

SMITH COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2006

SMITH COUNTY, TEXAS
Annual Financial Report
For the Fiscal Year Ended September 30, 2006

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FINANCIAL SECTION

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners' Court
Smith County

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, 2006, 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, 2006, 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 May 31, 2007 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 an opinion on the financial statements that collectively comprise Smith County, Texas' basic financial statements. The combining nonmajor fund financial statements and County data are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by 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
May 31, 2007

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, 2006. 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.

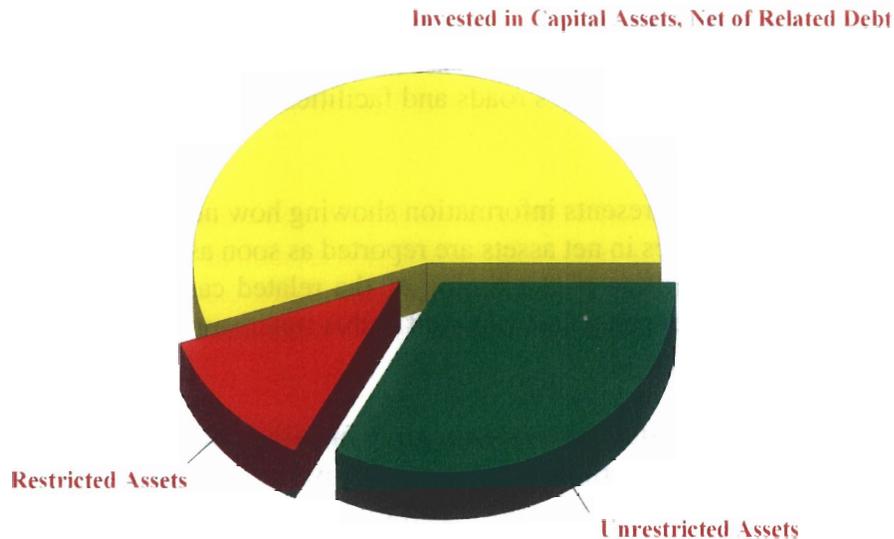
FINANCIAL HIGHLIGHTS

Government-Wide:

- ◆ The County's total net assets increased by \$5,225,820.
- ◆ The total government-wide assets of the County exceeded the liabilities at September 30, 2006 by \$50,306,570 as is reported as total net assets of the primary government. Of this amount, \$16,284,071 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$6,141,813 is restricted for specific purposes (restricted net assets), and \$27,880,686 is invested in capital assets, net of related debt.

NET ASSETS BY CATEGORY

September 30, 2006



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 \$9,688,383 or 19% of the combined expenditures.

Long-Term Debt:

- ◆ In fiscal year 2006, the County did not issue any additional long-term debt.
- ◆ Smith County's total debt decreased by \$5,290,000. Total debt at the end of fiscal year 2006 is \$16,110,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, judicial, public safety/law enforcement, health and welfare, public transportation, and community and economic development. The County has no business-type activities and no component units. **Fund Financial Statements** are groupings of related accounts that are used to maintain control over

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

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, 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

Of the County's total assets of \$78,711,087 the largest components are: (1) cash and investments of \$24,364,063 or 31% (2) receivables which largely represent the deferred taxes for FY2006 of \$5,422,253 or 7%, and (3) capital assets net of accumulated depreciation of \$48,434,255 or 62%. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of the total liabilities of \$28,404,517, approx. \$5,656,133 are current liabilities.

The County's assets exceeded liabilities by \$50,306,570 at the close of the most recent fiscal year. The County's net assets for fiscal year ended September 30, 2005 and 2006 are summarized as follows:

	Governmental Activities FY05	Governmental Activities FY06
Current & Other Assets	\$ 32,911,571	\$ 30,276,832
Capital Assets (net of depreciation)	40,380,963	48,434,255
Total Assets	\$ 73,292,534	\$ 78,711,087
Current & Other Liabilities	\$ 4,829,607	\$ 5,656,133
Long-term Liabilities	23,382,177	22,748,384
Total Liabilities	\$ 28,211,784	\$ 28,404,517
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 18,877,959	\$ 27,880,686
Restricted	9,529,857	6,141,813
Unrestricted	16,672,934	16,284,071
Total Net Assets	\$ 45,080,750	\$ 50,306,570

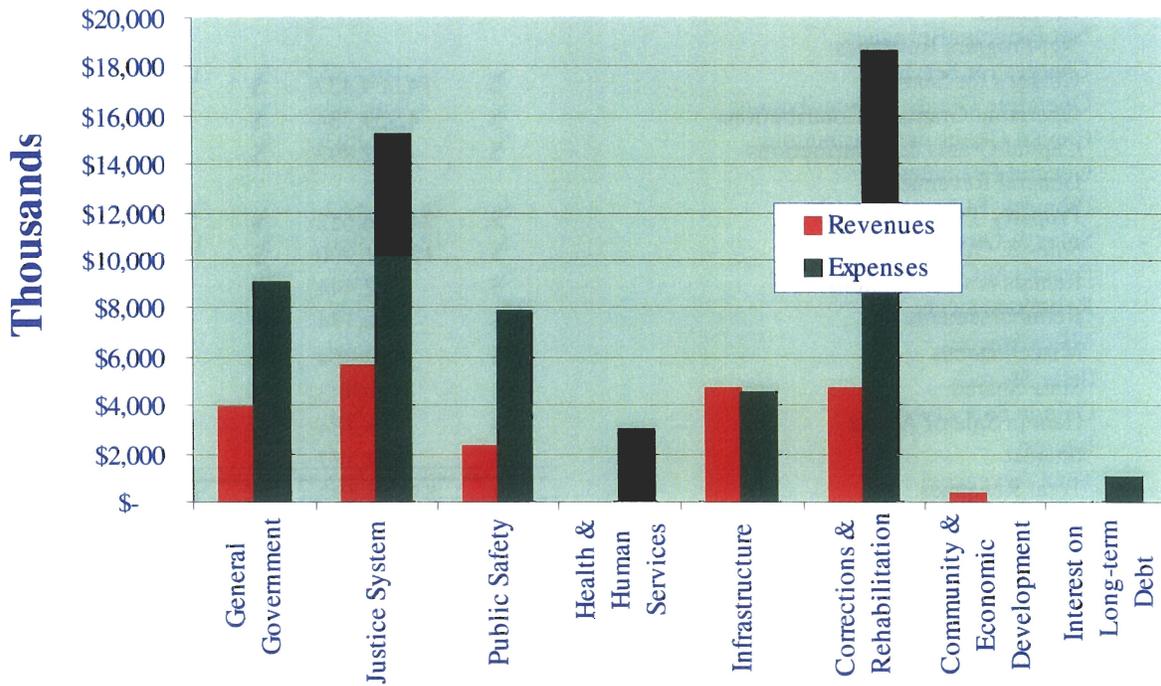
About 12% or \$6,141,813 of the County's net assets represent restricted net assets which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion (\$27,880,686) 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 \$5,225,820. The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds further details the increase in net assets.

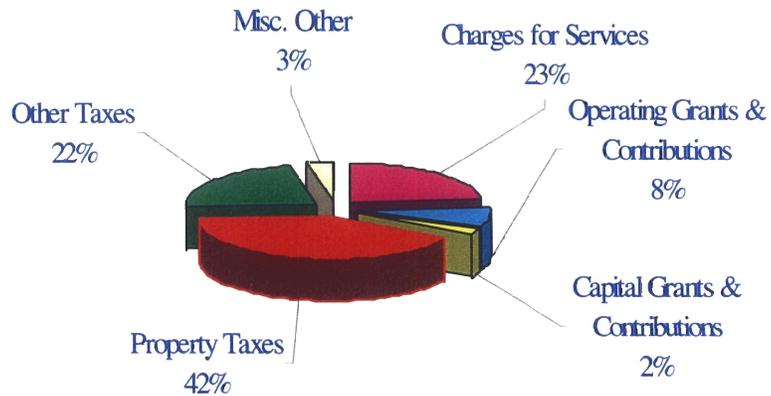
Smith County's Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2006
<i>Revenues:</i>		
Net Program Revenues:		
Charges for Services	\$ 14,059,437	\$ 15,086,508
Operating Grants & Contributions	\$ 4,959,734	\$ 5,051,011
Capital Grants & Contributions	\$ 112,893	\$ 1,442,703
General Revenues:		
Property Taxes	\$ 24,486,652	\$ 26,427,379
Sales & Other Taxes	\$ 12,591,960	\$ 14,275,527
Rentals & Commissions	\$ 792,444	\$ 686,611
Reimbursements	\$ 10,144	\$ 78,417
Miscellaneous	\$ 162,864	\$ 176,327
State Shared	\$ 129,983	\$ -0-
Gain in Sale of Assets	\$ 5,384	\$ 7,565
Interest	\$ 664,187	\$ 1,264,887
Total Revenues	\$ 57,975,682	\$ 64,496,935
<i>Expenses:</i>		
General Government	\$ 7,505,881	\$ 9,095,728
Justice System	\$ 14,425,143	\$ 15,233,280
Public Safety	\$ 7,417,029	\$ 7,826,792
Health & Human Services	\$ 3,267,779	\$ 2,953,574
Infrastructure	\$ 4,332,439	\$ 4,543,461
Corrections & Rehabilitation	\$ 15,734,815	\$ 18,619,469
Community & Economic Development	\$ -	\$ -
Interest on Long-term Debt	\$ 1,019,267	\$ 998,811
Total Expenses	\$ 53,702,353	\$ 59,271,115
Change in Net Assets	\$ 4,276,329	\$ 5,225,820
Net Assets - Beginning	\$ 40,804,421	\$ 45,080,750
Other Increases (Decreases) in Fund Balance		
Net Assets - Ending	\$ 45,080,750	\$ 50,306,570

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 \$21,580,222 equaled 36% of governmental expenses of \$59,271,115. As expected, general revenues of \$42,916,713 provided the additional support and coverage for expenses.
- ◆ Over 31% of the expenses are for Corrections & Rehabilitation (\$18,619,469) while this category provided about 7% of total revenues of \$64,496,935.
- ◆ The next largest category of expenses is the Justice System (\$15,233,280) at 26%. The Justice System provided about 8.7% 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 and costs of capital murder trials.
- ◆ Public Safety activities accounted for 13% of governmental expenses while this category provided 3.5% of total revenues.
- ◆ Infrastructure (Road & Bridge) accounted for 7.67% of governmental expenses while this category provided 7.29% of total revenues.
- ◆ Grant revenues and contributions comprised about 10% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund accounting and budget 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 \$22,860,473. Approximately \$16,718,660, or 73%, 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 (\$774,808); (2) to fund capital projects (\$5,367,005).

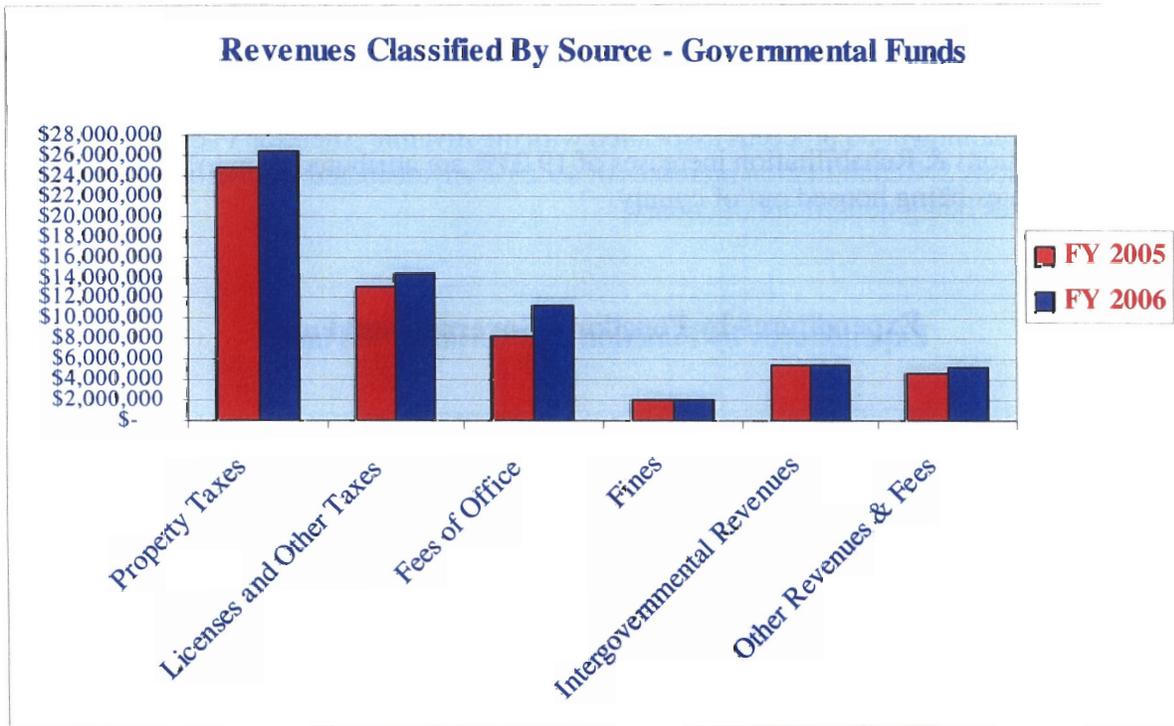
The County's General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance in the County's General Fund was \$6,681,937. As a measure of the general fund's liquidity, we compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance in the County's general fund (\$6,681,937) represents approx. 14% 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 \$190,278 during the current fiscal year.

The debt service fund has a total fund balance of \$774,808, an increase of \$447,782 as compared with the prior year.

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

Governmental Funds - Revenues Classified by Source

Revenues by Source	FY 2006	FY 2005	Increase (Decrease)	Percent of Change
Property Taxes	\$ 26,392,836	\$ 24,751,619	\$ 1,641,217	6.63%
Licenses and Other Taxes	14,280,687	13,038,924	\$ 1,241,763	9.52%
Fees of Office	11,191,108	8,327,311	\$ 2,863,797	34.39%
Fines	1,936,923	1,992,136	\$ (55,213)	-2.77%
Intergovernmental Revenues	5,457,707	5,474,492	\$ (16,785)	-0.31%
Other Revenues & Fees	5,203,132	4,679,738	\$ 523,394	11.18%
Total Revenues	64,462,393	58,264,220	\$ 6,198,173	10.64%



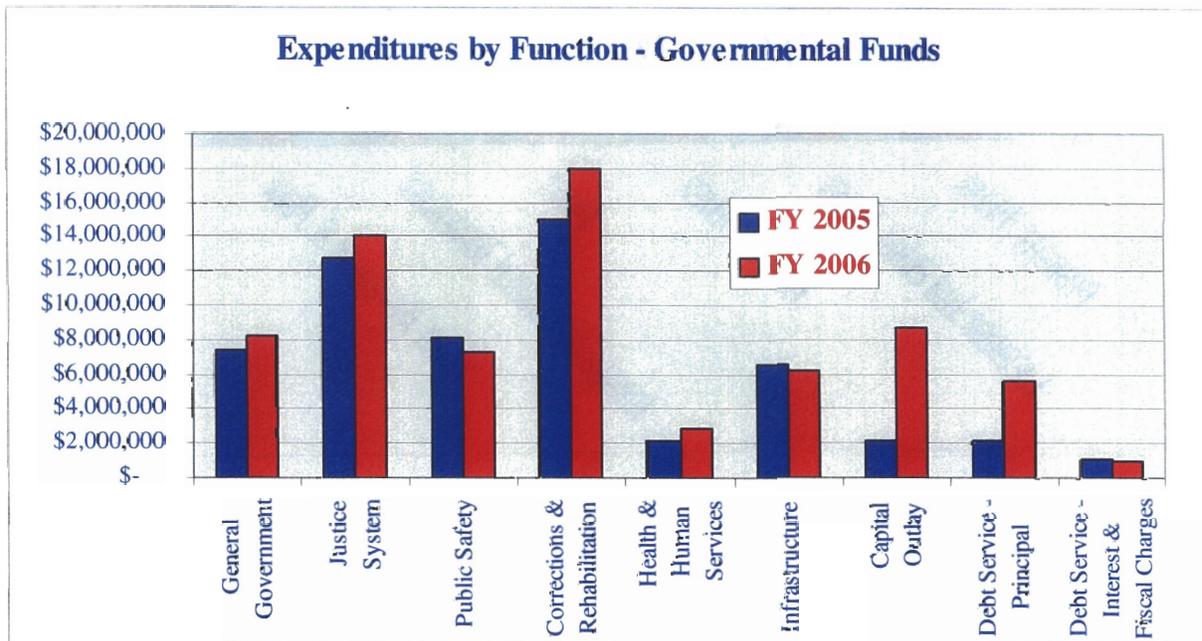
- ◆ Taxes - the increase of \$1,641,217 was primarily due to an increase from the prior year in the certified tax roll compiled by the Smith County Appraisal District. Increased tax collections resulted from an unchanged tax rate of .25447 by the increase in property tax.
- ◆ The increase in Licenses & Other Taxes is primarily a result of the increase in sales tax revenue from FY05 of \$1,241,763.

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

Expenditures by Function - Governmental Funds

Expenditures by Function	FY 2006	FY 2005	Increase (Decrease)	Percent of Change
General Government	\$ 8,244,300	\$ 7,439,789	\$ 804,511	10.81%
Justice System	14,005,201	12,698,186	1,307,015	10.29%
Public Safety	7,251,811	8,123,191	(871,380)	-10.73%
Corrections & Rehabilitation	17,953,557	15,058,288	2,895,269	19.23%
Health & Human Services	2,896,398	2,181,419	714,979	32.78%
Infrastructure	6,188,899	6,539,127	(350,228)	-5.36%
Capital Outlay	8,742,763	2,110,970	6,631,793	314.16%
Debt Service - Principal	5,590,729	2,138,127	3,452,602	161.48%
Debt Service - Interest & Fiscal Charges	935,618	1,020,116	(84,498)	-8.28%
	\$ 71,809,276	\$ 57,309,213	\$ 14,500,063	25.30%

Overall, total expenditures increased by 25.3%. The primary increase in expenditures was due to ongoing capital projects. Secondly, the debt service principal reduction increase was due to the defeasance of remaining bond proceeds associated with the Juvenile Attention Facility construction project. Corrections & Rehabilitation increases of 19.23% are attributed primarily to the increased number of inmates being housed out of county.



GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

- ◆ Actual revenues were higher than budgeted by \$3,982,316. Sales tax (\$2,401,878), Fee of Office (\$792,670), and Interest Income (\$507,656) resulted in the most significant revenues increases.
- ◆ Actual expenditures were lower than budgeted in all categories. General and Administrative expenses were lower by \$192,970 mainly due to salary lag. Judicial expenses were lower by \$866,579 mainly attributable to salary lag in Juvenile Probation. Public Safety/Law Enforcement expenses were lower by \$243,510 mainly attributable to salary lag in the Sheriff’s office.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt - At September 30, 2006, the County had certificates of obligation outstanding in the amount of \$16,110,000. 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 FY2006.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Limited Tax Notes	\$ -	\$ -	\$ -	\$ -
Certificates of Obligation	21,400,000	-	5,290,000	16,110,000
Compensated Absences	1,672,922	273,727	-	1,946,649
Capital Leases	309,260	4,725,183	342,708	4,691,735
Total	\$ 23,382,182	\$ 4,998,910	\$ 5,632,708	\$ 22,748,384

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, 2006, net capital assets of the governmental activities totaled \$50,306,570. Depreciation on capital assets is recognized in the Government-wide financial statements.

County's Capital Assets

	Cost	Accumulated Depreciation	Net Capital Assets
Governmental Activities:			
Land	\$ 145,396	\$ -	\$ 145,396
Buildings & Improvements	35,257,288	14,578,984	20,678,304
Machinery & Equipment	18,496,511	10,125,381	8,371,130
Infrastructure	65,252,614	46,463,630	18,788,984
Construction in Progress	450,441		450,441
Total	\$ 119,602,250	\$ 71,167,995	\$ 48,434,255

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 FY2007, 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 qualified workforce were approved effective January 2007.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SMITH COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and cash equivalents	\$ 2,796,879
Investments	21,567,184
Receivables (net of allowance for doubtful accounts)	5,422,253
Investment in joint venture	188,694
Prepays and other assets	250,104
Bond issue costs, net	51,718
Capital assets (net of accumulated depreciation):	
Land	145,396
Buildings	17,649,304
Improvements	3,029,000
Machinery and equipment	8,371,130
Construction in progress	450,441
Infrastructure	18,788,984
Total Assets	78,711,087
LIABILITIES	
Vouchers payable	4,099,903
Salaries payable	1,079,969
Accrued interest payable	214,546
Deferred revenues	248,880
Due to other governments	12,835
Non-current liabilities:	
Due within one year	5,193,001
Due in more than one year	17,555,383
Total Liabilities	28,404,517
NET ASSETS	
Investment in capital assets, net of related debt	27,880,686
Restricted for:	
Debt service	774,808
Capital projects	5,367,005
Unrestricted	16,284,071
Total Net Assets	\$ 50,306,570

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, 2006

Functions/Programs	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	\$ 9,095,728	\$ 2,426,562	\$ 177,926	\$ 1,335,950	\$ (5,155,290)
Justice system	15,233,280	3,852,411	1,746,440	-	(9,634,429)
Public safety	7,826,792	842,136	1,439,175	-	(5,545,481)
Health & human services	2,953,574	5	33,983	-	(2,919,586)
Infrastructure	4,543,461	4,703,213	-	-	159,752
Corrections and rehabilitation	18,619,469	3,107,186	1,540,504	58,563	(13,913,216)
Community and economic development	-	154,995	112,983	48,190	316,168
Interest on long-term debt	998,811	-	-	-	(998,811)
Total primary government	\$ 59,271,115	\$ 15,086,508	\$ 5,051,011	\$ 1,442,703	\$ (37,690,893)
General revenues:					
Property taxes					\$ 26,427,379
Sales taxes					13,901,878
Other taxes					373,649
Rentals and commissions					686,611
Reimbursements					78,417
Miscellaneous					176,327
Gain on sale of assets					7,565
Interest earned					1,264,887
Total general revenues and transfers					42,916,713
Change in net assets					5,225,820
Net assets - beginning of year					45,080,750
Net assets - end of year					\$ 50,306,570

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, 2006

	JUVENILE FACILITY 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	\$ 148,811	\$ 1,693	\$ -	\$ 2,187,725	\$ 2,352,082
Investments	9,103,576	5,524,475	1,542,160	5,006,857	21,177,068
Receivables:					
Property taxes	1,612,982	-	-	219,024	1,832,006
Other	3,480,756	-	81,729	135,371	3,697,856
Prepaid and other assets	209,172	-	24,650	16,282	250,104
Due from other funds	124,619	-	250,000	481	375,100
Total assets	\$ 14,679,916	\$ 5,526,168	\$ 1,898,539	\$ 7,565,740	\$ 29,684,216

LIABILITIES AND FUND BALANCES

Liabilities:					
Vouchers payable	\$ 2,516,055	\$ 165,119	\$ 517,709	\$ 227,252	\$ 3,434,032
Salaries payable	821,197	-	81,721	177,001	1,079,919
Bank overdraft	-	-	330,033	-	330,033
Due to other funds	255,131	-	-	120,430	375,561
Due to other governmental units	-	-	-	12,835	12,835
Deferred revenues	1,399,150	-	-	192,213	1,591,363
Total liabilities	4,991,533	165,119	929,463	729,731	6,823,743
Fund Balances:					
Reserved for:					
Debt service	-	-	-	774,808	774,808
Capital projects	-	5,361,049	-	-	5,367,005
Total reserved fund balances	-	5,361,049	-	774,808	6,141,813
Unreserved:					
Designated reported in:					
Indigent Health Care	1,378,509	-	-	-	1,378,509
Juvenile General	1,155,834	-	-	-	1,155,834
Undesignated reported in:					
General Fund	7,154,040	-	-	-	7,154,040
Special Revenue Fund	-	-	969,076	6,061,201	7,030,277
Total unreserved fund balances	9,688,383	-	969,076	6,061,201	16,718,660
Total fund balances	9,688,383	5,361,049	969,076	6,836,009	22,860,473
Total liabilities and fund balances	\$ 14,679,916	\$ 5,526,168	\$ 1,898,539	\$ 7,565,740	\$ 29,684,216

(continued)

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

EXHIBIT 4

**SMITH COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS (EXHIBIT 1)
SEPTEMBER 30, 2006**

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

	TOTAL GOVERNMENTAL FUNDS
Total fund balances governmental funds (Exhibit 3)	\$ 22,860,473
Capital assets used in governmental activities are not current financial resources and therefore , are not reported in the governmental funds balance sheet	48,622,948
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,448,564
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.	(214,546)
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.	285,797
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.	(22,696,666)
Net assets of governmental activities	\$ 50,306,570

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

SMITH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	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	\$ 23,287,543	\$ -	\$ -	\$ -	\$ 3,105,293	\$ 26,392,836
Licenses and other taxes	14,280,687	-	-	-	-	14,280,687
Fees of office	5,145,970	-	-	3,636,419	2,408,719	11,191,108
Fines	897,182	-	-	1,039,741	-	1,936,923
Intergovernmental revenues	521,297	-	-	-	4,936,410	5,457,707
Other revenues and fees	2,984,808	68,129	264,174	117,341	1,768,680	5,203,132
Total revenues	47,117,487	68,129	264,174	4,793,501	12,219,102	64,462,393
EXPENDITURES						
Current:						
General government	7,643,526	-	-	-	600,774	8,244,300
Justice system	11,745,926	-	-	-	2,259,275	14,005,201
Public safety	6,815,210	-	-	-	436,601	7,251,811
Corrections & rehabilitation	14,915,013	-	-	-	3,038,544	17,953,557
Health & human services	2,684,478	-	-	-	211,920	2,896,398
Infrastructure & environmental	-	-	-	6,145,621	43,278	6,188,899
Capital outlay	3,732,885	38,671	673,005	2,458,274	1,839,928	8,742,763
Debt service:						
Principal retirement	238,747	3,390,000	-	61,982	1,900,000	5,590,729
Interest and fiscal charges	13,212	66,306	-	750	855,350	935,618
Total expenditures	47,788,997	3,494,977	673,005	8,666,627	11,185,670	71,809,276
Excess (deficiency) of revenues over (under) expenditures	(671,510)	(3,426,848)	(408,831)	(3,873,126)	1,033,432	(7,346,883)
OTHER FINANCING SOURCES (USES)						
Transfers in	701	(147)	-	2,000,000	226,239	2,226,793
Transfers (out)	(2,626,793)	-	-	-	-	(2,626,793)
Bond proceeds	-	-	-	-	-	-
Capital lease proceeds	3,560,895	-	-	1,164,288	-	4,725,183
Total other financing sources (uses)	934,803	(147)	-	3,164,288	226,239	4,325,183
Net change in fund balances	263,293	(3,426,995)	(408,831)	(708,838)	1,259,671	(3,021,700)
Fund balances - beginning of year (RESTATED)	9,425,090	3,432,951	5,769,880	1,677,914	5,576,338	25,882,173
Fund balances - end of year	\$ 9,688,383	\$ 5,956	\$ 5,361,049	\$ 969,076	\$ 6,836,009	\$ 22,860,473

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

SMITH COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

Net change in fund balances - total governmental funds	\$ (3,021,700)
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.	8,100,646
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(64,911)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	34,542
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.	899,770
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.	(273,732)
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.	(97,417)
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>(351,378)</u>
Change in net assets of governmental activities	<u>\$ 5,225,820</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, 2006**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash	\$ 774,830
Accounts receivable	35,190
Investments	390,116
Due from other funds	461
Total Current Assets	1,200,597
 LIABILITIES	
Current Liabilities:	
Vouchers payable	665,870
Salaries payable	50
Deferred revenue	248,880
Total Current Liabilities	914,800
 NET ASSETS	
Unrestricted	285,797
Total Net Assets	\$ 285,797

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, 2006

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premiums and reimbursements	\$ 4,696,083
Total Operating Revenues	4,696,083
OPERATING EXPENSES	
Insurance claims & administrative fees	5,491,960
Total Operating Expenses	5,491,960
Operating Loss	(795,877)
NON-OPERATING REVENUES	
Interest income and other	44,499
Loss before transfers	(751,378)
Transfers in	400,000
Change in net assets	(351,378)
NET ASSETS - SEPTEMBER 30, 2005 (RESTATED)	637,175
NET ASSETS - SEPTEMBER 30, 2006	\$ 285,797

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, 2006**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for premiums	\$ 4,646,928
Cash paid to customers	(5,296,970)
Other operating revenues	45,964
	(604,078)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers - in from other funds	400,000
	400,000
 CASH FLOWS FROM INVESTING ACTIVITIES	
Net proceeds from purchases and redemptions of investments	832,132
Interest on investments	42,587
	874,719
Net increase in cash	670,641
Cash at beginning of year (RESTATED)	104,189
CASH AT END OF YEAR	\$ 774,830
 Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (795,877)
Adjustment to reconcile operating income to net cash used in operating activities:	
Increase in accounts receivable	(17,221)
Increase in due from other funds	(461)
Decrease vouchers payable	209,394
Increase in salaries payable	60
Increase in deferred revenue	27
	(604,078)
Net Cash Used In Operating Activities	\$ (604,078)

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, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 4,896,265
Investments	3,902,551
Accounts receivable	<u>97,364</u>
Total Assets	<u><u>\$ 8,896,180</u></u>
 LIABILITIES	
Vouchers payable	\$ 429
Due to other governments	208,446
Other liabilities	<u>8,687,305</u>
Total Liabilities	<u><u>\$ 8,896,180</u></u>

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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

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

FUND-LEVEL FINANCIAL STATEMENTS

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

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

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

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

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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

The government reports the following major governmental funds:

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

The **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. Internal Service funds are used to account for the financing of goods or services provided by one department or agency of the County to other County departments or agencies on a cost reimbursement basis.

The County has two proprietary funds which are classified as internal service funds: 1) The Insurance Fund used to account for the County's group medical self-insurance program. Revenues are derived from County contributions, employee and retiree/COBRA premiums, investment of idle funds and stop loss collections. Expenses are for claims and administrative expenses. 2) The Payroll fund acts as an agent for the payroll processing of the County's departments. The County reclassified the Payroll fund as a proprietary fund in 2006 but it was previously classified as special revenue. The fund operates as an agency fund, where liabilities are recorded when monies are received. However, this fund is the recipient of interest and incurs certain related expenses. The residual interest and related expenditures result in an equity balance which is inappropriate for agency funds recorded in the Fiduciary Statements. This reclassification resulted in a restatement of beginning net assets for the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances of \$13,156, but did not affect the beginning net assets on the government-wide statement of net assets. See Note I. C. 11.

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

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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

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

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2006 and past due after January 31, 2007. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

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

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund financial statements are offset by a reservation of fund balance which indicates they do not represent "available spendable resources."

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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

4. Capital Assets

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

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

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

5. Construction-in-Progress

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

6. Compensated Absences

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

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

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

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

Each permanent full-time employee earns sick leave at the rate of one working day per month and may accumulate maximum sick leave of 80 working days. After an employee accumulates the maximum number of sick days, any excess may be converted to vacation days at an exchange rate of four sick days for one day of vacation. Outstanding sick leave balances are canceled, without recompensation, upon termination, resignation, retirement or death. In accordance with the provisions of Government Accounting

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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

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 and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Deferred Bond Issue Costs

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

11. Restatement

The County reclassified the payroll fund from a special revenue fund, which was reported in the non-major funds in 2005, to an internal service fund which is reported in the proprietary fund statements. This reclassification was made to more accurately reflect the true nature of this fund in its agency capacity to the other departments of the County. However, it is not reported as an agency fund due to certain non-operating revenues such as interest and related expenses which are not appropriate for agency funds. This reclassification resulted in a restatement of beginning net assets for the Governmental Statement of

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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

Revenues, Expenditures, and Changes in Fund Balances of \$13,156, but did not affect the beginning net assets on the government-wide statement of net assets. See Note I. B. Proprietary Fund discussion.

D. Implementation of New Standards

In the current year, the County implemented the following new standards:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (“GASB 42”), established standards that define capital asset impairment and specifies how various types of impairment losses will be measured, reported and disclosed. It also clarifies and established reporting and disclosure of all insurance recoveries.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB 34* (“GASB 46”), clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. GASB 46 states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if legal enforceability is reevaluated. GASB 46 also requires governments to disclose the portion of total net assets that is restricted by enabling legislation.

GASB Statement No. 47, *Accounting for Termination Benefits* (“GASB 47”), establishes accounting standards for both voluntary and involuntary termination benefits.

The County will implement the following standard in fiscal year 2009:

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

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 \$22,696,666 difference are as follows:

Bonds payable	\$16,110,000
Deferred bond costs	(51,718)
Capital leases obligations	4,691,735
Compensated absences	<u>1,946,649</u>
Net adjustment to reduce fund balance – total government funds to arrive at net assets – governmental activities	<u>\$22,696,666</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

II. RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS - CONTINUED

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

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 \$48,622,948 difference are as follows:

Beginning balance of capital assets, net of accumulated depreciation	\$40,380,963
Capital asset additions, net of retirements	11,567,473
Depreciation of capital assets, current year	(3,514,182)
Investment in joint venture	<u>188,694</u>
	<u>\$48,622,948</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 \$8,100,646 difference are as follows:

Capital outlay	\$ 11,614,828
Depreciation expense	<u>(3,514,182)</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>\$ 8,100,646</u>

III. DEPOSITS AND INVESTMENTS

The carrying amount of the County's cash was \$2,796,879 and total bank balances equaled \$3,240,104. The carrying amount of the County's Trust and Agency cash was \$4,896,265 and total bank balances equaled \$6,331,692. The bank deposits were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

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

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

III. DEPOSITS AND INVESTMENTS – Continued

agreements, municipal bonds and agency securities. Investments at Texstar normally consist of U.S. T-bills, T-notes, collateralized certificates of deposit and repurchase agreements. The County records all interest revenue earned from investment activities in the respective funds.

Investments are categorized into these three categories of credit risk:

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

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Credit Risk</u>
Local Government Investment Cooperative	\$ 7,618,117	41	AAA
Texstar	13,204,546	28	AAAm
MBIA	744,521	36	AAA
Cash in bank	<u>2,796,879</u>	N/A	N/A
	<u>\$24,364,063</u>		
Portfolio weighted average maturity		29	

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

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

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

Custodial credit risk – Custodial credit risk is the risk for deposits that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County requires all bank deposits to be collateralized at a level not less than 100% of the total uninsured deposits; however, certain deposits are secured up to 105%. At September 30, 2006, the carrying value of the County's bank deposits is \$2,796,879 and the bank balance is \$3,240,104.

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

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

IV. PROPERTY TAXES AND OTHER RECEIVABLES

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

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

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

	<u>Unavailable</u>
Deferred Property Taxes Receivable:	
General fund	\$1,417,775
Debt service fund	<u>192,213</u>
Total deferred	<u>\$1,609,988</u>

The County is authorized by the tax laws of the State of Texas to levy taxes up to \$.412437 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, 2006 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	\$ 1,631,607	\$ -	\$ -	\$ -	\$ 219,024	\$ 1,850,631
Other	<u>3,515,946</u>	<u>-</u>	<u>-</u>	<u>81,729</u>	<u>135,371</u>	<u>3,733,046</u>
Gross Receivables	5,147,553	-	-	81,729	354,395	5,583,677
Less: Allowance for Uncollectibles	<u>125,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,072</u>	<u>142,799</u>
Net Total Receivables	<u>\$ 5,021,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,729</u>	<u>\$ 337,323</u>	<u>\$ 5,440,878</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

V. CAPITAL ASSETS

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

A summary of changes in capital assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 145,396	\$ -	\$ -	\$ 145,396
Construction in progress	2,160,919	450,441	(2,160,919)	450,441
Total capital assets, not being depreciated	2,306,315	450,441	(2,160,919)	595,837
Capital assets, being depreciated:				
Infrastructure	61,009,912	4,242,702	-	65,252,614
Buildings	28,332,708	2,199,202	-	30,531,910
Improvements	4,636,213	89,165	-	4,725,378
Machinery and equipment	12,134,237	6,794,238	(431,964)	18,496,511
Total capital assets being depreciated	106,113,070	13,325,307	(431,964)	119,006,413
Less accumulated depreciation for:				
Infrastructure	(45,480,261)	(983,369)	-	(46,463,630)
Buildings	(11,953,729)	(928,877)	-	(12,882,606)
Improvements	(1,498,809)	(197,569)	-	(1,696,378)
Machinery and equipment	(9,105,623)	(1,404,367)	384,609	(10,125,381)
Total accumulated depreciation	(68,038,422)	(3,514,182)	384,609	(71,167,995)
Total capital assets, being depreciated, net	38,074,648	9,811,125	(47,355)	47,838,418
Governmental activities capital assets, net	\$ 40,380,963	\$ 10,261,566	\$ (2,208,274)	\$ 48,434,255

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

V. CAPITAL ASSETS - Continued

Depreciation expense for FY 2006 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 992,665
Public Safety	371,115
Correction and Rehabilitation	416,186
Health and Human Services	2,889
Infrastructure and Environmental	1,368,034
Justice System	<u>363,293</u>
Total depreciation expense – governmental activities	<u>\$ 3,514,182</u>

VI. LONG-TERM DEBT

The County's last issuance of general obligation bonds was in 2004. The outstanding bonds were issued to provide funds for acquisition, renovation, and construction of major capital facilities. The following are general obligation bond issued outstanding at September 30, 2006:

Description	Interest Rates (%)	Date of Issue	Date of Maturity	Bonds Outstanding
Certificate of Obligation – 2000 Series	4.625 - 5.1	2000	2016	\$ 5,610,000
Certificate of Obligation – 2001 Series	4.0 - 4.5	2001	2011	4,400,000
Certificate of Obligation – 2004 Series	3.0 - 4.0	2004	2018	<u>6,100,000</u>
				<u>\$16,110,000</u>

Certificates of Obligation

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

Years Ending September 30	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,900,000	\$ 682,050
2008	2,000,000	597,675
2009	2,100,000	514,300
2010	2,100,000	424,400
2011	2,300,000	334,600
2012 – 2016	4,410,000	698,000
2017 – 2018	<u>1,300,000</u>	<u>80,000</u>
Total	<u>\$16,110,000</u>	<u>\$3,331,025</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

VI. LONG-TERM DEBT – Continued

Changes in Long-Term Debt

Long-term liability for the year ended September 30, 2006 was as follows:

Governmental Activities:	Beginning Balance <u>10/1/05</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>9/30/06</u>	Due Within <u>One Year</u>
Certificates of obligation	\$21,400,000	\$ -	\$5,290,000	\$16,110,000	\$1,900,000
Compensated absences	1,672,922	273,727	-	1,946,649	1,946,649
Capital leases	309,260	4,725,183	342,708	4,691,735	1,346,352
Total	<u>\$23,382,182</u>	<u>\$4,998,910</u>	<u>\$5,632,708</u>	<u>\$22,748,384</u>	<u>\$5,193,001</u>

In-Substance Bond Defeasance

During the year ended September 30, 2006, the Commissioners Court authorized a resolution for the partial defeasance and redemption of the Certificates of Obligation Series 2000. In February 2006, the County remitted \$3,471,306 including \$15,000 in fees related to defeasance to bond paying agent/registrar, The Bank of New York, to be placed in escrow. Early redemption of these obligations has been called according to the schedule below:

<u>Maturity Date (August 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>CUSIP Number</u>
2013	\$ 190,000	5.00%	August 15, 2010	832033 GF5
2014	1,000,000	5.00%	August 15, 2010	832033 GG3
2015	1,100,000	5.00%	August 15, 2010	832033 GH1
2016	1,100,000	5.10%	August 15, 2010	832033 GJ7

According to *SFAS 76 - Extinguishment of Debt - an amendment of APB Opinion No. 26*, the obligations for which funds have been deposited in an irrevocable trust for the payment of all principal and interest are considered extinguished and are removed from the County's government-wide Statement of Net Assets. Escrow deposits are to be invested in United State Government obligations, according to provisions of *GASB Statement No. 7 - Advance Refundings Resulting in Defeasance of Debt*. The defeasance resulted in approximate interest savings of \$1,600,000.

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, 2006 was approximately \$220,500.

Capital Leases

During the year ended September 30, 2006, the County entered into six new lease agreements classified as capital leases in addition to the six other leases capitalized in prior years. The County obtained one minivan for the Information Services Department; ten vehicles for the Sheriff's Department; two asphalt zippers, eleven dump trucks and one haul truck for the Road and Bridge Department (in two separate leases); and financed the Court's energy management project. The amounts capitalized as equipment were \$16,211, \$190,005, \$175,488, \$988,800

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

VII. LEASES – Continued

and \$3,354,679, respectively. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$5,333,355
Less: Accumulated depreciation	<u>(744,706)</u>
Total	<u>\$4,588,649</u>

Depreciation expense for the year ended September 30, 2006 was \$541,265.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2006, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2007	\$1,641,768
2008	546,803
2009	469,850
2010	408,000
2011	413,200
Thereafter	<u>2,154,400</u>
Total minimum lease payments	5,634,021
Less: amount representing interest	<u>(942,286)</u>
Present value of minimum lease payments	<u>\$4,691,735</u>

VIII. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS

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

The composition of interfund balances as of September 30, 2006 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	\$124,619
Non-major Governmental Funds	General Fund	481
Major Fund Special Revenue	General Fund	250,000
Proprietary	Non-major Governmental Funds	<u>461</u>
	Total	<u>\$375,561</u>

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

VIII. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS – Continued

The following summarized the County's transfers for the year ended September 30, 2006:

	Transfers In				Total
	General Fund	Road and Bridge	Nonmajor Governmental Funds	Internal Service Fund	
Transfers Out:					
General Fund	\$ -	\$ 2,000,000	\$ 226,092	\$ 400,000	\$ 2,626,092
Nonmajor Governmental Fund	701	-	-	-	701
Internal Service Fund	-	-	-	-	-
Totals	<u>\$ 701</u>	<u>\$ 2,000,000</u>	<u>\$ 226,092</u>	<u>\$ 400,000</u>	<u>\$ 2,626,793</u>

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 575 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 9.09% for the months of the accounting year 2006, and 9.52% for the months of the accounting year 2005.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

IX. RETIREMENT COMMITMENTS – Continued

The deposit rate payable by the employee members for calendar year 2006 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, 2006, the annual pension cost for the TCDRS plan for its employees was \$2,054,667 and the actual contributions were \$2,119,636. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2003, 2004 and 2005, the basis for determining the contributions rates for calendar years 2005 and 2006. The December 31, 2005 actuarial valuation is the most recent valuation.

	<u>Actuarial Valuation Information</u>		
<u>Actuarial valuation date</u>	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/05</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>
<u>Ending</u> 9/30/04	\$2,117,545	100%	\$ -0-
9/30/05	2,085,286	100%	-0-
9/30/06	2,119,636	100%	-0-

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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
12/31/03	\$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%
12/31/05	46,102,246	55,957,957	9,855,711	82.39%	22,339,408	44.12%

(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

Grants

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

Litigation

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

JOINT VENTURE

The 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, 2006, the County budgeted funding of \$486,000 for the Health District. The County's equity interest in the Health District was \$188,694 at September 30, 2006. Financial statements for the Health District may be obtained at the entity's Administrative Offices.

SMITH COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

X. OTHER INFORMATION – Continued

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 \$1,645,312 as of September 30, 2006.

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 2006 are presented below:

	Insurance Claims Payable <u>at 9/30/05</u>	Current Year Claims and Changes <u>in Estimates</u>	Actual Claim <u>Payments</u>	Insurance Claims Payable <u>at 9/30/06</u>
Insurance Fund	\$449,674	\$5,671,951	\$5,476,961	\$ 644,664

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, 2006

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Taxes:				
Taxes - current	\$ 22,280,544	\$ 22,280,544	\$ 21,178,620	\$ (1,101,924)
Taxes - delinquent	1,320,000	1,320,000	1,657,260	337,260
Penalty and collection fees	425,000	425,000	451,663	26,663
Total Property Taxes	<u>24,025,544</u>	<u>24,025,544</u>	<u>23,287,543</u>	<u>(738,001)</u>
Licenses and Other Taxes:				
Liquor drink tax	300,000	300,000	336,407	36,407
Sales tax	11,500,000	11,500,000	13,901,878	2,401,878
Bingo taxes	30,000	30,000	37,242	7,242
Miscellaneous	4,800	4,800	5,160	360
Total Licenses and Other Taxes	<u>11,834,800</u>	<u>11,834,800</u>	<u>14,280,687</u>	<u>2,445,887</u>
Fees of Office:				
County Judge	4,500	4,500	4,760	260
Sheriff	351,500	351,500	380,640	29,140
Constables	150,000	150,000	177,307	27,307
County Clerk	1,334,200	1,334,200	1,596,619	262,419
Tax Assessor-Collector	150,000	150,000	191,525	41,525
Criminal District Attorney	45,000	45,000	48,166	3,166
District Clerk	375,000	375,000	379,253	4,253
Justices of the Peace	95,000	95,000	113,172	18,172
County Courts at Law	200	200	50	(150)
Vehicle sales tax commission	-	-	148,345	148,345
Auto registration	425,000	425,000	467,778	42,778
Records management	70,000	70,000	72,128	2,128
Court imposed fees	469,500	469,500	494,219	24,719
State imposed fees	200,600	200,600	196,098	(4,502)
Titles and certificates	283,000	283,000	323,737	40,737
Telephone coin station revenues	350,500	350,500	452,020	101,520
Miscellaneous	49,300	49,300	100,153	50,853
Total Fees of Office	<u>4,353,300</u>	<u>4,353,300</u>	<u>5,145,970</u>	<u>792,670</u>
Fines:				
District and county courts	816,500	816,500	897,182	80,682
Total Fines	<u>816,500</u>	<u>816,500</u>	<u>897,182</u>	<u>80,682</u>
Intergovernmental revenues:				
Intergovernmental revenues	448,831	494,999	521,297	26,298
Total Intergovernmental Revenues	<u>448,831</u>	<u>494,999</u>	<u>521,297</u>	<u>26,298</u>
Other Revenues and Fees:				
Interest	268,000	268,000	775,656	507,656
Rentals	247,503	247,503	235,779	(11,724)
Sale of equipment	-	-	48,575	48,575
Donations	-	-	22,725	22,725
Reimbursements	95,000	95,000	229,630	134,630
Prisoner care	975,000	975,000	1,347,460	372,460
Other revenues	20,000	24,525	324,983	300,458
Total Other Revenues and Fees	<u>1,605,503</u>	<u>1,610,028</u>	<u>2,984,808</u>	<u>1,374,780</u>
Total Revenues	<u>43,084,478</u>	<u>43,135,171</u>	<u>47,117,487</u>	<u>3,982,316</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, 2006

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES				
General Government:				
Commissioners' Court	\$ 446,990	\$ 420,989	\$ 419,244	\$ 1,745
Record Service Bureau	126,117	125,884	122,422	3,462
County Auditor	651,770	617,873	612,877	4,996
Election division	291,431	301,341	301,290	51
County Treasurer	118,587	118,241	117,781	460
Tax Assessor-Collector	1,086,080	1,050,710	1,045,831	4,879
General operations	2,375,422	2,949,554	2,850,716	98,838
Physical plant	876,153	844,067	799,599	44,468
Personnel	139,717	138,493	135,240	3,253
Budget officer	-	-	-	-
Information services	858,176	853,805	833,994	19,811
Collections	157,243	141,480	133,107	8,373
Veterans' service office	130,532	127,927	127,933	(6)
Purchasing agent	149,225	146,132	143,492	2,640
Total General Government	7,407,443	7,836,496	7,643,526	192,970
Justice System:				
County Court	218,079	214,684	210,931	3,753
County Court at Law	337,827	332,630	324,340	8,290
County Court at Law #2	339,711	332,012	325,532	6,480
County Court at Law #3	342,523	337,138	329,033	8,105
County Clerk	1,067,391	1,047,311	994,736	52,575
District Courts	1,666,429	1,669,248	1,612,153	57,095
District Clerk	871,284	890,522	889,891	631
Justices of the Peace	864,415	857,294	854,911	2,383
Indigent Defense	1,235,500	1,069,861	1,069,865	(4)
Pre-trial release	116,747	116,883	115,829	1,054
Juvenile Probation	3,094,659	3,094,659	2,377,654	717,005
Criminal District Attorney	2,748,803	2,650,263	2,641,051	9,212
Total Justice System	12,903,368	12,612,505	11,745,926	866,579
Public Safety:				
Civil defense and rural fire aid	596,531	595,090	589,459	5,631
Constables	800,662	800,273	794,652	5,621
Sheriff's department	5,267,149	5,307,135	5,075,888	231,247
Litter Abatement Office	55,345	59,175	59,178	(3)
Animal Control	94,348	93,459	93,063	396
Juvenile Board	90,795	91,182	91,185	(3)
Warrant division	107,906	112,406	111,785	621
Total Public Safety	7,012,736	7,058,720	6,815,210	243,510
Health and Human Services:				
Indigent health care	1,088,985	707,085	703,916	3,169
Agricultural extension	210,675	209,492	208,417	1,075
Public services	1,772,505	1,772,505	1,772,145	360
Total Health and Human Services	3,072,165	2,689,082	2,684,478	4,604
Corrections and Rehab:				
Jail	14,749,534	14,895,156	14,895,003	153
Adult probation	21,550	21,550	20,010	1,540
Total Corrections and Rehab	14,771,084	14,916,706	14,915,013	1,693

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, 2006

	<u>BUDGET ORIGINAL</u>	<u>BUDGET FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
EXPENDITURES (cont'd.)				
Capital Outlay:				
Equipment	\$ 172,470	\$ 176,254	\$ 3,732,885	\$ (3,556,631)
Total Capital Outlay	<u>172,470</u>	<u>176,254</u>	<u>3,732,885</u>	<u>(3,556,631)</u>
Debt Service:				
Principal	-	-	238,747	(238,747)
Interest	-	-	13,212	(13,212)
Total Debt Service	<u>-</u>	<u>-</u>	<u>251,959</u>	<u>(251,959)</u>
Total Expenditures	<u>45,339,266</u>	<u>45,289,763</u>	<u>47,788,997</u>	<u>(2,499,234)</u>
Excess of Revenues Over (Under) Expenditures	(2,254,788)	(2,154,592)	(671,510)	1,483,082
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	701	701
Transfers (out)	(2,622,143)	(2,622,143)	(2,626,793)	(4,650)
Capital lease proceeds	-	-	3,560,895	3,560,895
Total Other Financing Sources (Uses)	<u>(2,622,143)</u>	<u>(2,622,143)</u>	<u>934,803</u>	<u>3,556,946</u>
Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses	(4,876,931)	(4,776,735)	263,293	5,040,028
FUND BALANCE, SEPTEMBER 30, 2005	9,425,090	9,425,090	9,425,090	-
Other increase (decrease) in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2006	<u>\$ 4,548,159</u>	<u>\$ 4,648,355</u>	<u>\$ 9,688,383</u>	<u>\$ 5,040,028</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, 2006

	<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	\$ 40,000	\$ 40,000	\$ 264,174	\$ 224,174
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>264,174</u>	<u>224,174</u>
EXPENDITURES				
General Government:				
Professional fees	-	-	-	-
Total General Government	-	-	-	-
Capital Outlay:				
USMS project	-	650,000	144,043	505,957
Lindale remodel	-	-	420	(420)
District attorney renovations	-	25,000	23,887	1,113
Courthouse renovations	5,000,000	4,324,999	504,655	3,820,344
Total Capital Outlay	<u>5,000,000</u>	<u>4,999,999</u>	<u>673,005</u>	<u>4,326,994</u>
Total Expenditures	<u>5,000,000</u>	<u>4,999,999</u>	<u>673,005</u>	<u>4,326,994</u>
Excess of Revenues Over (Under) Expenditures	(4,960,000)	(4,959,999)	(408,831)	4,551,168
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,960,000)	(4,959,999)	(408,831)	4,551,168
FUND BALANCE, SEPTEMBER 30, 2005	<u>5,769,880</u>	<u>5,769,880</u>	<u>5,769,880</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2006	<u>\$ 809,880</u>	<u>\$ 809,881</u>	<u>\$ 5,361,049</u>	<u>\$ 4,551,168</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, 2006

	BUDGET ORIGINAL	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fees of Office:				
Auto registration	\$ 3,425,000	\$ 3,425,000	\$ 3,519,813	\$ 94,813
Other Fees	<u>103,000</u>	<u>103,000</u>	<u>116,606</u>	<u>13,606</u>
Total Fees of Office	3,528,000	3,528,000	3,636,419	108,419
Fines:				
Justices of the Peace	<u>1,031,000</u>	<u>1,031,000</u>	<u>1,039,741</u>	<u>8,741</u>
Total Fines	<u>1,031,000</u>	<u>1,031,000</u>	<u>1,039,741</u>	<u>8,741</u>
Other Revenues and Fees:				
Interest	50,000	50,000	90,513	40,513
Other revenue	<u>15,000</u>	<u>15,000</u>	<u>26,828</u>	<u>11,828</u>
Total Other Revenues and Fees	<u>65,000</u>	<u>65,000</u>	<u>117,341</u>	<u>52,341</u>
Total Revenues	<u>4,624,000</u>	<u>4,624,000</u>	<u>4,793,501</u>	<u>169,501</u>
EXPENDITURES				
Infrastructure and Environmental Services:				
Administrative	400,311	383,038	377,072	5,966
Labor Division	4,940,881	4,843,914	4,751,483	92,431
Equipment Division	<u>966,433</u>	<u>1,055,747</u>	<u>1,017,066</u>	<u>38,681</u>
Total Infrastructure and Environmental Services	<u>6,307,625</u>	<u>6,282,699</u>	<u>6,145,621</u>	<u>137,078</u>
Capital Outlay:				
Equipment	<u>1,319,095</u>	<u>1,344,010</u>	<u>2,458,274</u>	<u>(1,114,264)</u>
Total Capital Outlay	<u>1,319,095</u>	<u>1,344,010</u>	<u>2,458,274</u>	<u>(1,114,264)</u>
Debt Service:				
Interest and fiscal charges	-	-	750	(750)
Principal payments	<u>-</u>	<u>-</u>	<u>61,982</u>	<u>(61,982)</u>
Total Debt Service	<u>-</u>	<u>-</u>	<u>62,732</u>	<u>(62,732)</u>
Total Expenditures	<u>7,626,720</u>	<u>7,626,709</u>	<u>8,666,627</u>	<u>(1,039,918)</u>
Excess of Revenues Over (Under) Expenditures	(3,002,720)	(3,002,709)	(3,873,126)	(870,417)
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	1,164,288	1,164,288
Transfers in	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>3,164,288</u>	<u>1,164,288</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,002,720)	(1,002,709)	(708,838)	293,871
FUND BALANCE, SEPTEMBER 30, 2005	<u>1,677,914</u>	<u>1,677,914</u>	<u>1,677,914</u>	<u>1,677,914</u>
FUND BALANCE, SEPTEMBER 30, 2006	<u>\$ 675,194</u>	<u>\$ 675,205</u>	<u>\$ 969,076</u>	<u>\$ 1,971,785</u>

SMITH COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2006

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.
- (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, 2006, if designated as final budget.

Note: See accompanying independent auditors' report.

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

SMITH COUNTY, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
SEPTEMBER 30, 2006

	TOTAL
GOVERNMENTAL FUNDS CAPITAL ASSETS:	
Land	\$ 145,396
Buildings	30,531,910
Improvements	4,725,378
Machinery and equipment	18,496,511
Infrastructure	65,252,614
Construction in progress	450,441
Total governmental funds capital assets	\$ 119,602,250
 INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:	
General fund	\$ 107,851,668
Special revenue funds	10,159,363
Grants and donations	1,591,219
Total governmental funds capital assets	\$ 119,602,250

SCHEDULE 5

SMITH COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 SEPTEMBER 30, 2006

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General government	\$ 43,376	\$ 8,495,456	\$ 3,697,046	\$ 6,201,488	\$ -	\$ 422,831	\$ 18,860,197
Justice system	74,500	9,289,303	65,272	784,096	-	-	10,213,171
Public safety	-	860,000	680,644	2,201,144	-	-	3,741,788
Corrections and rehabilitation	-	11,610,468	244,063	151,644	-	27,610	12,033,785
Health and human services	-	86,683	-	-	-	-	86,683
Infrastructure and environmental	27,520	190,000	38,353	9,158,139	65,252,614	-	74,666,626
Total general fixed assets/ governmental funds capital assets	\$ 145,396	\$ 30,531,910	\$ 4,725,378	\$ 18,496,511	\$ 65,252,614	\$ 450,441	\$ 119,602,250

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, 2006

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2006</u>
General government	\$ 13,636,967	\$ 5,223,230	\$ -	\$ 18,860,197
Justice system	10,171,495	65,676	(24,000)	10,213,171
Public safety	3,496,876	389,662	(144,750)	3,741,788
Corrections and rehabilitation	11,910,846	122,939	-	12,033,785
Health and human services	86,683	-	-	86,683
Infrastructure and environmental	69,116,518	5,813,322	(263,214)	74,666,626
Total governmental funds capital assets	<u>\$ 108,419,385</u>	<u>\$ 11,614,829</u>	<u>\$ (431,964)</u>	<u>\$ 119,602,250</u>

OTHER SUPPLEMENTARY INFORMATION

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

		SPECIAL REVENUE FUNDS									
		COUNTY		DISTRICT		COURTHOUSE		DISTRICT		D.A. DRUG	
		CLERK RECORDS PRESERVATION		CLERK RECORDS PRESERVATION		SECURITY		ATTORNEY		FORFEITURE	
		LIBRARY		ERADICATION		ATTORNEY		ATTORNEY		SEIZURES	
DISTRICT CLERK TITLE IV-D											
ASSETS											
Cash	\$ 18,635	\$ 14,501	\$ 111,419	\$ 15,231	\$ 720	\$ 11,197	\$ 22,584	\$ 76,330	\$ 199,704		
Investments	-	185,811	1,351,374	-	-	84	-	-	-		
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-		
Accounts receivable	10	1,972	47,991	170	-	7,643	2,733	372	-		
Prepaid and other assets	-	862	-	-	-	2,956	1,087	-	-		
Due from other funds	-	-	-	-	-	-	-	101	-		
TOTAL ASSETS	\$ 18,645	\$ 203,146	\$ 1,510,784	\$ 15,401	\$ 720	\$ 21,880	\$ 26,404	\$ 76,803	\$ 199,704		
LIABILITIES AND FUND BALANCE											
LIABILITIES											
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Vouchers payable	787	7,536	34,414	-	-	112	4,878	74	-		
Salaries payable	-	2,763	1,661	-	-	9,805	7,553	1,927	-		
Due to other funds	-	-	-	-	-	40,000	-	-	-		
Due to other governments	-	-	-	-	-	-	-	-	-		
Deferred revenue	-	-	-	-	-	-	-	-	-		
Total Liabilities	787	10,299	36,075	-	-	49,917	12,431	2,001	-		
FUND BALANCE											
Fund Balance:											
Reserved:											
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-		
Reserved for Debt Service	-	-	-	-	-	-	-	-	-		
Unreserved:											
Undesignated	17,858	192,847	1,474,709	15,401	720	(28,037)	13,973	74,802	199,704		
Total fund balance	17,858	192,847	1,474,709	15,401	720	(28,037)	13,973	74,802	199,704		
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,645	\$ 203,146	\$ 1,510,784	\$ 15,401	\$ 720	\$ 21,880	\$ 26,404	\$ 76,803	\$ 199,704		

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS													
	EAST TEXAS		TEXAS		CRIME VICTIMS SERVICES		CRIME VICTIMS COMPENSATION		STEP TOBACCO GRANT		SHERIFF DEATA TASK FORCE		JUSTICE COURT TECHNOLOGY FUND	
	DRUG FORFEITURE	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	TEXAS AUTO CRUSHERS	JUVENILE PROBATION COMMISSION	CRIME VICTIMS SERVICES	CRIME VICTIMS COMPENSATION	STEP TOBACCO GRANT	SHERIFF DEATA TASK FORCE	JUSTICE COURT TECHNOLOGY FUND				
ASSETS														
Cash	\$ 181,344	\$ 126,455	\$ 397,002	\$ 112,711	\$ 182,003	\$ 9,757	\$ 4,118	\$ 9,841	\$ 39,596	\$ 36,259				
Investments	-	-	782,038	-	1,466,499	-	-	-	-	183,140				
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-	-				
Accounts receivable	3,720	6,161	4,804	29,338	10	10	2,255	-	-	2,225				
Prepaid and other assets	-	-	65	1,656	6,464	685	310	37	-	-				
Due from other funds	804	-	235	-	4,650	10,916	-	-	-	481				
TOTAL ASSETS	\$ 185,868	\$ 132,616	\$ 1,184,144	\$ 143,705	\$ 1,659,626	\$ 21,368	\$ 6,683	\$ 9,878	\$ 39,596	\$ 222,105				
LIABILITIES AND FUND BALANCE														
LIABILITIES														
Bank overdraft	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Vouchers payable	3,307	-	9,489	176	-	-	-	-	450	-				
Salaries payable	-	-	106,009	1,398	31,272	1,986	1,142	-	-	-				
Due to other funds	101	-	-	1,200	35,230	-	6,000	-	-	-				
Due to other governments	-	-	-	-	-	-	-	-	-	-				
Deferred revenue	-	-	-	-	-	-	-	-	-	-				
Total Liabilities	3,408	-	115,498	2,774	66,502	1,986	7,142	-	450	-				
FUND BALANCE														
Fund Balance:														
Reserved:														
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-	-				
Reserved for Debt Service	-	-	-	-	-	-	-	-	-	-				
Unreserved:														
Undesignated	182,460	132,616	1,068,646	140,931	1,593,124	19,382	(459)	9,878	39,146	222,105				
Total fund balance	182,460	132,616	1,068,646	140,931	1,593,124	19,382	(459)	9,878	39,146	222,105				
TOTAL LIABILITIES AND FUND BALANCES	\$ 185,868	\$ 132,616	\$ 1,184,144	\$ 143,705	\$ 1,659,626	\$ 21,368	\$ 6,683	\$ 9,878	\$ 39,596	\$ 222,105				

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS								
	JUVENILE JUSTICE ALTERNATIVE EDUCATION	JUVENILE ACCOUNTABILITY BLOCK GRANT-2001/2002	LEOSE FUND	JUDICIAL EDUCATION	LOCAL LAW ENFORCEMENT BLOCK GRANT - 2004	LOCAL LAW ENFORCEMENT BLOCK GRANT - 2005	ETCOG-SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.
ASSETS									
Cash	\$ 20,643	\$ 6,950	\$ 25,322	\$ 13,915	\$ -	\$ 34	\$ 22,920	\$ 13,819	\$ 191
Investments	364,147	-	-	-	-	-	-	-	-
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	30	-	-	-	13,808	-
Prepaid and other assets	1,728	-	-	-	-	-	432	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 386,518	\$ 6,950	\$ 25,322	\$ 13,945	\$ -	\$ 34	\$ 23,352	\$ 27,627	\$ 191
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	548	-	217	977	-	-	-	-	-
Salaries payable	9,726	875	-	-	-	-	884	-	-
Due to other funds	-	9,000	-	-	-	-	20,235	-	-
Due to other governments	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Total Liabilities	10,274	9,875	217	977	-	-	21,119	-	-
FUND BALANCE									
Fund Balance:									
Reserved:									
Reserved for Capital Projects	-	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-	-
Unreserved:									
Undesignated	376,244	(2,925)	25,105	12,968	-	34	2,233	27,627	191
Total fund balance	376,244	(2,925)	25,105	12,968	-	34	2,233	27,627	191
TOTAL LIABILITIES AND FUND BALANCES	\$ 386,518	\$ 6,950	\$ 25,322	\$ 13,945	\$ -	\$ 34	\$ 23,352	\$ 27,627	\$ 191

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS																				
	HARGIS CDBG GRANT	FORFEITURE INTEREST 10%	SEARCH & RESCUE	JAC MAINTENANCE	TEXAS COMMUNITY DEVELOPMENT	ELECTIONS VOTING MACHINE REPLACEMENT	LOCAL LAW ENFORCEMENT BLOCK GRANT - 2000	LINDALE RURAL WSC													
ASSETS																					
Cash	-	\$ 72,165	\$ 7,651	\$ 292,323	\$ 20,389	\$ 2,048	\$ 94	\$ 12,835													
Investments	-	-	-	-	-	-	-	-													
Taxes receivable-delinquent, net	-	-	-	-	-	-	-	-													
Accounts receivable	-	372	-	-	-	-	1	-													
Prepaid and other assets	-	-	-	-	-	-	-	-													
Due from other funds	-	-	-	-	-	-	-	-													
TOTAL ASSETS		\$ 72,537	\$ 7,651	\$ 292,323	\$ 20,389	\$ 2,048	\$ 95	\$ 12,835													
LIABILITIES AND FUND BALANCE																					
LIABILITIES																					
Bank overdraft	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -													
Vouchers payable	-	-	415	-	-	-	-	-													
Salaries payable	-	-	-	-	-	-	-	-													
Due to other funds	-	804	4,177	-	20,389	-	-	-													
Due to other governments	-	-	-	-	-	-	-	-													
Deferred revenue	-	-	-	-	-	-	-	-													
Total Liabilities		804	4,592	-	20,389	-	94	12,835													
FUND BALANCE																					
Fund Balance:																					
Reserved:																					
Reserved for Capital Projects	-	-	-	-	-	-	-	-													
Reserved for Debt Service	-	-	-	-	-	-	-	-													
Unreserved:																					
Undesignated	-	71,733	3,059	292,323	-	2,048	1	-													
Total fund balance		71,733	3,059	292,323	-	2,048	1	-													
TOTAL LIABILITIES AND FUND BALANCES		\$ 72,537	\$ 7,651	\$ 292,323	\$ 20,389	\$ 2,048	\$ 95	\$ 12,835													

SMITH COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	BYRNE JUSTICE ASSISTANCE GRANT		STAR MOUNTAIN WSC		SPECIAL REVENUE FUNDS		DEBT SERVICE FUND		TOTAL NONMAJOR GOVERNMENTAL FUNDS
						TOTAL			
ASSETS									
Cash	\$ 44,438	\$ -	\$ -	\$ -	\$ 2,125,144	\$ 62,581			\$ 2,187,725
Investments	-	-	-	-	4,333,093	673,764			5,006,857
Taxes receivable-delinquent, net	-	-	-	-	-	219,024			219,024
Accounts receivable	94	-	-	-	123,719	11,652			135,371
Prepaid and other assets	-	-	-	-	16,282	-			16,282
Due from other funds	-	-	-	-	17,187	-			17,187
TOTAL ASSETS	\$ 44,532	\$ -	\$ -	\$ -	\$ 6,615,425	\$ 967,021			\$ 7,582,446
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Bank overdraft	-	\$ -	-	-	-	\$ -			\$ -
Vouchers payable	49	-	163,729	-	227,252	-			227,252
Salaries payable	-	-	-	-	177,001	-			177,001
Due to other funds	-	-	-	-	137,136	-			137,136
Due to other governments	-	-	-	-	12,835	-			12,835
Deferred revenue	-	-	-	-	-	192,213			192,213
Total Liabilities	49	-	163,729	-	554,224	192,213			746,437
FUND BALANCE									
Fund Balance:									
Reserved:									
Reserved for Capital Projects	-	-	-	-	-	-			-
Reserved for Debt Service	-	-	-	-	-	774,808			774,808
Unreserved:									
Undesignated	44,483	-	(163,729)	-	6,061,201	-			6,061,201
Total fund balance	44,483	-	(163,729)	-	6,061,201	774,808			6,836,009
TOTAL LIABILITIES AND FUND BALANCES	\$ 44,532	\$ -	\$ -	\$ -	\$ 6,615,425	\$ 967,021			\$ 7,582,446

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS											
	DISTRICT CLERK TITLE IV-D	COUNTY LAW LIBRARY	COUNTY CLERK RECORDS PRESERVATION	DISTRICT CLERK RECORDS PRESERVATION	GRAFFITI ERADICATION	COURTHOUSE SECURITY	DISTRICT ATTORNEY	DISTRICT ATTORNEY DRUG FORFEITURE	DPS SEIZURES	DRUG FORFEITURE		
REVENUES												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fees of office	-	154,996	650,112	10,698	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	2,103	-	-	-	-	-	10,000	-	88,986	-	-	-
Other revenues and fees	893	13,275	60,353	819	213	165,293	144,279	4,877	140,149	204,622	-	-
Total Revenues	2,996	168,271	710,465	11,517	213	165,293	154,279	93,863	140,149	204,622	-	-
EXPENDITURES												
General government	-	142,653	310,231	259	-	-	-	-	-	-	-	-
Justice system	3,663	-	-	-	-	285,678	187,792	24,333	153,371	142,976	-	-
Public safety	-	-	-	-	-	-	-	-	-	11,200	-	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	2,531	18,032	14,826	-	21,021	628	8,580	-	63,043	-	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	3,663	145,184	328,263	15,085	-	306,699	188,420	32,913	153,371	217,219	-	-
Excess of Revenue Over (Under) Expenditures	(667)	23,087	382,202	(3,568)	213	(141,406)	(34,141)	60,950	(13,222)	(12,597)	-	-
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	(667)	23,087	382,202	(3,568)	213	(141,406)	(34,141)	60,950	(13,222)	(12,597)	-	-
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	-	-
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2006	\$ 17,858	\$ 192,847	\$ 1,474,709	\$ 15,401	\$ 720	\$ (28,037)	\$ 13,973	\$ 74,802	\$ 199,704	\$ 182,460	\$ -	\$ -

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS											
	EAST TEXAS					TEXAS					JUVENILE JUSTICE ALTERNATIVE EDUCATION	
	LOCAL LAW ENFORCEMENT SEIZURES	DISTRICT ADULT PROBATION	TEXAS AUTO CRUSHERS	JUVENILE PROBATION COMMISSION	CRIME VICTIMS SERVICES	CRIME VICTIMS COMPENSATION	STEP TOBACCO GRANT	SHERIFF DEATA TASK FORCE	JUSTICE COURT TECHNOLOGY FUND			
REVENUES												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-	-	-
Fees of office	-	1,592,913	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	1,538,899	202,044	1,085,056	56,636	28,468	13,000	30,531	8,000	8,000	225,126	-
Other revenues and fees	39,040	170,266	153,456	71,900	362	2,519	208	2,489	78,365	78,365	99,842	-
Total Revenues	39,040	3,302,078	355,500	1,156,956	56,998	30,987	13,208	33,020	86,365	86,365	324,968	-
EXPENDITURES												
General government	-	109,532	-	-	-	-	-	-	-	-	-	-
Justice system	106,902	-	-	875,224	59,012	35,543	5,792	7,484	24,231	24,231	281,133	-
Public safety	-	-	331,106	-	-	-	-	-	-	-	-	-
Corrections and rehabilitation	-	3,038,544	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	41,522	3,185	-	-	-	-	12,675	-	-	-	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	106,902	3,189,598	334,291	875,224	59,012	35,543	5,792	20,159	24,231	24,231	281,133	-
Excess of Revenue Over (Under) Expenditures	(67,862)	112,480	21,209	281,732	(2,014)	(4,556)	7,416	12,861	62,134	62,134	43,835	-
OTHER FINANCING SOURCES (USES)												
Transfers in (out)	-	-	-	4,650	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	4,650	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(67,862)	112,480	21,209	286,382	(2,014)	(4,556)	7,416	12,861	62,134	62,134	43,835	-
FUND BALANCE, SEPTEMBER 30, 2005	200,478	956,166	119,722	1,306,742	21,396	4,097	2,462	26,285	159,971	159,971	332,409	-
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2006	\$ 132,616	\$ 1,068,646	\$ 140,931	\$ 1,593,124	\$ 19,382	\$ (459)	\$ 9,878	\$ 39,146	\$ 222,105	\$ 222,105	\$ 376,244	\$ -

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS									
	JUVENILE ACCOUNTABILITY BLOCK GRANT - 2001/2002	LEOSE FUND	JUDICIAL EDUCATION	LOCAL LAW ENFORCEMENT BLOCK GRANT-2004	LOCAL LAW ENFORCEMENT BLOCK GRANT-2005	ETCOG SOLID WASTE	HOMELAND SECURITY	LINDALE W.S.C.	HARGIS CDBG GRANT	FORFEITURE INTEREST 10%
REVENUES										
Property taxes	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	17,403	-	-	-	-	95,345	38,099	-	-	-
Other revenues and fees	177	27,267	3,845	(5)	753	638	31	239,913	22,009	22,009
Total Revenues	17,580	27,267	3,845	(5)	753	95,983	38,137	239,913	22,009	22,009
EXPENDITURES										
General government	-	-	-	-	-	-	38,099	-	-	-
Justice system	-	27,815	2,372	-	17,801	-	-	-	9,000	-
Public safety	20,927	-	-	-	-	73,368	-	-	-	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	8,582	20,598	-	242,419	-	-
Infrastructure and Environmental	-	-	-	-	-	-	-	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	20,927	27,815	2,372	-	26,383	93,966	38,099	242,419	9,000	9,000
Excess of Revenue Over (Under) Expenditures	(3,347)	(548)	1,473	(5)	(25,630)	2,017	38	(2,506)	13,009	13,009
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	147	-	-	-	-	-	(701)	-	-	-
Total Other Financing Sources (Uses)	147	-	-	-	-	-	(701)	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,200)	(548)	1,473	(5)	(25,630)	2,017	38	(2,506)	13,009	13,009
FUND BALANCE, SEPTEMBER 30, 2005	275	25,653	11,495	5	25,664	216	153	2,506	58,724	58,724
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2006	(2,925)	\$ 25,105	\$ 12,968	\$ -	\$ 34	\$ 2,233	\$ 191	\$ 27,627	\$ -	\$ 71,733

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS									
	SEARCH & RESCUE	JAC MAINTENANCE	TEXAS COMMUNITY DEVELOPMENT	ELECTIONS VOTING MACHINE REPLACEMENT	LOCAL LAW ENFORCEMENT BLOCK GRANT-2000	LINDALE RURAL WSC	BYRNE JUSTICE ASSISTANCE GRANT	STAR MOUNTAIN WSC		
REVENUES										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and other taxes	-	-	-	-	-	-	-	-	-	-
Fees of office	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	1,335,950	-	4,050	85,458	-	-	43,640
Other revenues and fees	12,212	5,891	-	2,048	1	500	2,303	-	-	-
Total Revenues	12,212	5,891	-	1,337,998	1	4,550	87,761	-	-	43,640
EXPENDITURES										
General government	-	-	-	-	-	-	-	-	-	-
Justice system	9,153	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-
Corrections and rehabilitation	-	-	-	-	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	46,336	-	1,335,950	-	4,550	-	-	-	207,369
Infrastructure and Environmental	-	-	-	-	-	-	43,278	-	-	-
Debt Service-principal retirement	-	-	-	-	-	-	-	-	-	-
Debt Service-interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total Expenditures	9,153	46,336	-	1,335,950	-	4,550	43,278	-	-	207,369
Excess of Revenue Over (Under) Expenditures	3,059	(40,445)	-	2,048	1	-	44,483	-	-	(163,729)
OTHER FINANCING SOURCES (USES)										
Transfers in (out)	-	222,143	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	222,143	-	-	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,059	181,698	-	2,048	1	-	44,483	-	-	(163,729)
FUND BALANCE, SEPTEMBER 30, 2005	-	110,625	-	-	-	-	-	-	-	-
Residual Equity Transfers	-	-	-	-	-	-	-	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-	-	-	-	-	-	-	-
FUND BALANCE, SEPTEMBER 30, 2006	\$ 3,059	\$ 292,323	\$ -	\$ 2,048	\$ 1	\$ -	\$ 44,483	\$ -	\$ -	\$ (163,729)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ -	\$ 3,105,293	\$ 3,105,293
Licenses and other taxes	-	-	-
Fees of office	2,408,719	-	2,408,719
Fines	-	-	-
Intergovernmental revenues	4,936,410	-	4,936,410
Other revenues and fees	1,670,841	97,839	1,768,680
Total Revenues	9,015,970	3,203,132	12,219,102
EXPENDITURES			
General government	600,774	-	600,774
Justice system	2,259,275	-	2,259,275
Public safety	436,601	-	436,601
Corrections and rehabilitation	3,038,544	-	3,038,544
Health and human services	211,920	-	211,920
Capital outlay	1,839,928	-	1,839,928
Infrastructure and Environmental	43,278	-	43,278
Debt Service-principal retirement	-	1,900,000	1,900,000
Debt Service-interest and fiscal charges	-	855,350	855,350
Total Expenditures	8,430,320	2,755,350	11,185,670
Excess of Revenue Over (Under) Expenditures	585,650	447,782	1,033,432
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	226,239	-	226,239
Total Other Financing Sources (Uses)	226,239	-	226,239
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	811,889	447,782	1,259,671
FUND BALANCE, SEPTEMBER 30, 2005	5,249,312	327,026	5,576,338
Residual Equity Transfers	-	-	-
Other Increases (Decreases) in Fund Balance	-	-	-
FUND BALANCE, SEPTEMBER 30, 2006	\$ 6,061,201	\$ 774,808	\$ 6,836,009

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2006

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 731,795	\$ 43,035	\$ 774,830
Accounts receivable	32,532	2,658	35,190
Investments	390,116	-	390,116
Due from other funds	461	-	461
	<u>1,154,904</u>	<u>45,693</u>	<u>1,200,597</u>
LIABILITIES			
Current Liabilities:			
Vouchers payable	644,664	21,206	665,870
Salaries payable	-	50	50
Deferred revenue	248,880	-	248,880
	<u>893,544</u>	<u>21,256</u>	<u>914,800</u>
NET ASSETS			
Unrestricted	<u>261,360</u>	<u>24,437</u>	<u>285,797</u>
	<u>\$ 261,360</u>	<u>\$ 24,437</u>	<u>\$ 285,797</u>

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	<u>Governmental Activities</u>		
	<u>Insurance Fund</u>	<u>Payroll Fund</u>	<u>Total</u>
OPERATING REVENUES			
Premiums and reimbursements	\$ 4,696,083	\$ -	\$ 4,696,083
Total Operating Revenues	<u>4,696,083</u>	<u>-</u>	<u>4,696,083</u>
OPERATING EXPENSES			
Insurance claims & administrative fees	<u>5,491,960</u>	<u>-</u>	<u>5,491,960</u>
Total Operating Expenses	<u>5,491,960</u>	<u>-</u>	<u>5,491,960</u>
Operating Loss	(795,877)	-	(795,877)
NON-OPERATING REVENUES			
Interest income and other	<u>33,218</u>	<u>11,281</u>	<u>44,499</u>
Loss before transfers	(762,659)	11,281	(751,378)
Transfers in	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Change in net assets	<u>(362,659)</u>	<u>11,281</u>	<u>(351,378)</u>
NET ASSETS - SEPTEMBER 30, 2005	<u>624,019</u>	<u>13,156</u>	<u>637,175</u>
NET ASSETS - SEPTEMBER 30, 2006	<u>\$ 261,360</u>	<u>\$ 24,437</u>	<u>\$ 285,797</u>

SMITH COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	Governmental Activities		
	Insurance Fund	Payroll Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for premiums	\$ 4,646,928	\$ -	\$ 4,646,928
Cash paid to customers	(5,296,970)	-	(5,296,970)
Other operating revenues	31,500	14,464	45,964
Net cash used in operating activities	<u>(618,542)</u>	<u>14,464</u>	<u>(604,078)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers - in from other funds	400,000	-	400,000
Net cash provided by non-capital financing activities	<u>400,000</u>	<u>-</u>	<u>400,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from purchases and redemptions of investments	832,132	-	832,132
Interest on investments	33,218	9,369	42,587
Net cash provided by investing activities	<u>865,350</u>	<u>9,369</u>	<u>874,719</u>
Net increase in cash	646,808	23,833	670,641
Cash at beginning of year	84,987	19,202	104,189
CASH AT END OF YEAR	<u>\$ 731,795</u>	<u>\$ 43,035</u>	<u>\$ 774,830</u>
Reconciliation of operating income to net cash used by operating activities:			
Operating loss	\$ (795,877)	\$ -	\$ (795,877)
Adjustment to reconcile operating income to net cash (used in) provided by operating activities:			
Increase in accounts receivable	(17,221)	-	(17,221)
Increase in due from other funds	(461)	-	(461)
Decrease in vouchers payable	194,990	14,404	209,394
Increase in salaries payable	-	60	60
Increase in deferred revenue	27	-	27
Net Cash (Used in) provided by Operating Activities	<u>\$ (618,542)</u>	<u>\$ 14,464</u>	<u>\$ (604,078)</u>

SINGLE AUDIT SECTION

SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006

<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	\$ 38,099
Community Development Block Grant	14.228		4,050
Community Development Block Grant	14.228		43,640
Passed Through Texas Department of Agriculture			
Community Development Block Grant	14.228	723182	<u>239,913</u>
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>325,702</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Programs:			
Local Law Enforcement Block Grant	16.592	2003-LB-BX-2242	
Byrne Justice Assistance			85,458
Passed Through City of Kilgore DEA Task Force			
	16.579		30,531
Passed Through State of Texas office of the Governor - Criminal Justice Assistance Division:			
Crime Victim Assistance	16.575	VA-04-V30-13733-06	48,709
Juvenile Accountability Incentive Block Grant	16.523	JB-02-J20-13923-05	<u>17,403</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>182,101</u>

SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. ELECTIONS ASSISTANCE COMMISSION</u>			
Passed Through Texas Secretary of State			
General HAVA Compliance	90.401		\$ 890,110
Voting System Replacement	90.401		229,840
Voting System Accessibility	90.401		<u>216,000</u>
TOTAL U. S. ELECTIONS ASSISTANCE COMMISSION			<u>1,335,950</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Department of Family and Protective Services			
Foster Care Title IV-E	93.658	---	<u>308,808</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>308,808</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through State of Texas Governor's Division of Emergency Management			
Emergency Management Planning Grant	97.042	06TX-EMPG-106	55,231

SMITH COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY - Continued</u>			
Passed Through Texas Engineering Extension Service			
Homeland Security Grant	97.067	48423 2003II	\$ <u>27,616</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>82,847</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,235,408</u>

Notes to Schedule on Following Page

SMITH COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006

NOTE A – BASIS OF ACCOUNTING

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

HENRY & PETERS, PC
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, 2006, and have issued our report thereon dated May 31, 2007. 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 on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Smith County, Texas' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as comment 06-01.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

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
May 31, 2007

HENRY & PETERS, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Commissioners' Court
of Smith County
Tyler, Texas

Compliance

We have audited the compliance of Smith County, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. 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, 2006.

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
May 31, 2007

**SMITH COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2006**

There were no prior year audit findings.

**SMITH COUNTY, TEXAS
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2006**

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? X Yes _____ 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>
90.401	General HAVA Compliance
90.401	Voting System Replacement
90.401	Voting System Accessibility
93.658	Foster Care Title IV-E

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

Auditee qualified as low-risk auditee? X Yes _____ No

**SMITH COUNTY, TEXAS
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2006**

Section II – Financial Statement Findings

06-01 Duplicate Payments

Condition: The County accepted duplicate invoices, receiving documents and account statements as acceptable support for payment. This led to duplicate payment of invoices.

Criteria: Controls and procedures that are in place to prevent duplicate payments should be adhered to by all employees.

Effect: Duplicate invoices were paid.

Recommendation: Policies and procedures should be reviewed with employees and payment on any document other than an original invoice should only occur with supervisor approval.

Section III – Federal Award Findings and Questioned Costs

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

UNAUDITED COUNTY DATA

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**SMITH COUNTY, TEXAS
ELECTED OFFICIALS
SEPTEMBER 30, 2006**

COUNTY

Becky Dempsey, County Judge
JoAnn 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
Paula Patterson, Elections/Voter Registration
Henry Jackson, Constable, Precinct No. 1
Frank Creath, Constable, Precinct No. 2
Danny Smith, Constable, Precinct No. 3
John Smith, Constable, Precinct No. 4
Dennis Taylor, Constable, Precinct No. 5
Kelli White, Treasurer

JUDICIAL

Kerry Russell, Judge, 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

TABLE 2

**SMITH COUNTY, TEXAS
NON-ELECTED OFFICIALS
SEPTEMBER 30, 2006**

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

TABLE 3

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

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

* Total tax rate