	-
Fees of office	-	150,802	651,424	11,206	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	3,233	-	-	-	-	-	10,000	-	64,445	-	-
Other revenues and fees	327	9,860	25,495	373	178	159,185	143,930	1,108	161,426	323,270	-
Total Revenues	3,560	160,662	676,919	11,579	178	159,185	153,930	65,553	161,426	323,270	-
EXPENDITURES											
General government	-	132,616	280,839	-	1	213,802	-	-	-	-	-
Justice system	-	-	-	-	-	-	178,566	-	-	-	-
Public safety	-	-	-	-	-	-	-	28,523	46,057	117,625	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	1,065	60,997	-	-	12,930	-	39,671	-	127,296	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	133,681	341,836	-	1	226,732	178,566	68,194	46,057	244,921	-
Excess of Revenue Over (Under) Expenditures	3,560	26,981	335,083	11,579	177	(67,547)	(24,636)	(2,641)	115,369	78,349	-
OTHER FINANCING SOURCES (USES)											
Transfers in (out)	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,560	26,981	335,083	11,579	177	(67,547)	(24,636)	(2,641)	115,369	78,349	-
FUND BALANCE, SEPTEMBER 30, 2004	14,965	142,779	757,444	7,390	330	180,916	72,750	16,493	97,557	116,708	-
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2005	\$ 18,525	\$ 169,760	\$ 1,092,507	\$ 18,969	\$ 507	\$ 113,369	\$ 48,114	\$ 13,852	\$ 212,926	\$ 195,057	\$ -

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	SPECIAL REVENUE FUNDS											
	EAST TEXAS		TEXAS		CRIME VICTIMS		STEP TOBACCO		SHERIFF DEPARTMENT		JUVENILE JUSTICE	
	DISTRICT ADULT PROBATION	AUTO CRUSHERS	JUVENILE PROBATION COMMISSION	CRIME VICTIMS SERVICES	CRIME VICTIMS COMPENSATION	GRANT	DEA TASK FORCE	TECHNOLOGY FUND	ALTERNATIVE EDUCATION			
REVENUES												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fees of office	1,501,709	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	1,642,950	212,070	1,041,670	51,423	59,156	9,000	3,801	-	-	-	-	146,058
Other revenues and fees	91,725	151,115	36,961	28,898	(2,136)	200	2,030	74,141	-	-	-	117,517
Total Revenues	3,236,384	363,185	1,078,631	80,321	57,020	9,200	5,831	74,141	-	-	-	263,575
EXPENDITURES												
General government	45,273	-	-	-	-	-	-	-	-	-	-	-
Justice system	-	-	814,730	83,459	55,049	-	-	-	35,095	-	-	226,378
Public safety	489,736	333,758	-	-	-	8,431	10,254	-	-	-	-	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-
Health and human services	3,142,530	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	60,155	23,000	1,840	-	-	-	1,892	-	-	-	-	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	3,247,958	356,758	816,570	83,459	55,049	8,431	12,146	35,095	-	-	-	226,378
Excess of Revenue Over (Under) Expenditures	(11,574)	6,427	262,061	(3,138)	1,971	769	(6,315)	39,046	-	-	-	37,197
OTHER FINANCING SOURCES (USES)												
Transfers in (out)	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,574)	6,427	262,061	(3,138)	1,971	769	(6,315)	39,046	-	-	-	37,197
FUND BALANCE, SEPTEMBER 30, 2004	553,527	967,740	1,044,681	24,534	2,126	1,693	32,600	120,925	-	-	-	295,212
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2005	200,478	956,166	1,306,742	21,396	4,097	2,462	26,285	159,971	-	-	-	332,409

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	JUVENILE ACCOUNTABILITY BLOCK GRANT - 2001/2002	SPECIAL REVENUE FUNDS								HARGIS CDBG GRANT		
		LEOSE FUND	JUDICIAL EDUCATION	LOCAL LAW ENFORCEMENT BLOCK GRANT-2002	LOCAL LAW ENFORCEMENT BLOCK GRANT-2004	LOCAL LAW ENFORCEMENT BLOCK GRANT-2005	ETCOG SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.			
REVENUES												
Property taxes	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	1,934	-	-	-	43,290	-	-	30,011	-	126,217	-	242,481
Other revenues and fees	5	23,389	3,649	(6)	937	-	719	-	183	403	153	38,067
Total Revenues	1,939	23,389	3,649	(6)	44,227	-	30,730	-	61,883	126,620	153	242,634
EXPENDITURES												
General government	-	-	-	-	-	-	-	-	-	-	-	-
Justice system	-	-	4,480	-	13,821	-	5,066	-	-	-	-	242,481
Public safety	1,664	23,133	-	-	-	-	-	-	-	-	-	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	49,300	(1)	-	-
Capital outlay	-	-	-	-	-	-	-	-	12,478	126,247	-	35,561
Infrastructure and Environmental	-	-	-	-	31,087	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,664	23,133	4,480	-	44,908	-	5,066	-	61,778	126,246	153	35,561
Excess of Revenue Over (Under) Expenditures	275	256	(831)	(6)	(681)	-	25,664	-	105	374	-	2,506
OTHER FINANCING SOURCES (USES)												
Transfers in (out)	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	275	256	(831)	(6)	(681)	-	25,664	-	105	374	153	2,506
FUND BALANCE, SEPTEMBER 30, 2004	-	25,397	12,326	6	686	-	-	-	111	308	-	-
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2005	275	\$ 25,653	\$ 11,495	\$ -	\$ 5	\$ -	\$ 25,664	\$ -	\$ 216	\$ 682	\$ 153	\$ 2,506

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	SPECIAL REVENUE FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	FORFEITURE INTEREST 10%	SEARCH & RESCUE	JAC MAINTENANCE	PAYROLL FUND	TOTAL	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,837,604
Licenses and other taxes	-	-	-	-	-	-
Fees of office	-	-	-	2,315,141	2,315,141	2,315,141
Fines	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	3,749,439	3,749,439	3,749,439
Other revenues and fees	58,724	32,647	-	8,867	1,630,027	1,681,548
Total Revenues	58,724	32,647	-	8,867	7,694,607	10,583,732
EXPENDITURES						
General government	-	-	-	-	915,032	915,032
Justice system	-	-	-	-	1,416,644	1,416,644
Public safety	-	7,058	-	-	1,066,239	1,066,239
Corrections and rehabilitation	-	-	-	-	3,142,530	3,142,530
Health and human services	-	-	-	-	49,299	49,299
Capital outlay	-	25,589	-	-	559,808	559,808
Infrastructure and Environmental	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	1,949,996	1,949,996
Debt Service-interest and fiscal charges	-	-	-	-	1,007,939	1,007,939
Total Expenditures	-	32,647	-	-	7,149,552	10,107,487
Excess of Revenue Over (Under) Expenditures	58,724	-	-	8,867	545,055	476,245
OTHER FINANCING SOURCES (USES)						
Transfers in (out)	-	-	110,625	-	110,625	110,625
Total Other Financing Sources (Uses)	-	-	110,625	-	110,625	110,625
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	58,724	-	110,625	8,867	655,680	586,870
FUND BALANCE, SEPTEMBER 30, 2004	-	-	-	4,289	4,606,788	5,002,624
Residual Equity Transfers	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2005	\$ 58,724	\$ -	\$ 110,625	\$ 13,156	\$ 5,262,468	\$ 5,589,494

SINGLE AUDIT SECTION

SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2005

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Office of Rural Community Affairs:			
Community Development Block Grant	14.228	723036	\$ 242,481
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>242,481</u>
 <u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Programs:			
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2242	44,908
Total Local Law Enforcement Block Grant			<u>44,908</u>
Passed Through State of Texas Office of the Governor - Criminal Justice Assistance Division:			
Crime Victim Assistance	16.575	VA-04-V30-13733-06	55,237
Total Crime Victim Assistance			<u>55,237</u>
Juvenile Accountability Incentive Block Grant	16.523	JB-02-J20-13923-05	45,724
Juvenile Accountability Incentive Block Grant	16.523	JB-04-J20-17905-01	1,664
Total Juvenile Accountability Incentive Block Grant			<u>47,388</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>147,533</u>

**SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2005**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Department of Protective and Regulatory Services			
Foster Care Title IV-E	93.658	---	\$ <u>188,857</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>188,857</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Engineering Extension Service			
Homeland Security Grant	97.067	48423 2003II	<u>126,247</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>126,247</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>705,118</u></u>

Notes to Schedule on Following Page

SMITH COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2005

NOTE A – BASIS OF ACCOUNTING

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

**SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2005**

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>GRANT CONTRACT NUMBER</u>	<u>STATE EXPENDITURES</u>
STATE OF TEXAS - OFFICE OF THE ATTORNEY GENERAL		
Victim Assistance Grant	04G03590	\$ 55,227
Total Victim Assistance Grant		<u>55,227</u>
TEXAS STATEWIDE TOBACCO EDUCATION AND PREVENTION		
Tobacco Funds	---	<u>8,430</u>
AUTOMOBILE THEFT PREVENTION AUTHORITY		
East Texas Auto Theft Task Force	SA-T01-10064-05	356,758
		<u>356,758</u>
TASK FORCE ON INDIGENT DEFENSE		
Imaging System and Attorney Access	212-03-014	97,689
		<u>97,689</u>
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY		
Solid Waste Grant	04-06-G16	<u>53,222</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 571,326</u>

Notes to Schedule on Following Page

SMITH COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2005

NOTE A – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state awards includes the state grant activity of Smith County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Grants Management Standards Chapter IV "Texas State Single Audit Circular." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 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, 2005, and have issued our report thereon dated June 6, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Smith County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Smith County, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of Smith County, Texas in a separate letter dated June 6, 2006.

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

Henry & Peters, P.C.

Tyler, Texas
June 6, 2006

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-2133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Smith County, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Smith County, Texas' management. Our responsibility is to express an opinion on Smith County, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Smith County, Texas' 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, Texas' compliance with those requirements.

In our opinion, Smith County, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Smith County, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Smith County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Henry & Peters, P.C.

Tyler, Texas
June 6, 2006

**SMITH COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2005**

There were no prior year audit findings.

**SMITH COUNTY, TEXAS
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2005**

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

Federal 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 Section 510(a) of Circular A-133?

_____Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes _____No

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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

**SMITH COUNTY, TEXAS
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2005**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes X No

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

- Noncompliance material to financial statements noted? _____Yes X No

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____Yes X No

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

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

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Uniform Grants Management Standards?

_____Yes X No

Identification of major programs:

Name of State Program or Cluster

East Texas Auto Theft Task Force

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____Yes X No

Section II – Financial Statement Findings

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

Section III – State Award Findings and Questioned Costs

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

UNAUDITED COUNTY DATA

**SMITH COUNTY, TEXAS
ELECTED OFFICIALS
SEPTEMBER 30, 2005**

COUNTY

Becky Dempsey, County Judge
 Jo Ann Fleming, Commissioner, Precinct No. 1
 David Stein, Commissioner, Precinct No. 2
 Bobby Van Ness, Commissioner, Precinct No. 3
 Joann Hampton, Commissioner, Precinct No. 4
 Matt Bingham, Criminal District Attorney
 Lois Rogers, District Clerk
 Judy Carnes, County Clerk
 Gary Barber, Tax Assessor-Collector
 J. B. Smith, Sheriff
 Henry Jackson, Constable, Precinct No. 1
 Frank Creath, Constable, Precinct No. 2
 Danny Smith, Constable, Precinct No. 3
 Dale Geddie, Constable, Precinct No. 4
 Dennis Taylor, Constable, Precinct No. 5
 Kelli White, Treasurer

JUDICIAL

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

**SMITH COUNTY, TEXAS
NON-ELECTED OFFICIALS
SEPTEMBER 30, 2005**

Ann Wilson, County Auditor
Jacque Powelson, Purchasing Agent
David Long, Adult Probation Chief
Nelson Downing, Juvenile Probation Director
Michael Connor, Veterans Service Officer
Arvilla Banks, Pre-Trial Release Bail Bond Program Officer
Jim Seaton, Fire Marshall
William Bala, County Engineer
Danny Kee, Record Service Director
Steve Christian, Physical Plant Director
Cristy Keul, Law Library
Brian Triplett, Agriculture Extension Service
Paula Patterson, Elections/Voter Registration
Harvy Tanner, IT Director
Denise Rebolini, Personnel Director
Christopher Scott Cothran, Collections Director

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>
1995	1996	0.2370	\$ 5,370,431,597	\$ 12,741,438
1996	1997	0.2363	5,552,485,380	13,121,078
1997	1998	0.2311	5,871,931,069	13,570,033
1998	1999	0.2311	6,252,047,999	14,448,483
1999	2000	0.2295	6,550,807,247	15,034,103
2000	2001	0.2545	7,071,093,436	17,993,811
2001	2002	0.2545	7,705,326,029	19,607,743
2002	2003	0.2545	8,101,054,805	20,614,841
2003	2004	0.2545	8,686,720,755	22,105,098
2004	2005	0.2545	10,242,715,495	26,064,638

* Total tax rate