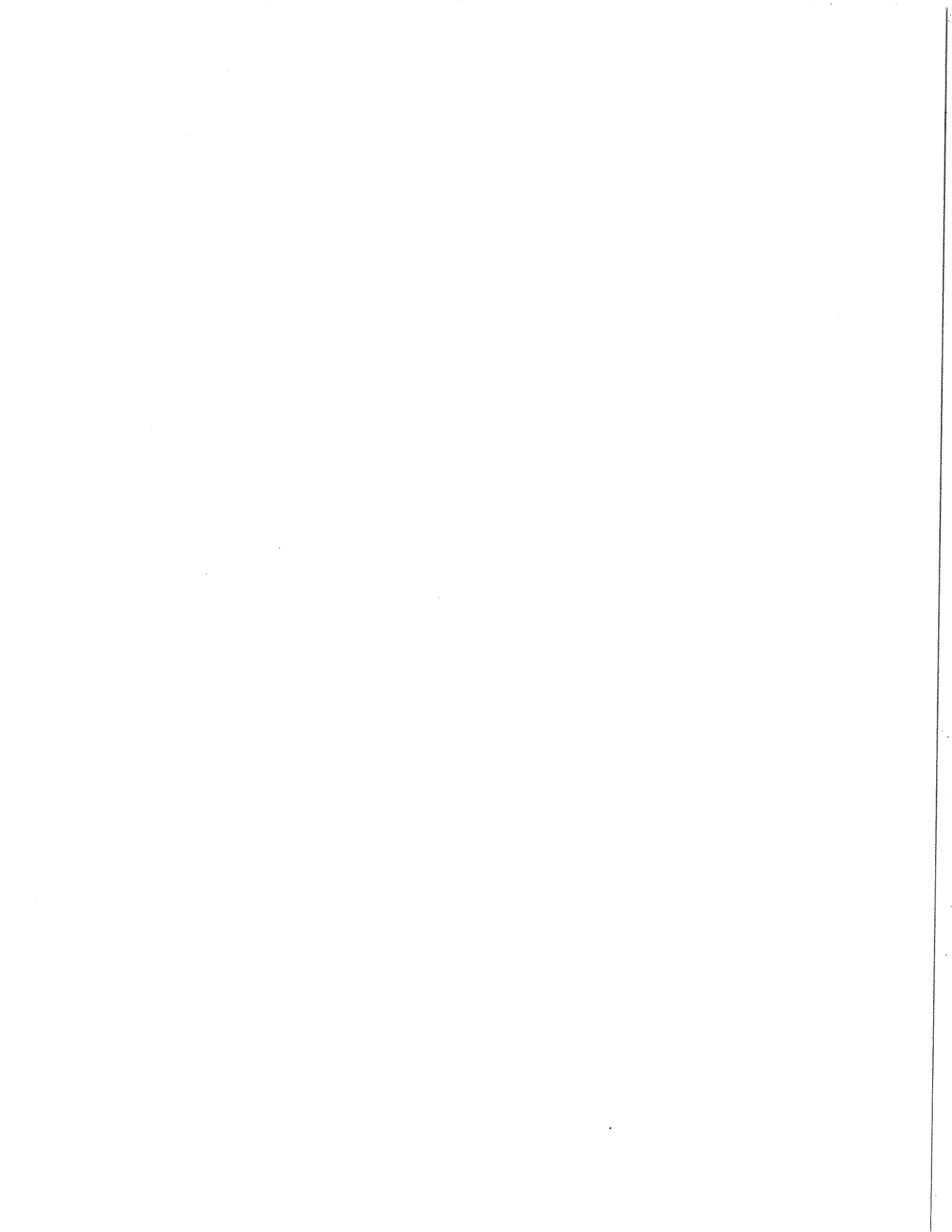


GREGG COUNTY, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2007



GREGG COUNTY, TEXAS

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INTRODUCTORY SECTION

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HONORABLE DISTRICT JUDGES
HONORABLE COMMISSIONERS' COURT

Ladies and Gentlemen:

In compliance with the statutory duties of the County Auditor as prescribed by Section 114.025 of the Local Government Code of the State of Texas, the Financial Statements of Gregg County, Texas, for the fiscal year ended September 30, 2007, are submitted herewith. The report was prepared by the County Auditor's office in conjunction with the audit firm of Pattillo, Brown & Hill, L.L.P.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the data presented is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of Gregg County. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

Generally accepted accounting principles require a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Financial Statements are presented in three sections: introductory, financial and compliance. The introductory section includes this transmittal letter, the County's organizational chart and a list of principal officials. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Gregg County's MD&A can be found in the financial section. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules in addition to the report of the independent auditors.

PROFILE OF GREGG COUNTY

Located in northeast Texas, Gregg County was inhabited by Caddo Tribes until the early 1800s and partly by Cherokee immigrants until 1839. Gregg County was settled by farmers from the southern United States after Texas achieved statehood in 1845. The construction of the railroad in the 1870's established the early towns that were to form Gregg County. In 1873, State Representative B. W. Brown introduced a bill to create Gregg County from parts of Upshur and Rusk Counties. The County seat is Longview. The name for Gregg County commemorated a leader named John Gregg who was killed in action as a Confederate General.

Cotton was the early foundation of the economy, occupying about half of the County's cultivated acreage, and the use of the uncultivated acreage was timber for the sawmills. Late in the 1930's, Gregg County was rescued from the Great Depression by the largest pool of petroleum ever discovered in the United States. The new wealth resulted in a multitude of civic improvements being initiated before drilling slacked off.

Beginning in 1964, the construction of Interstate Highway 20 confirmed Gregg County's fortunate location on a natural east-west transportation artery. The economy that was based almost entirely on oil production and manufacturing has successfully diversified to sustain slow growth.

The County is a political subdivision of the State of Texas. The general governing body of the County is the elected five-member Commissioners' Court in accordance with Article 5, Paragraph 18 of the Texas Constitution. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term.

The Commissioners' Court sets the tax rates, establishes policies for County operations, approves contracts for the County and develops and adopts the County budget based on revenue estimates provided by the County Auditor. The Commissioners' Court is also responsible for approving financial commitments and appointment of various department heads. The management and leadership provided by members of the Commissioners' Court and the elected and appointed officials of other key County offices is crucial to the success of the County in financial management and growth.

The County Auditor has the responsibilities for prescribing the systems and procedures for handling the finances of the County and "examining, auditing and approving" all disbursements from County funds prior to their submission to the Commissioners' Court for approval.

The County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. A primary service is the administration of justice, which includes the civil and criminal county and district courts, justices of the peace, constables, district attorney, investigators, clerks of the courts, sheriff, jail, security and emergency management. Other functions performed by the County include 1) the construction and maintenance of roads and bridges, either independently or in cooperation with other entities; 2) administration of public health services; 3) assistance to indigents; 4) the provision of juvenile, health, education and welfare services involving the care and correction of dependent or delinquent children; 5) property tax collections for multiple agencies; 6) administration of elections; and 7) depository of public records. The County also operates an airport for the benefit of its citizens.

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit As a recipient of federal and state financial assistance, the County is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the County.

The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1997 and U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including a schedule of expenditures of federal and state awards, findings and questioned costs, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in the compliance section of this report.

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended September 30, 2007, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Factors Affecting Financial Condition

An understanding of the financial condition of Gregg County is enhanced through a perspective of the environment in which the County operates.

Local Economy The County has diversified its economy from oil and gas and now includes manufacturing, medical and retail facilities. This diversification has lessened the effects of past economic downturns. Over the past decade, mineral values associated with the oil and gas industry have declined significantly and had an adverse affect on the County's tax base. The rise in property values over that time period, the addition of national retail stores within the County and expansions of existing companies have helped stabilize the overall tax base by substantially offsetting the mineral value decreases. Since 2005, gas production increased in the area and due to the rising price of oil, mineral values have increased since that time. Property values have risen to the current \$7.16 billion.

The 2000 census for the County was 111,379, an increase of 6.13% since 1990. Estimated population for 2007 is 117,090. Gregg County Gross Sales all industries for 2007 totaled \$8.48 billion. The latest median family income per household available is \$38,333 (2004).

Unemployment Rates

	Annual 2007	Annual 2006	Annual 2005
Gregg County	4.2% ^{*(January, 08)}	4.6%	5.0%
State of Texas	4.3%	4.9%	5.4%
United States	4.6%	4.6%	5.1%

Budgetary Controls The annual budget serves as the foundation for the County's planning and control. Budget hearings are posted annually in August by the Budget Director's office with the final budget and setting of the tax rate approved by the Commissioners' Court following the hearings. Activities of the general fund, certain special revenue funds and debt service funds are included in the annual budget. Project length financial plans are adopted for capital projects funds. The budget is also approved at the position level to maintain control of salaries at the position level instead of the department level. The County maintains an encumbrance accounting system as one method of accomplishing budgetary control. Encumbered amounts lapse at year-end and are not appropriated as part of the following year's budget. Budget to actual comparisons are provided in this report for each major governmental fund.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Cash Management The Commissioners' Court has adopted a formal investment policy for the County consistent with State statutes governing the investment of County funds and has designated the County Clerk as the investment officer. The policy is reviewed and, if necessary, updated annually. The general objectives set forth in the policy provide for financial security and optimum liquidity of County funds while achieving the maximum yield on funds invested and maximum levels of invested funds. Generally, the County has limited its investments to certificates of deposit with the County's depository bank and government securities.

The County maintains an overall account balance at its depository bank necessary to offset bank charges. Cash temporarily idle in excess of this minimum balance is invested on a daily basis in qualified "sweep" investments. Interest rates on bank deposits are governed by the County's depository contract.

Risk Management Gregg County provides for the management of risks through a combination of self-insurance and traditional insurance. Currently, the County has workman's compensation, unemployment compensation, public official liability, law enforcement liability, and general liability policies through the Texas Association of Counties self-insurance program. Traditional insurance includes coverage for property damage, automobile liability and some professional liability.

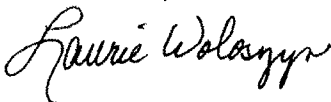
OTHER INFORMATION

Independent Audit While State statutes do not require an annual audit by independent certified public accountants, Gregg County has followed the policy of having an annual independent audit of its financial records. This policy has been continued for fiscal year 2007 with the engagement of the firm of Pattillo, Brown and Hill, L.L.P. The audit was designed to meet the requirements of the federal Single Audit Act of 1997 and OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the compliance section.

Acknowledgements I would like to express my appreciation to the staff of the Auditor's office. Thank you for the dedication you continue to show the County and for your efforts in making this report possible.

I would also like to express my appreciation to all the officials and members of County offices who assisted in and contributed to the preparation of this annual report and in the financial administration of the County. In addition, I express my appreciation to the District Judges Robin Sage, Alvin Khoury and David Brabham, County Judge Bill Stoudt and the members of the Commissioners' Court who have given their support in planning and conducting the financial operation and management of Gregg County in a responsible manner.

Respectfully submitted,



Laurie Woloszyn
Auditor

GREGG COUNTY, TEXAS

PRINCIPAL COUNTY OFFICIALS

SEPTEMBER 30, 2007

William Stoudt..... County Judge
Charles Davis Commissioner, Precinct No. 1
Darryl Primo Commissioner, Precinct No. 2
Bob Barbee Commissioner, Precinct No. 3
John Mathis Commissioner, Precinct No. 4
Kirk Shields..... Tax Assessor - Collector
William Jennings Criminal District Attorney
Barbara Duncan District Clerk
Connie Wade County Clerk
Maxey Cerliano..... County Sheriff

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable County Judge
and Members of the Commissioners' Court
Gregg County
Longview, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gregg County, Texas as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gregg 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 opinions.

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 Gregg County, Texas as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Road and Bridge Special Revenue Fund and Health Care Special Revenue Fund 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 2, 2008, on our consideration of Gregg County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gregg County, Texas' basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is 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 Nonprofit Organizations*, and is also not a required part of the basic financial statements of Gregg County, Texas. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal 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 introductory section 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.

Patillo, Brown & Hill, L.L.P.

May 2, 2008

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Gregg County, we offer readers of Gregg County's financial statements this narrative overview and analysis of the financial activities of Gregg County for the fiscal year ended September 30, 2007. Gregg County is presenting financial information in the new reporting format required by Governmental Accounting Standards Board (GASB) Statement 34. This is the first year of retroactive infrastructure reporting for compliance with this statement. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to financial statements and our letter of transmittal, which can be found on pages i-iv of this report.

The Gregg County Child Welfare component unit is not included in this discussion and analysis due to the immaterial nature of the program in relation to Gregg County finances.

FINANCIAL HIGHLIGHTS

The assets of Gregg County exceeded its liabilities at the close of fiscal year 2007 by \$91,780,457 (*net assets*). Of this amount, \$39,146,149 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

- The County's total net assets increased by \$15,762,442 primarily due to fund balance increases and infrastructure improvements related to capital grants and contributions.
- As of September 30, 2007, Gregg County's governmental funds reported combined ending fund balances of \$35,941,371, an increase of \$9,982,972 or 38.45% in comparison with the prior year. \$35,599,643 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of fiscal year 2007, total unreserved fund balance for the General Fund was \$27,085,477 or 103.14% of total General Fund expenditures, compared to 75.6% in 2006 and 42.4% in 2005.
- Gregg County's outstanding bonds payable decreased by \$860,000 (50.0%) during fiscal year 2007. Gregg County's total outstanding debt at the end of fiscal year 2007 is \$860,000. The final debt payment on this debt is due on March 1, 2008.
- Capital Grants and Contributions increased by \$2,075,119 or 66.30% over FY 2006. This is due to the continuing grant contributions for infrastructure rehab at the East Texas Regional Airport.
- Major expenditure increases for fiscal year 2007 include \$989,099 (22.49%) in Transportation and Roads, \$1,768,104 (17.99%) in Public Safety, and \$553,706 (25.71%) in Health and Human Services. The Health and Human Services expenditure increase is offset by additional grant revenue received in fiscal year 2007. Also, the Public Safety expenditure increase is offset by the increase in contract jail operation revenue received in fiscal year 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Gregg County's basic financial statements. Gregg County's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of Gregg County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Gregg County's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gregg County is improving or deteriorating.

The *statement of activities* presents information showing how the government's 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 related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Gregg County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Gregg County include general government, public safety, judicial, health and human services, public buildings and transportation and roads. Gregg County reports no business-type activities.

The government-wide financial statements can be found on pages 15 – 16 of this report.

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

Governmental 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 fund 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 a government'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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Gregg County maintains 54 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road and Bridge, Health Care and Debt Service funds, all of which are considered to be major funds. Data from the other 50 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Gregg County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Budgetary comparisons for the Road and Bridge and Health Care Funds are provided elsewhere in this report.

The basic governmental fund financial statements can be found on pages 17 – 46 of this report.

Proprietary Funds: Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. Gregg County uses Internal Service Funds to account for self-funding for medical and dental insurance and print shop activities. Because both of these services exclusively benefit government rather than business-type functions, they have been included within governmental activities in the government-wide statements.

The basic proprietary fund financial statements can be found on pages 43 – 45 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Gregg County's own programs.

The basic fiduciary fund financial statement can be found on page 46 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 – 62 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 63 – 88 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Gregg County, assets exceeded liabilities by \$91,780,457 at the close of the most recent fiscal year.

Gregg County's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, is 57.19% of net assets. Gregg County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Gregg County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Gregg County's Net Assets

	Governmental Activities	
	2007	2006
Current and other assets	\$ 42,369,517	\$ 31,816,215
Capital assets	53,622,439	34,822,672
Total assets	95,991,956	66,638,887
Long-term liabilities	740,186	1,363,918
Other liabilities	3,471,313	3,216,533
Total liabilities	4,211,499	4,580,451
Net assets:		
Invested in capital assets, net of related debt	52,493,563	33,113,380
Restricted	140,745	99,244
Unrestricted	39,146,149	28,845,812
Total net assets	91,780,457	62,058,436
Retroactive infrastructure adjustment	-	13,835,061
Total net assets post GASB 34	\$ 91,780,457	\$ 75,893,497

An additional portion of Gregg County's net assets (.15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$39,146,149 (42.65%) may be used to meet the government's ongoing obligations to citizens and creditors.

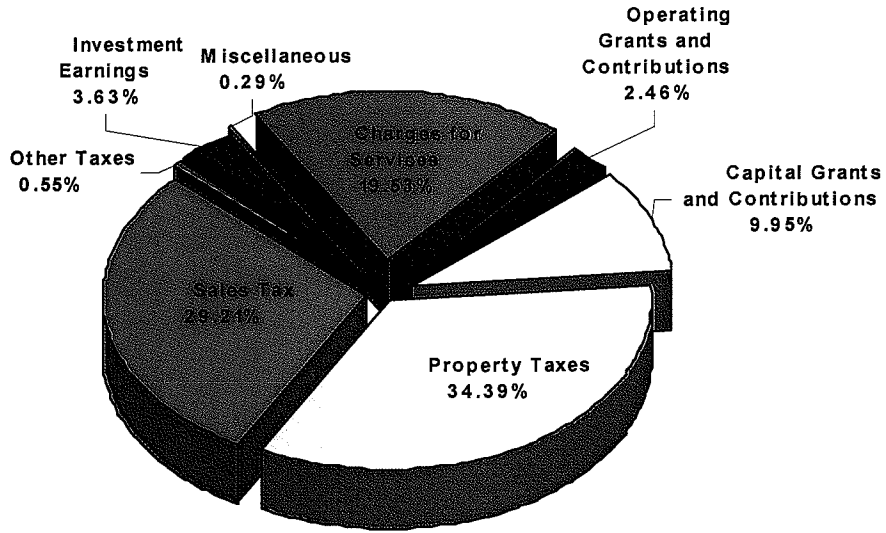
At the end of the current fiscal year, Gregg County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior four fiscal years.

Governmental Activities: Governmental activities increased Gregg County's net assets by \$15,762,442 thereby accounting for a gain of 20.74% increase of the total net assets of Gregg County. As a comparison to the prior two years, net assets increased by .25% in FY 2006 and 18.95% in FY 2005.

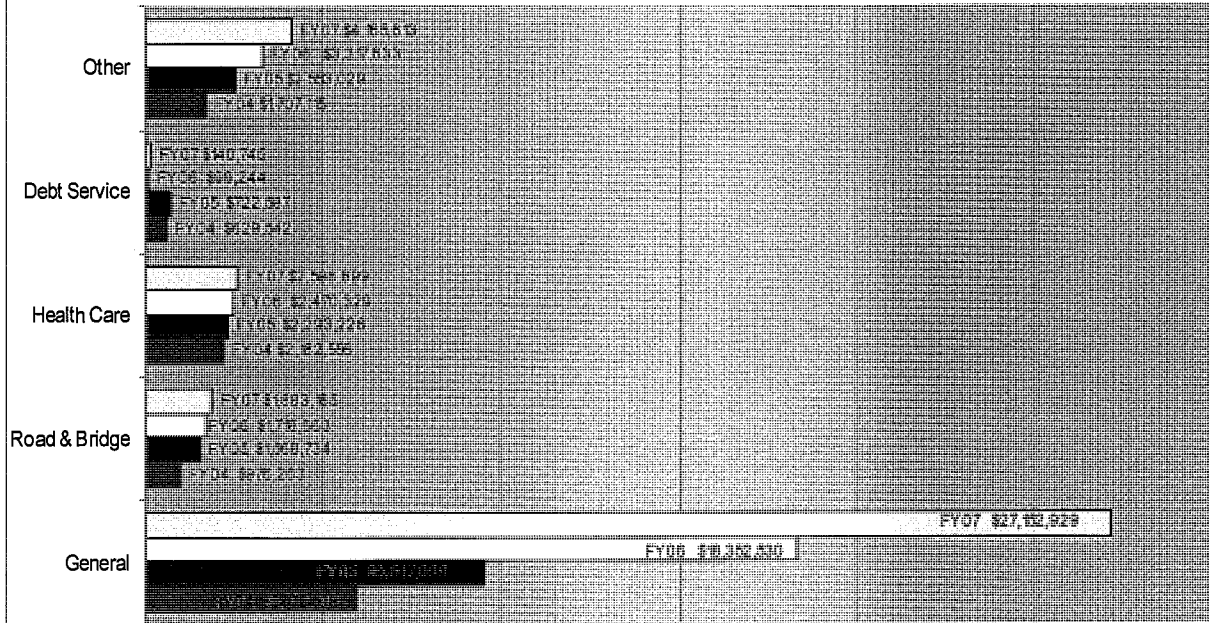
Gregg County's Changes in Net Assets

	Governmental Activities	
	2007	2006
REVENUES		
Program revenues		
Charges for services	\$ 10,222,416	\$ 8,772,649
Operating grants and contributions	1,287,135	1,619,853
Capital grants and contributions	5,205,230	3,130,111
General revenues		
Property taxes	17,995,408	16,553,242
Sales tax	15,288,500	15,060,036
Other taxes	287,416	257,967
Investment earnings	1,898,174	1,291,587
Miscellaneous	149,661	26,880
Total revenues	52,333,940	46,712,325
EXPENSES		
General government	8,542,001	8,390,812
Judicial	5,493,674	5,081,639
Public safety	11,597,098	9,828,994
Health and human services	2,707,724	2,154,018
Public buildings	2,806,514	2,767,706
Transportation and roads	5,386,309	4,397,210
Interest on long-term debt	38,178	47,954
Total expenses	36,571,498	32,668,333
CHANGE IN NET ASSETS	15,762,442	14,043,992
NET ASSETS, BEGINNING	62,058,436	48,014,444
PRIOR PERIOD ADJUSTMENT	13,959,579	-
NET ASSETS, BEGINNING, AS RESTATED	76,018,015	48,014,444
NET ASSETS, ENDING	\$ 91,780,457	\$ 62,058,436

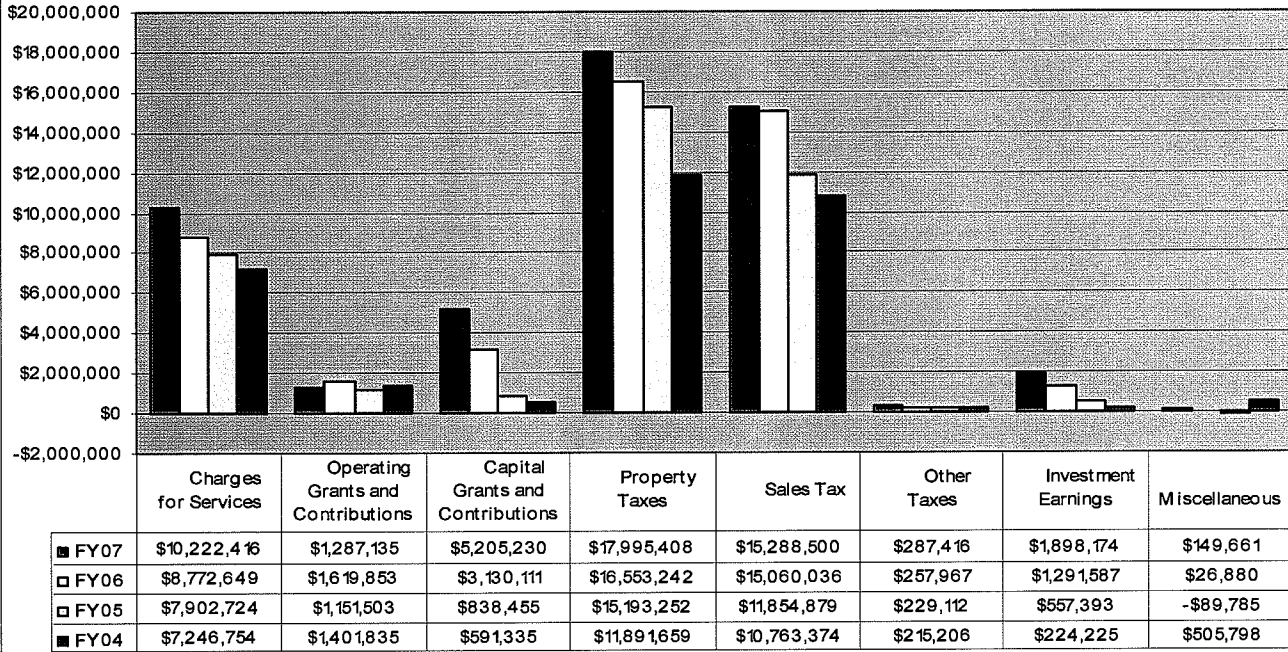
Revenue Sources FY 2007



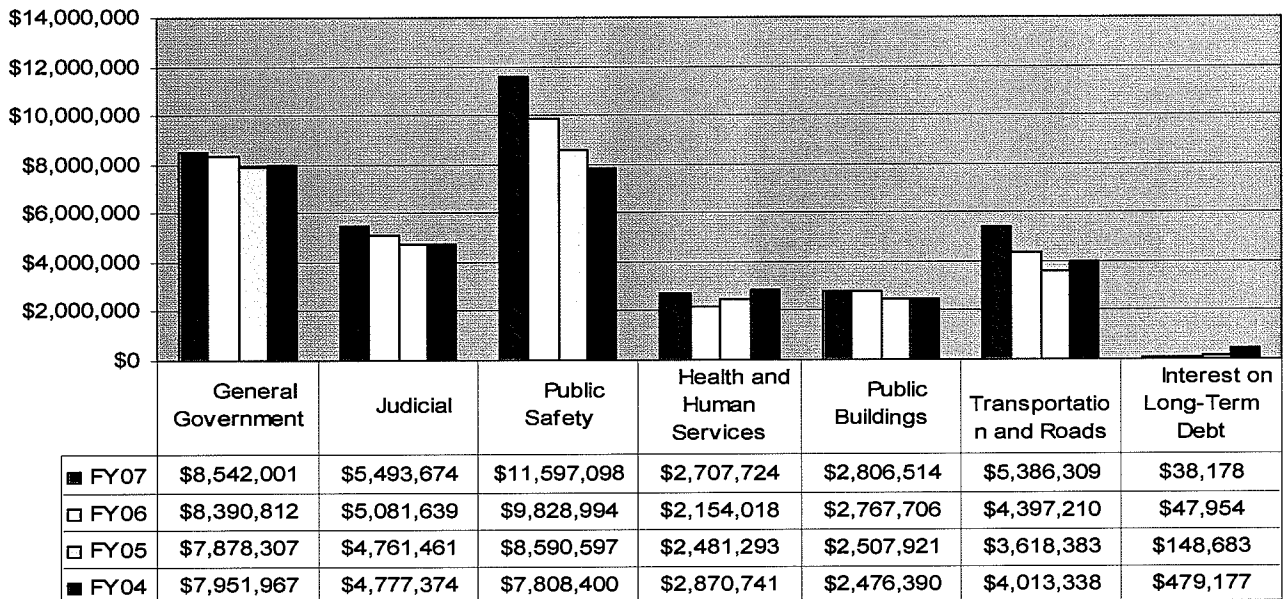
Ending Fund Balance FY2004-2007



**Primary Government Revenue by Type
FY2004-2007**



**Primary Government Expenditures By Type
FY2004-2007**



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Gregg County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of Gregg County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Gregg County's financing 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.

At the end of fiscal year 2007, Gregg County's *governmental funds* reported combined ending fund balances of \$35,941,371, an increase of \$9,982,972 in comparison with the prior year. Approximately 93.21% of the ending fund balance amount constitutes *unreserved fund balance*. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed: 1) to pay debt service (\$140,745); 2) to fund capital projects (\$2,098,595); 3) to reflect inventories (\$133,531); and 4) for other restricted purposes (\$67,452).

The General Fund is the chief operating fund of Gregg County. At the end of fiscal year 2007, the General Fund had an ending fund balance of \$27,152,929 with less than 1% reserved as prepaid items. This is an increase of 47.95% over the 2006 ending fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 103.14% of total General Fund expenditures. The fund balance of Gregg County's General Fund increased by \$8,800,399 during 2007. This increase is primarily the result of:

- Ad valorem tax revenue increased by 19.94% or \$2,472,315 from the prior year due to a larger percentage of tax monies distributed to the General Fund, along with an increase in the appraised tax base for FY 2007.
- Investment earnings increased by 47.70% or \$415,078 from the prior year due to the increase in idle cash available for investment and the increased interest rate.
- In April of 2007, Gregg County changed from leasing available jail space to a third party to managing the operations internally and contracting with other entities to house their inmates. With only six months of managing these operations, revenues in fiscal year 2007 increased \$1,459,223. Expenditure increases can be found in jail operation expenditures but at a smaller rate.
- Sales tax revenues increased \$1,070,302 (8.56%) net of the FY 2007 accrual.
- Total revenues increased by \$4,609,095 (14.06%) while total expenditures increased only \$1,999,710 (8.24%).

The Road and Bridge Fund had an ending fund balance of \$1,883,185, a net increase of \$164,522 (9.57%) of which \$127,214 is reserved for inventories and \$96,213 is designated for General Fund projects. Other financing sources included \$413,518 received from the sale of capital assets and \$274,230 from proceeds of a note payable for equipment purchased for Precinct 1.

The Health Care Fund reported an increase of \$128,570 (5.2%) for an ending fund balance of \$2,598,899.

At year-end, the Debt Service Fund had a fund balance of \$140,745 all of which is reserved for the payment of debt.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- An increase of \$275,885 in expenditure appropriations.
- A difference of \$100,000 between the original budgeted revenues and the final amended budget revenues.

A budgeted transfer of \$2,004,748 to a capital project computer upgrade fund was made during FY 2007. The majority of funds will be used for a Countywide judicial system and tax office upgrade. The project is approximately 50% funded at the end of FY 2007.

Actual revenues exceeded final budgeted revenues by \$5,436,151 due primarily to conservative estimates in sales tax receipts, jail lease revenues and investment earnings. Actual expenditures were under the final budgeted expenditure amount by \$1,423,565.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Gregg County adopted its new Capital Asset Policy beginning in 2003. Depreciation policies were adopted to include useful life and classification by function. Standard capitalization thresholds were established for each major class of asset and are as follows:

Building/Improvements	\$ 25,000
Improvements other than building	25,000
Infrastructure	25,000
Machinery, equipment and other assets	5,000
Construction in progress	25,000

This is the first year Gregg County is reporting retroactive infrastructure assets in conjunction with GASB 34 requirements. The method used to value the infrastructure is the estimated historical cost based on the average age of the infrastructure system. The retroactive additions to infrastructure are as follows:

	Estimated Historical Cost	Accumulated Depreication 10/01/06	Net Book Value 10/01/06
Roads	\$ 35,089,853	\$ 22,082,612	\$ 13,007,241
Bridges	2,091,513	1,268,754	822,759
Airport	<u>1,641,914</u>	<u>1,512,335</u>	<u>129,579</u>
	<u>\$ 38,823,280</u>	<u>\$ 24,863,701</u>	<u>\$ 13,959,579</u>

Capital Assets. As of September 30, 2007, Gregg County’s investment in capital assets amounts to \$53,622,439 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, machinery and equipment, construction in progress and airport infrastructure.

**Gregg County's Capital Assets
(net of depreciation)**

	<u>2007</u>	<u>2006</u>
Land	\$ 1,300,308	\$ 1,300,308
Construction in progress	6,623,884	4,733,291
Buildings and improvements	36,861,681	36,149,072
Infrastructure	50,602,577	7,371,133
Machinery, equipment and other assets	11,479,541	11,293,532
Less: accumulated depreciation	<u>(53,245,552)</u>	<u>(26,024,664)</u>
Total	<u>\$ 53,622,439</u>	<u>\$ 34,822,672</u>

The County had the following major additions to capital assets:

Airport - GA Apron Improvements Phase 1	\$ 2,190,668
Airport - GA Apron Improvements Phase 2	1,640,039

Total capital machinery and equipment expenditures for 2007 are \$1,369,408. Major additions are as follows:

<u>Function</u>	<u>Department</u>	<u>Equipment</u>	
General government	Airport	Tractor, tractor-backhoe pickup, wing cutter	\$ 146,961
Transportation and roads	Precinct 1	Motorgrader, reclaimer, pickup	544,546
	Precinct 3	Motorgrader, gooseneck trailer, pickup, mower	283,410
	Precinct 4	Broom/blade, pickups (3) mower	119,073
Law enforcement	Corrections	Vehicles (9), kitchen equipment, washers, communications	243,285

Gregg County had the following additions to buildings and improvements other than building:

Records management	New building	\$ 472,201
Courthouse building	Retube boiler #1	37,907
Youth detention center	7 air conditioning units	26,698
Airport building	Chiller replacement	143,154
Airport	Signage	32,649

During 2007, Gregg County had the following expenditures related to major capital projects still in progress:

Airport	Runway safety area improvement	\$ 612,962
Airport	Runway/taxiway/drainage	4,329,274
General government	Computer upgrade project	1,051,085

Additional information on Gregg County's capital assets can be found in Note 4 on page 56 of this report.

Long-term Debt: At the end of fiscal year 2007, Gregg County had total debt outstanding of \$1,689,382. \$943,842 (56%) is due within one year. The final amount due on general obligation bonds is \$860,000 less deferred amounts of \$5,354. Accrued compensated absences of \$560,506 and a note payable in the amount of \$274,230 comprise the remaining debt balance.

The County's overall debt decreased by \$862,021 from the prior year.

Gregg County maintains an "A+" rating from Standard & Poor's and an "A2" rating from Moody's for general obligation debt.

Additional information on Gregg County's long-term debt can be found in Note 4 on page 58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Gregg County will continue to maintain a favorable debt position. The final payment of current bonded indebtedness is scheduled for March 1, 2008.

Revenue from Contract Jail Services will increase during FY 2008 when a full 12-month period is realized.

The General Fund posted a net increase in fund balance for the past three years. The increase in 2007 is mainly due to increased revenue in sales tax, property tax, interest rate increases, and internal operation, and leasing excess jail space. The reduction in General Fund balances for the four prior audited fiscal years (2001 – 2004) was due to state mandates, increasing health care costs, decline in interest rates and several one-time capital improvements/purchases that required County officials to examine its tax rate in FY 2005.

Considering the current favorable financial position and fund balance Gregg County has acquired, the Commissioner's Court approved a one cent reduction in the 2007 tax rate to .2700 per \$100 valuation. This rate will adequately fund the FY08 budget.

The reduction in the tax rate was conservative due to the County formally adopting a CIP in FY 2008 for determination of necessary future capital projects. The Commissioners' Court has held discussions on the funding of near term capital projects with cash or a combination of cash and a debt issue in lieu of a larger debt issue. Consideration is being given to fund these projects at least partially with the fund balances. Capital projects being reviewed are 1) in cooperation with the City of Longview, the Gregg County Coliseum, and 2) a multilevel courthouse parking garage with office expansion.

Budgeted revenue for fiscal year 2008 is \$54,986,444 and the estimated budgeted expenditures are \$52,934,178. Additionally, other financing sources are budgeted at \$1,197,500 and other financing uses are budgeted at \$1,306,296 for a net increase in fund balances of \$1,943,470. The majority of the other financing uses are the cash match of \$1,032,500 for the Airport Improvement grants.

Interest rates will decline in FY2008, but with the robust fund balances interest earnings should not decline dramatically.

All of these factors were considered in preparing Gregg County's budget for the 2008 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Gregg County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Auditor's Office
101 E. Methvin, Ste 306
Longview, TX 75601.

**BASIC
FINANCIAL STATEMENTS**

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GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Child Welfare</u> <u>Board</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,411,053	\$ 62,856
Investments	27,940,174	101,175
Receivables (net of allowances for uncollectibles)		
Due from other governments	3,868,434	-
Accounts	2,169,429	2,264
Taxes	770,863	-
Inventory	142,112	-
Prepays	67,452	-
Capital assets (net of accumulated depreciation)		
Land	1,300,308	-
Buildings and improvements	36,861,681	-
Equipment	11,479,541	-
Infrastructure	50,602,577	-
Construction work in progress	6,623,884	-
Less: accumulated depreciation	<u>(53,245,552)</u>	<u>-</u>
Total capital assets	<u>53,622,439</u>	<u>-</u>
Total assets	<u>95,991,956</u>	<u>166,295</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,999,130	7,628
Accounts payable - other governments	26,738	-
Accrued liabilities	458,822	-
Accrued interest	9,452	-
Deferred revenue	27,975	-
Noncurrent liabilities:		
Due within one year	943,842	-
Due within more than one year	<u>745,540</u>	<u>-</u>
Total liabilities	<u>4,211,499</u>	<u>7,628</u>
NET ASSETS		
Invested in capital assets, net of related debt	52,493,563	-
Restricted for debt service	140,745	-
Unrestricted	<u>39,146,149</u>	<u>158,667</u>
Total net assets	<u>\$ 91,780,457</u>	<u>\$ 158,667</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Governmental Activities
Primary government:						
Governmental activities:						
General government	\$ 8,542,001	\$ 3,056,985	\$ 48,748	\$ 5,205,230	\$(231,038)	\$ -
Judicial	5,493,674	1,889,671	319,857	-	(3,284,146)	-
Public safety	11,597,098	1,169,268	226,344	-	(10,201,486)	-
Health and human services	2,707,724	39,854	667,771	-	(2,000,099)	-
Public buildings	2,806,514	2,217,764	-	-	(588,750)	-
Transportation and roads	5,386,309	1,848,874	24,415	-	(3,513,020)	-
Interest on long-term debt	38,178	-	-	-	(38,178)	-
Total primary government	\$ 36,571,498	\$ 10,222,416	\$ 1,287,135	\$ 5,205,230	(19,856,717)	-
Component unit:						
Child Welfare Board	\$ 94,326	\$ 24,908	\$ -	\$ -	-	(69,418)
Total component unit	\$ 94,326	\$ 24,908	\$ -	\$ -	-	(69,418)
General revenues:						
Taxes:						
Property taxes					17,995,408	-
Sales taxes					15,288,500	-
Alcoholic beverage taxes					187,869	-
Other taxes					99,547	-
Unrestricted investment earnings					1,898,174	10,632
Gain on sale of assets					227,854	-
Gain on insurance proceeds					11,807	-
Transfers					(90,000)	90,000
Total general revenues and transfers					35,619,159	100,632
Change in net assets					15,762,442	31,214
Net assets, beginning					62,058,436	127,453
Prior period adjustment					13,959,579	-
Net assets, beginning, as restated					76,018,015	127,453
Net assets, ending					\$ 91,780,457	\$ 158,667

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

GREGG COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Health Care</u>
ASSETS			
Cash and cash equivalents	\$ 3,182,508	\$ 356,001	\$ 196,964
Investments	21,158,149	1,958,875	2,389,923
Receivables (net of allowance for uncollectibles)			
Other governments	3,125,475	7,041	-
Accounts	1,199,392	714,014	12,012
Delinquent property taxes	635,137	53,136	-
Due from other funds	104,355	-	-
Inventory - materials/supplies	-	127,214	-
Prepays	<u>67,452</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>29,472,468</u>	\$ <u>3,216,281</u>	\$ <u>2,598,899</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 628,353	\$ 629,536	\$ -
Accounts payable - other governments	23,050	688	-
Accrued liabilities	387,444	41,242	-
Deferred revenues	1,280,692	661,630	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,319,539</u>	<u>1,333,096</u>	<u>-</u>
Fund balances:			
Reserved for:			
Debt service	-	-	-
Inventory	-	127,214	-
Prepays	67,452	-	-
Unreserved, reported in:			
General fund	27,085,477	-	-
Special revenue funds			
Designated for general fund projects	-	96,213	-
Undesignated	-	1,659,758	2,598,899
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>27,152,929</u>	<u>1,883,185</u>	<u>2,598,899</u>
Total liabilities and fund balances	\$ <u>29,472,468</u>	\$ <u>3,216,281</u>	\$ <u>2,598,899</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

An Internal Service Fund is used by management to charges the costs of certain capital assets to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net assets.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

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

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 138,043	\$ 3,096,084	\$ 6,969,600
-	921,437	26,428,384
-	735,825	3,868,341
965	169,244	2,095,627
38,543	44,047	770,863
-	-	104,355
-	6,317	133,531
-	-	67,452
<u>\$ 177,551</u>	<u>\$ 4,972,954</u>	<u>\$ 40,438,153</u>
\$ -	\$ 575,190	\$ 1,833,079
-	3,000	26,738
-	29,515	458,201
36,806	95,281	2,074,409
-	104,355	104,355
<u>36,806</u>	<u>807,341</u>	<u>4,496,782</u>
140,745	-	140,745
-	6,317	133,531
-	-	67,452
-	-	27,085,477
-	-	96,213
-	2,060,701	6,319,358
-	2,098,595	2,098,595
<u>140,745</u>	<u>4,165,613</u>	<u>35,941,371</u>
<u>\$ 177,551</u>	<u>\$ 4,972,954</u>	
		53,614,884
		2,046,434
		1,876,603
		(1,698,835)
		<u>\$ 91,780,457</u>

GREGG COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Health Care</u>
REVENUES			
Taxes:			
Current property taxes	\$ 14,472,000	\$ 1,209,577	\$ -
Delinquent property taxes	396,406	34,503	-
Alcoholic beverage tax	187,869	-	-
Bingo tax	99,547	-	-
Sales tax	13,581,667	-	-
Motor vehicle sales tax	286,447	1,420,387	-
Licenses and permits	71,772	1,224,869	-
Intergovernmental	601,007	24,415	99,215
Charges for services	3,591,721	16,819	-
Fines and forfeitures	590,465	557,428	-
Investment earnings	1,285,301	162,009	109,355
Rents and commissions	239,859	-	-
Miscellaneous	<u>1,996,133</u>	<u>2,935</u>	<u>-</u>
Total revenues	<u>37,400,194</u>	<u>4,652,942</u>	<u>208,570</u>
EXPENDITURES			
Current:			
General government	6,518,888	-	-
Judicial	5,108,427	-	-
Public safety	10,388,557	-	-
Health and human services	2,176,116	-	80,000
Public buildings	2,068,658	-	-
Transportation and roads	-	5,362,341	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>26,260,646</u>	<u>5,362,341</u>	<u>80,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,139,548</u>	<u>(709,399)</u>	<u>128,570</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	100,215	184,125	-
Transfers out	(2,476,150)	-	-
Proceeds from note payable	-	274,230	-
Sale of capital assets	27,026	413,518	-
Insurance proceeds	9,760	2,048	-
Total other financing sources (uses)	<u>(2,339,149)</u>	<u>873,921</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	8,800,399	164,522	128,570
FUND BALANCES, BEGINNING	<u>18,352,530</u>	<u>1,718,663</u>	<u>2,470,329</u>
FUND BALANCES, ENDING	<u>\$ 27,152,929</u>	<u>\$ 1,883,185</u>	<u>\$ 2,598,899</u>

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

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 877,670	\$ 993,299	\$ 17,552,546
26,839	43,093	500,841
-	-	187,869
-	-	99,547
-	-	13,581,667
-	-	1,706,834
-	-	1,296,641
-	6,181,602	6,906,239
-	706,625	4,315,165
-	-	1,147,893
23,135	214,401	1,794,201
-	486,927	726,786
-	218,312	2,217,380
<u>927,644</u>	<u>8,844,259</u>	<u>52,033,609</u>
-	1,422,263	7,941,151
-	399,370	5,507,797
-	1,242,879	11,631,436
-	533,736	2,789,852
-	55,240	2,123,898
-	-	5,362,341
860,000	-	860,000
26,143	-	26,143
-	6,535,229	6,535,229
<u>886,143</u>	<u>10,188,717</u>	<u>42,777,847</u>
<u>41,501</u>	<u>(1,344,458)</u>	<u>9,255,762</u>
-	2,675,830	2,960,170
-	(484,020)	(2,960,170)
-	-	274,230
-	628	441,172
-	-	11,808
<u>-</u>	<u>2,192,438</u>	<u>727,210</u>
41,501	847,980	9,982,972
<u>99,244</u>	<u>3,317,633</u>	<u>25,958,399</u>
\$ <u>140,745</u>	\$ <u>4,165,613</u>	\$ <u>35,941,371</u>

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GREGG COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2007

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances - total governmental funds (pages 19 - 20)	\$ 9,982,972
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 exceed depreciation expense in the current period.	5,178,825
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(213,319)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	53,305
The issuance of long-term debt (e.g., bonds, leases) 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 the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these 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.	585,770
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(57,916)
Internal Service Funds are used by management to charge the costs of certain capital assets to individual funds. The net revenue of certain activities of Internal Service Funds is reported with governmental activities.	<u>232,805</u>
Change in net assets of governmental activities (page 16)	<u>\$ 15,762,442</u>

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

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Current property taxes	\$ 14,706,498	\$ 14,706,498	\$ 14,472,000	\$(234,498)
Delinquent property taxes	380,489	380,489	396,406	15,917
Alcoholic beverage tax	140,000	140,000	187,869	47,869
Bingo tax	65,000	65,000	99,547	34,547
Sales tax	10,750,000	10,750,000	13,581,667	2,831,667
Motor vehicle sales tax	-	-	286,447	286,447
Total taxes	<u>26,041,987</u>	<u>26,041,987</u>	<u>29,023,936</u>	<u>2,981,949</u>
Licenses and permits:				
Alcoholic beverage licenses	25,000	25,000	26,865	1,865
Sexually oriented businesses	10,000	10,000	12,900	2,900
Bail bond applications	1,000	1,000	2,000	1,000
Sewage disposal systems	25,000	25,000	30,007	5,007
Total licenses and permits	<u>61,000</u>	<u>61,000</u>	<u>71,772</u>	<u>10,772</u>
Intergovernmental:				
Federal grant	14,000	14,000	15,548	1,548
State grant - Sheriff STEP	-	-	9,585	9,585
Juvenile salary supplement	-	-	5,000	5,000
State supplement - court at law	90,000	90,000	99,158	9,158
State supplement - assistant prosecutors	15,000	15,000	14,914	(86)
State - indigent defense	50,000	50,000	59,224	9,224
State - juror reimbursement	50,000	50,000	74,596	24,596
State - commercial waste management fees	150	150	209	59
City of Lakeport - sewer fees	1,000	1,000	1,000	-
Fiscal service fee	4,500	4,500	4,600	100
HIDTA Task Force	500	500	2,028	1,528
Drug Enforcement Task Force	-	-	2,020	2,020
City of Longview - prisoner care	287,265	287,265	287,265	-
ETCOG - 911 reimbursement	28,000	28,000	-	(28,000)
State election reimbursement	-	-	12,469	12,469
Child welfare board reimbursement	-	-	13,391	13,391
Total intergovernmental	<u>540,415</u>	<u>540,415</u>	<u>601,007</u>	<u>60,592</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES (Continued)				
Charges for services:				
County judge	\$ 100	\$ 100	\$ 270	\$ 170
Sheriff	330,000	330,000	343,771	13,771
Constables	90,000	90,000	105,328	15,328
County clerk	800,000	800,000	1,128,730	328,730
County clerk - bond administrative fee	15,000	15,000	19,818	4,818
County clerk - archival fee	133,000	133,000	141,200	8,200
Sheriff - bond administrative fee	1,200	1,200	2,412	1,212
District clerk - bond administrative fee	200	200	300	100
Tax assessor - collector	920,000	920,000	891,368	(28,632)
District attorney	70,000	70,000	77,036	7,036
District clerk	380,000	380,000	462,186	82,186
Justices of the peace	25,000	25,000	34,325	9,325
Trial fees	100	100	264	164
Jury	30,000	30,000	33,443	3,443
Probate judge education fees	2,000	2,000	2,680	680
Other arrest fees	50,000	50,000	75,521	25,521
County court-at-law no. 1	2,200	2,200	2,029	(171)
County court-at-law no. 2	1,500	1,500	1,776	276
State fees	68,000	68,000	93,057	25,057
State fees - TP - judicial efficiency	3,000	3,000	6,862	3,862
Court reporter service fees	48,000	48,000	51,081	3,081
DRO fees	18,000	18,000	18,621	621
Parking lot fees	5,500	5,500	5,682	182
Computer services	5,800	5,800	6,500	700
Defensive driving fees	62,000	62,000	60,932	(1,068)
Child safety fees	4,000	4,000	3,935	(65)
Traffic fees	15,000	15,000	16,641	1,641
Video fees	5,000	5,000	5,953	953
Total charges for services	<u>3,084,600</u>	<u>3,084,600</u>	<u>3,591,721</u>	<u>507,121</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES (Continued)				
Fines and forfeitures:				
Justice courts	\$ 540,000	\$ 540,000	\$ 590,465	\$ 50,465
Total fines and forfeitures	<u>540,000</u>	<u>540,000</u>	<u>590,465</u>	<u>50,465</u>
Investment earnings:				
Interest	400,000	400,000	1,240,940	840,940
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>44,361</u>	<u>44,361</u>
Total investment earnings	<u>400,000</u>	<u>400,000</u>	<u>1,285,301</u>	<u>885,301</u>
Rent and commissions:				
BorgWarner Automotive	34,100	34,100	34,098	(2)
A & M Tower, Inc.	8,041	8,041	8,443	402
Community buildings	7,500	7,500	14,420	6,920
Other rent	5,000	5,000	9,800	4,800
Royalties	8,500	8,500	11,269	2,769
Telephone coin stations	150,000	150,000	153,279	3,279
Concession commissions	<u>7,800</u>	<u>7,800</u>	<u>8,550</u>	<u>750</u>
Total rent and commissions	<u>220,941</u>	<u>220,941</u>	<u>239,859</u>	<u>18,918</u>
Miscellaneous:				
MTC - jail lease	180,000	180,000	210,517	30,517
Federal - jail lease	73,100	73,100	375,555	302,455
Contract jail revenue	697,000	797,000	1,325,200	528,200
Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>84,861</u>	<u>59,861</u>
Total miscellaneous	<u>975,100</u>	<u>1,075,100</u>	<u>1,996,133</u>	<u>921,033</u>
 Total revenues	 <u>31,864,043</u>	 <u>31,964,043</u>	 <u>37,400,194</u>	 <u>5,436,151</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES				
General government:				
County clerk - administration:				
Salaries	\$ 539,228	\$ 539,228	\$ 523,278	\$ 15,950
Fringe benefits	222,093	220,698	212,200	8,498
Operating expenses	<u>60,990</u>	<u>60,990</u>	<u>59,926</u>	<u>1,064</u>
Total County clerk - administration	<u>822,311</u>	<u>820,916</u>	<u>795,404</u>	<u>25,512</u>
County clerk - archive restoration:				
Operating expenses	<u>150,000</u>	<u>150,000</u>	-	<u>150,000</u>
Total County clerk - archive restoration	<u>150,000</u>	<u>150,000</u>	-	<u>150,000</u>
Telecommunications:				
Salaries	38,500	38,500	35,318	3,182
Fringe benefits	6,576	6,616	6,063	553
Operating expenses	<u>200</u>	<u>160</u>	<u>102</u>	<u>58</u>
Total telecommunications	<u>45,276</u>	<u>45,276</u>	<u>41,483</u>	<u>3,793</u>
Purchasing:				
Salaries	101,940	101,940	101,940	-
Fringe benefits	30,889	30,569	30,373	196
Operating expenses	<u>8,800</u>	<u>8,800</u>	<u>7,095</u>	<u>1,705</u>
Total purchasing	<u>141,629</u>	<u>141,309</u>	<u>139,408</u>	<u>1,901</u>
Human resources:				
Salaries	116,703	116,703	116,353	350
Fringe benefits	39,791	39,446	38,953	493
Operating expenses	<u>13,958</u>	<u>13,958</u>	<u>13,466</u>	<u>492</u>
Total human resources	<u>170,452</u>	<u>170,107</u>	<u>168,772</u>	<u>1,335</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
General government: (Continued)				
Nondepartmental - general government:				
Fringe benefits	\$ 83,981	\$ 39,011	\$ 57	\$ 38,954
Operating expenses	<u>2,372,125</u>	<u>2,017,328</u>	<u>1,922,130</u>	<u>95,198</u>
Total nondepartmental - general government	<u>2,456,106</u>	<u>2,056,339</u>	<u>1,922,187</u>	<u>134,152</u>
County judge:				
Salaries	161,037	161,036	158,036	3,000
Fringe benefits	47,642	47,261	46,362	899
Operating expenses	<u>17,375</u>	<u>17,375</u>	<u>9,745</u>	<u>7,630</u>
Total County judge	<u>226,054</u>	<u>225,672</u>	<u>214,143</u>	<u>11,529</u>
Postal services:				
Operating expenses	<u>39,610</u>	<u>39,610</u>	<u>9,280</u>	<u>30,330</u>
Total postal services	<u>39,610</u>	<u>39,610</u>	<u>9,280</u>	<u>30,330</u>
Elections:				
Salaries	152,600	159,481	152,942	6,539
Fringe benefits	52,139	52,132	47,230	4,902
Operating expenses	<u>66,500</u>	<u>69,126</u>	<u>52,700</u>	<u>16,426</u>
Total elections	<u>271,239</u>	<u>280,739</u>	<u>252,872</u>	<u>27,867</u>
County auditor:				
Salaries	348,599	353,205	352,238	967
Fringe benefits	119,185	118,090	116,448	1,642
Operating expenses	21,100	21,100	20,999	101
Capital outlay	<u>20,500</u>	<u>20,500</u>	<u>20,497</u>	<u>3</u>
Total County auditor	<u>509,384</u>	<u>512,895</u>	<u>510,182</u>	<u>2,713</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
General government: (Continued)				
Tax assessor-collector:				
Salaries	\$ 876,953	\$ 876,953	\$ 864,167	\$ 12,786
Fringe benefits	345,560	343,100	331,125	11,975
Operating expenses	<u>187,100</u>	<u>191,100</u>	<u>189,699</u>	<u>1,401</u>
Total tax assessor-collector	<u>1,409,613</u>	<u>1,411,153</u>	<u>1,384,991</u>	<u>26,162</u>
Information services:				
Salaries	312,359	312,359	299,207	13,152
Fringe benefits	100,091	99,136	91,828	7,308
Operating expenses	441,076	425,165	418,962	6,203
Capital outlay	<u>98,600</u>	<u>118,600</u>	<u>118,363</u>	<u>237</u>
Total information services	<u>952,126</u>	<u>955,260</u>	<u>928,360</u>	<u>26,900</u>
Agricultural extension service:				
Salaries	102,595	102,595	90,416	12,179
Fringe benefits	49,437	49,437	40,522	8,915
Operating expenses	17,500	16,750	16,555	195
Capital outlay	<u>-</u>	<u>4,338</u>	<u>4,313</u>	<u>25</u>
Total agricultural extension service	<u>169,532</u>	<u>173,120</u>	<u>151,806</u>	<u>21,314</u>
Total general government	<u>7,363,332</u>	<u>6,982,396</u>	<u>6,518,888</u>	<u>463,508</u>
Judicial:				
Nondepartmental - judicial:				
Operating expenses	<u>750,000</u>	<u>844,000</u>	<u>818,463</u>	<u>25,537</u>
Total nondepartmental - judicial	<u>750,000</u>	<u>844,000</u>	<u>818,463</u>	<u>25,537</u>
Court of civil appeals:				
Salaries	13,008	13,008	13,008	-
Fringe benefits	<u>2,150</u>	<u>2,150</u>	<u>995</u>	<u>1,155</u>
Total court of civil appeals	<u>15,158</u>	<u>15,158</u>	<u>14,003</u>	<u>1,155</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
Judicial: (Continued)				
County court-at-law no. 1:				
Salaries	\$ 222,501	\$ 238,881	\$ 237,197	\$ 1,684
Fringe benefits	61,671	65,278	59,644	5,634
Operating expenses	<u>19,985</u>	<u>19,985</u>	<u>9,923</u>	<u>10,062</u>
Total County court-at-law no. 1	<u>304,157</u>	<u>324,144</u>	<u>306,764</u>	<u>17,380</u>
County court-at-law no. 2:				
Salaries	206,604	206,604	205,102	1,502
Fringe benefits	58,899	58,379	55,729	2,650
Operating expenses	26,450	28,190	28,176	14
Capital outlay	<u>-</u>	<u>1,607</u>	<u>1,608</u>	<u>(1)</u>
Total County court-at-law no. 2	<u>291,953</u>	<u>294,780</u>	<u>290,615</u>	<u>4,165</u>
Attorney general master:				
Operating expenses	<u>9,600</u>	<u>9,600</u>	<u>9,598</u>	<u>2</u>
Total attorney general master	<u>9,600</u>	<u>9,600</u>	<u>9,598</u>	<u>2</u>
124th district court:				
Salaries	75,481	75,481	74,321	1,160
Fringe benefits	26,203	25,883	25,496	387
Operating expenses	<u>61,200</u>	<u>61,200</u>	<u>47,388</u>	<u>13,812</u>
Total 124th district court	<u>162,884</u>	<u>162,564</u>	<u>147,205</u>	<u>15,359</u>
188th district court:				
Salaries	85,258	85,258	84,121	1,137
Fringe benefits	27,866	27,666	26,676	990
Operating expenses	<u>58,385</u>	<u>78,385</u>	<u>52,655</u>	<u>25,730</u>
Total 188th district court	<u>171,509</u>	<u>191,309</u>	<u>163,452</u>	<u>27,857</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Judicial: (Continued)				
307th district court:				
Salaries	\$ 91,555	\$ 91,555	\$ 90,397	\$ 1,158
Fringe benefits	28,980	28,715	28,254	461
Operating expenses	25,435	25,435	23,231	2,204
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total 307th district court	<u>147,170</u>	<u>146,905</u>	<u>141,882</u>	<u>5,023</u>
Judicial expenses:				
Operating expenses	<u>105,500</u>	<u>150,500</u>	<u>142,490</u>	<u>8,010</u>
Total judicial expenses	<u>105,500</u>	<u>150,500</u>	<u>142,490</u>	<u>8,010</u>
District clerk:				
Salaries	571,125	571,125	559,045	12,080
Fringe benefits	234,117	232,627	228,708	3,919
Operating expenses	68,900	67,818	58,620	9,198
Capital outlay	<u>-</u>	<u>1,082</u>	<u>1,082</u>	<u>-</u>
Total district clerk	<u>874,142</u>	<u>872,652</u>	<u>847,455</u>	<u>25,197</u>
Justice of the peace no. 1:				
Salaries	141,446	141,446	135,885	5,561
Fringe benefits	56,517	56,332	51,285	5,047
Operating expenses	<u>65,586</u>	<u>65,586</u>	<u>45,937</u>	<u>19,649</u>
Total justice of the peace no. 1	<u>263,549</u>	<u>263,364</u>	<u>233,107</u>	<u>30,257</u>
Justice of the peace no. 2:				
Salaries	82,465	82,465	81,620	845
Fringe benefits	27,061	27,061	26,642	419
Operating expenses	<u>42,100</u>	<u>42,100</u>	<u>24,178</u>	<u>17,922</u>
Total justice of the peace no. 2	<u>151,626</u>	<u>151,626</u>	<u>132,440</u>	<u>19,186</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace no. 3:				
Salaries	\$ 117,484	\$ 117,484	\$ 117,411	\$ 73
Fringe benefits	45,959	45,789	45,446	343
Operating expenses	<u>39,725</u>	<u>59,583</u>	<u>55,793</u>	<u>3,790</u>
Total justice of the peace no. 3	<u>203,168</u>	<u>222,856</u>	<u>218,650</u>	<u>4,206</u>
Justice of the peace no. 4:				
Salaries	88,542	88,542	87,142	1,400
Fringe benefits	34,573	34,573	32,498	2,075
Operating expenses	<u>38,355</u>	<u>35,855</u>	<u>30,251</u>	<u>5,604</u>
Total justice of the peace no. 4	<u>161,470</u>	<u>158,970</u>	<u>149,891</u>	<u>9,079</u>
District attorney:				
Salaries	1,013,734	1,016,239	1,015,670	569
Fringe benefits	341,917	334,782	322,861	11,921
Operating expenses	59,825	68,576	68,088	488
Capital outlay	<u>-</u>	<u>749</u>	<u>578</u>	<u>171</u>
Total district attorney	<u>1,415,476</u>	<u>1,420,346</u>	<u>1,407,197</u>	<u>13,149</u>
Bail bond board:				
Salaries	3,500	3,500	1,048	2,452
Fringe benefits	579	579	207	372
Operating expenses	<u>2,450</u>	<u>2,450</u>	<u>211</u>	<u>2,239</u>
Total bail bond board	<u>6,529</u>	<u>6,529</u>	<u>1,466</u>	<u>5,063</u>
Collections office:				
Salaries	66,000	82,445	49,811	32,634
Fringe benefits	24,061	27,336	18,905	8,431
Operating expenses	25,246	25,246	10,082	15,164
Capital outlay	<u>9,700</u>	<u>8,767</u>	<u>4,951</u>	<u>3,816</u>
Total collections office	<u>125,007</u>	<u>143,794</u>	<u>83,749</u>	<u>60,045</u>
Total judicial	<u>5,158,898</u>	<u>5,379,097</u>	<u>5,108,427</u>	<u>270,670</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public safety:				
Constable no. 1:				
Salaries	\$ 49,545	\$ 49,545	\$ 49,452	\$ 93
Fringe benefits	18,587	18,587	17,405	1,182
Operating expenses	<u>3,010</u>	<u>3,010</u>	<u>2,545</u>	<u>465</u>
Total constable no. 1	<u>71,142</u>	<u>71,142</u>	<u>69,402</u>	<u>1,740</u>
Constable no. 2:				
Salaries	40,038	40,038	40,038	-
Fringe benefits	15,329	15,329	14,226	1,103
Operating expenses	<u>7,221</u>	<u>7,221</u>	<u>6,901</u>	<u>320</u>
Total constable no. 2	<u>62,588</u>	<u>62,588</u>	<u>61,165</u>	<u>1,423</u>
Constable no. 3:				
Salaries	49,673	49,673	48,619	1,054
Fringe benefits	16,999	16,999	15,555	1,444
Operating expenses	13,995	13,995	13,809	186
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Total constable no. 3	<u>81,867</u>	<u>81,867</u>	<u>79,183</u>	<u>2,684</u>
Constable no. 4:				
Salaries	42,438	42,438	42,346	92
Fringe benefits	15,738	15,738	14,075	1,663
Operating expenses	<u>4,250</u>	<u>4,250</u>	<u>4,043</u>	<u>207</u>
Total constable no. 4	<u>62,426</u>	<u>62,426</u>	<u>60,464</u>	<u>1,962</u>
Sheriff - corrections:				
Salaries	5,356,318	5,397,527	5,386,935	10,592
Fringe benefits	2,326,548	2,243,493	2,067,559	175,934
Operating expenses	1,227,310	1,318,647	1,268,232	50,415
Capital outlay	<u>109,500</u>	<u>211,611</u>	<u>211,611</u>	<u>-</u>
Total sheriff - corrections	<u>9,019,676</u>	<u>9,171,278</u>	<u>8,934,337</u>	<u>236,941</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
Public safety: (Continued)				
Contract jail operations:				
Salaries	\$ 422,605	\$ 422,605	\$ 389,252	\$ 33,353
Fringe benefits	199,535	199,535	147,596	51,939
Operating expenses	63,000	115,070	114,049	1,021
Capital outlay	<u>27,000</u>	<u>27,000</u>	<u>25,496</u>	<u>1,504</u>
Total contract jail operations	<u>712,140</u>	<u>764,210</u>	<u>676,393</u>	<u>87,817</u>
Criminal justice center operations:				
Salaries	180,192	194,602	194,602	-
Fringe benefits	88,868	88,868	82,587	6,281
Operating expenses	<u>76,400</u>	<u>70,957</u>	<u>51,402</u>	<u>19,555</u>
Total criminal justice center operations	<u>345,460</u>	<u>354,427</u>	<u>328,591</u>	<u>25,836</u>
Department of public safety:				
Salaries	38,127	38,127	37,297	830
Fringe benefits	13,013	13,013	12,775	238
Operating expenses	<u>5,850</u>	<u>5,850</u>	<u>5,697</u>	<u>153</u>
Total department of public safety	<u>56,990</u>	<u>56,990</u>	<u>55,769</u>	<u>1,221</u>
Parks and wildlife:				
Operating expenses	<u>900</u>	<u>900</u>	<u>79</u>	<u>821</u>
Total parks and wildlife	<u>900</u>	<u>900</u>	<u>79</u>	<u>821</u>
Texas alcoholic beverage commission:				
Operating expenses	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total alcoholic beverage commission	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Juvenile board:				
Salaries	89,491	89,491	89,491	-
Fringe benefits	<u>34,830</u>	<u>34,771</u>	<u>33,683</u>	<u>1,088</u>
Total juvenile board	<u>124,321</u>	<u>124,262</u>	<u>123,174</u>	<u>1,088</u>
Total public safety	<u>10,537,760</u>	<u>10,750,340</u>	<u>10,388,557</u>	<u>361,783</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and human services:				
Veterans services:				
Salaries	\$ 62,961	\$ 62,961	\$ 62,961	\$ -
Fringe benefits	11,313	11,128	11,074	54
Operating expenses	<u>12,390</u>	<u>12,390</u>	<u>11,597</u>	<u>793</u>
Total veterans services	<u>86,664</u>	<u>86,479</u>	<u>85,632</u>	<u>847</u>
Civil defense:				
Operating expenses	<u>4,000</u>	<u>4,000</u>	<u>1,000</u>	<u>3,000</u>
Total civil defense	<u>4,000</u>	<u>4,000</u>	<u>1,000</u>	<u>3,000</u>
Environmental protection:				
Operating expenses	<u>23,000</u>	<u>6,754</u>	<u>-</u>	<u>6,754</u>
Total environmental protection	<u>23,000</u>	<u>6,754</u>	<u>-</u>	<u>6,754</u>
911 Addressing:				
Salaries	75,175	75,175	65,513	9,662
Fringe benefits	27,694	27,249	24,361	2,888
Operating expenses	<u>32,895</u>	<u>10,495</u>	<u>4,370</u>	<u>6,125</u>
Total 911 addressing	<u>135,764</u>	<u>112,919</u>	<u>94,244</u>	<u>18,675</u>
Health:				
Salaries	285,876	285,876	277,473	8,403
Fringe benefits	105,089	101,749	98,709	3,040
Operating expenses	<u>1,050,690</u>	<u>1,150,690</u>	<u>1,045,056</u>	<u>105,634</u>
Total health	<u>1,441,655</u>	<u>1,538,315</u>	<u>1,421,238</u>	<u>117,077</u>
Historical commission:				
Operating expenses	20,240	20,240	8,598	11,642
Capital outlay	<u>-</u>	<u>2,760</u>	<u>2,404</u>	<u>356</u>
Total historical commission	<u>20,240</u>	<u>23,000</u>	<u>11,002</u>	<u>11,998</u>
Contributions:				
Operating expenses	<u>573,000</u>	<u>563,000</u>	<u>563,000</u>	<u>-</u>
Total contributions	<u>573,000</u>	<u>563,000</u>	<u>563,000</u>	<u>-</u>
Total health and human services	<u>2,284,323</u>	<u>2,334,467</u>	<u>2,176,116</u>	<u>158,351</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public buildings:				
Courthouse building:				
Salaries	\$ 465,593	\$ 465,593	\$ 442,696	\$ 22,897
Fringe benefits	229,763	210,818	198,185	12,633
Operating expenses	685,725	732,875	697,308	35,567
Capital outlay	<u>1,500</u>	<u>72,503</u>	<u>71,969</u>	<u>534</u>
Total courthouse building	<u>1,382,581</u>	<u>1,481,789</u>	<u>1,410,158</u>	<u>71,631</u>
Service center building:				
Operating expenses	<u>37,500</u>	<u>36,500</u>	<u>26,303</u>	<u>10,197</u>
Total service center building	<u>37,500</u>	<u>36,500</u>	<u>26,303</u>	<u>10,197</u>
Greggton building:				
Salaries	5,733	5,733	3,505	2,228
Fringe benefits	1,468	1,208	826	382
Operating expenses	<u>23,500</u>	<u>28,999</u>	<u>24,911</u>	<u>4,088</u>
Total Greggton building	<u>30,701</u>	<u>35,940</u>	<u>29,242</u>	<u>6,698</u>
Gladewater Commerce Street building:				
Operating expenses	<u>11,600</u>	<u>11,600</u>	<u>10,468</u>	<u>1,132</u>
Total Gladewater Commerce Street building	<u>11,600</u>	<u>11,600</u>	<u>10,468</u>	<u>1,132</u>
Longview Easton Road building:				
Operating expenses	-	17,625	16,836	789
Capital outlay	<u>-</u>	<u>3,307</u>	<u>3,307</u>	<u>-</u>
Total Longview Easton Road building	<u>-</u>	<u>20,932</u>	<u>20,143</u>	<u>789</u>
Jail building:				
Operating expenses	<u>259,000</u>	<u>253,000</u>	<u>239,543</u>	<u>13,457</u>
Total jail building	<u>259,000</u>	<u>253,000</u>	<u>239,543</u>	<u>13,457</u>
M. A. Smith Criminal Justice Center:				
Operating expenses	<u>25,000</u>	<u>43,939</u>	<u>43,712</u>	<u>227</u>
Total M. A. Smith Criminal Justice Center	<u>25,000</u>	<u>43,939</u>	<u>43,712</u>	<u>227</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Youth detention center:				
Operating expenses	\$ 36,750	\$ 45,591	\$ 34,490	\$ 11,101
Capital outlay	-	30,659	29,677	982
Total youth detention center	36,750	76,250	64,167	12,083
Community building maintenance:				
Salaries	29,700	29,700	29,420	280
Fringe benefits	13,974	12,654	12,607	47
Operating expenses	9,400	9,400	5,457	3,943
Total community building maintenance	53,074	51,754	47,484	4,270
Longview Whaley Street community building:				
Salaries	16,049	16,049	13,018	3,031
Fringe benefits	10,322	9,732	4,820	4,912
Operating expenses	9,500	9,500	9,079	421
Total Longview Whaley Street community building	35,871	35,281	26,917	8,364
Judson community building:				
Operating expenses	5,450	5,450	3,406	2,044
Total Judson community building	5,450	5,450	3,406	2,044
Garfield Hill community building:				
Operating expenses	7,000	6,312	3,815	2,497
Capital outlay	-	688	688	-
Total Garfield Hill community building	7,000	7,000	4,503	2,497

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Liberty City office/community building:				
Operating expenses	\$ 15,655	\$ 18,980	\$ 18,658	\$ 322
Capital outlay	-	1,875	1,875	-
Total Liberty City office/ community building	<u>15,655</u>	<u>20,855</u>	<u>20,533</u>	<u>322</u>
Hugh Camp Memorial Park:				
Operating expenses	17,000	11,800	11,577	223
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Hugh Camp Memorial Park	<u>22,000</u>	<u>16,800</u>	<u>16,577</u>	<u>223</u>
Olivia R. Hilburn community building:				
Operating expenses	<u>10,600</u>	<u>10,600</u>	<u>8,159</u>	<u>2,441</u>
Total Olivia R. Hilburn community building	<u>10,600</u>	<u>10,600</u>	<u>8,159</u>	<u>2,441</u>
Kilgore office and community building:				
Salaries	24,420	27,580	27,693	(113)
Fringe benefits	16,226	12,056	8,632	3,424
Operating expenses	35,730	30,883	25,314	5,569
Capital outlay	-	<u>4,847</u>	<u>4,847</u>	<u>-</u>
Total Kilgore office and community building	<u>76,376</u>	<u>75,366</u>	<u>66,486</u>	<u>8,880</u>
Kilgore South Street building:				
Operating expenses	10,650	9,150	3,416	5,734
Capital outlay	-	<u>1,500</u>	<u>498</u>	<u>1,002</u>
Total Kilgore South Street building	<u>10,650</u>	<u>10,650</u>	<u>3,914</u>	<u>6,736</u>
Elderville community building:				
Operating expenses	<u>23,105</u>	<u>23,105</u>	<u>20,337</u>	<u>2,768</u>
Total Elderville community building	<u>23,105</u>	<u>23,105</u>	<u>20,337</u>	<u>2,768</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Positive
				(Negative)
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Easton community building:				
Operating expenses	\$ 15,000	\$ 15,000	\$ 4,481	\$ 10,519
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Easton community building	<u>17,000</u>	<u>17,000</u>	<u>4,481</u>	<u>12,519</u>
West Harrison volunteer fire department building:				
Operating expenses	<u>4,100</u>	<u>4,100</u>	<u>2,125</u>	<u>1,975</u>
Total West Harrison volunteer fire department building	<u>4,100</u>	<u>4,100</u>	<u>2,125</u>	<u>1,975</u>
Total public buildings	<u>2,064,013</u>	<u>2,237,911</u>	<u>2,068,658</u>	<u>169,253</u>
Total expenditures	<u>27,408,326</u>	<u>27,684,211</u>	<u>26,260,646</u>	<u>1,423,565</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,455,717</u>	<u>4,279,832</u>	<u>11,139,548</u>	<u>6,859,716</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
Airport	-	12,308	12,308	-
Permanent improvement	<u>-</u>	<u>87,907</u>	<u>87,907</u>	<u>-</u>
Total operating transfer from other funds	<u>-</u>	<u>100,215</u>	<u>100,215</u>	<u>-</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES) (Continued)				
Operating transfers to other funds:				
Security	\$ -	\$(15,000)	\$(15,000)	\$ -
Transfer - grant match	-	(10,000)	-	10,000
Road and bridge	-	(100,000)	(100,000)	-
Sabine Valley officer	-	(30,000)	(21,534)	8,466
Violence against women grant	-	(24,170)	(21,868)	2,302
Airport improvement	-	(135,000)	(135,000)	-
Longview community center renovation	-	(50,000)	(50,000)	-
Computer upgrade projects	-	(2,004,748)	(2,004,748)	-
307th district courtroom renovation	-	(128,000)	(128,000)	-
Print shop	-	(1,500)	-	1,500
Total operating transfers to other funds	-	(2,498,418)	(2,476,150)	22,268
 Sale of capital assets	25,000	52,026	27,026	(25,000)
Insurance proceeds - loss of fixed assets	-	-	9,760	9,760
Total other financing sources (uses)	25,000	(2,346,177)	(2,339,149)	7,028
 NET CHANGE IN FUND BALANCE	4,480,717	1,933,655	8,800,399	6,866,744
 FUND BALANCE, BEGINNING	18,352,530	18,352,530	18,352,530	-
 FUND BALANCE, ENDING	<u>\$ 22,833,247</u>	<u>\$ 20,286,185</u>	<u>\$ 27,152,929</u>	<u>\$ 6,866,744</u>

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

GREGG COUNTY, TEXAS

ROAD AND BRIDGE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 1,158,550	\$ 1,158,550	\$ 1,209,577	\$ 51,027
Delinquent property taxes	35,182	35,182	34,503	(679)
Motor vehicle sales tax	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,420,387</u>	<u>120,387</u>
Total taxes	<u>2,493,732</u>	<u>2,493,732</u>	<u>2,664,467</u>	<u>170,735</u>
Licenses and permits:				
Motor vehicle registration	1,075,000	1,075,000	1,212,287	137,287
Weight permits	<u>-</u>	<u>-</u>	<u>12,582</u>	<u>12,582</u>
Total licenses and permits	<u>1,075,000</u>	<u>1,075,000</u>	<u>1,224,869</u>	<u>149,869</u>
Intergovernmental:				
Lateral road	<u>23,000</u>	<u>23,000</u>	<u>24,415</u>	<u>1,415</u>
Total intergovernmental	<u>23,000</u>	<u>23,000</u>	<u>24,415</u>	<u>1,415</u>
Charges for services:				
Reimb - capital project overhead	<u>-</u>	<u>-</u>	<u>16,819</u>	<u>16,819</u>
Total charges for services	<u>-</u>	<u>-</u>	<u>16,819</u>	<u>16,819</u>
Fines and forfeitures:				
Misdemeanor fines	436,800	436,800	463,136	26,336
Felony fines	36,400	36,400	49,887	13,487
Civil/BF fines	<u>46,800</u>	<u>46,800</u>	<u>44,405</u>	<u>(2,395)</u>
Total fines and forfeitures	<u>520,000</u>	<u>520,000</u>	<u>557,428</u>	<u>37,428</u>
Investment earnings:				
Interest	50,000	50,000	145,085	95,085
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>16,924</u>	<u>16,924</u>
Total investment earnings	<u>50,000</u>	<u>50,000</u>	<u>162,009</u>	<u>112,009</u>
Miscellaneous:				
Miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>2,935</u>	<u>1,735</u>
Total miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>2,935</u>	<u>1,735</u>
 Total revenue	 <u>4,162,932</u>	 <u>4,162,932</u>	 <u>4,652,942</u>	 <u>490,010</u>

(continued)

GREGG COUNTY, TEXAS

ROAD AND BRIDGE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
EXPENDITURES				
Transportation and roads:				
Administration:				
Salaries	\$ 244,056	\$ 244,056	\$ 244,056	\$ -
Fringe benefits	75,545	75,545	68,463	7,082
Operating expenses	<u>80,553</u>	<u>80,553</u>	<u>71,282</u>	<u>9,271</u>
Total administration	<u>400,154</u>	<u>400,154</u>	<u>383,801</u>	<u>16,353</u>
Road and bridge - general:				
Operating expenses	<u>304,635</u>	<u>304,635</u>	<u>300,800</u>	<u>3,835</u>
Total road and bridge - general	<u>304,635</u>	<u>304,635</u>	<u>300,800</u>	<u>3,835</u>
Road and bridge - precinct no. 1:				
Salaries	559,506	523,422	498,798	24,624
Fringe benefits	249,928	203,515	187,556	15,959
Operating expenses	487,441	463,441	462,616	825
Capital outlay	<u>100,000</u>	<u>546,534</u>	<u>544,546</u>	<u>1,988</u>
Total road and bridge - precinct no. 1	<u>1,396,875</u>	<u>1,736,912</u>	<u>1,693,516</u>	<u>43,396</u>
Road and bridge - precinct no. 2:				
Salaries	30,149	30,254	30,254	-
Fringe benefits	11,664	11,559	11,422	137
Operating expenses	<u>85,725</u>	<u>85,725</u>	<u>37,563</u>	<u>48,162</u>
Total road and bridge - precinct no. 2	<u>127,538</u>	<u>127,538</u>	<u>79,239</u>	<u>48,299</u>
Road and bridge - precinct no. 3:				
Salaries	567,445	618,525	615,848	2,677
Fringe benefits	264,247	237,845	233,253	4,592
Operating expenses	819,555	797,405	769,392	28,013
Capital outlay	<u>32,000</u>	<u>296,093</u>	<u>295,913</u>	<u>180</u>
Total road and bridge - precinct no. 3	<u>1,683,247</u>	<u>1,949,868</u>	<u>1,914,406</u>	<u>35,462</u>

(continued)

GREGG COUNTY, TEXAS

ROAD AND BRIDGE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Positive
				(Negative)
EXPENDITURES				
Transportation and roads:				
Road and bridge - precinct no. 4:				
Salaries	\$ 445,273	\$ 446,273	\$ 417,444	\$ 28,829
Fringe benefits	204,849	179,849	161,591	18,258
Operating expenses	296,749	364,670	278,375	86,295
Capital outlay	<u>80,000</u>	<u>128,020</u>	<u>127,662</u>	<u>358</u>
Total road and bridge - precinct no. 4	<u>1,026,871</u>	<u>1,118,812</u>	<u>985,072</u>	<u>133,740</u>
Right-of-way:				
Operating expenses	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
Total right-of-way	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
Transportation and road expense:				
Operating expenses	<u>-</u>	<u>-</u>	<u>(36,493)</u>	<u>36,493</u>
Total transportation and road expense	<u>-</u>	<u>-</u>	<u>(36,493)</u>	<u>36,493</u>
Total transportation and roads	<u>4,981,320</u>	<u>5,679,919</u>	<u>5,362,341</u>	<u>317,578</u>
Total expenditures	<u>4,981,320</u>	<u>5,679,919</u>	<u>5,362,341</u>	<u>317,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(818,388)</u>	<u>(1,516,987)</u>	<u>(709,399)</u>	<u>807,588</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
General fund	100,000	100,000	100,000	-
Industrial airpark improvement fund	<u>-</u>	<u>84,125</u>	<u>84,125</u>	<u>-</u>
Total operating transfers from other funds	<u>100,000</u>	<u>184,125</u>	<u>184,125</u>	<u>-</u>
Proceeds from note payable	-	274,230	274,230	-
Sale of capital assets	1,500	414,571	413,518	(1,053)
Insurance proceeds - loss of fixed assets	<u>-</u>	<u>-</u>	<u>2,048</u>	<u>2,048</u>
Total other financing sources and (uses)	<u>101,500</u>	<u>872,926</u>	<u>873,921</u>	<u>995</u>
NET CHANGE IN FUND BALANCE	<u>(716,888)</u>	<u>(644,061)</u>	<u>164,522</u>	<u>808,583</u>
FUND BALANCE, BEGINNING	<u>1,718,663</u>	<u>1,718,663</u>	<u>1,718,663</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,001,775</u>	<u>\$ 1,074,602</u>	<u>\$ 1,883,185</u>	<u>\$ 808,583</u>

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

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GREGG COUNTY, TEXAS

HEALTH CARE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental:				
State - tobacco settlement	\$ 55,000	\$ 55,000	\$ 99,215	\$ 44,215
Total intergovernmental	<u>55,000</u>	<u>55,000</u>	<u>99,215</u>	<u>44,215</u>
Investment earnings:				
Interest	75,000	75,000	112,966	37,966
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>(3,611)</u>	<u>(3,611)</u>
Total investment earnings	<u>75,000</u>	<u>75,000</u>	<u>109,355</u>	<u>34,355</u>
Total revenue	<u>130,000</u>	<u>130,000</u>	<u>208,570</u>	<u>78,570</u>
EXPENDITURES				
Health and human services:				
Contributions:				
Operating expenses	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total contributions	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total health and human services	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	50,000	50,000	128,570	78,570
FUND BALANCE, BEGINNING	<u>2,470,329</u>	<u>2,470,329</u>	<u>2,470,329</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,520,329</u>	<u>\$ 2,520,329</u>	<u>\$ 2,598,899</u>	<u>\$ 78,570</u>

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

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GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2007

	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 441,453
Investments	1,511,790
Interest receivable	15,218
Accounts receivable, net of allowances	58,677
Inventories	<u>8,581</u>
Total current assets	<u>2,035,719</u>
Noncurrent assets:	
Capital assets:	
Equipment	23,555
Less: accumulated depreciation	<u>(16,000)</u>
Total capital assets	<u>7,555</u>
Total noncurrent assets	<u>7,555</u>
Total assets	<u>2,043,274</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>166,672</u>
Total current liabilities	<u>166,672</u>
Total liabilities	<u>166,672</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,555
Unrestricted	<u>1,869,047</u>
Total net assets	<u>\$ 1,876,602</u>

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

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GREGG COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2007

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 4,705,098
Miscellaneous	<u>409</u>
Total operating revenues	<u>4,705,507</u>
OPERATING EXPENSES	
Salaries	414
Fringe benefits	207
Supplies	35,307
Copying machine	9,126
Repairs and maintenance service	2,358
Claim expenses	4,008,504
Administrative	521,533
Depreciation	<u>800</u>
Total operating expenses	<u>4,578,249</u>
OPERATING INCOME	127,258
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>105,547</u>
Total nonoperating revenues (expenses)	<u>105,547</u>
CHANGES IN NET ASSETS	232,805
TOTAL NET ASSETS, BEGINNING	<u>1,643,797</u>
TOTAL NET ASSETS, ENDING	<u>\$ 1,876,602</u>

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

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

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services	\$ 4,431,822
Cash paid to suppliers for goods and services	<u>(4,338,806)</u>
Net cash provided by operating activities	<u>93,016</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	4,055,816
Purchase of investments	<u>(3,990,505)</u>
Earnings on investments	99,498
Net cash provided by investing activities	<u>164,809</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	257,825
CASH AND CASH EQUIVALENTS, BEGINNING	<u>183,628</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 441,453</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 127,258
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	800
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Inventory	321
Accounts receivable	37,830
Increase (decrease) in liabilities:	
Accounts payable	<u>(73,193)</u>
Net cash provided by operations	<u>\$ 93,016</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets	<u>\$ -</u>

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

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GREGG COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,520,873
Investments	2,791,339
Accounts receivable	<u>7,039</u>
Total assets	<u>\$ 7,319,251</u>
LIABILITIES	
Due to others	<u>\$ 7,319,251</u>
Total liabilities	<u>\$ 7,319,251</u>

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

GREGG COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Gregg County, Texas (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These notes to the financial statements are an integral part of the basic financial statements of the County. The following is a discussion of the more significant accounting policies utilized by the County.

A. Reporting Entity

GASB Statement No. 14 "*The Financial Reporting Entity*," establishes criteria which should be considered and evaluated along with other judgmental factors before a decision is made to include one governmental unit with another governmental unit for the purpose of issuing basic financial statements. The five criteria considered were (1) financial accountability, (2) appointment of a voting majority, (3) imposition of will, (4) financial benefit to or a burden on a primary government, and (5) financial accountability as a result of fiscal dependency.

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The decision on whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in the preceding paragraph.

Discretely presented component unit – For reporting purposes, the Gregg County Child Welfare Board has been presented as a discretely presented component unit. The Gregg County Child Welfare Board is responsible for providing additional assistance to foster children in the care of the State. The Board is appointed by the Commissioners' Court and serves at their pleasure.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Road and Bridge Fund** accounts for the operation, construction and maintenance of roads and bridges.

The **Health Care Fund** accounts for monies received by the County from the state as a pro rata distribution from the lump sum payment made by tobacco companies. The money collected from the state is to be spent on health-related issues.

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

Additionally, the County reports the following fund types:

Internal Service Funds account for insurance/risk management services and print services provided to other departments on a cost reimbursement basis.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and government securities.

State statutes authorize the County to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables are shown net of an allowance for uncollectibles. Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Inventories

All inventories are stated at cost. The costs of inventory items are recognized as expenditures in governmental funds when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$25,000 for buildings and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost 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.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

GASB Statement 34 required the County to report and depreciate new infrastructure assets beginning in fiscal year 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Additionally, the County implemented the retroactive infrastructure provisions of GASB Statement No. 34 during fiscal year 2007.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	20
Equipment	3 - 15
Infrastructure (streets and drainage)	16

Compensated Absences

Vacation and sick leave benefits are accumulated by County employees according to formulas adopted by the Commissioners' Court. The County's policy requires vacation time to be used within 14 months of being earned. Upon termination or retirement, employees are paid for any unused vacation time. The County's policy allows for accumulation of sick leave up to 60 days and provides for payment of sick leave accruals only upon retirement. At September 30, 2007, a liability has been recorded in the government-wide financial statements for accrued vacation time as well as the portion of accumulated sick leave expected to be paid.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

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 for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of this \$5,178,825 difference are as follows:

Capital outlay	\$ 8,505,291
Depreciation expense	<u>(3,326,466)</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>\$ 5,178,825</u>

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets." The details of this \$(213,319) difference are as follows:

In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$(<u>213,319</u>)
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(213,319)</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) 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 these amounts are deferred and amortized in the statement of activities." The details of this \$585,770 difference are as follows:

Debt issued or incurred:	
Issuance of note payable	\$(274,230)
Principal repayments:	
General obligation debt	<u>860,000</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>\$ 585,770</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(57,916) difference are as follows:

Compensated absences	\$(45,880)
Accrued interest	(6,682)
Amortization of issuance costs	(7,375)
Amortization of bond premium	<u>2,021</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	
	<u>\$(57,916)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a modified accrual basis for all governmental funds with the exception of the Sheriff Asset and Forfeiture, Sheriff Enforcement, and Sheriff Inmate Welfare Special Revenue Funds. A budget is prepared for the District Attorney General Special Revenue Fund based on a fiscal year ending October 31. A combined budget is prepared for all Code Unit operations rather than individual budgets for each fund. Budgetary control is exercised at the departmental level. All appropriations lapse at year-end.

State law provides that amendments approved by the Commissioners' Court may be made to the original budget provided that funds are available for the added expenditures.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Reported budget amounts reflect the budget as originally adopted and all budget amendments and transfers approved by the Commissioners' Court.

The County uses encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation. Purchase orders outstanding at year-end are not reported as reservations of fund balance because all open purchase orders lapse at year-end and are subject to re-appropriation in the budgetary process.

Deficit Fund Balance

The District Attorney General Fund had a deficit fund balance of \$28,054 as of September 30, 2007. The Sheriff Asset and Forfeiture Fund also had a deficit fund balance at year-end of \$530. Both deficits will be covered by future fund revenues.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2007, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Dreyfus Government Cash Management	\$ 150,000	30
U. S. Agency Securities:		
Freddie Mac	2,939,216	48
Federal Home Loan Bank	12,146,368	251
Fannie Mae	<u>12,550,550</u>	45
Total U. S. Agency Securities	<u>27,636,134</u>	
 Total portfolio	 <u>\$ 27,786,134</u>	
 Portfolio weighted average maturity (days)		 103

The County's investment pool is a 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to risk by limiting no-load money market mutual funds to have a weighted average maturity of 90 days or fewer and no-load mutual funds to have a weighted average maturity less than two years. As of September 30, 2007, all of the County's investments were in compliance with the weighted average maturity limits set by the investment policy.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2007, \$15,331,432 of the County's \$15,758,858 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$427,426 was covered by FDIC insurance.

Credit Risk. It is the County's policy to limit its investments to investment types with an investment quality rating not less than AAA or its equivalent by a nationally recognized statistical rating organization. The County's investments as of September 30, 2007, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
Dreyfus Government Cash Management	AAA	Fitch
U. S. Agency Securities:		
Freddie Mac	AAA	Fitch
Federal Home Loan Bank	AAA	Fitch
Fannie Mae	AAA	Fitch

The Commissioners' Court has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (chapter 2256, Texas Government Code). The investments of the County are in compliance with the Court's investment policies. The County did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the County during the year.

Receivables

Receivables as of year-end for the County's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Road and Bridge</u>	<u>Health Care</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 834,389	\$ 69,805	\$ -	\$ 50,635	\$ 57,865	\$ 1,012,694
Accounts	1,199,392	714,014	12,012	965	169,244	2,095,627
Due from other governments	<u>3,125,475</u>	<u>7,041</u>	<u>-</u>	<u>-</u>	<u>735,825</u>	<u>3,868,341</u>
Gross receivables	5,159,256	790,860	12,012	51,600	962,934	6,976,662
Less: allowance for uncollectibles	<u>(199,252)</u>	<u>(16,669)</u>	<u>-</u>	<u>(12,092)</u>	<u>(13,818)</u>	<u>(241,831)</u>
Net total receivables	<u>\$ 4,960,004</u>	<u>\$ 774,191</u>	<u>\$ 12,012</u>	<u>\$ 39,508</u>	<u>\$ 949,116</u>	<u>\$ 6,734,831</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Governmental funds report *deferred revenue* in connection with receivables for revenue that is 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* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General fund		
Delinquent property taxes receivable	\$ 607,606	\$ -
Fines	673,086	-
Road and bridge:		
Delinquent property taxes receivable	50,595	-
Fines	611,035	-
Debt service fund:		
Delinquent property taxes receivable	36,806	-
Nonmajor funds:		
Delinquent property taxes receivable	42,319	-
Other	<u>24,987</u>	<u>27,975</u>
 Total governmental funds	 <u>\$ 2,046,434</u>	 <u>\$ 27,975</u>

Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,300,308	\$ -	\$ -	\$ -	\$ 1,300,308
Construction in progress	<u>4,733,291</u>	<u>-</u>	<u>6,535,228</u>	<u>4,644,635</u>	<u>6,623,884</u>
Total assets not being depreciated	<u>6,033,599</u>	<u>-</u>	<u>6,535,228</u>	<u>4,644,635</u>	<u>7,924,192</u>
Capital assets, being depreciated:					
Buildings and improvements	36,149,072	-	712,609	-	36,861,681
Equipment	11,293,532	-	1,369,407	1,183,398	11,479,541
Infrastructure	<u>7,371,133</u>	<u>38,823,280</u>	<u>4,408,164</u>	<u>-</u>	<u>50,602,577</u>
Total capital assets being depreciated	<u>54,813,737</u>	<u>38,823,280</u>	<u>6,490,180</u>	<u>1,183,398</u>	<u>98,943,799</u>
Accumulated depreciation:					
Buildings and improvements	(15,387,864)	-	(876,017)	-	(16,263,881)
Equipment	(8,817,152)	-	(647,609)	(970,079)	(8,494,682)
Infrastructure	<u>(1,819,648)</u>	<u>(24,863,701)</u>	<u>(1,803,640)</u>	<u>-</u>	<u>(28,486,989)</u>
Total accumulated depreciation	<u>(26,024,664)</u>	<u>(24,863,701)</u>	<u>(3,327,266)</u>	<u>(970,079)</u>	<u>(53,245,552)</u>
Total capital assets being depreciated, net	<u>28,789,073</u>	<u>13,959,579</u>	<u>3,162,914</u>	<u>213,319</u>	<u>45,698,247</u>
Governmental activities capital assets, net	<u>\$ 34,822,672</u>	<u>\$ 13,959,579</u>	<u>\$ 9,698,142</u>	<u>\$ 4,857,954</u>	<u>53,622,439</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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

Governmental activities:	
General government	\$ 921,340
Judicial	3,399
Public safety	250,851
Health and human services	9,987
Public buildings	768,672
Transportation and roads	<u>1,373,017</u>
Total depreciation expense - governmental activities	<u>\$ 3,327,266</u>

Interfund Receivables, Payables and Transfers

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

Due to/from other funds:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Code Enforcement Awarded Forfeiture	\$ 1,231
	District Attorney - General	34,804
	Violence Against Women Prosecution 08/31/07	9,384
	Violence Against Women Prosecution 08/31/08	5,446
	Bioterrorism Grant - TDH 08/31/08	20,252
	Pandemic Preparedness 08/31/08	11,750
	Litter Abatement 08/31/07	2,263
	Litter Abatement 08/31/08	2,439
	Airport Improvement	<u>16,786</u>
Total		<u>\$ 104,355</u>

Interfund transfers:

	<u>Transfer In</u>			<u>Total</u>
	<u>General</u>	<u>Road and Bridge</u>	<u>Other Governmental</u>	
Transfer out:				
General	\$ -	\$ 100,000	\$ 2,376,150	\$ 2,476,150
Other governmental	<u>100,215</u>	<u>84,125</u>	<u>299,680</u>	<u>484,020</u>
Total transfers out	<u>\$ 100,215</u>	<u>\$ 184,125</u>	<u>\$ 2,675,830</u>	<u>\$ 2,960,170</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as the debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$17,635,173.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities - refunding	2.00%	\$ <u>860,000</u>
		\$ <u>860,000</u>

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

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ <u>860,000</u>	\$ <u>8,600</u>
Total	\$ <u>860,000</u>	\$ <u>8,600</u>

Changes in Long-term Liabilities

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 1,720,000	\$ -	\$ 860,000	\$ 860,000	\$ 860,000
Less deferred amounts:					
On refunding	(10,708)	7,375	2,021	(5,354)	(5,354)
Total bonds payable	1,709,292	7,375	862,021	854,646	854,646
Note payable	-	274,230	-	274,230	89,196
Compensated absences	514,626	45,880	-	560,506	-
Governmental activity					
long-term liabilities	\$ 2,223,918	\$ 327,485	\$ 862,021	\$ 1,689,382	\$ 943,842

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Other Information

Risk Management

The County and/or employees of the County are defendants in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2007, the County was covered under a general liability insurance plan. Additionally, the County has commercial insurance for other risks of loss, including workers' compensation and employee life and accident insurance. There were no significant reductions in insurance coverage from the prior year, nor did any settlement exceed coverage.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There are currently several claims and lawsuits pending against the County. It is the opinion of the County Attorney and County Staff that there is no pending litigation against the County that, if decided against the County, would have a material adverse effect upon the operations of the County or that would exceed the contingency amounts set aside for such purpose.

Retirement Plan

Plan Description

Gregg County, Texas 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 of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 559 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

The plan provisions are adopted by the governing body of the employer, 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 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts 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 within 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.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) 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 8.87% for the months of the accounting year in 2007, and 8.86% for the months of the accounting year in 2006.

The deposit rate payable by the employee members for calendar year 2007 is the rate of 7%, as adopted by the governing body of the employer.

Annual Pension Cost

For the employer's accounting year ended September 30, 2007, the annual pension cost for the TCDRS plan for its employees was \$1,488,078 and the actual contributions were \$1,488,078.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2006 and 2005. The December 31, 2005, actuarial valuation is the most recent valuation.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/04	12/31/05	12/31/06
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 in years	17.5	20.0	10.3
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF: 10-yr smoother value ESF: Fund value
Actuarial Assumptions:			
Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.5%	5.3	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the stated rate

**Trend Information for the
Retirement Plan for the Employees of Gregg County**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	\$ 1,318,099	100%	-
09/30/06	1,373,905	100%	-
09/30/07	1,500,429	100%	-

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

**Schedule of Funding Progress for the Retirement Plan
For the Employees of Gregg County**

Year	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)
2004	\$ 37,967,931	\$ 44,112,744	\$ 6,144,813	86.07%	\$ 15,425,452	39.84%
2005	41,938,445	47,859,731	5,921,286	87.63%	16,092,947	36.79%
2006	46,806,242	50,934,601	4,128,359	91.89%	17,110,071	24.13%

- (1) The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.
- (2) Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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

	Special Revenue		
	Election Service Contract	County Clerk Records Management	Jail Lease Facility
ASSETS			
Cash and cash equivalents	\$ 43,717	\$ 151,138	\$ 151,049
Investments	-	167,118	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	204	5,481	72,096
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
	\$ 43,921	\$ 323,737	\$ 223,145
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 456	\$ 545
Accounts payable - other governments	-	-	-
Accrued liabilities	-	1,382	-
Deferred revenues	-	-	-
Due to other funds	-	-	-
Total liabilities	-	1,838	545
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	43,921	321,899	222,600
Total fund balances	43,921	321,899	222,600
	\$ 43,921	\$ 323,737	\$ 223,145

Special Revenue

<u>Law Library</u>	<u>Airport</u>	<u>Child Support Title IV-D 08/31/03</u>	<u>Sabine Valley Officer 08/31/07</u>	<u>Violence Against Women Prosecution 08/31/07</u>	<u>Violence Against Women Prosecution 08/31/08</u>	<u>County Wide Records Management</u>	<u>Security</u>
\$ 165,921	\$ 229,656	\$ 16,721	\$ 1,865	\$ -	\$ -	\$ 85,877	\$ 41,836
-	301,893	-	-	-	-	-	-
-	3,584	-	-	9,384	7,332	-	-
16,081	22,118	-	-	-	-	8,422	6,724
-	44,047	-	-	-	-	-	-
-	6,317	-	-	-	-	-	-
<u>\$ 182,002</u>	<u>\$ 607,615</u>	<u>\$ 16,721</u>	<u>\$ 1,865</u>	<u>\$ 9,384</u>	<u>\$ 7,332</u>	<u>\$ 94,299</u>	<u>\$ 48,560</u>
\$ 5,306	\$ 41,709	\$ 547	\$ 52	\$ -	\$ 53	\$ 743	\$ 48
-	2,981	-	-	-	-	19	-
581	17,923	210	1,813	-	1,833	389	1,663
14,220	42,322	-	-	-	-	3,387	4,939
-	-	-	-	9,384	5,446	-	-
<u>20,107</u>	<u>104,935</u>	<u>757</u>	<u>1,865</u>	<u>9,384</u>	<u>7,332</u>	<u>4,538</u>	<u>6,650</u>
-	6,317	-	-	-	-	-	-
<u>161,895</u>	<u>496,363</u>	<u>15,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,761</u>	<u>41,910</u>
<u>161,895</u>	<u>502,680</u>	<u>15,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,761</u>	<u>41,910</u>
<u>\$ 182,002</u>	<u>\$ 607,615</u>	<u>\$ 16,721</u>	<u>\$ 1,865</u>	<u>\$ 9,384</u>	<u>\$ 7,332</u>	<u>\$ 94,299</u>	<u>\$ 48,560</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2007

	Special Revenue		
	TNRCC- SEP Project 07/06/08	ETCOG 911 09/30/07	Bioterrorism Grant - TDH 08/31/06
ASSETS			
Cash and cash equivalents	\$ 19,097	\$ 14,947	\$ -
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	-	-	-
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	\$ 19,097	\$ 14,947	\$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 14,947	\$ -
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenues	19,097	-	-
Due to other funds	-	-	-
Total liabilities	19,097	14,947	-
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ 19,097	\$ 14,947	\$ -

Special Revenue

<u>Bioterrorism Grant - TDH 08/31/07</u>	<u>Bioterrorism Grant - TDH 08/31/08</u>	<u>Texas VINE Program 08/31/07</u>	<u>State Homeland Grant III 12/30/06</u>	<u>State Homeland Grant IV 02/28/08</u>	<u>Community Development Block Grant 10/04/07</u>	<u>Medical Corps Donations</u>	<u>Medical Corps Funding</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 8,877
-	-	-	-	-	-	-	-
-	22,108	-	-	-	-	-	-
-	-	-	10,181	11,884	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 22,108</u>	<u>\$ -</u>	<u>\$ 10,181</u>	<u>\$ 11,884</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 8,877</u>
\$ -	\$ 52	\$ -	\$ -	\$ 11,884	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	1,804	-	-	-	-	-	-
-	-	-	-	-	-	-	8,877
-	20,252	-	-	-	-	-	-
-	22,108	-	-	11,884	-	-	8,877
<u>\$ -</u>	<u>\$ 22,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,877</u>
-	-	-	-	-	-	-	-
-	-	-	10,181	-	-	1,000	-
-	-	-	10,181	-	-	1,000	-
<u>\$ -</u>	<u>\$ 22,108</u>	<u>\$ -</u>	<u>\$ 10,181</u>	<u>\$ 11,884</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 8,877</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2007

	Special Revenue		
	Pandemic Preparedness 08/31/06	Pandemic Preparedness 08/31/07	Pandemic Preparedness 08/31/08
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	12,886
Accounts	-	-	-
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	\$ -	\$ -	\$ 12,886
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 32
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	1,104
Deferred revenues	-	-	-
Due to other funds	-	-	11,750
Total liabilities	-	-	12,886
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ 12,886

Special Revenue

HAVA Team 12/31/07	Litter Abatement Grant 08/31/07	Litter Abatement Grant 08/31/08	NACCHO MRC 08/31/07	LEOSE	Justice Court Technology	District Clerk Civil Records Management	District Clerk Criminal Records Management
\$ -	\$ -	\$ -	\$ -	\$ 29,189	\$ 76,127	\$ 28,052	\$ 286
-	-	-	-	-	-	-	-
-	2,263	3,275	-	137	-	-	-
597	-	-	-	-	2,424	358	30
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 597</u>	<u>\$ 2,263</u>	<u>\$ 3,275</u>	<u>\$ -</u>	<u>\$ 29,326</u>	<u>\$ 78,551</u>	<u>\$ 28,410</u>	<u>\$ 316</u>
\$ 597	\$ -	\$ 23	\$ -	\$ 29,326	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	813	-	-	-	-	-
-	-	-	-	-	1,969	-	-
-	2,263	2,439	-	-	-	-	-
<u>597</u>	<u>2,263</u>	<u>3,275</u>	<u>-</u>	<u>29,326</u>	<u>1,969</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	76,582	28,410	316
-	-	-	-	-	<u>76,582</u>	<u>28,410</u>	<u>316</u>
<u>\$ 597</u>	<u>\$ 2,263</u>	<u>\$ 3,275</u>	<u>\$ -</u>	<u>\$ 29,326</u>	<u>\$ 78,551</u>	<u>\$ 28,410</u>	<u>\$ 316</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2007

	Special Revenue		
	Justice of the Peace Security	County Clerk Criminal Records Management	Chapter 19 Funds
ASSETS			
Cash and cash equivalents	\$ 11,989	\$ 6,677	\$ 132
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	552	408	-
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
	\$ 12,541	\$ 7,085	\$ 132
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenues	470	-	-
Due to other funds	-	-	-
	470	-	-
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	12,071	7,085	132
	12,071	7,085	132
	Total fund balances	Total fund balances	Total fund balances
	12,071	7,085	132
	Total liabilities and fund balances	Total liabilities and fund balances	Total liabilities and fund balances
	\$ 12,541	\$ 7,085	\$ 132

Special Revenue

<u>HAVA - Leasing Equipment</u>	<u>Sheriff Asset and Forfeiture</u>	<u>Sheriff Enforcement</u>	<u>Sheriff Inmate Welfare</u>	<u>Code Enforcement Awarded Forfeiture</u>	<u>Code Federal Enforcement Account</u>	<u>District Attorney General</u>
\$ 5,680	\$ -	\$ 100,564	\$ 72,464	\$ 365,554	\$ 16,164	\$ 6,750
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,680</u>	<u>\$ -</u>	<u>\$ 100,564</u>	<u>\$ 72,464</u>	<u>\$ 365,554</u>	<u>\$ 16,164</u>	<u>\$ 6,750</u>
\$ -	\$ 530	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,231</u>	<u>-</u>	<u>34,804</u>
<u>-</u>	<u>530</u>	<u>-</u>	<u>-</u>	<u>1,231</u>	<u>-</u>	<u>34,804</u>
-	-	-	-	-	-	-
<u>5,680</u>	<u>(530)</u>	<u>100,564</u>	<u>72,464</u>	<u>364,323</u>	<u>16,164</u>	<u>(28,054)</u>
<u>5,680</u>	<u>(530)</u>	<u>100,564</u>	<u>72,464</u>	<u>364,323</u>	<u>16,164</u>	<u>(28,054)</u>
<u>\$ 5,680</u>	<u>\$ -</u>	<u>\$ 100,564</u>	<u>\$ 72,464</u>	<u>\$ 365,554</u>	<u>\$ 16,164</u>	<u>\$ 6,750</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2007

	Capital Projects		
	<u>Permanent Improvement</u>	<u>Airport Improvement</u>	<u>Longview Community Center Renovation</u>
ASSETS			
Cash and cash equivalents	\$ 128,642	\$ -	\$ 60,757
Investments	452,426	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	674,856	-
Accounts	5,675	48	282
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
	<u>586,743</u>	<u>674,904</u>	<u>61,039</u>
Total assets	<u>\$ 586,743</u>	<u>\$ 674,904</u>	<u>\$ 61,039</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 458,426	\$ 2,100
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenues	-	-	-
Due to other funds	-	16,786	-
Total liabilities	<u>-</u>	<u>475,212</u>	<u>2,100</u>
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	<u>586,743</u>	<u>199,692</u>	<u>58,939</u>
Total fund balances	<u>586,743</u>	<u>199,692</u>	<u>58,939</u>
Total liabilities and fund balances	<u>\$ 586,743</u>	<u>\$ 674,904</u>	<u>\$ 61,039</u>

Capital Projects

<u>Industrial Airport Improvement Fund</u>	<u>Records Storage Building</u>	<u>Computer Upgrade Projects</u>	<u>307th District Courtroom Renovation</u>	<u>Totals</u>
\$ -	\$ -	\$ 972,752	\$ 282,604	\$ 3,096,084
-	-	-	-	921,437
-	-	-	-	735,825
-	-	4,576	1,103	169,244
-	-	-	-	44,047
-	-	-	-	6,317
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,328</u>	<u>\$ 283,707</u>	<u>\$ 4,972,954</u>
\$ -	\$ -	\$ 1,324	\$ 6,490	\$ 575,190
-	-	-	-	3,000
-	-	-	-	29,515
-	-	-	-	95,281
-	-	-	-	104,355
<u>-</u>	<u>-</u>	<u>1,324</u>	<u>6,490</u>	<u>807,341</u>
-	-	-	-	6,317
-	-	976,004	277,217	4,159,296
-	-	976,004	277,217	4,165,613
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,328</u>	<u>\$ 283,707</u>	<u>\$ 4,972,954</u>

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue		
	Election Service Contract	County Clerk Management Records	Jail Lease Facility
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	4,980	151,235	-
Interest	3,119	18,878	-
Rent and commissions	-	-	124,560
Miscellaneous	-	-	-
Total revenues	8,099	170,113	124,560
EXPENDITURES			
Current:			
General government	7,891	147,038	-
Judicial	-	-	-
Public safety	-	-	-
Health and human services	-	-	-
Public buildings	-	-	55,240
Capital projects	-	-	-
Total expenditures	7,891	147,038	55,240
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	208	23,075	69,320
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	208	23,075	69,320
FUND BALANCES, BEGINNING	43,713	298,824	153,280
FUND BALANCES, ENDING	\$ 43,921	\$ 321,899	\$ 222,600

Special Revenue

<u>Law Library</u>	<u>Airport</u>	<u>Child Support Title IV-D 08/31/03</u>	<u>Sabine Valley Officer 08/31/07</u>	<u>Violence Against Women Prosecution 08/31/07</u>	<u>Violence Against Women Prosecution 08/31/08</u>	<u>County Wide Records Management</u>
\$ -	\$ 1,021,671	\$ -	\$ -	\$ -	\$ -	\$ -
-	38,727	-	63,086	64,634	7,332	-
63,255	97,021	-	-	-	-	71,716
10,694	47,352	-	-	-	-	5,159
-	252,707	-	-	-	-	-
-	38	-	-	-	-	-
<u>73,949</u>	<u>1,457,516</u>	<u>-</u>	<u>63,086</u>	<u>64,634</u>	<u>7,332</u>	<u>76,875</u>
-	1,045,612	-	-	-	-	37,698
63,631	-	1,295	-	86,502	7,332	-
-	424,038	-	84,620	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>63,631</u>	<u>1,469,650</u>	<u>1,295</u>	<u>84,620</u>	<u>86,502</u>	<u>7,332</u>	<u>37,698</u>
<u>10,318</u>	<u>(12,134)</u>	<u>(1,295)</u>	<u>(21,534)</u>	<u>(21,868)</u>	<u>-</u>	<u>39,177</u>
-	-	-	21,534	21,868	-	-
-	(85,452)	-	-	-	-	(13,000)
-	628	-	-	-	-	-
<u>-</u>	<u>(84,824)</u>	<u>-</u>	<u>21,534</u>	<u>21,868</u>	<u>-</u>	<u>(13,000)</u>
10,318	(96,958)	(1,295)	-	-	-	26,177
<u>151,577</u>	<u>599,638</u>	<u>17,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,584</u>
<u>\$ 161,895</u>	<u>\$ 502,680</u>	<u>\$ 15,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,761</u>

(continued)

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue		
	Security	TNRCC SEP Project 07/06/08	ETCOG - 911 09/30/07
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	14,947
Charges for services	79,782	-	-
Interest	3,080	-	-
Rent and commissions	-	-	-
Miscellaneous	-	-	-
Total revenues	82,862	-	14,947
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	-
Public safety	90,171	-	14,947
Health and human services	-	-	-
Public buildings	-	-	-
Capital projects	-	-	-
Total expenditures	90,171	-	14,947
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,309)	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	15,000	-	-
NET CHANGE IN FUND BALANCES	7,691	-	-
FUND BALANCES, BEGINNING	34,219	-	-
FUND BALANCES, ENDING	\$ 41,910	\$ -	\$ -

Special Revenue

<u>Bioterrorism Grant - TDH 08/31/06</u>	<u>Bioterrorism Grant - TDH 08/31/07</u>	<u>Bioterrorism Grant - TDH 08/31/08</u>	<u>Texas VINE Program 08/31/07</u>	<u>State Homeland Grant III 12/30/06</u>	<u>State Homeland Grant IV 02/28/08</u>	<u>Community Development Block Grant 10/04/07</u>	<u>Medical Core Donations</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,806	117,235	8,413	30,108	91,050	42,457	302,831	1,000
-	-	-	-	-	-	-	-
-	-	-	-	1,574	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,806</u>	<u>117,235</u>	<u>8,413</u>	<u>30,108</u>	<u>92,624</u>	<u>42,457</u>	<u>302,831</u>	<u>1,000</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	30,108	111,125	42,457	-	-
1,806	117,235	8,413	-	-	-	302,831	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,806</u>	<u>117,235</u>	<u>8,413</u>	<u>30,108</u>	<u>111,125</u>	<u>42,457</u>	<u>302,831</u>	<u>-</u>
-	-	-	-	(18,501)	-	-	1,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(18,501)	-	-	1,000
-	-	-	-	28,682	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>

(continued)

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue		
	Medical Corps Funding	Pandemic Preparedness 12/31/06	Pandemic Preparedness 12/31/07
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	1,123	23,673	33,250
Charges for services	-	-	-
Interest	-	-	-
Rent and commissions	-	-	-
Miscellaneous	-	-	-
Total revenues	1,123	23,673	33,250
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	-
Public safety	-	-	-
Health and human services	1,123	23,673	33,250
Public buildings	-	-	-
Capital projects	-	-	-
Total expenditures	1,123	23,673	33,250
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES, BEGINNING	-	-	-
FUND BALANCES, ENDING	\$ -	\$ -	\$ -

Special Revenue

Pandemic Preparedness 08/31/08	HAVA Team 12/31/07	Litter Abatement Grant 08/31/07	Litter Abatement Grant 08/31/08	NACCHO - MRC 08/31/07	LEOSE	Justice Court Technology	District Clerk Civil Records Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,811	597	28,681	3,275	1,000	-	-	-
-	-	-	-	-	-	30,600	12,637
-	-	-	-	-	-	4,615	2,785
-	-	-	-	-	-	-	-
-	-	7,638	-	-	-	-	-
<u>4,811</u>	<u>597</u>	<u>36,319</u>	<u>3,275</u>	<u>1,000</u>	<u>-</u>	<u>35,215</u>	<u>15,422</u>
-	597	-	-	-	-	-	-
-	-	-	-	-	-	10,142	21,224
-	-	-	-	-	-	-	-
4,811	-	36,319	3,275	1,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,811</u>	<u>597</u>	<u>36,319</u>	<u>3,275</u>	<u>1,000</u>	<u>-</u>	<u>10,142</u>	<u>21,224</u>
-	-	-	-	-	-	25,073	(5,802)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,073</u>	<u>(5,802)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,073</u>	<u>(5,802)</u>
-	-	-	-	-	-	51,509	34,212
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,582</u>	<u>\$ 28,410</u>

(continued)

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue		
	District Clerk Criminal Records Management	Justice of the Peace Security	County Clerk Criminal Records Management
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	238	7,363	4,643
Interest	11	563	277
Rent and commissions	-	-	-
Miscellaneous	-	-	-
Total revenues	249	7,926	4,920
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	-
Public safety	-	-	-
Health and human services	-	-	-
Public buildings	-	-	-
Capital projects	-	-	-
Total expenditures	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	249	7,926	4,920
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	249	7,926	4,920
FUND BALANCES, BEGINNING	67	4,145	2,165
FUND BALANCES, ENDING	\$ 316	\$ 12,071	\$ 7,085

Special Revenue

Chapter 19 Funds	HAVA - Leasing Equipment	Sheriff Asset and Forfeiture	Sheriff Enforcement	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,424	-	-	-	-	-	-
-	5,680	-	-	-	-	-
-	-	-	-	5,668	19,327	47
-	-	-	-	109,660	-	-
-	-	8,666	86,581	56,271	52,696	5,312
<u>9,424</u>	<u>5,680</u>	<u>8,666</u>	<u>86,581</u>	<u>171,599</u>	<u>72,023</u>	<u>5,359</u>
9,292	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	43,502	19,068	236,133	146,710	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,292</u>	<u>-</u>	<u>43,502</u>	<u>19,068</u>	<u>236,133</u>	<u>146,710</u>	<u>-</u>
<u>132</u>	<u>5,680</u>	<u>(34,836)</u>	<u>67,513</u>	<u>(64,534)</u>	<u>(74,687)</u>	<u>5,359</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>132</u>	<u>5,680</u>	<u>(34,836)</u>	<u>67,513</u>	<u>(64,534)</u>	<u>(74,687)</u>	<u>5,359</u>
-	-	34,306	33,051	136,998	439,010	10,805
<u>\$ 132</u>	<u>\$ 5,680</u>	<u>\$ (530)</u>	<u>\$ 100,564</u>	<u>\$ 72,464</u>	<u>\$ 364,323</u>	<u>\$ 16,164</u>

(continued)

GREGG COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue	Capital Projects	
	District Attorney General	Permanent Improvement	Airport Improvement
REVENUES			
Taxes	\$ -	\$ 13,831	\$ 890
Intergovernmental	86,912	-	5,205,230
Charges for services	103,057	-	74,418
Interest	-	43,367	2,818
Rent and commissions	-	-	-
Miscellaneous	<u>1,110</u>	<u>-</u>	<u>-</u>
Total revenues	<u>191,079</u>	<u>57,198</u>	<u>5,283,356</u>
EXPENDITURES			
Current:			
General government	-	-	174,135
Judicial	209,244	-	-
Public safety	-	-	-
Health and human services	-	-	-
Public buildings	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>5,255,097</u>
Total expenditures	<u>209,244</u>	<u>-</u>	<u>5,429,232</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,165)</u>	<u>57,198</u>	<u>(145,876)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	208,144
Transfers out	-	(200,000)	-
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(200,000)</u>	<u>208,144</u>
NET CHANGE IN FUND BALANCES	(18,165)	(142,802)	62,268
FUND BALANCES, BEGINNING	<u>(9,889)</u>	<u>729,545</u>	<u>137,424</u>
FUND BALANCES, ENDING	<u>\$ (28,054)</u>	<u>\$ 586,743</u>	<u>\$ 199,692</u>

Capital Projects

<u>Longview Community Center Renovation</u>	<u>Industrial Airpark Improvement Fund</u>	<u>Records Storage Building</u>	<u>Computer Upgrade Projects</u>	<u>307th District Courtroom Renovation</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,036,392
-	-	-	-	-	6,181,602
-	-	-	-	-	706,625
5,131	3,507	3,005	22,341	11,083	214,401
-	-	-	-	-	486,927
-	-	-	-	-	218,312
<u>5,131</u>	<u>3,507</u>	<u>3,005</u>	<u>22,341</u>	<u>11,083</u>	<u>8,844,259</u>
-	-	-	-	-	1,422,263
-	-	-	-	-	399,370
-	-	-	-	-	1,242,879
-	-	-	-	-	533,736
-	-	-	-	-	55,240
<u>19,856</u>	<u>84,684</u>	<u>113,105</u>	<u>1,051,085</u>	<u>11,402</u>	<u>6,535,229</u>
<u>19,856</u>	<u>84,684</u>	<u>113,105</u>	<u>1,051,085</u>	<u>11,402</u>	<u>10,188,717</u>
(14,725)	(81,177)	(110,100)	(1,028,744)	(319)	(1,344,458)
50,000	64,000	13,000	2,004,748	277,536	2,675,830
-	(175,068)	(10,500)	-	-	(484,020)
-	-	-	-	-	628
<u>50,000</u>	<u>(111,068)</u>	<u>2,500</u>	<u>2,004,748</u>	<u>277,536</u>	<u>2,192,438</u>
35,275	(192,245)	(107,600)	976,004	277,217	847,980
<u>23,664</u>	<u>192,245</u>	<u>107,600</u>	<u>-</u>	<u>-</u>	<u>3,317,633</u>
<u>\$ 58,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,004</u>	<u>\$ 277,217</u>	<u>\$ 4,165,613</u>

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INTERNAL SERVICE FUNDS

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GREGG COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2007

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 58,203	\$ 383,250	\$ 441,453
Investments	-	1,511,790	1,511,790
Interest receivable	251	14,967	15,218
Accounts receivable, net of allowance	1,245	57,432	58,677
Inventory	<u>8,581</u>	<u>-</u>	<u>8,581</u>
Total current assets	<u>68,280</u>	<u>1,967,439</u>	<u>2,035,719</u>
Noncurrent assets:			
Capital assets:			
Equipment	23,555	-	23,555
Less accumulated depreciation	<u>(16,000)</u>	<u>-</u>	<u>(16,000)</u>
Total capital assets	<u>7,555</u>	<u>-</u>	<u>7,555</u>
Total noncurrent assets	<u>7,555</u>	<u>-</u>	<u>7,555</u>
Total assets	<u>75,835</u>	<u>1,967,439</u>	<u>2,043,274</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>4,892</u>	<u>161,780</u>	<u>166,672</u>
Total liabilities	<u>4,892</u>	<u>161,780</u>	<u>166,672</u>
NET ASSETS			
Invested in capital assets	7,555	-	7,555
Unrestricted	<u>63,388</u>	<u>1,805,659</u>	<u>1,869,047</u>
Total net assets	<u>\$ 70,943</u>	<u>\$ 1,805,659</u>	<u>\$ 1,876,602</u>

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS**

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 57,016	\$ 4,648,082	\$ 4,705,098
Miscellaneous	<u>-</u>	<u>409</u>	<u>409</u>
Total operating revenues	<u>57,016</u>	<u>4,648,491</u>	<u>4,705,507</u>
OPERATING EXPENSES			
Salaries	414	-	414
Fringe benefits	207	-	207
Supplies	35,307	-	35,307
Copying machine	9,126	-	9,126
Repairs and maintenance service	2,358	-	2,358
Claim expenses	-	4,008,504	4,008,504
Administrative	-	521,533	521,533
Depreciation	<u>800</u>	<u>-</u>	<u>800</u>
Total operating expenses	<u>48,212</u>	<u>4,530,037</u>	<u>4,578,249</u>
OPERATING INCOME	8,804	118,454	127,258
NONOPERATING REVENUES			
Investment earnings	<u>3,308</u>	<u>102,239</u>	<u>105,547</u>
CHANGE IN NET ASSETS	12,112	220,693	232,805
TOTAL NET ASSETS, BEGINNING	<u>58,831</u>	<u>1,584,966</u>	<u>1,643,797</u>
TOTAL NET ASSETS, ENDING	<u>\$ 70,943</u>	<u>\$ 1,805,659</u>	<u>\$ 1,876,602</u>

GREGG COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 56,630	\$ 4,375,192	\$ 4,431,822
Cash paid to suppliers for goods and services	(51,791)	(4,287,015)	(4,338,806)
Net cash provided by operating activities	<u>4,839</u>	<u>88,177</u>	<u>93,016</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investments	-	4,055,816	4,055,816
Purchase of investments	-	(3,990,505)	(3,990,505)
Investment earnings	<u>3,285</u>	<u>96,213</u>	<u>99,498</u>
Net cash flows provided by investing activities	<u>3,285</u>	<u>161,524</u>	<u>164,809</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,124	249,701	257,825
CASH AND CASH EQUIVALENTS, BEGINNING	<u>50,079</u>	<u>133,549</u>	<u>183,628</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 58,203</u>	<u>\$ 383,250</u>	<u>\$ 441,453</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ 8,804	\$ 118,454	\$ 127,258
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	800	-	800
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	321	-	321
Accounts receivable	(783)	38,613	37,830
Increase (decrease) in liabilities:			
Accounts payable	(4,303)	(68,890)	(73,193)
Net cash provided by operating activities	<u>\$ 4,839</u>	<u>\$ 88,177</u>	<u>\$ 93,016</u>

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AGENCY FUNDS

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2007

	<u>Tax Assessor- Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>
ASSETS				
Cash	\$ 2,066,564	\$ 412,010	\$ 609,382	\$ 335,823
Investments	-	285,780	2,505,559	-
Accounts receivable	<u>155</u>	<u>6,884</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,066,719</u>	<u>\$ 704,674</u>	<u>\$ 3,114,941</u>	<u>\$ 335,823</u>
LIABILITIES				
Due to others	<u>\$ 2,066,719</u>	<u>\$ 704,674</u>	<u>\$ 3,114,941</u>	<u>\$ 335,823</u>
Total liabilities	<u>\$ 2,066,719</u>	<u>\$ 704,674</u>	<u>\$ 3,114,941</u>	<u>\$ 335,823</u>

<u>District Attorney</u>	<u>Code Forfeiture Pending</u>	<u>State Fees</u>	<u>Local Emergency Planning</u>	<u>Gregg/ Harrison First Call Warning</u>	<u>Juvenile Probation</u>	<u>Totals</u>
\$ 157,776	\$ 25,819	\$ 337,076	\$ 1,500	\$ 42,230	\$ 532,693	\$ 4,520,873
-	-	-	-	-	-	2,791,339
-	-	-	-	-	-	7,039
<u>\$ 157,776</u>	<u>\$ 25,819</u>	<u>\$ 337,076</u>	<u>\$ 1,500</u>	<u>\$ 42,230</u>	<u>\$ 532,693</u>	<u>\$ 7,319,251</u>
<u>\$ 157,776</u>	<u>\$ 25,819</u>	<u>\$ 337,076</u>	<u>\$ 1,500</u>	<u>\$ 42,230</u>	<u>\$ 532,693</u>	<u>\$ 7,319,251</u>
<u>\$ 157,776</u>	<u>\$ 25,819</u>	<u>\$ 337,076</u>	<u>\$ 1,500</u>	<u>\$ 42,230</u>	<u>\$ 532,693</u>	<u>\$ 7,319,251</u>

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Office and Fund</u>	<u>Cash and Investments October 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments September 30</u>
Tax assessor-collector	\$ 2,064,061	\$ 173,520,579	\$ 173,518,076	\$ 2,066,564
County clerk	714,801	2,357,939	2,374,950	697,790
District clerk	2,986,405	3,212,545	3,084,009	3,114,941
Sheriff	296,049	2,440,415	2,400,641	335,823
District attorney	249,056	921,404	1,012,684	157,776
Code forfeiture pending	23,727	44,687	42,595	25,819
State fees	285,762	1,326,495	1,275,181	337,076
Local emergency planning	1,500	-	-	1,500
Gregg/Harrison first call warning	39,380	18,350	15,500	42,230
Juvenile probation	<u>454,283</u>	<u>2,491,891</u>	<u>2,413,481</u>	<u>532,693</u>
	<u>\$ 7,115,024</u>	<u>\$ 186,334,305</u>	<u>\$ 186,137,117</u>	<u>\$ 7,312,212</u>

COMPLIANCE SECTION

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

To the Honorable County Judge and
Commissioners' Court
Gregg County, Texas

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gregg County, Texas (the "County") as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Compliance and Other Matters

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

However, we noted certain matters that were reported to management of the County, in a separate letter dated May 2, 2008.

This report is intended solely for the information and use of management, others within the County, and appropriate 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.

Pattillo, Brown & Hill, L.L.P.

May 2, 2008



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

To the Honorable County Judge and
Commissioners' Court
Gregg County, Texas

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

This report is intended solely for the information and use of management, others within the County, and appropriate 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.

Pattillo, Brown & Hill, L.L.P.

May 2, 2008

GREGG COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>Pass-through Grantor's Number</u>	<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
	<u>U. S. Department of Housing and Urban Development</u>		
	Passed through the Office of Rural Community Affairs:		
725006	Community Development Block Grant	14.228	\$ <u>302,831</u>
	Total Passed through the Office of Rural Community Affairs		<u>302,831</u>
	Total U. S. Department of Housing and Urban Development		<u>302,831</u>
	<u>U. S. Department of Justice</u>		
	Passed through the Criminal Justice Council:		
N/A	DEA Overtime Grant	16.527	15,548
WF-06-V30-13450-09	Violence Against Women	16.588	64,634
WF-07-V30-13450-10	Violence Against Women	16.588	<u>7,332</u>
	Total Passed through the Criminal Justice Council		<u>87,514</u>
	Total U. S. Department of Justice		<u>87,514</u>
	<u>U. S. Department of Transportation</u>		
	Passed through Federal Aviation Administration:		
3-48-0137-23-04	Airport Development Projects	20.106	<u>5,205,230</u>
	Total Passed through Federal Aviation Administration		<u>5,205,230</u>
	Total U. S. Department of Transportation		<u>5,205,230</u>
	<u>U. S. Election Assistance Commission</u>		
	Passed through Texas Secretary of State:		
79082	TEAM Compatibility	39.011	<u>597</u>
	Total Passed through Texas Secretary of State		<u>597</u>
	Total U. S. Election Assistance Commission		<u>597</u>

(continued)

GREGG COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>Pass-through Grantor's Number</u>	<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
	<u>U. S. Department of Health and Human Services</u>		
	Passed through Texas Department of Protective and Regulatory Services:		
1MRCSG061001-01	Medical Corps Group/Regional Medical Response	93.008	\$ 1,123
7560009718-2006	OPHP/Bioterrorism	93.283	25,479
7560009718-2007	OPHP/Bioterrorism	93.283	150,485
7560009718-2008	OPHP/Bioterrorism	93.283	<u>13,224</u>
	Total Passed through Texas Department of Protective and Regulatory Services		<u>190,311</u>
	Total U. S. Department of Health and Human Services		<u>190,311</u>
	<u>U. S. Department of Homeland Security</u>		
	Passed through Texas Engineering Extension Service:		
2005 HSGP - 48183	State Homeland Security Grant program	97.073	91,050
2006-GE-T6-0068	State Homeland Security Grant program	97.074	<u>42,457</u>
	Total Passed through the Texas Engineering and Extension Service		<u>133,507</u>
	Total U. S. Department of Homeland Security		<u>133,507</u>
	Total Federal Awards		\$ <u>5,919,990</u>

GREGG COUNTY, TEXAS

NOTES TO GRANT FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of Gregg County. The County's reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the financial statements.

GREGG COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The County was classified as a low-risk auditee in the context of OMB Circular A-133
Major federal programs	Airport Development, CFDA #20.106 Community Development Block Grant, CFDA #14.228

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

GREGG COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

None

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