

GREGG COUNTY, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2008

GREGG COUNTY, TEXAS

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2008**

Prepared by:

The Gregg County Auditor's Office

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GREGG COUNTY, TEXAS

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INTRODUCTORY SECTION

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COUNTY AUDITOR

Gregg County, Texas



101 E. Methvin, Suite 306 • Longview, TX 75601 • (903) 237-2690 • FAX (903) 237-2695

April 09, 2009

The Honorable District Judges of Gregg County and
The Honorable Members of the Gregg County Commissioners' Court:

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 are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to the requirement, we hereby issue the comprehensive annual financial report of Gregg County for the fiscal year ended September 30, 2008. The report is prepared by the Gregg County Auditor's Office.

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.

Gregg County's financial statements have been audited by Pattillo, Brown and Hill, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of Gregg County for the year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Gregg County's financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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 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 annual budget serves as the foundation of Gregg County's financial planning and control. All departments of the County are required to submit budget requests to the budget officer during May of each year. The budget officer uses these requests as the starting point for developing a proposed budget along with revenue estimates provided by the County Auditor. The proposed budget is then presented to the Commissioners' Court for review. The Commissioners' Court is required to hold public hearings of the proposed budget. The County is required to adopt a final budget by the first day of the new fiscal year. The appropriated budget is prepared by fund, department and function.

The Commissioners' Court also sets the tax rates, establishes policies for County operations, and approves contracts for the County. The Commissioners' Court is 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.

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 the recent economic downturn. 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 this 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. Tax base valuations for the FY08 budget have risen to the current \$7.16 billion.

The 2000 census for the County was 111,379, an increase of 6.13% since 1990. U. S. Census Bureau estimated population for 2008 is 117,528, an increase of 5.52%.

Our September 2008, unemployment rate of 4.3% compared favorably with the 5.1% statewide rate, and with the 6.1% national rate.

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, if any, 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 provide 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 money market funds with the County's depository Trust Department 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.

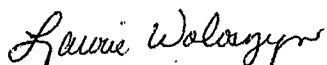
Risk Management Gregg County provides for the management of risks through a combination of self-insurance and traditional insurance. Currently, the County has workman's compensation, unemployment compensation, public official liability, law enforcement liability, and general liability policies through 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 2008 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 auditor's report on the general-purpose financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the compliance section.

Acknowledgements The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the County Auditor's office. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We would also like to express our 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.

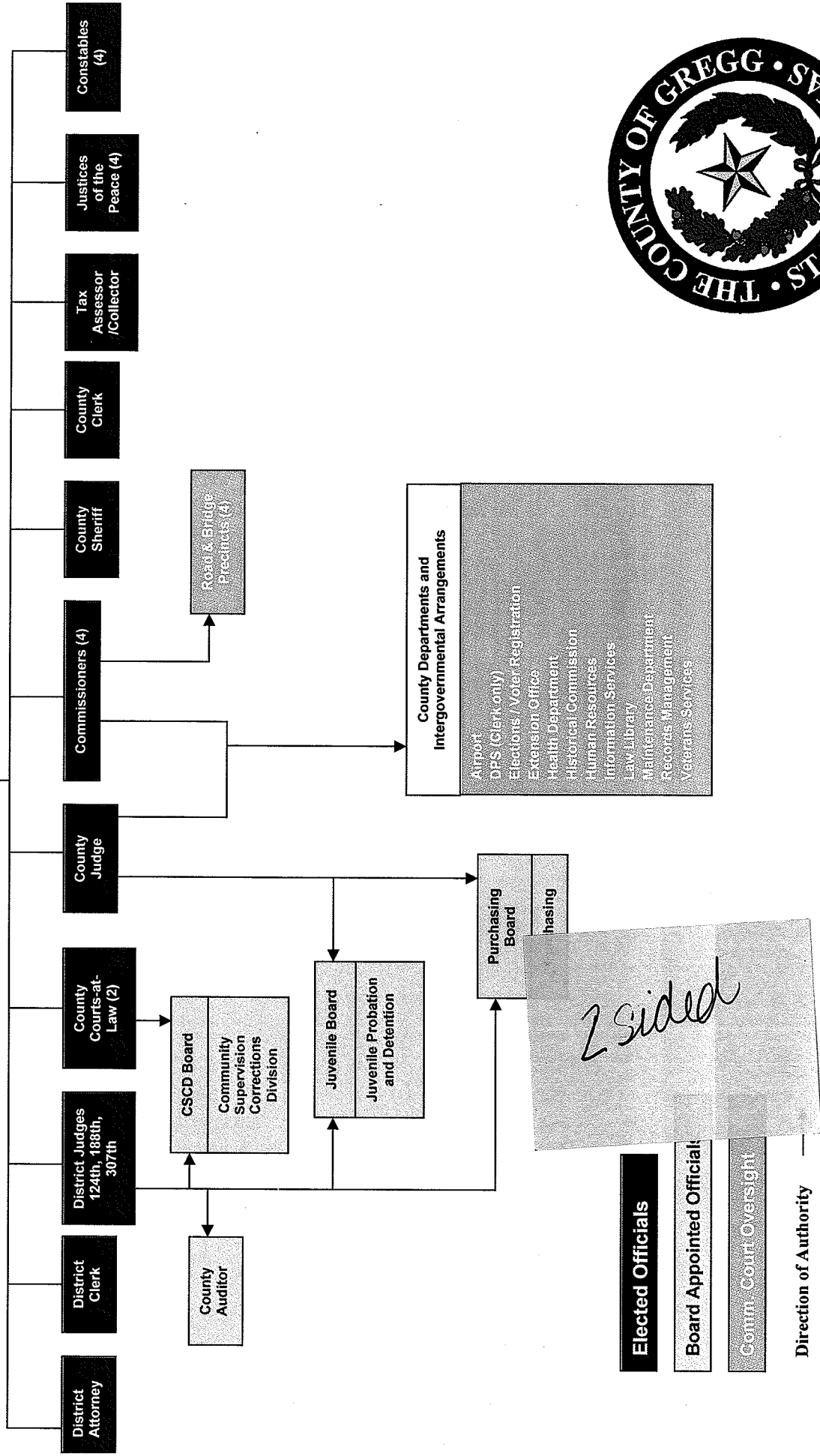
Respectfully submitted,



Laurie Woloszyn
Gregg County Auditor

Gregg County Organization Chart

Gregg County Citizens





**Gregg County, Texas
Directory of Officials
September 30, 2008**

Elected:

County

**Bill Stoudt
Charles Davis
Darryl Primo
Bob Barbee
John Mathis
Carl Dorough
Barbara Duncan
Connie Wade
Kirk Shields
Maxey Cerliano
James Plumlee
Billy Fort
Bill Echart
Robby Cox**

**County Judge
Commissioner, Precinct 1
Commissioner, Precinct 2
Commissioner, Precinct 3
Commissioner, Precinct 4
District Attorney
District Clerk
County Clerk
Tax Assessor Collector
Sheriff
Constable, Precinct #1
Constable, Precinct #2
Constable, Precinct #3
Constable, Precinct #4**

Judicial

**David Brabham
Robin Sage
Alvin Khoury
Rebecca Simpson
Alfonso Charles
B. H. Jameson
Arthur Fort
Talyna Carlson
Sam Lawson**

**Judge, 188th District Court
Judge, 307th District Court
Judge, 124th District Court
Judge, County Court at Law #1
Judge, County Court at Law #2
Justice of the Peace, Precinct #1
Justice of the Peace, Precinct #2
Justice of the Peace, Precinct #3
Justice of the Peace, Precinct #4**

Appointed:

**Quin Tillery
Bing Canion
Laurie Woloszyn
Shelia Embrey**

**Community Supervision Director
Juvenile Probation Director
County Auditor
Purchasing Director**

Other County Officials

**Randy Smith
Dennis Smith
Linda Bailey
Kathryn Nealy
Virginia Hall
Lewis Browne, M.D.
Rita Fyffe
Cindy Romines
David Kidder**

**Veterans Service Officer
County Extension Agent
Budget Director
Elections Administrator
Airport Manager
Administrator/Health Authority
Human Resources Director
Information Services Director
Fire Marshall**

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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, 2008, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Gregg County, Texas as of September 30, 2008, 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 April 24, 2009, 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.

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

April 24, 2009

**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, 2008. Gregg County is presenting financial information in the reporting format required by Governmental Accounting Standards Board (GASB) Statement 34. 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 the Gregg County exceeded its liabilities at the close of fiscal year 2008 by \$108,508,688 (*net assets*). Of this amount, \$49,150,046 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets increased by \$16,707,875 or 18.2 % primarily due to fund balance increases (62.78%) and infrastructure improvements related to capital grants and contributions (26.82%).
- As of September 30, 2008, Gregg County's governmental funds reported combined ending fund balances of \$46,451,429, an increase of \$10,510,058 or 29.24% in comparison with the prior year. \$45,198,806 is *available for spending* at the government's discretion (*unreserved fund balance*). \$14,053,088 (31.09%) of the unreserved fund balances is designated for capital projects.
- At the end of fiscal year 2008, total unreserved fund balance for the General Fund was \$23,155,150 or 79.4% of total General Fund expenditures, compared to 103.14% in 2007, 75.6% in 2006 and 42.4% in 2005.
- Prior to the end of FY 2008, \$12,500,000 of General Fund reserves were designated and transferred to a Capital Improvements Fund to fully or partially fund future capital improvements. The first five-year Capital Improvement Plan was adopted.
- Gregg County's outstanding bonds payable decreased by \$860,000 (100%) during fiscal year 2008. Gregg County's total outstanding general obligation debt is extinguished.
- Capital grants and contributions increased by \$732,671 or 14.08% over 2007. This is mainly due to the increased grant contributions for infrastructure rehab at the East Texas Regional Airport.
- Major expenditure increases for FY08 include \$873,646 (16.22%) in Transportation and Roads, \$1,592,372 (13.73%) in Public Safety and \$1,001,170 (11.72%) in General Government. The Transportation and Roads increase is mainly due to purchase of capital equipment and Public Safety expenditure increase is partially offset by the increase in contract jail operation revenue received in FY08.
- The increase of \$958,120 in property tax was primarily due to an increase from the prior year in the certified tax roll compiled by the Gregg County Appraisal District.
- Investment Earnings decreased \$558,318 due to the decline in the interest rate.
- Revenue from charges for services increased \$2,039,458 or 19.95% mostly due to increased contact jail operations revenues.

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 56 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 Airport Improvement Funds, all of which are considered to be major funds. Data from the other 52 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 – 42 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 – 60 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents *certain required supplementary information* concerning Gregg County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 60 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 61 – 84 of this report.

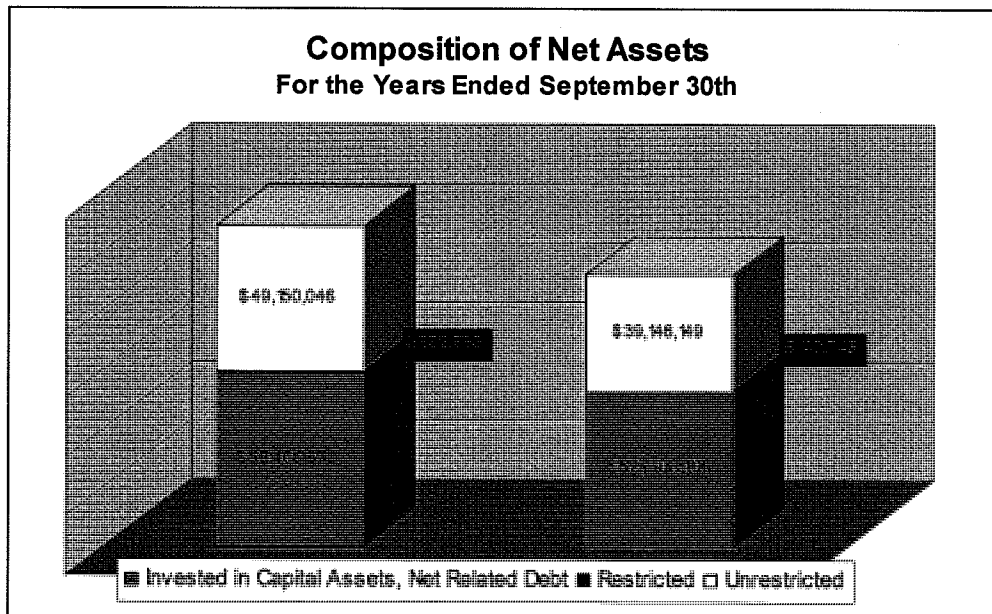
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$108,508,688 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 53.83% of net assets compared with 57.18% the last fiscal year. 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 As of September 30 Governmental Activities		
	<u>2008</u>	<u>2007</u>
Assets:		
Current and other assets	\$ 54,256,253	\$ 42,369,517
Capital assets	<u>58,304,077</u>	<u>53,622,439</u>
Total assets	<u>112,560,330</u>	<u>95,991,956</u>
Liabilities:		
Long-term liabilities	1,092,412	740,186
Other liabilities	<u>2,959,230</u>	<u>3,471,313</u>
Total liabilities	<u>4,051,642</u>	<u>4,211,499</u>
Net assets:		
Invested in capital assets, net of related debt	58,405,677	52,493,563
Restricted	952,965	140,745
Unrestricted	<u>49,150,046</u>	<u>39,146,149</u>
Prior period adjustment	<u>-</u>	<u>20,356</u>
Total net assets	\$ <u>108,508,688</u>	\$ <u>91,800,813</u>

An additional portion of Gregg County's net assets (.89%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$49,150,046 (45.30%) may be used to meet the government's ongoing obligations to citizens and creditors.



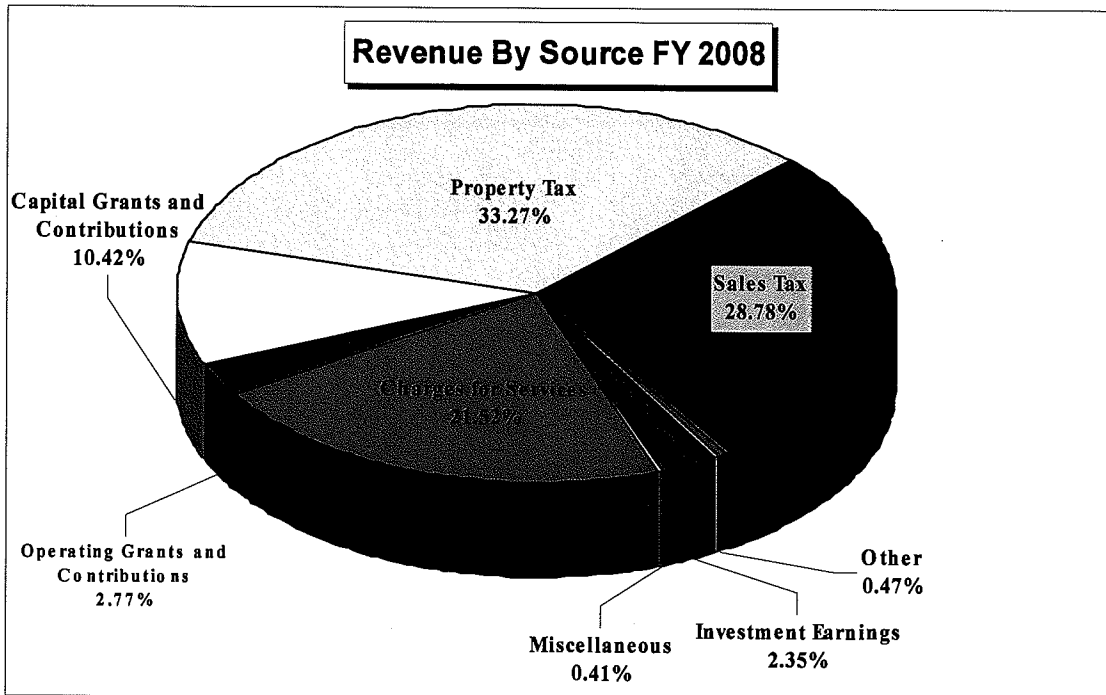
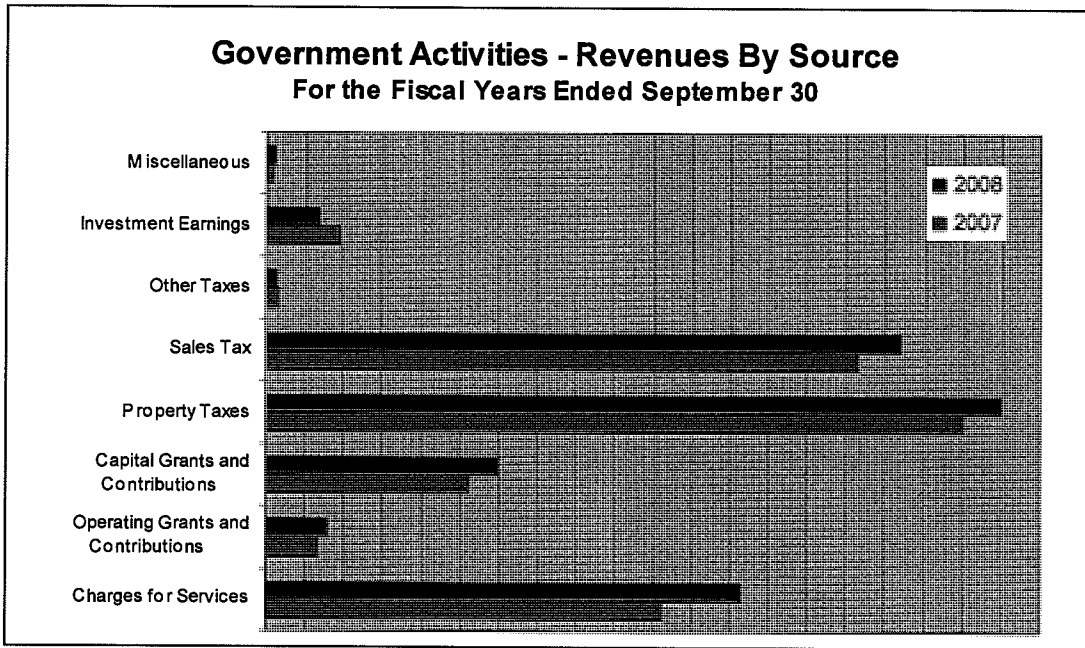
At the end of the current fiscal year, Gregg County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior five fiscal years.

Governmental Activities: Governmental activities increased Gregg County's net assets by \$16,707,875 for an 18.20% increase of the total net assets of Gregg County. As a comparison to the prior year, net assets increased by 20.93% in FY2007.

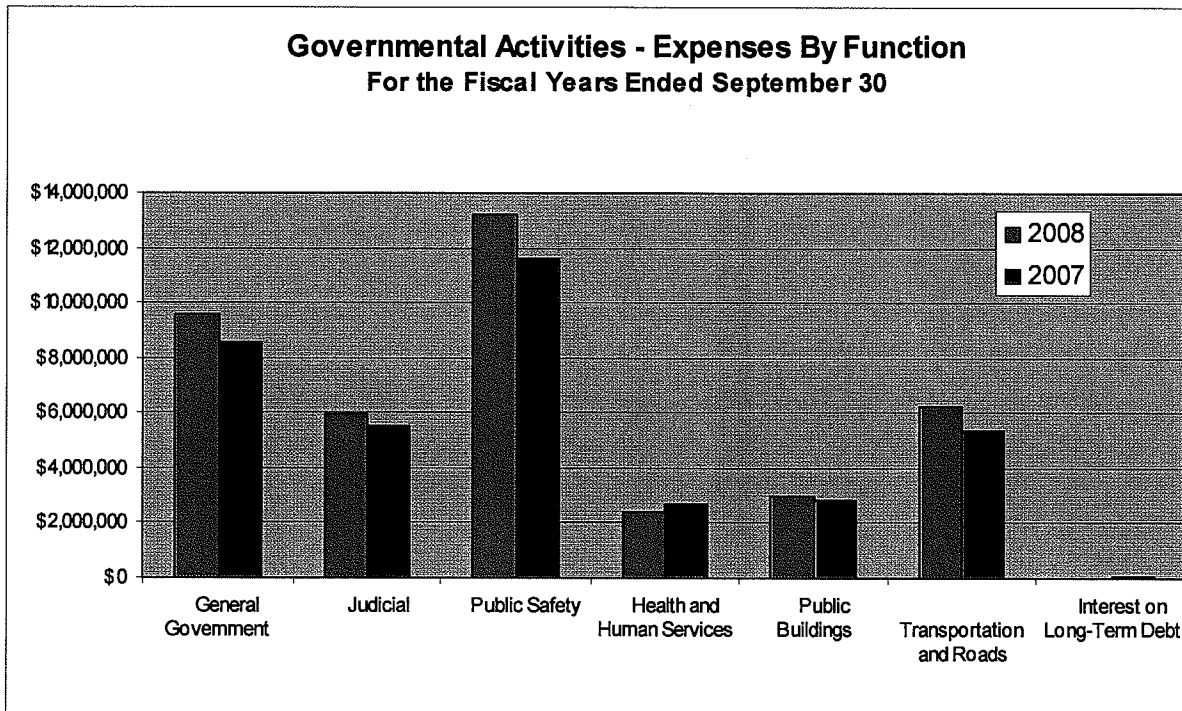
Gregg County's Changes in Net Assets Governmental Activities		
	<u>2008</u>	<u>2007</u>
REVENUES		
Program revenue		
Charges for services	\$ 12,261,874	\$ 10,222,416
Operating grants and contributions	1,578,343	1,287,135
Capital grants and contributions	5,937,901	5,205,230
General revenue		
Property taxes	18,953,528	18,119,926
Sales tax	16,392,118	15,288,500
Other taxes	270,364	287,416
Investment earnings	1,339,856	1,898,174
Miscellaneous	232,509	149,661
Total revenues	<u>56,966,493</u>	<u>52,458,458</u>
EXPENSES		
General government	9,543,171	8,542,001
Judicial	5,931,707	5,493,674
Public safety	13,189,470	11,597,098
Health and human services	2,363,996	2,707,724
Public buildings	2,941,860	2,806,514
Transportation and roads	6,259,955	5,386,309
Interest on long-term debt	28,459	38,178
Total expenses	<u>40,258,618</u>	<u>36,571,498</u>
Change in net assets	16,707,875	15,886,960
Net assets – beginning	91,780,457	75,893,497
Prior period adjustment	20,356	-
Net assets – ending	<u>\$ 108,508,688</u>	<u>\$ 91,780,457</u>

Net Cost of Governmental Activities for Gregg County By Function For the Fiscal Years Ended September 30		
<u>Function/Program</u>	<u>Net Cost of Services</u>	
	<u>2008</u>	<u>2007</u>
General government	\$(523,232)	\$(231,038)
Judicial	(3,648,301)	(3,284,146)
Public safety	(11,517,238)	(10,201,486)
Health and human services	(1,532,991)	(2,000,099)
Public buildings	868,337	(588,750)
Transportation and roads	(4,098,616)	(3,513,020)
Interest on long-term debt	(28,459)	(38,178)
Total	<u>\$(20,480,500)</u>	<u>\$(19,856,717)</u>

Reflected below is a comparison of government wide revenues by source. Total revenue for the government increased 8.85%.



Below is a comparison of government wide expenditures by function. Government wide expenditures increased 10.08%.



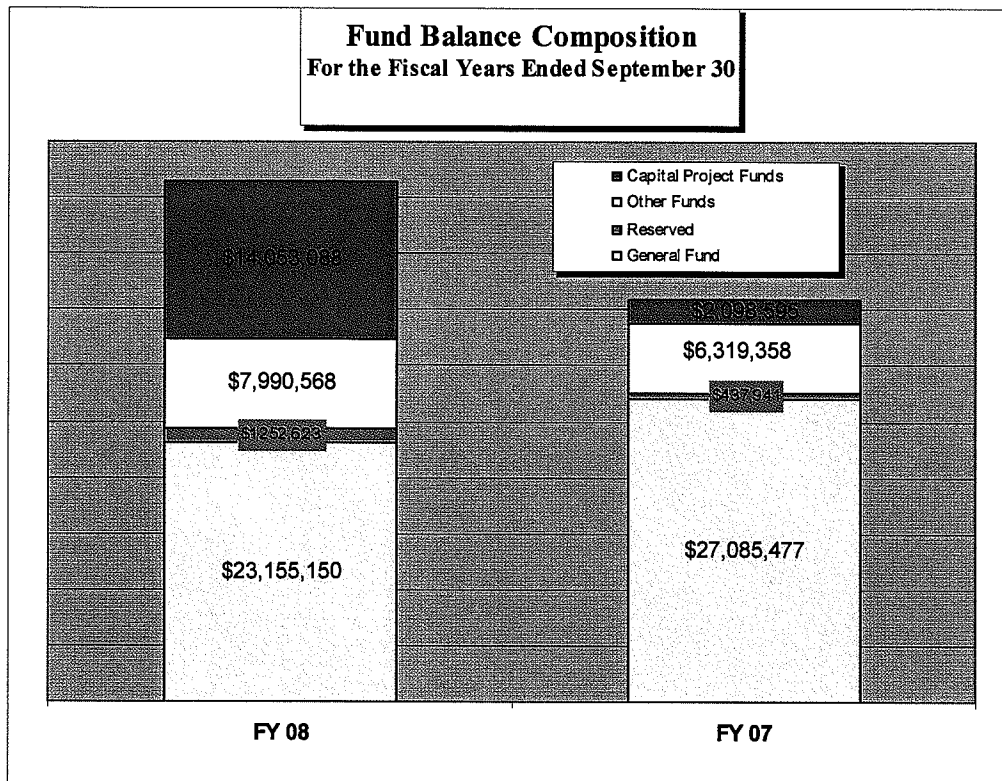
Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$19,778,118 equaled 49% of total government expenses of \$40,258,618. As expected, general revenues of \$37,188,375 provided the additional support and coverage for expenses. Program revenues consist of charges for services, operating and capital grants. General revenues consist mainly of sales and property tax and investment earnings which all are not attributable to a specific program.
- Over 32% of the expenses are for Public Safety (\$13,189,470) reflecting the continuing growth in the County and the demands on law enforcement. While this program provided about 2.9% (\$1,672,232) of the total government revenues, additional revenue was received relating to the net proceeds of contract jail operations of \$3,162,039 or 5.6% of the total revenues.
- The next largest category of expenses is General Government and equaled \$9,543,171 or 23.7% of total expenditures. General Government provided 15.8% of the government total revenue.
- Transportation and Roads accounted for 15.6% of the government expenses while this category provided for 3.8% of the government revenues.
- Judicial expenses for the government for the year accounted for 14.7% of the expenditures while this category provided for 4% of the government revenue.
- Grant revenues and contributions comprised about 13.2% of total government revenue.

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 2008, Gregg County's *governmental funds* reported combined ending fund balances of \$46,451,429, an increase of \$10,510,058 (29.24%) in comparison with the prior year. Approximately 97.3% of the ending fund balance constitutes *unreserved fund balance*. Although legally not restricted, in FY08 the Commissioners' Court designated \$12,500,000 of the unreserved balance for future capital projects. These CIP designated funds, along with current capital project balances, account for 30.25% (\$14,053,088) of the total fund balance at year-end. \$23,155,150 of the fund balance is reported in the General Fund. 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 (\$265,955); 2) for archive restoration (\$687,010); 3) to fund capital projects in progress (\$1,553,088); 4) to reflect inventories (\$234,537); and 5) for other restricted purposes (\$65,121).

General Fund

The General Fund is the chief operating fund of Gregg County. At the end of fiscal year 2008, the General Fund had an ending fund balance of \$23,907,281 with less than 1% reserved as prepaid items.

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 79.49% of total General Fund expenditures.

The General Fund balance decreased by \$3,245,648 (11.95%) during the 2008 fiscal year. The decrease is due to the adoption of the Gregg County Capital Improvement Plan and the transfer of \$12,500,000 from the General Fund to the Capital Improvement Fund.

General Fund Highlights:

- Property tax revenue increased by 5.32% or \$958,120 from the prior year due to the increase in the appraised values for FY2008. Values rose from \$6.55 billion to \$7.16 billion.
- FY08 was the first full year of managing the contract jail operations and revenue increased over fiscal year 2007 by \$1,598,376.
- Sales tax revenues increased \$1,103,618 (7.22%) over FY2007.
- Actual total expenditures were \$2,270,965 (7.79%) under budgeted appropriations.
- Total General Fund Revenues increased by \$1,515,898 (4.05%) and Total General Fund expenditures increased \$2,868,070 (10.92%) when compared to FY 07.
- The tax rate to fund the FY08 Budget was reduced by one cent (1 cent) from .2800 to .2700 cents per \$100 valuation.
- Major capital improvements made during the year but not completed at year-end include the 307th District Courtroom Renovations – \$263,452.58 and a Computer Upgrade Project – \$471,723.
- Major capital purchases during the year include 12 vehicles or vans for the Public Safety program of which 7 are pursuit vehicles for a total cost of \$236,273.
- Differences between the original budget and the final amended budget can be briefly summarized as follows:
 - A decrease of \$72,055 in expenditure appropriations.
 - A difference of \$16,334 between the original budgeted revenues and the final amended budget revenues.

Road and Bridge Fund

- The Road and Bridge Fund had an ending fund balance of \$3,019,643, a net increase of \$1,136,458 (60.35%) of which \$229,804 is reserved for inventories and \$9,327 is due to the General Fund for non-Road and Bridge projects.
- Road and Bridge tax revenue increased by \$1,486,057 from FY07.
- FY08 Road and Bridge expenditures increased by \$262,750.
- Other financing sources included \$224,482 received from the sale of capital assets and \$285,700 from proceeds from capital leases for equipment.
- Additional capital equipment purchased during the year include the following: New Holland Backhoe – \$60,895, Pneumatic Roller – \$55,093, Short Crew Truck – \$24,600, ¾ Crew Cab Truck – \$22,650, Wildcat Zero Turn Rider – \$7,360, Two New Holland Tractors – \$65,900, Turbo Motor Grader – \$125,054 and a Track Paver – \$54,570.

Healthcare Fund

- The Healthcare Fund reported an increase of \$108,492 (4.17%) for an ending fund balance of \$2,707,391.
- Revenue for the year was \$208,478 of which \$115,123 (55.22%) was received in intergovernmental contributions and \$93,355 (44.78%) was earned in interest on the funds placed in trust by the Court.
- During the year expenditures were made in the amount of \$99,986 to promote health and human services in the Gregg County area.

Airport and Airport Improvement Funds

- During the year, capital equipment purchases totaled \$212,950 and include a Dump Truck, a Cab Tractor and a Motor Grader.
- Major Capital Project expenditures for the year and in progress at the year-end include the following:
 - Runway/Taxiway Drainage \$ 822,670
 - Runway Safety Area Improvements \$ 4,542,196
 - Reconstruct Mike Taxiway \$ 239,341
 - Design Only Reconstruct G Taxiway \$ 98,529
 - Design Only Runway Safety \$ 73,500
 - GA Apron Construction \$ 354,141

Capital Improvement Fund

The County formally adopted a five-year Capital Improvement Plan (CIP) in FY2008 and designated funds for major facility and infrastructure improvements. The Commissioners' Court desires to identify capital projects and set aside reserves to minimize any future debt impact. The CIP will develop a clear path for future capital improvements.

Capital projects adopted in the first five-year CIP are:

- County Facility Projects: Courtroom Renovations, County Telephone System, Longview Whaley Community Building renovations, Parking Garage;
- Airport Infrastructure Projects: County's Grant Match for East Texas Regional Airport Improvements;
- Transportation Projects: expansion of SH149, improvements to George Ritchie Road in partnership with TxDOT and the City of Longview; other improvements and roadways in Kilgore, White Oak, and Gladewater.

CAPITAL ASSET AND DEBT ADMINISTRATION

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 n Progress	\$ 25,000

Gregg County is reporting retroactive infrastructure assets since 2007 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 including Airport, Roads, and Bridges net of depreciation was \$13,835,061.

Capital Assets: As of September 30, 2008, Gregg County's investment in capital assets amounts to \$58,304,077 (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
As of September 30, 2008**

Land	\$	1,315,910
Construction in progress		13,746,229
Buildings and improvements		36,861,681
Infrastructure		50,602,577
Machinery, equipment and other assets		12,064,749
Less: accumulated depreciation		<u>(56,287,069)</u>
 Total assets being depreciated		 <u>43,241,938</u>
 Total capital assets	 \$	 <u>58,304,077</u>

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

Long-term Debt: During FY2008, Gregg County paid the final payment on General Obligation bonds in the amount of \$860,000 plus interest. Gregg County has no bonded indebtedness at this time. Liabilities due within more than one year at the end of the fiscal year total \$1,001,282 which include an accrual for compensated absences of \$618,958 (61.82%), a note payable in the amount of \$94,797 and capital lease payments in the amount of \$287,527.

Additional information on Gregg County's long-term debt can be found in note 4 on pages 57 – 58 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Judge and the Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the County budget for FY2009, the Court and management considered the following:

- The County economy has not been affected as much as many parts of the nation by the current economic slowdown as can be seen in the increase in the tax base valuation used for the 2009 budget \$7.9 billion up from \$7.1 billion from the prior year. Additionally, Gregg County maintains a favorable unemployment rate when compared with the state and national averages.
- There is no plan to issue debt in the FY09 budget year. The County's debt position will continue to remain favorable.
- Considering the current favorable financial position and fund balance Gregg County has acquired, the Commissioners' Court approved an additional one quarter cent reduction in the 2008 tax rate to fund the FY09 budget to .2675 per \$100 valuation. This rate will adequately fund the FY09 budget. Although the tax rate was reduced, property tax revenue is expected to rise due to the increased tax base valuation for 2009.
- Budgeted revenue government-wide for fiscal year 2009 is \$49,802,005 and the budgeted expenditures are \$49,787,183. Additionally, other financing sources are budgeted at \$2,323,920 and other financing uses are budgeted at \$2,147,358.
- Major capital improvement expenditures budgeted for FY09 include courtroom renovations for the County Court at Law #1 Courtroom, continued renovations at the Longview Whaley Community Building and a new Courthouse Telephone System. Infrastructure improvements budgeted include a partnership with TxDOT for the rehabilitation of Hwy 42 from US80 to IH-20 and a project for turn lanes on SH-349 at Synergy Park in Kilgore

- Interest rates are planned to decrease as with the revenue received from the earnings.
- All of these factors were considered in preparing Gregg County's budget for the 2009 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 and show the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Laurie Woloszyn, Auditor's Office, 101 E. Methvin, Ste 306, Longview, TX 75601 or visit the County's website at www.co.gregg.tx.us.

**BASIC
FINANCIAL STATEMENTS**

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GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Primary Government Governmental Activities	Component Unit Child Welfare Board
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,415,960	\$ 192,677
Investments	36,264,136	-
Receivables (net of allowances for uncollectibles)		
Due from other governments	4,085,323	-
Accounts	2,385,794	312
Taxes	789,476	-
Inventory	250,443	-
Prepays	65,121	-
Capital assets (net of accumulated depreciation)		
Land	1,315,910	-
Buildings and improvements	36,861,681	-
Equipment	12,064,749	-
Infrastructure	50,602,577	-
Construction work in progress	13,746,229	-
Less: accumulated depreciation	(56,287,069)	-
Total capital assets	58,304,077	-
Total assets	112,560,330	192,989
LIABILITIES		
Current liabilities:		
Accounts payable	2,014,921	6,027
Accounts payable - other governments	36,293	-
Accrued liabilities	891,209	-
Accrued interest	13,167	-
Deferred revenue	3,640	-
Noncurrent liabilities:		
Due within one year	91,130	-
Due within more than one year	1,001,282	-
Total liabilities	4,051,642	6,027
NET ASSETS		
Invested in capital assets, net of related debt	58,405,677	-
Restricted for debt service	265,955	-
Restricted for archive restoration	687,010	-
Unrestricted	49,150,046	186,962
Total net assets	\$ 108,508,688	\$ 186,962

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, 2008

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	\$ 9,543,171	\$ 2,870,400	\$ 211,638	\$ 5,937,901	\$(523,232)	\$ -
Judicial	5,931,707	1,924,753	358,653	-	(3,648,301)	-
Public safety	13,189,470	1,485,239	186,993	-	(11,517,238)	-
Health and human services	2,363,996	81,403	749,602	-	(1,532,991)	-
Public buildings	2,941,860	3,810,197	-	-	868,337	-
Transportation and roads	6,259,955	2,089,882	71,457	-	(4,098,616)	-
Interest on long-term debt	<u>28,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,459)</u>	<u>-</u>
 Total primary government	 <u>\$ 40,258,618</u>	 <u>\$ 12,261,874</u>	 <u>\$ 1,578,343</u>	 <u>\$ 5,937,901</u>	 <u>(20,480,500)</u>	 <u>-</u>
Component unit:						
Child Welfare Board	<u>\$ 85,652</u>	<u>\$ 18,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(67,431)</u>
 Total component unit	 <u>\$ 85,652</u>	 <u>\$ 18,221</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>-</u>	 <u>(67,431)</u>
General revenues:						
Taxes:						
Property taxes					18,953,528	-
Sales taxes					16,392,118	-
Alcoholic beverage taxes					205,875	-
Other taxes					64,489	-
Unrestricted investment earnings					1,339,856	5,726
Gain on sale of assets					236,282	-
Gain on insurance proceeds					86,227	-
Transfers					<u>(90,000)</u>	<u>90,000</u>
Total general revenues and transfers					<u>37,188,375</u>	<u>95,726</u>
Change in net assets					16,707,875	28,295
Net assets, beginning					91,780,457	158,667
Prior period adjustment					<u>20,356</u>	<u>-</u>
Net assets, beginning, as restated					<u>91,800,813</u>	<u>158,667</u>
Net assets, ending					<u>\$ 108,508,688</u>	<u>\$ 186,962</u>

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

GREGG COUNTY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2008

	General	Road and Bridge	Health Care
ASSETS			
Cash and cash equivalents	\$ 570,492	\$ 311,447	\$ 1,047,691
Investments	20,468,624	2,681,021	1,642,149
Receivables (net of allowance for uncollectibles)			
Other governments	2,994,664	47,069	-
Accounts	1,388,360	830,122	17,551
Delinquent property taxes	583,921	117,837	-
Due from other funds	698,211	-	-
Inventory - materials/supplies	-	229,804	-
Prepays	65,121	-	-
	<u>\$ 26,769,393</u>	<u>\$ 4,217,300</u>	<u>\$ 2,707,391</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 886,877	\$ 311,373	\$ -
Accounts payable - other governments	25,907	447	-
Accrued liabilities	547,523	64,366	-
Deferred revenues	1,401,805	821,471	-
Due to other funds	-	-	-
	<u>2,862,112</u>	<u>1,197,657</u>	<u>-</u>
Fund balances:			
Reserved for:			
Debt service	-	-	-
Archive restoration	687,010	-	-
Inventory	-	229,804	-
Prepays	65,121	-	-
Unreserved, reported in:			
General fund	23,155,150	-	-
Special revenue funds			
Designated for general fund projects	-	(9,327)	-
Undesignated	-	2,799,166	2,707,391
Capital projects funds	-	-	-
	<u>23,907,281</u>	<u>3,019,643</u>	<u>2,707,391</u>
	<u>\$ 26,769,393</u>	<u>\$ 4,217,300</u>	<u>\$ 2,707,391</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

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.

Airport Improvement	Other Governmental Funds	Total Governmental Funds
\$ 97,965	\$ 7,932,984	\$ 9,960,579
-	8,971,085	33,762,879
458,706	584,884	4,085,323
47	117,782	2,353,862
-	87,718	789,476
-	-	698,211
-	4,733	234,537
-	-	65,121
<u>\$ 556,718</u>	<u>\$ 17,699,186</u>	<u>\$ 51,949,988</u>
\$ 336,312	\$ 236,489	\$ 1,771,051
-	9,939	36,293
-	42,926	654,815
-	114,913	2,338,189
20,714	677,497	698,211
<u>357,026</u>	<u>1,081,764</u>	<u>5,498,559</u>
-	265,955	265,955
-	-	687,010
-	4,733	234,537
-	-	65,121
-	-	23,155,150
-	-	(9,327)
-	2,493,338	7,999,895
199,692	13,853,396	14,053,088
-	16,617,422	46,451,429
<u>\$ 357,026</u>	<u>\$ 17,699,186</u>	
		58,064,714
		2,334,549
		2,763,575
		(1,105,579)
		<u>\$ 108,508,688</u>

GREGG COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Road and Bridge	Health Care
REVENUES			
Taxes:			
Current property taxes	\$ 13,647,251	\$ 2,755,442	\$ -
Delinquent property taxes	398,914	58,266	-
Alcoholic beverage tax	205,875	-	-
Bingo tax	64,489	-	-
Sales tax	14,587,240	-	-
Motor vehicle sales tax	453,539	1,351,339	-
Licenses and permits	92,936	1,209,531	-
Intergovernmental	796,124	71,457	115,123
Charges for services	3,421,253	-	-
Fines and forfeitures	526,624	595,230	-
Investment earnings	932,857	84,391	93,355
Rents and commissions	214,562	-	-
Miscellaneous	3,574,428	13,343	-
Total revenues	38,916,092	6,138,999	208,478
EXPENDITURES			
Current:			
General government	7,308,203	-	-
Judicial	5,541,385	-	-
Public safety	12,387,040	-	-
Health and human services	1,738,774	-	99,986
Public buildings	2,153,314	-	-
Transportation and roads	-	5,525,509	-
Debt service:			
Principal	-	89,196	-
Interest and fiscal charges	-	10,386	-
Capital outlay	-	-	-
Total expenditures	29,128,716	5,625,091	99,986
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,787,376	513,908	108,492
OTHER FINANCING SOURCES (USES)			
Transfers in	35,140	104,800	-
Transfers out	(13,157,801)	-	-
Proceeds from capital lease	-	285,700	-
Sale of capital assets	21,664	224,482	-
Insurance proceeds	67,973	7,568	-
Total other financing sources (uses)	(13,033,024)	622,550	-
NET CHANGE IN FUND BALANCES	(3,245,648)	1,136,458	108,492
FUND BALANCES, BEGINNING	27,152,929	1,883,185	2,598,899
PRIOR PERIOD ADJUSTMENT	-	-	-
RESTATED FUND BALANCES, BEGINNING	27,152,929	1,883,185	2,598,899
FUND BALANCES, ENDING	\$ 23,907,281	\$ 3,019,643	\$ 2,707,391

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

<u>Airport Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,048,892	\$ 18,451,585
-	54,130	511,310
-	-	205,875
-	-	64,489
-	-	14,587,240
-	-	1,804,878
-	-	1,302,467
5,937,901	1,202,992	8,123,597
73,513	538,812	4,033,578
-	-	1,121,854
893	153,675	1,265,171
-	574,011	788,573
-	<u>560,262</u>	<u>4,148,033</u>
<u>6,012,307</u>	<u>5,132,774</u>	<u>56,408,650</u>
-	1,413,497	8,721,700
-	549,118	6,090,503
-	1,148,742	13,535,782
-	649,944	2,488,704
-	60,000	2,213,314
-	7,364	5,532,873
-	860,208	949,404
-	9,004	19,390
<u>6,260,425</u>	<u>749,639</u>	<u>7,010,064</u>
<u>6,260,425</u>	<u>5,447,516</u>	<u>46,561,734</u>
<u>(248,118)</u>	<u>(314,742)</u>	<u>9,846,916</u>
248,118	12,844,883	13,232,941
-	(75,140)	(13,232,941)
-	2,928	288,628
-	21,795	267,941
-	<u>10,686</u>	<u>86,227</u>
<u>248,118</u>	<u>12,805,152</u>	<u>642,796</u>
-	12,490,410	10,489,712
199,692	4,106,666	35,941,371
-	<u>20,356</u>	<u>20,356</u>
<u>199,692</u>	<u>4,127,022</u>	<u>35,961,727</u>
\$ <u>199,692</u>	\$ <u>16,617,432</u>	\$ <u>46,451,439</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, 2008

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)	\$ 10,489,702
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.	4,481,488
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(31,658)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	288,115
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.	655,421
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.	(62,166)
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>886,973</u>
Change in net assets of governmental activities (page 16)	\$ <u>16,707,875</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes:				
Current property taxes	\$ 13,701,425	\$ 13,701,425	\$ 13,647,251	\$(54,174)
Delinquent property taxes	374,571	374,571	398,914	24,343
Alcoholic beverage tax	150,000	150,000	205,875	55,875
Bingo tax	70,000	70,000	64,489	(5,511)
Sales tax	11,200,000	11,200,000	14,587,240	3,387,240
Motor vehicle sales tax	360,000	360,000	453,539	93,539
Total taxes	<u>25,855,996</u>	<u>25,855,996</u>	<u>29,357,308</u>	<u>3,501,312</u>
Licenses and permits:				
Alcoholic beverage licenses	25,000	25,000	28,632	3,632
Sexually oriented businesses	10,000	10,000	21,602	11,602
Bail bond applications	6,500	6,500	6,500	-
Sewage disposal systems	25,000	25,000	36,202	11,202
Total licenses and permits	<u>66,500</u>	<u>66,500</u>	<u>92,936</u>	<u>26,436</u>
Intergovernmental:				
Federal grant	19,073	15,573	15,810	237
Juvenile salary supplement	5,000	5,000	5,000	-
State supplement - court at law	150,000	150,000	137,500	(12,500)
State supplement - assistant prosecutors	11,500	11,500	14,601	3,101
State - indigent defense	50,000	50,000	63,610	13,610
State - juror reimbursement	55,000	55,000	68,340	13,340
State - commercial waste management fees	150	150	284	134
City of Lakeport - sewer fees	1,000	1,000	1,200	200
Fiscal service fee	4,800	4,800	11,599	6,799
HIDTA Task Force	1,000	1,000	2,149	1,149
CSCD Security Deputy	20,867	20,867	20,839	(28)
Sabine Valley Deputy	70,978	70,978	70,978	-
Sabine ISD Resource Officer	35,000	35,000	36,405	1,405
City of Longview - prisoner care	299,000	299,000	299,317	317
ETCOG - 911 reimbursement	-	-	27,000	27,000
Child welfare board reimbursement	10,000	10,000	21,492	11,492
Total intergovernmental	<u>733,368</u>	<u>729,868</u>	<u>796,124</u>	<u>66,256</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES (Continued)				
Charges for services:				
County judge	\$ 225	\$ 225	\$ 123	\$(102)
Sheriff	390,000	390,000	343,755	(46,245)
Constables	100,000	100,000	118,271	18,271
County clerk	1,080,000	1,080,000	1,046,160	(33,840)
County clerk - bond administrative fee	18,000	18,000	16,884	(1,116)
County clerk - archival fee	140,000	140,000	133,195	(6,805)
Sheriff - bond administrative fee	1,500	1,500	645	(855)
District clerk - bond administrative fee	350	350	288	(62)
Tax assessor - collector	780,000	780,000	826,005	46,005
District attorney	90,000	90,000	67,392	(22,608)
District clerk	435,000	435,000	440,534	5,534
Justices of the peace	32,000	32,000	73,105	41,105
Trial fees	200	200	25	(175)
Jury	33,000	33,000	29,898	(3,102)
Probate judge education fees	2,500	2,500	2,305	(195)
Other arrest fees	78,000	78,000	71,501	(6,499)
County court-at-law no. 1	2,200	2,200	1,794	(406)
County court-at-law no. 2	1,700	1,700	1,507	(193)
State fees	105,000	105,000	80,738	(24,262)
State fees - TP - judicial efficiency	10,000	10,000	3,843	(6,157)
Court reporter service fees	48,000	48,000	48,127	127
DRO fees	18,000	18,000	18,693	693
Guardianship fee	-	-	6,180	6,180
Parking lot fees	5,800	5,800	5,771	(29)
Computer services	6,000	6,000	6,500	500
Defensive driving fees	68,000	68,000	49,604	(18,396)
Child safety fees	5,200	5,200	3,900	(1,300)
Traffic fees	22,000	22,000	13,060	(8,940)
Video fees	5,300	5,300	8,244	2,944
Inmate reimbursement	-	-	3,206	3,206
Total charges for services	<u>3,477,975</u>	<u>3,477,975</u>	<u>3,421,253</u>	<u>(56,722)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Fines and forfeitures:				
Justice courts	\$ 625,000	\$ 625,000	\$ 526,624	\$(98,376)
Total fines and forfeitures	<u>625,000</u>	<u>625,000</u>	<u>526,624</u>	<u>(98,376)</u>
Investment earnings:				
Interest	900,000	900,000	1,099,551	199,551
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>(166,694)</u>	<u>(166,694)</u>
Total investment earnings	<u>900,000</u>	<u>900,000</u>	<u>932,857</u>	<u>32,857</u>
Rent and commissions:				
BorgWarner Automotive	34,100	34,100	34,098	(2)
A & M Tower, Inc.	8,865	8,865	8,865	-
Community buildings	14,000	20,334	34,263	13,929
Other rent	8,500	8,500	9,600	1,100
Royalties	8,800	8,800	18,351	9,551
Telephone coin stations	160,000	160,000	100,835	(59,165)
Concession commissions	<u>8,200</u>	<u>8,200</u>	<u>8,550</u>	<u>350</u>
Total rent and commissions	<u>242,465</u>	<u>248,799</u>	<u>214,562</u>	<u>(34,237)</u>
Miscellaneous:				
Federal - jail lease	313,900	313,900	1,462,248	1,148,348
Contract jail revenue	2,628,000	2,628,000	2,047,400	(580,600)
Donations	-	13,500	-	(13,500)
Miscellaneous	<u>50,000</u>	<u>50,000</u>	<u>64,780</u>	<u>14,780</u>
Total miscellaneous	<u>2,991,900</u>	<u>3,005,400</u>	<u>3,574,428</u>	<u>569,028</u>
 Total revenues	 <u>34,893,204</u>	 <u>34,909,538</u>	 <u>38,916,092</u>	 <u>4,006,554</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, 2008

	<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				
General government:				
County clerk - administration:				
Salaries	\$ 595,889	\$ 595,889	\$ 564,747	\$ 31,142
Fringe benefits	259,640	259,640	238,110	21,530
Operating expenses	<u>64,017</u>	<u>64,017</u>	<u>63,386</u>	<u>631</u>
Total County clerk - administration	<u>919,546</u>	<u>919,546</u>	<u>866,243</u>	<u>53,303</u>
County clerk - archive restoration:				
Operating expenses	<u>150,000</u>	<u>150,000</u>	<u>1,589</u>	<u>148,411</u>
Total County clerk - archive restoration	<u>150,000</u>	<u>150,000</u>	<u>1,589</u>	<u>148,411</u>
Telecommunications:				
Salaries	39,655	39,655	37,672	1,983
Fringe benefits	7,030	7,030	6,576	454
Operating expenses	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Total telecommunications	<u>46,885</u>	<u>46,885</u>	<u>44,248</u>	<u>2,637</u>
Purchasing:				
Salaries	107,991	108,528	108,528	-
Fringe benefits	34,090	33,553	33,136	417
Operating expenses	<u>8,300</u>	<u>8,300</u>	<u>7,610</u>	<u>690</u>
Total purchasing	<u>150,381</u>	<u>150,381</u>	<u>149,274</u>	<u>1,107</u>
Human resources:				
Salaries	123,699	124,625	122,568	2,057
Fringe benefits	44,155	43,229	42,394	835
Operating expenses	<u>13,958</u>	<u>13,958</u>	<u>13,928</u>	<u>30</u>
Total human resources	<u>181,812</u>	<u>181,812</u>	<u>178,890</u>	<u>2,922</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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
General government: (Continued)				
Nondepartmental - general government:				
Fringe benefits	\$ 84,000	\$ 53,093	\$ 35	\$ 53,058
Operating expenses	<u>2,765,120</u>	<u>2,572,964</u>	<u>2,334,403</u>	<u>238,561</u>
Total nondepartmental - general government	<u>2,849,120</u>	<u>2,626,057</u>	<u>2,334,438</u>	<u>291,619</u>
County judge:				
Salaries	168,703	169,473	165,860	3,613
Fringe benefits	52,155	51,385	50,151	1,234
Operating expenses	<u>20,445</u>	<u>20,445</u>	<u>8,845</u>	<u>11,600</u>
Total County judge	<u>241,303</u>	<u>241,303</u>	<u>224,856</u>	<u>16,447</u>
Postal services:				
Operating expenses	<u>39,610</u>	<u>24,235</u>	<u>4,779</u>	<u>19,456</u>
Total postal services	<u>39,610</u>	<u>24,235</u>	<u>4,779</u>	<u>19,456</u>
Elections:				
Salaries	171,029	171,647	163,948	7,699
Fringe benefits	59,630	59,012	52,084	6,928
Operating expenses	<u>83,500</u>	<u>83,500</u>	<u>75,083</u>	<u>8,417</u>
Total elections	<u>314,159</u>	<u>314,159</u>	<u>291,115</u>	<u>23,044</u>
County auditor:				
Salaries	385,360	388,464	387,804	660
Fringe benefits	135,109	132,005	130,163	1,842
Operating expenses	<u>21,000</u>	<u>21,000</u>	<u>20,410</u>	<u>590</u>
Total County auditor	<u>541,469</u>	<u>541,469</u>	<u>538,377</u>	<u>3,092</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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
General government: (Continued)				
Tax assessor-collector:				
Salaries	\$ 931,192	\$ 931,622	\$ 920,774	\$ 10,848
Fringe benefits	385,640	385,640	365,687	19,953
Operating expenses	208,900	228,667	222,402	6,265
Capital outlay	-	886	886	-
Total tax assessor-collector	<u>1,525,732</u>	<u>1,546,815</u>	<u>1,509,749</u>	<u>37,066</u>
Information services:				
Salaries	286,539	286,539	285,899	640
Fringe benefits	95,560	95,560	91,200	4,360
Operating expenses	543,104	515,732	512,270	3,462
Capital outlay	125,900	135,137	134,378	759
Total information services	<u>1,051,103</u>	<u>1,032,968</u>	<u>1,023,747</u>	<u>9,221</u>
Agricultural extension service:				
Salaries	108,299	108,299	82,726	25,573
Fringe benefits	55,725	55,725	40,775	14,950
Operating expenses	17,500	16,700	16,597	103
Capital outlay	-	800	800	-
Total agricultural extension service	<u>181,524</u>	<u>181,524</u>	<u>140,898</u>	<u>40,626</u>
Total general government	<u>8,192,644</u>	<u>7,957,154</u>	<u>7,308,203</u>	<u>648,951</u>
Judicial:				
Nondepartmental - judicial:				
Operating expenses	754,900	804,900	793,832	11,068
Total nondepartmental - judicial	<u>754,900</u>	<u>804,900</u>	<u>793,832</u>	<u>11,068</u>
Court of civil appeals:				
Salaries	13,008	13,107	13,107	-
Fringe benefits	2,235	2,136	1,003	1,133
Total court of civil appeals	<u>15,243</u>	<u>15,243</u>	<u>14,110</u>	<u>1,133</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
County court-at-law no. 1:				
Salaries	\$ 234,743	\$ 235,012	\$ 235,012	\$ -
Fringe benefits	67,615	67,346	63,252	4,094
Operating expenses	<u>20,185</u>	<u>20,185</u>	<u>20,029</u>	<u>156</u>
Total County court-at-law no. 1	<u>322,543</u>	<u>322,543</u>	<u>318,293</u>	<u>4,250</u>
County court-at-law no. 2:				
Salaries	227,948	227,948	227,226	722
Fringe benefits	66,345	66,345	62,455	3,890
Operating expenses	<u>26,450</u>	<u>26,450</u>	<u>24,782</u>	<u>1,668</u>
Total County court-at-law no. 2	<u>320,743</u>	<u>320,743</u>	<u>314,463</u>	<u>6,280</u>
Attorney general master:				
Operating expenses	<u>10,200</u>	<u>10,200</u>	<u>9,950</u>	<u>250</u>
Total attorney general master	<u>10,200</u>	<u>10,200</u>	<u>9,950</u>	<u>250</u>
124th district court:				
Salaries	81,731	81,731	80,124	1,607
Fringe benefits	29,300	29,300	27,658	1,642
Operating expenses	<u>61,200</u>	<u>61,200</u>	<u>59,137</u>	<u>2,063</u>
Total 124th district court	<u>172,231</u>	<u>172,231</u>	<u>166,919</u>	<u>5,312</u>
188th district court:				
Salaries	90,437	90,437	85,062	5,375
Fringe benefits	30,895	30,895	29,053	1,842
Operating expenses	<u>84,185</u>	<u>84,185</u>	<u>39,173</u>	<u>45,012</u>
Total 188th district court	<u>205,517</u>	<u>205,517</u>	<u>153,288</u>	<u>52,229</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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Judicial: (Continued)				
307th district court:				
Salaries	\$ 96,950	\$ 106,729	\$ 102,347	\$ 4,382
Fringe benefits	32,065	33,776	30,681	3,095
Operating expenses	<u>26,850</u>	<u>26,850</u>	<u>9,934</u>	<u>16,916</u>
Total 307th district court	<u>155,865</u>	<u>167,355</u>	<u>142,962</u>	<u>24,393</u>
Judicial expenses:				
Operating expenses	<u>150,500</u>	<u>150,500</u>	<u>147,218</u>	<u>3,282</u>
Total judicial expenses	<u>150,500</u>	<u>150,500</u>	<u>147,218</u>	<u>3,282</u>
District clerk:				
Salaries	603,911	603,910	593,293	10,617
Fringe benefits	261,225	261,225	245,899	15,326
Operating expenses	64,500	61,773	52,750	9,023
Capital outlay	<u>-</u>	<u>2,727</u>	<u>2,727</u>	<u>-</u>
Total district clerk	<u>929,636</u>	<u>929,635</u>	<u>894,669</u>	<u>34,966</u>
Justice of the peace no. 1:				
Salaries	152,003	152,003	150,564	1,439
Fringe benefits	63,615	63,615	53,368	10,247
Operating expenses	<u>65,586</u>	<u>65,586</u>	<u>48,568</u>	<u>17,018</u>
Total justice of the peace no. 1	<u>281,204</u>	<u>281,204</u>	<u>252,500</u>	<u>28,704</u>
Justice of the peace no. 2:				
Salaries	88,400	88,613	86,323	2,290
Fringe benefits	30,295	30,082	29,118	964
Operating expenses	<u>42,200</u>	<u>42,200</u>	<u>27,145</u>	<u>15,055</u>
Total justice of the peace no. 2	<u>160,895</u>	<u>160,895</u>	<u>142,586</u>	<u>18,309</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace no. 3:				
Salaries	\$ 129,909	\$ 130,453	\$ 130,102	\$ 351
Fringe benefits	52,305	51,761	50,804	957
Operating expenses	<u>55,880</u>	<u>55,880</u>	<u>42,599</u>	<u>13,281</u>
Total justice of the peace no. 3	<u>238,094</u>	<u>238,094</u>	<u>223,505</u>	<u>14,589</u>
Justice of the peace no. 4:				
Salaries	94,738	94,738	94,156	582
Fringe benefits	38,760	38,760	35,841	2,919
Operating expenses	<u>28,855</u>	<u>38,855</u>	<u>27,433</u>	<u>11,422</u>
Total justice of the peace no. 4	<u>162,353</u>	<u>172,353</u>	<u>157,430</u>	<u>14,923</u>
District attorney:				
Salaries	1,214,445	1,217,625	1,209,743	7,882
Fringe benefits	417,255	417,255	392,342	24,913
Operating expenses	78,410	73,397	71,994	1,403
Capital outlay	<u>-</u>	<u>2,500</u>	<u>1,833</u>	<u>667</u>
Total district attorney	<u>1,710,110</u>	<u>1,710,777</u>	<u>1,675,912</u>	<u>34,865</u>
Bail bond board:				
Salaries	3,500	3,500	3,042	458
Fringe benefits	620	620	526	94
Operating expenses	<u>2,450</u>	<u>2,450</u>	<u>196</u>	<u>2,254</u>
Total bail bond board	<u>6,570</u>	<u>6,570</u>	<u>3,764</u>	<u>2,806</u>
Collections office:				
Salaries	91,349	91,349	89,685	1,664
Fringe benefits	38,360	38,360	35,183	3,177
Operating expenses	<u>12,000</u>	<u>12,000</u>	<u>5,116</u>	<u>6,884</u>
Total collections office	<u>141,709</u>	<u>141,709</u>	<u>129,984</u>	<u>11,725</u>
Total judicial	<u>5,738,313</u>	<u>5,810,469</u>	<u>5,541,385</u>	<u>269,084</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public safety:				
Constable no. 1:				
Salaries	\$ 51,180	\$ 51,256	\$ 51,256	\$ -
Fringe benefits	19,445	19,369	18,346	1,023
Operating expenses	<u>2,620</u>	<u>2,620</u>	<u>1,843</u>	<u>777</u>
Total constable no. 1	<u>73,245</u>	<u>73,245</u>	<u>71,445</u>	<u>1,800</u>
Constable no. 2:				
Salaries	41,239	41,239	41,239	-
Fringe benefits	15,825	15,825	15,042	783
Operating expenses	<u>7,806</u>	<u>7,806</u>	<u>5,988</u>	<u>1,818</u>
Total constable no. 2	<u>64,870</u>	<u>64,870</u>	<u>62,269</u>	<u>2,601</u>
Constable no. 3:				
Salaries	56,869	56,869	55,855	1,014
Fringe benefits	18,605	18,605	17,446	1,159
Operating expenses	<u>14,364</u>	<u>14,364</u>	<u>12,701</u>	<u>1,663</u>
Total constable no. 3	<u>89,838</u>	<u>89,838</u>	<u>86,002</u>	<u>3,836</u>
Constable no. 4:				
Salaries	43,639	43,639	43,565	74
Fringe benefits	16,250	16,250	14,993	1,257
Operating expenses	<u>4,965</u>	<u>4,965</u>	<u>3,954</u>	<u>1,011</u>
Total constable no. 4	<u>64,854</u>	<u>64,854</u>	<u>62,512</u>	<u>2,342</u>
Sheriff - corrections:				
Salaries	5,936,879	5,941,754	5,865,539	76,215
Fringe benefits	2,555,075	2,370,625	2,277,469	93,156
Operating expenses	1,463,270	1,464,221	1,330,568	133,653
Capital outlay	<u>134,500</u>	<u>174,453</u>	<u>174,453</u>	<u>-</u>
Total sheriff - corrections	<u>10,089,724</u>	<u>9,951,053</u>	<u>9,648,029</u>	<u>303,024</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, 2008**

	<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	\$ 1,106,601	\$ 1,106,601	\$ 1,057,578	\$ 49,023
Fringe benefits	500,965	436,763	413,577	23,186
Operating expenses	368,125	434,149	395,263	38,886
Capital outlay	64,000	68,300	67,957	343
Total contract jail operations	<u>2,039,691</u>	<u>2,045,813</u>	<u>1,934,375</u>	<u>111,438</u>
Criminal justice center operations:				
Salaries	194,608	223,608	211,196	12,412
Fringe benefits	98,610	98,610	83,978	14,632
Operating expenses	76,400	64,400	36,722	27,678
Total criminal justice center operations	<u>369,618</u>	<u>386,618</u>	<u>331,896</u>	<u>54,722</u>
Department of public safety:				
Salaries	40,429	52,435	47,314	5,121
Fringe benefits	14,535	17,146	15,285	1,861
Operating expenses	6,550	6,550	6,438	112
Total department of public safety	<u>61,514</u>	<u>76,131</u>	<u>69,037</u>	<u>7,094</u>
Parks and wildlife:				
Operating expenses	900	900	562	338
Total parks and wildlife	<u>900</u>	<u>900</u>	<u>562</u>	<u>338</u>
Texas alcoholic beverage commission:				
Operating expenses	250	250	-	250
Total alcoholic beverage commission	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Juvenile board:				
Salaries	85,635	85,635	85,635	-
Fringe benefits	37,015	37,015	35,278	1,737
Total juvenile board	<u>122,650</u>	<u>122,650</u>	<u>120,913</u>	<u>1,737</u>
Total public safety	<u>12,977,154</u>	<u>12,876,222</u>	<u>12,387,040</u>	<u>489,182</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and human services:				
Veterans services:				
Salaries	\$ 66,917	\$ 67,431	\$ 67,431	\$ -
Fringe benefits	12,185	12,223	12,038	185
Operating expenses	12,645	12,645	11,315	1,330
Total veterans services	<u>91,747</u>	<u>92,299</u>	<u>90,784</u>	<u>1,515</u>
Civil defense:				
Operating expenses	14,242	14,242	1,500	12,742
Total civil defense	<u>14,242</u>	<u>14,242</u>	<u>1,500</u>	<u>12,742</u>
Environmental protection:				
Operating expenses	23,000	23,000	-	23,000
Total environmental protection	<u>23,000</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
911 Addressing:				
Salaries	68,443	71,743	68,033	3,710
Fringe benefits	28,150	27,350	25,716	1,634
Operating expenses	32,895	10,495	2,641	7,854
Total 911 addressing	<u>129,488</u>	<u>109,588</u>	<u>96,390</u>	<u>13,198</u>
Health:				
Salaries	303,379	303,379	279,653	23,726
Fringe benefits	114,120	114,120	100,499	13,621
Operating expenses	1,077,275	1,074,236	533,490	540,746
Capital outlay	22,444	25,483	21,552	3,931
Total health	<u>1,517,218</u>	<u>1,517,218</u>	<u>935,194</u>	<u>582,024</u>
Historical commission:				
Operating expenses	6,525	6,525	1,808	4,717
Total historical commission	<u>6,525</u>	<u>6,525</u>	<u>1,808</u>	<u>4,717</u>
Contributions:				
Operating expenses	541,300	616,098	613,098	3,000
Total contributions	<u>541,300</u>	<u>616,098</u>	<u>613,098</u>	<u>3,000</u>
Total health and human services	<u>2,323,520</u>	<u>2,378,970</u>	<u>1,738,774</u>	<u>640,196</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings:				
Courthouse building:				
Salaries	\$ 470,243	\$ 470,243	\$ 459,349	\$ 10,894
Fringe benefits	226,215	226,215	205,719	20,496
Operating expenses	<u>717,735</u>	<u>717,735</u>	<u>706,233</u>	<u>11,502</u>
Total courthouse building	<u>1,414,193</u>	<u>1,414,193</u>	<u>1,371,301</u>	<u>42,892</u>
Service center building:				
Operating expenses	<u>37,500</u>	<u>49,500</u>	<u>35,887</u>	<u>13,613</u>
Total service center building	<u>37,500</u>	<u>49,500</u>	<u>35,887</u>	<u>13,613</u>
Greggton building:				
Salaries	6,210	6,210	2,844	3,366
Fringe benefits	1,365	1,365	424	941
Operating expenses	<u>23,725</u>	<u>23,725</u>	<u>18,966</u>	<u>4,759</u>
Total Greggton building	<u>31,300</u>	<u>31,300</u>	<u>22,234</u>	<u>9,066</u>
Gladewater Commerce Street building:				
Operating expenses	<u>14,425</u>	<u>14,425</u>	<u>10,978</u>	<u>3,447</u>
Total Gladewater Commerce Street building	<u>14,425</u>	<u>14,425</u>	<u>10,978</u>	<u>3,447</u>
Longview Eastman Road building:				
Operating expenses	<u>8,525</u>	<u>24,525</u>	<u>15,664</u>	<u>8,861</u>
Total Longview Easton Road building	<u>8,525</u>	<u>24,525</u>	<u>15,664</u>	<u>8,861</u>
Jail building:				
Operating expenses	<u>336,135</u>	<u>363,256</u>	<u>347,609</u>	<u>15,647</u>
Total jail building	<u>336,135</u>	<u>363,256</u>	<u>347,609</u>	<u>15,647</u>
M. A. Smith Criminal Justice Center:				
Operating expenses	<u>43,790</u>	<u>55,790</u>	<u>49,072</u>	<u>6,718</u>
Total M. A. Smith Criminal Justice Center	<u>43,790</u>	<u>55,790</u>	<u>49,072</u>	<u>6,718</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Youth detention center:				
Operating expenses	\$ 36,750	\$ 40,290	\$ 23,564	\$ 16,726
Capital outlay	-	25,000	15,602	9,398
Total youth detention center	<u>36,750</u>	<u>65,290</u>	<u>39,166</u>	<u>26,124</u>
Community building maintenance:				
Salaries	31,605	31,587	31,534	53
Fringe benefits	14,270	14,288	13,433	855
Operating expenses	<u>10,400</u>	<u>10,400</u>	<u>7,841</u>	<u>2,559</u>
Total community building maintenance	<u>56,275</u>	<u>56,275</u>	<u>52,808</u>	<u>3,467</u>
Longview Whaley Street community building:				
Salaries	18,012	18,013	11,468	6,545
Fringe benefits	11,210	11,210	2,468	8,742
Operating expenses	<u>11,365</u>	<u>37,070</u>	<u>25,918</u>	<u>11,152</u>
Total Longview Whaley Street community building	<u>40,587</u>	<u>66,293</u>	<u>39,854</u>	<u>26,439</u>
Judson community building:				
Operating expenses	<u>5,675</u>	<u>5,675</u>	<u>2,052</u>	<u>3,623</u>
Total Judson community building	<u>5,675</u>	<u>5,675</u>	<u>2,052</u>	<u>3,623</u>
Garfield Hill community building:				
Operating expenses	<u>7,225</u>	<u>6,025</u>	<u>3,501</u>	<u>2,524</u>
Total Garfield Hill community building	<u>7,225</u>	<u>6,025</u>	<u>3,501</u>	<u>2,524</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, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Liberty City office/community building:				
Operating expenses	\$ 15,005	\$ 18,701	\$ 12,662	\$ 6,039
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>3,395</u>	<u>1,605</u>
Total Liberty City office/ community building	<u>20,005</u>	<u>23,701</u>	<u>16,057</u>	<u>7,644</u>
Hugh Camp Memorial Park:				
Operating expenses	19,225	19,225	16,993	2,232
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Hugh Camp Memorial Park	<u>24,225</u>	<u>24,225</u>	<u>16,993</u>	<u>7,232</u>
Olivia R. Hilburn community building:				
Operating expenses	<u>10,825</u>	<u>25,123</u>	<u>23,512</u>	<u>1,611</u>
Total Olivia R. Hilburn community building	<u>10,825</u>	<u>25,123</u>	<u>23,512</u>	<u>1,611</u>
Kilgore office and community building:				
Salaries	25,525	25,722	25,722	-
Fringe benefits	12,945	12,748	12,192	556
Operating expenses	36,325	44,325	39,626	4,699
Capital outlay	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Kilgore office and community building	<u>82,795</u>	<u>82,795</u>	<u>77,540</u>	<u>5,255</u>
Kilgore South Street building:				
Operating expenses	20,225	16,769	2,848	13,921
Capital outlay	<u>-</u>	<u>2,756</u>	<u>2,756</u>	<u>-</u>
Total Kilgore South Street building	<u>20,225</u>	<u>19,525</u>	<u>5,604</u>	<u>13,921</u>
Elderville community building:				
Operating expenses	30,225	27,225	9,061	18,164
Capital outlay	<u>-</u>	<u>3,000</u>	<u>2,992</u>	<u>8</u>
Total Elderville community building	<u>30,225</u>	<u>30,225</u>	<u>12,053</u>	<u>18,172</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Easton community building:				
Operating expenses	\$ 15,225	\$ 11,796	\$ 6,668	\$ 5,128
Capital outlay	-	2,729	2,729	-
Total Easton community building	15,225	14,525	9,397	5,128
West Harrison volunteer fire department building:				
Operating expenses	4,200	4,200	2,032	2,168
Total West Harrison volunteer fire department building	4,200	4,200	2,032	2,168
Total public buildings	2,240,105	2,376,866	2,153,314	223,552
Total expenditures	31,471,736	31,399,681	29,128,716	2,270,965
EXCESS OF REVENUES OVER EXPENDITURES	3,421,468	3,509,857	9,787,376	6,277,519
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
Airport	-	2,140	2,140	-
Permanent improvement	-	25,000	25,000	-
Computer upgrade projects	-	8,000	8,000	-
Total operating transfer from other funds	-	35,140	35,140	-

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GREGG COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	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)	\$(15,500)	\$(15,500)	\$ -
Transfer - grant match	(48,750)	(13,750)	(13,750)	-
Road and bridge	(100,000)	(104,800)	(104,800)	-
Violence against women grant	(40,046)	(41,461)	(41,460)	1
Litter abatement grant	(20,000)	(20,000)	(11,743)	8,257
Capital improvement fund	-	(12,500,000)	(12,500,000)	-
Airport improvement	(1,032,500)	(1,032,500)	(248,118)	784,382
Longview community center renovation	(50,000)	(24,295)	(24,295)	-
Computer upgrade projects	-	(198,135)	(198,135)	-
Total operating transfers to other funds	<u>(1,306,296)</u>	<u>(13,950,441)</u>	<u>(13,157,801)</u>	<u>792,640</u>
Sale of capital assets	-	21,664	21,664	-
Insurance proceeds - loss of fixed assets	-	67,973	67,973	-
Total other financing sources (uses)	<u>(1,306,296)</u>	<u>(13,825,664)</u>	<u>(13,033,024)</u>	<u>792,640</u>
NET CHANGE IN FUND BALANCE	2,115,172	(10,315,807)	(3,245,648)	7,070,159
FUND BALANCE, BEGINNING	<u>27,152,929</u>	<u>27,152,929</u>	<u>27,152,929</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 29,268,101</u>	<u>\$ 16,837,122</u>	<u>\$ 23,907,281</u>	<u>\$ 7,070,159</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 2,762,299	\$ 2,762,299	\$ 2,755,442	\$(6,857)
Delinquent property taxes	31,280	31,280	58,266	26,986
Motor vehicle sales tax	1,020,000	1,020,000	1,351,339	331,339
Total taxes	<u>3,813,579</u>	<u>3,813,579</u>	<u>4,165,047</u>	<u>351,468</u>
Licenses and permits:				
Motor vehicle registration	1,150,000	1,150,000	1,196,143	46,143
Weight permits	-	-	13,388	13,388
Total licenses and permits	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,209,531</u>	<u>59,531</u>
Intergovernmental:				
Fema reimbursement	-	-	47,069	47,069
Lateral road	23,000	23,000	24,388	1,388
Total intergovernmental	<u>23,000</u>	<u>23,000</u>	<u>71,457</u>	<u>48,457</u>
Fines and forfeitures:				
Misdemeanor fines	475,000	475,000	497,859	22,859
Felony fines	60,000	60,000	48,888	(11,112)
Civil/BF fines	45,000	45,000	48,483	3,483
Total fines and forfeitures	<u>580,000</u>	<u>580,000</u>	<u>595,230</u>	<u>15,230</u>
Investment earnings:				
Interest	75,000	75,000	103,370	28,370
Unrealized gains (losses)	-	-	(18,979)	(18,979)
Total investment earnings	<u>75,000</u>	<u>75,000</u>	<u>84,391</u>	<u>9,391</u>
Miscellaneous:				
Miscellaneous	1,200	1,200	13,343	12,143
Total miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>13,343</u>	<u>12,143</u>
 Total revenue	 <u>5,642,779</u>	 <u>5,642,779</u>	 <u>6,138,999</u>	 <u>496,220</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Transportation and roads:				
Administration:				
Salaries	\$ 251,378	\$ 251,378	\$ 251,378	\$ -
Fringe benefits	76,990	76,990	73,307	3,683
Operating expenses	87,380	87,380	77,607	9,773
Total administration	<u>415,748</u>	<u>415,748</u>	<u>402,292</u>	<u>13,456</u>
Road and bridge - general:				
Operating expenses	304,635	304,635	303,117	1,518
Total road and bridge - general	<u>304,635</u>	<u>304,635</u>	<u>303,117</u>	<u>1,518</u>
Road and bridge - precinct no. 1:				
Salaries	588,692	605,613	593,154	12,459
Fringe benefits	239,785	246,913	217,651	29,262
Operating expenses	487,501	459,744	455,911	3,833
Capital outlay	100,000	8,868	7,710	1,158
Total road and bridge - precinct no. 1	<u>1,415,978</u>	<u>1,321,138</u>	<u>1,274,426</u>	<u>46,712</u>
Road and bridge - precinct no. 2:				
Salaries	31,917	32,146	31,534	612
Fringe benefits	13,020	12,791	12,425	366
Operating expenses	106,813	106,813	67,158	39,655
Total road and bridge - precinct no. 2	<u>151,750</u>	<u>151,750</u>	<u>111,117</u>	<u>40,633</u>
Road and bridge - precinct no. 3:				
Salaries	676,845	681,645	673,248	8,397
Fringe benefits	278,445	278,445	256,310	22,135
Operating expenses	1,084,730	1,078,560	884,611	193,949
Capital outlay	61,600	388,194	387,798	396
Total road and bridge - precinct no. 3	<u>2,101,620</u>	<u>2,426,844</u>	<u>2,201,967</u>	<u>224,877</u>
Road and bridge - precinct no. 4:				
Salaries	494,618	494,618	445,584	49,034
Fringe benefits	203,175	203,175	174,355	28,820
Operating expenses	492,650	420,635	342,190	78,445
Capital outlay	83,200	335,838	333,051	2,787
Total road and bridge - precinct no. 4	<u>1,273,643</u>	<u>1,454,266</u>	<u>1,295,180</u>	<u>159,086</u>

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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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Transportation and roads: (Continued)				
Right-of-way:				
Operating expenses	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Total right-of-way	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Transportation and road expense:				
Operating expenses	-	-	(102,590)	102,590
Total transportation and road expense	<u>-</u>	<u>-</u>	<u>(102,590)</u>	<u>102,590</u>
Total transportation and roads	<u>5,703,374</u>	<u>6,114,381</u>	<u>5,525,509</u>	<u>588,872</u>
Debt service:				
Principal:				
Note payable	-	89,196	89,196	-
Total principal	<u>-</u>	<u>89,196</u>	<u>89,196</u>	<u>-</u>
Interest and fiscal charges:				
Interest - note payable	-	10,386	10,386	-
Total interest and fiscal charges	<u>-</u>	<u>10,386</u>	<u>10,386</u>	<u>-</u>
Total debt service	<u>-</u>	<u>99,582</u>	<u>99,582</u>	<u>-</u>
Total expenditures	<u>5,703,374</u>	<u>6,213,963</u>	<u>5,625,091</u>	<u>588,872</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(60,595)</u>	<u>(571,184)</u>	<u>513,908</u>	<u>1,085,092</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
General fund	-	104,800	104,800	-
Proceeds from capital lease	-	285,700	285,700	-
Sale of capital assets	-	224,482	224,482	-
Insurance proceeds - loss of capital assets	-	7,568	7,568	-
Total other financing sources and (uses)	<u>-</u>	<u>622,550</u>	<u>622,550</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(60,595)</u>	<u>51,366</u>	<u>1,136,458</u>	<u>1,085,092</u>
FUND BALANCE, BEGINNING	<u>1,883,185</u>	<u>1,883,185</u>	<u>1,883,185</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,822,590</u>	<u>\$ 1,934,551</u>	<u>\$ 3,019,643</u>	<u>\$ 1,085,092</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
State - tobacco settlement	\$ 55,000	\$ 55,000	\$ 115,123	\$ 60,123
Total intergovernmental	<u>55,000</u>	<u>55,000</u>	<u>115,123</u>	<u>60,123</u>
Investment earnings:				
Interest	120,000	120,000	101,206	(18,794)
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>(7,851)</u>	<u>(7,851)</u>
Total investment earnings	<u>120,000</u>	<u>120,000</u>	<u>93,355</u>	<u>(26,645)</u>
Total revenue	<u>175,000</u>	<u>175,000</u>	<u>208,478</u>	<u>33,478</u>
EXPENDITURES				
Health and human services:				
Contributions:				
Operating expenses	<u>100,000</u>	<u>100,000</u>	<u>99,986</u>	<u>14</u>
Total contributions	<u>100,000</u>	<u>100,000</u>	<u>99,986</u>	<u>14</u>
Total health and human services	<u>100,000</u>	<u>100,000</u>	<u>99,986</u>	<u>14</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>99,986</u>	<u>14</u>
NET CHANGE IN FUND BALANCE	75,000	75,000	108,492	33,492
FUND BALANCE, BEGINNING	<u>2,598,899</u>	<u>2,598,899</u>	<u>2,598,899</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,673,899</u>	<u>\$ 2,673,899</u>	<u>\$ 2,707,391</u>	<u>\$ 33,492</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, 2008

	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 455,381
Investments	2,501,257
Interest receivable	30,097
Accounts receivable, net of allowances	1,834
Inventories	<u>15,906</u>
Total current assets	<u>3,004,475</u>
Noncurrent assets:	
Capital assets:	
Equipment	23,555
Less: accumulated depreciation	<u>(19,022)</u>
Total capital assets	<u>4,533</u>
Total noncurrent assets	<u>4,533</u>
Total assets	<u>3,009,008</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>245,433</u>
Total current liabilities	<u>245,433</u>
Total liabilities	<u>245,433</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,533
Unrestricted	<u>2,759,042</u>
Total net assets	<u>\$ 2,763,575</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, 2008

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 4,342,796
Total operating revenues	<u>4,342,796</u>
OPERATING EXPENSES	
Salaries	19,510
Fringe benefits	8,481
Supplies	37,811
Copying machine	8,965
Conferences, workshops and training	65
Repairs and maintenance service	2,238
Claim expenses	2,913,958
Administrative	536,459
Depreciation	<u>3,022</u>
Total operating expenses	<u>3,530,509</u>
OPERATING INCOME	812,287
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>74,686</u>
Total nonoperating revenues (expenses)	<u>74,686</u>
CHANGES IN NET ASSETS	886,973
TOTAL NET ASSETS, BEGINNING	<u>1,876,602</u>
TOTAL NET ASSETS, ENDING	<u>\$ 2,763,575</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, 2008

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services	\$ 4,404,697
Cash paid to suppliers for goods and services	<u>(3,461,109)</u>
Net cash provided by operating activities	<u>943,588</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	3,920,311
Purchase of investments	<u>(4,945,311)</u>
Earnings on investments	95,340
Net cash used by investing activities	<u>(929,660)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,928
CASH AND CASH EQUIVALENTS, BEGINNING	<u>441,453</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 455,381</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 812,287
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	3,022
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Inventory	(7,325)
Accounts receivable	56,842
Increase (decrease) in liabilities:	
Accounts payable	<u>78,762</u>
Net cash provided by operations	<u>\$ 943,588</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.

GREGG COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,160,482
Investments	2,943,243
Accounts receivable	<u>7,814</u>
Total assets	<u>\$ 7,111,539</u>
LIABILITIES	
Due to others	<u>\$ 7,111,539</u>
Total liabilities	<u>\$ 7,111,539</u>

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

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

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.

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*.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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.

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 **Airport Improvement Fund** accounts for federal grant funding used to improve the East Texas Regional Airport.

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.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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.

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:

Assets	Years
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, 2008, 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.

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.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 \$4,481,488 difference are as follows:

Capital outlay	\$	8,183,195
Depreciation expense		<u>(3,701,707)</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>4,481,488</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 \$(31,658) 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>(31,658)</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>(31,658)</u>

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 \$655,421 difference are as follows:

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Debt issued or incurred:	
Capital lease	\$(288,628)
Principal repayments:	
General obligation debt	860,000
Note payable	89,195
Capital lease	208
Amortization of issuance costs	(7,375)
Amortization of bond premium	<u>2,021</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>\$ 655,421</u>
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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 \$(62,166) difference are as follows:

Compensated absences	\$(58,451)
Accrued interest	<u>(3,715)</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>\$(62,166)</u>
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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. 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 \$114,953 as of September 30, 2008. Chapter 19 Funds also had a deficit fund balance at year-end of \$6. Both deficits will be covered by future fund revenues.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

On September 30, 2008, the total carrying amount of the County's deposits was \$14,936,833, (consisting of Governmental Funds in the amount of \$9,960,579, Internal Service Funds of \$455,381 and Trust and Agency Funds of \$4,520,873) and the bank balances of the County's were \$19,025,088. \$18,684,711 of the County's deposit balance was collateralized with securities held by the pledging financial institution or in a money market instruments. The remaining balance, \$340,377 was covered by FDIC insurance

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.

The County is required by state statute to seek formal bids for depository services. The Investment Policy includes collateral requirements in compliance with state statute and is made part of the Depository Contract.

Chapter 2256 of the Texas Government Code (The Public Funds Investment Act) authorizes and requires Gregg County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity. It also addresses investment diversification, yield, and maturity along with quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policy and the Court further limits certain investment instruments allowed under Texas law. Investments are held by the County's agent in the County's name. The County records all interest revenue earned from investment activities in the respective funds.

The County's deposits and investments are invested pursuant to the investment policy, which is approved annually by Commissioners' Court. The Court appoints an investment committee to review the investment policy and submit changes for approval. The appointment of the County's investment office is also done annually by resolution. The investment officer is authorized to invest in investment instruments provided they meet the guidelines of the investment policy. The investment policy includes a list of authorized investment instruments, and a maximum allowable stated maturity of any individual investment by source of funds. In addition, the investment policy includes an "investment strategy" that specifically addresses investment options and describes the priorities of preservation and safety of principal (suitability), liquidity, maturity, marketability, diversification and yield.

The investment officer submits an investment report quarterly to Commissioners' Court as specified by Chapter 2256 of the Government Code. The report details the investment position of the County and the compliance of the investment portfolio as it relates to both the adopted investment policy and Texas State Statute.

The County's demand deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by an independent third party bank as the County's agent, in the name of Gregg County at September 30, 2008. Collateral other than the FDIC insurance is comprised of various governmental agencies' issues with a rating of AAA by Standard & Poor's. The County's collateral agreements require the market value of securities held by its agents exceed the total amount of cash and investments held by our depository less FDIC. All of the County's deposits are insured or collateralized at September 30, 2008.

Investment types on September 30, 2008, were direct obligations of the U. S. Government and agency securities, and investment pools. Investments are stated at fair market value as obtained from a reputable and independent source.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

As of September 30, 2008, 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:		
Tennessee Valley Authority	1,080,361	44
Federal Home Loan Bank	10,543,167	398
Federal Home Loan Mortgage Corp.	10,880,356	418
Fannie Mae	<u>13,610,252</u>	405
Total U. S. Agency Securities	<u>36,114,136</u>	
Total portfolio	<u>\$ 36,264,136</u>	

Interest Rate Risk. As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy limits investment maturities. General, Debt Service, Permanent Improvements, and Road and Bridge Funds are limited to 60% of available fund balance which must remain within one year expected maturity; 40% may be invested past one year within a limit of two years. All other funds with the exception of the Health Care Fund must stay within a one-year maturity. The Health Care Fund may be entirely invested to the two-year limit.

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.

Credit Risk. Credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The County has limited credit risk, in conformance to state statutes and County policy, by investing in only the safest types of securities as permitted by the Public Funds Investment Act, using approved brokers and investing with different issuers. In addition, the County limits its exposure to credit risk by fully insured or collateralized deposits, regulated mutual funds and individually approved investment pools. The investment portfolio of the County is diversified to avoid incurring undue concentration in securities of one type on September 30, 2008, but the policy does not restrict the concentration of investments with one specific issuer by an explicit amount.

The County's investments as of September 30, 2008, were rated as follows:

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

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.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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>Airport Improvement</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 767,106	\$ 154,805	\$ -	\$ -	\$ 115,237	\$ 1,037,148
Accounts	1,388,360	830,122	17,551	47	117,782	2,353,862
Due from other governments	<u>2,994,664</u>	<u>47,069</u>	<u>-</u>	<u>458,706</u>	<u>584,884</u>	<u>4,085,323</u>
Gross receivables	5,150,130	1,031,996	17,551	458,753	817,903	7,476,333
Less: allowance for uncollectibles	<u>(183,185)</u>	<u>(36,968)</u>	<u>-</u>	<u>-</u>	<u>(27,519)</u>	<u>(247,672)</u>
Net total receivables	<u>\$ 4,966,945</u>	<u>\$ 995,028</u>	<u>\$ 17,551</u>	<u>\$ 458,753</u>	<u>\$ 790,384</u>	<u>\$ 7,228,661</u>

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	\$ 535,237	\$ -
Fines	866,568	-
Road and bridge:		
Delinquent property taxes receivable	108,657	-
Fines	712,814	-
Nonmajor funds:		
Delinquent property taxes receivable	84,076	-
Other	<u>27,197</u>	<u>3,640</u>
Total governmental funds	<u>\$ 2,334,549</u>	<u>\$ 3,640</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,300,308	\$ 15,602	\$ -	\$ 1,315,910
Construction in progress	<u>6,623,884</u>	<u>7,244,892</u>	<u>122,547</u>	<u>13,746,229</u>
Total assets not being depreciated	<u>7,924,192</u>	<u>7,260,494</u>	<u>122,547</u>	<u>15,062,139</u>
Capital assets, being depreciated:				
Buildings and improvements	36,861,681	-	-	36,861,681
Equipment	11,479,541	1,369,224	784,016	12,064,749
Infrastructure	<u>50,602,577</u>	<u>-</u>	<u>-</u>	<u>50,602,577</u>
Total capital assets being depreciated	<u>98,943,799</u>	<u>1,369,224</u>	<u>784,016</u>	<u>99,529,007</u>
Accumulated depreciation:				
Buildings and improvements	(16,263,881)	(904,938)	-	(17,168,819)
Equipment	(8,494,682)	(878,075)	(752,358)	(8,620,399)
Infrastructure	<u>(28,486,989)</u>	<u>(2,010,862)</u>	<u>-</u>	<u>(30,497,851)</u>
Total accumulated depreciation	<u>(53,245,552)</u>	<u>(3,793,875)</u>	<u>(752,358)</u>	<u>(56,287,069)</u>
Total capital assets being depreciated, net	<u>45,698,247</u>	<u>(2,424,651)</u>	<u>31,658</u>	<u>43,241,938</u>
Governmental activities capital assets, net	<u>\$ 53,622,439</u>	<u>\$ 4,835,843</u>	<u>\$ 154,205</u>	<u>\$ 58,304,077</u>

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

Governmental activities:	
General government	\$ 1,161,007
Judicial	6,418
Public safety	339,739
Health and human services	10,905
Public buildings	775,425
Transportation and roads	<u>1,500,381</u>
Total depreciation expense - governmental activities	<u>\$ 3,793,875</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2008, is as follows:

Due to/from other funds:

<u>Due to Fund</u>	<u>Amount</u>
Code Enforcement Awarded Forfeiture	\$ 500
District Attorney - General	138,447
VIT Operating	1,008
Violence Against Women Prosecution 08/31/09	4,929
Bioterrorism Grant - TDH 08/31/08	392,242
Bioterrorism Grant - TDH 08/31/09	6,234
Pandemic Preparedness 08/31/08	2,755
Litter Abatement 08/31/08	3,515
Litter Abatement 08/31/09	2,172
Small Community Airport Grant 08/31/09	91,706
Immunization Contract 08/31/08	21,213
Immunization Contract 08/31/09	9,018
Chapter 19 Funds	3,758
Airport Improvement	<u>20,714</u>
	<u>\$ 698,211</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	\$ -	\$ 104,800	\$ 13,053,001	\$ 13,157,801
Other governmental	<u>35,140</u>	<u>-</u>	<u>40,000</u>	<u>75,140</u>
Total transfers out	<u>\$ 35,140</u>	<u>\$ 104,800</u>	<u>\$ 13,093,001</u>	<u>\$ 13,232,941</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.

Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The original amount of general obligation bonds issued in prior years was \$17,635,173. The final payment on the 2004 refunding bonds was made during fiscal year 2008 and the County currently has no outstanding bonds payable.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 860,000	\$ -	\$ 860,000	\$ -	\$ -
Less deferred amounts:					
On refunding	(5,354)	7,375	2,021	-	-
Total bonds payable	854,646	7,375	862,021	-	-
Note payable	274,230		89,196	185,034	90,237
Capital leases payable	-	288,628	208	288,420	893
Compensated absences	560,506	58,452	-	618,958	-
Governmental activity					
long-term liabilities	<u>\$ 1,689,382</u>	<u>\$ 354,455</u>	<u>\$ 951,425</u>	<u>\$ 1,092,412</u>	<u>\$ 91,130</u>

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 2008, 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.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 574 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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 9.47% for the months of the accounting year in 2008, and 8.87% for the months of the accounting year in 2007.

The deposit rate payable by the employee members for calendar year 2008 is the rate of 7%, as adopted by the governing body of the employer.

Annual Pension Cost

For the employer's accounting year ended September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$1,774,883 and the actual contributions were \$1,774,883.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2006 and December 31, 2007, the basis for determining the contribution rates for calendar years 2008 and 2007. The December 31, 2007, actuarial valuation is the most recent valuation.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/05	12/31/06	12/31/07
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20.0	15.0	15.0
Asset valuation method	long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.3%	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**

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/06	1,373,905	100%	-
09/30/07	1,500,429	100%	-
09/30/08	1,774,883	100%	-

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

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (1) (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2005	41,938,445	47,859,731	5,921,286	87.63%	16,092,947	36.79%
2006	46,806,242	51,229,131	4,422,889	91.37%	17,110,071	25.85%
2007	50,427,162	54,903,892	4,476,730	91.85%	18,807,349	23.80%

(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.

**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.

Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue				
	FM 349 Project	Oilfield Theft Prosecution	Election Service Contract	County Clerk Records Management	Jail Lease Facility
ASSETS					
Cash and cash equivalents	\$ 170,000	\$ 16,000	\$ 35,760	\$ 280,247	\$ 273,268
Investments	-	-	-	74,162	-
Receivables (net of allowance for uncollectibles)					
Other governments	-	-	-	-	-
Accounts	-	-	66	5,039	40,462
Delinquent property taxes	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-
	-	-	-	-	-
Total assets	<u>\$ 170,000</u>	<u>\$ 16,000</u>	<u>\$ 35,826</u>	<u>\$ 359,448</u>	<u>\$ 313,730</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,364	\$ -	\$ 676	\$ 1,320	\$ -
Accounts payable - other governments	-	-	-	-	-
Accrued liabilities	-	-	-	2,087	-
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	-	-	-
	-	-	-	-	-
Total liabilities	<u>7,364</u>	<u>-</u>	<u>676</u>	<u>3,407</u>	<u>-</u>
Fund balances:					
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Unreserved:					
Undesignated	<u>162,636</u>	<u>16,000</u>	<u>35,150</u>	<u>356,041</u>	<u>313,730</u>
Total fund balances	<u>162,636</u>	<u>16,000</u>	<u>35,150</u>	<u>356,041</u>	<u>313,730</u>
	-	-	-	-	-
Total liabilities and fund balances	<u>\$ 170,000</u>	<u>\$ 16,000</u>	<u>\$ 35,826</u>	<u>\$ 359,448</u>	<u>\$ 313,730</u>

Special Revenue

Law Library	Airport	Child Support Title IV-D 08/31/03	Violence Against Women Prosecution 08/31/08	Violence Against Women Prosecution 08/31/09	County Wide Records Management	Security
\$ 156,457	\$ 341,214	\$ 11,790	\$ -	\$ -	\$ 125,602	\$ 36,019
-	231,047	-	-	-	-	-
-	12,016	-	-	8,686	-	-
16,774	30,621	-	-	-	6,871	7,596
-	46,784	-	-	-	-	-
-	4,733	-	-	-	-	-
<u>\$ 173,231</u>	<u>\$ 666,415</u>	<u>\$ 11,790</u>	<u>\$ -</u>	<u>\$ 8,686</u>	<u>\$ 132,473</u>	<u>\$ 43,615</u>
\$ 2,742	\$ 45,096	\$ -	\$ -	\$ 1,006	\$ 1,084	\$ 4,843
-	9,927	-	-	-	12	-
288	26,826	-	-	2,751	576	3,436
14,556	43,145	-	-	-	3,504	5,752
-	-	-	-	4,929	-	-
<u>17,586</u>	<u>124,994</u>	<u>-</u>	<u>-</u>	<u>8,686</u>	<u>5,176</u>	<u>14,031</u>
-	4,733	-	-	-	-	-
-	-	-	-	-	-	-
<u>155,645</u>	<u>536,688</u>	<u>11,790</u>	<u>-</u>	<u>-</u>	<u>127,297</u>	<u>29,584</u>
<u>155,645</u>	<u>541,421</u>	<u>11,790</u>	<u>-</u>	<u>-</u>	<u>127,297</u>	<u>29,584</u>
<u>\$ 173,231</u>	<u>\$ 666,415</u>	<u>\$ 11,790</u>	<u>\$ -</u>	<u>\$ 8,686</u>	<u>\$ 132,473</u>	<u>\$ 43,615</u>

(continued)

GREGG COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2008

	Special Revenue				
	TNRCC- SEP Project 07/06/08	Bioterrorism Grant - TDH 08/31/08	Bioterrorism Grant - TDH 08/31/09	Texas VINE Program 08/31/08	State Homeland Grant III 12/30/06
ASSETS					
Cash and cash equivalents	\$ 813	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Other governments	-	392,242	7,845	-	-
Accounts	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-
Total assets	\$ 813	\$ 392,242	\$ 7,845	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 432	\$ -	\$ -
Accounts payable - other governments	-	-	-	-	-
Accrued liabilities	-	-	1,179	-	-
Deferred revenues	-	-	-	-	-
Due to other funds	-	392,242	6,234	-	-
Total liabilities	-	392,242	7,845	-	-
Fund balances:					
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Unreserved:					
Undesignated	813	-	-	-	-
Total fund balances	813	-	-	-	-
Total liabilities and fund balances	\$ 813	\$ 392,242	\$ 7,845	\$ -	\$ -

Special Revenue

State Homeland Grant IV 02/28/08	State Homeland Grant V 02/28/10	Community Development Block Grant 10/04/07	Medical Corps Donations	Medical Corps Funding	Pandemic Preparedness 08/31/08	HAVA Team 12/31/07
\$ -	\$ -	\$ -	\$ -	\$ 13,877	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,755	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,877</u>	<u>\$ 2,755</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,755	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,755</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,877</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,877</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,877</u>	<u>\$ 2,755</u>	<u>\$ -</u>

(continued)

GREGG COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2008

	Special Revenue				
	Litter Abatement Grant 08/31/08	Litter Abatement Grant 08/31/09	STEP Program	Small Community Airport Grant 08/31/09	Immunization Contract 08/31/08
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Other governments	3,565	3,723	-	109,551	27,786
Accounts	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,565</u>	<u>\$ 3,723</u>	<u>\$ -</u>	<u>\$ 109,551</u>	<u>\$ 27,786</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 50	\$ 415	\$ -	\$ 14,205	\$ 6,573
Accounts payable - other governments	-	-	-	-	-
Accrued liabilities	-	1,136	-	-	-
Deferred revenues	-	-	-	3,640	-
Due to other funds	3,515	2,172	-	91,706	21,213
Total liabilities	<u>3,565</u>	<u>3,723</u>	<u>-</u>	<u>109,551</u>	<u>27,786</u>
Fund balances:					
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Unreserved:					
Undesignated	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,565</u>	<u>\$ 3,723</u>	<u>\$ -</u>	<u>\$ 109,551</u>	<u>\$ 27,786</u>

Special Revenue						
Immunization Contract 08/31/09	LEOSE	Justice Court Technology	District Clerk Civil Records Management	District Clerk Criminal Records Management	Justice of the Peace Security	County Clerk Criminal Records Management
\$ -	\$ 38,202	\$ 98,872	\$ 27,774	\$ 926	\$ 19,037	\$ 12,875
-	-	-	-	-	-	-
15,868	-	-	-	-	-	-
-	-	3,050	529	48	663	271
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 15,868</u>	<u>\$ 38,202</u>	<u>\$ 101,922</u>	<u>\$ 28,303</u>	<u>\$ 974</u>	<u>\$ 19,700</u>	<u>\$ 13,146</u>
\$ 2,203	\$ 38,202	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
4,647	-	-	-	-	-	-
-	-	2,775	-	-	607	-
9,018	-	-	-	-	-	-
<u>15,868</u>	<u>38,202</u>	<u>2,775</u>	<u>-</u>	<u>-</u>	<u>607</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	99,147	28,303	974	19,093	13,146
-	-	99,147	28,303	974	19,093	13,146
<u>\$ 15,868</u>	<u>\$ 38,202</u>	<u>\$ 101,922</u>	<u>\$ 28,303</u>	<u>\$ 974</u>	<u>\$ 19,700</u>	<u>\$ 13,146</u>

(continued)

GREGG COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2008

	Special Revenue				
	Chapter 19 Funds	HAVA - Leasing Equipment	Drug Court 05/31/08	VIT Operating	Sheriff Asset and Forfeiture
ASSETS					
Cash and cash equivalents	\$ -	\$ 17,842	\$ -	\$ 31,118	\$ 13,052
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Other governments	3,602	-	-	-	-
Accounts	150	-	-	-	-
Delinquent property taxes	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-
	-	-	-	-	-
Total assets	<u>\$ 3,752</u>	<u>\$ 17,842</u>	<u>\$ -</u>	<u>\$ 31,118</u>	<u>\$ 13,052</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 16,800	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Due to other funds	3,758	-	-	1,008	-
Total liabilities	<u>3,758</u>	<u>16,800</u>	<u>-</u>	<u>1,008</u>	<u>-</u>
Fund balances:					
Reserved for inventory	-	-	-	-	-
Reserved for debt service	-	-	-	-	-
Unreserved:					
Undesignated	(6)	1,042	-	30,110	13,052
Total fund balances	<u>(6)</u>	<u>1,042</u>	<u>-</u>	<u>30,110</u>	<u>13,052</u>
Total liabilities and fund balances	<u>\$ 3,752</u>	<u>\$ 17,842</u>	<u>\$ -</u>	<u>\$ 31,118</u>	<u>\$ 13,052</u>

Special Revenue					Debt Service	Capital Projects
Sheriff Enforcement	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account	District Attorney General	Debt Service	Capital Improvement Fund
\$ 86,198	\$ 127,654	\$ 296,572	\$ 134,255	\$ 23,494	\$ 265,465	\$ 3,834,124
-	-	-	-	-	-	8,665,876
-	-	-	-	-	-	-
-	-	-	-	-	490	-
-	-	-	-	-	40,934	-
-	-	-	-	-	-	-
<u>\$ 86,198</u>	<u>\$ 127,654</u>	<u>\$ 296,572</u>	<u>\$ 134,255</u>	<u>\$ 23,494</u>	<u>\$ 306,889</u>	<u>\$ 12,500,000</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	40,934	-
-	-	500	-	138,447	-	-
-	-	<u>500</u>	-	<u>138,447</u>	<u>40,934</u>	-
-	-	-	-	-	-	-
-	-	-	-	-	265,955	-
<u>86,198</u>	<u>127,654</u>	<u>296,072</u>	<u>134,255</u>	<u>(114,953)</u>	<u>-</u>	<u>12,500,000</u>
<u>86,198</u>	<u>127,654</u>	<u>296,072</u>	<u>134,255</u>	<u>(114,953)</u>	<u>265,955</u>	<u>12,500,000</u>
<u>\$ 86,198</u>	<u>\$ 127,654</u>	<u>\$ 296,572</u>	<u>\$ 134,255</u>	<u>\$ 23,494</u>	<u>\$ 306,889</u>	<u>\$ 12,500,000</u>

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GREGG COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2008

	Capital Projects				
	Permanent Improvement	Longview Community Center Renovation	Computer Upgrade Projects	307th District Courtroom Renovation	Totals
ASSETS					
Cash and cash equivalents	\$ 537,912	\$ 71,032	\$ 815,200	\$ 20,333	\$ 7,932,984
Investments	-	-	-	-	8,971,085
Receivables (net of allowance for uncollectibles)					
Other governments	-	-	-	-	584,884
Accounts	1,005	133	1,171	88	117,782
Delinquent property taxes	-	-	-	-	87,718
Inventory - materials/supplies	-	-	-	-	4,733
Total assets	<u>\$ 538,917</u>	<u>\$ 71,165</u>	<u>\$ 816,371</u>	<u>\$ 20,421</u>	<u>\$ 17,699,186</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 443	\$ 93,035	\$ -	\$ 236,489
Accounts payable - other governments	-	-	-	-	9,939
Accrued liabilities	-	-	-	-	42,926
Deferred revenues	-	-	-	-	114,913
Due to other funds	-	-	-	-	677,497
Total liabilities	<u>-</u>	<u>443</u>	<u>93,035</u>	<u>-</u>	<u>1,081,764</u>
Fund balances:					
Reserved for inventory	-	-	-	-	4,733
Reserved for debt service	-	-	-	-	265,955
Unreserved:					
Undesignated	<u>538,917</u>	<u>70,722</u>	<u>723,336</u>	<u>20,421</u>	<u>16,346,734</u>
Total fund balances	<u>538,917</u>	<u>70,722</u>	<u>723,336</u>	<u>20,421</u>	<u>16,617,422</u>
Total liabilities and fund balances	<u>\$ 538,917</u>	<u>\$ 71,165</u>	<u>\$ 816,371</u>	<u>\$ 20,421</u>	<u>\$ 17,699,186</u>

GREGG COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue				
	FM 349 Project	Oilfield Theft Prosecution	Election Service Contract	County Clerk Management Records	Jail Lease Facility
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	11,521	143,040	-
Interest	-	-	1,406	8,536	-
Rent and commissions	-	-	-	-	151,130
Miscellaneous	<u>170,000</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>170,000</u>	<u>16,000</u>	<u>12,927</u>	<u>151,576</u>	<u>151,130</u>
EXPENDITURES					
Current:					
General government	-	-	24,337	117,434	-
Judicial	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	-	-	-	-
Public buildings	-	-	-	-	60,000
Transportation and roads	7,364	-	-	-	-
Debt service:					
Principal	-	-	208	-	-
Interest and fiscal charges	-	-	81	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>7,364</u>	<u>-</u>	<u>24,626</u>	<u>117,434</u>	<u>60,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>162,636</u>	<u>16,000</u>	<u>(11,699)</u>	<u>34,142</u>	<u>91,130</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Capital lease	<u>-</u>	<u>-</u>	<u>2,928</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,928</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	162,636	16,000	(8,771)	34,142	91,130
FUND BALANCES, BEGINNING	-	-	43,921	321,899	222,600
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RESTATE FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>43,921</u>	<u>321,899</u>	<u>222,600</u>
FUND BALANCES, ENDING	<u>\$ 162,636</u>	<u>\$ 16,000</u>	<u>\$ 35,150</u>	<u>\$ 356,041</u>	<u>\$ 313,730</u>

Special Revenue

Law Library	Airport	Child Support Title IV-D 08/31/03	Violence Against Women Prosecution 08/31/08	Violence Against Women Prosecution 08/31/09	County Wide Records Management	Security
\$ -	\$ 1,122,478	\$ -	\$ -	\$ -	\$ -	\$ -
-	36,409	-	65,179	8,686	-	-
58,730	21,464	-	-	-	76,152	74,679
5,350	22,320	-	-	-	3,520	1,217
-	248,173	-	-	-	-	-
-	1,165	-	-	-	-	-
<u>64,080</u>	<u>1,452,009</u>	<u>-</u>	<u>65,179</u>	<u>8,686</u>	<u>79,672</u>	<u>75,896</u>
-	998,576	-	-	-	42,136	-
70,330	-	4,174	106,639	8,686	-	-
-	485,033	-	-	-	-	103,722
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>70,330</u>	<u>1,483,609</u>	<u>4,174</u>	<u>106,639</u>	<u>8,686</u>	<u>42,136</u>	<u>103,722</u>
(6,250)	(31,600)	(4,174)	(41,460)	-	37,536	(27,826)
-	40,000	-	41,460	-	-	15,500
-	(2,140)	-	-	-	-	-
-	21,795	-	-	-	-	-
-	10,686	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>70,341</u>	<u>-</u>	<u>41,460</u>	<u>-</u>	<u>-</u>	<u>15,500</u>
(6,250)	38,741	(4,174)	-	-	37,536	(12,326)
161,895	502,680	15,964	-	-	89,761	41,910
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>161,895</u>	<u>502,680</u>	<u>15,964</u>	<u>-</u>	<u>-</u>	<u>89,761</u>	<u>41,910</u>
<u>\$ 155,645</u>	<u>\$ 541,421</u>	<u>\$ 11,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,297</u>	<u>\$ 29,584</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, 2008

	Special Revenue				
	TNRCC SEP Project 07/06/08	Bioterrorism Grant - TDH 08/31/08	Bioterrorism Grant - TDH 08/31/09	Texas VINE Program 08/31/08	State Homeland Grant III 12/30/06
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,097	466,903	7,845	30,108	-
Charges for services	-	-	-	-	-
Interest	697	-	-	-	-
Rent and commissions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>19,794</u>	<u>466,903</u>	<u>7,845</u>	<u>30,108</u>	<u>-</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	-	-	-	30,108	-
Health and human services	18,981	466,903	7,845	-	-
Public buildings	-	-	-	-	-
Transportation and roads	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>18,981</u>	<u>466,903</u>	<u>7,845</u>	<u>30,108</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Capital lease	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	813	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-	10,181
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(10,181)
RESTATE FUND BALANCES, BEGINNING	-	-	-	-	-
FUND BALANCES, ENDING	<u>\$ 813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

<u>State Homeland Grant IV 02/28/08</u>	<u>State Homeland Grant V 02/28/10</u>	<u>Community Development Block Grant 10/04/07</u>	<u>Medical Core Donations</u>	<u>Medical Corps Funding</u>	<u>Pandemic Preparedness 08/31/08</u>	<u>HAVA Team 12/31/07</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,583	113,734	2,725	-	13,877	29,559	1,301
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
337	-	-	2,900	-	-	-
<u>21,920</u>	<u>113,734</u>	<u>2,725</u>	<u>2,900</u>	<u>13,877</u>	<u>29,559</u>	<u>1,301</u>
-	-	-	-	-	-	1,301
-	-	-	-	-	-	-
21,920	113,734	-	-	-	-	-
-	-	2,725	3,900	-	29,559	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>21,920</u>	<u>113,734</u>	<u>2,725</u>	<u>3,900</u>	<u>-</u>	<u>29,559</u>	<u>1,301</u>
-	-	-	(1,000)	13,877	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(1,000)	13,877	-	-
-	-	-	1,000	-	-	-
-	-	-	-	-	-	-
-	-	-	1,000	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,877</u>	<u>\$ -</u>	<u>\$ -</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, 2008

	Special Revenue				
	Litter Abatement Grant 08/31/08	Litter Abatement Grant 08/31/09	STEP Program	Small Community Airport Grant 08/31/09	Immunization Contract 08/31/08
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,663	2,500	4,000	161,765	56,441
Charges for services	-	-	-	-	-
Interest	-	-	-	-	-
Rent and commissions	-	-	-	-	-
Miscellaneous	12,593	1,223	905	-	-
Total revenues	<u>32,256</u>	<u>3,723</u>	<u>4,905</u>	<u>161,765</u>	<u>56,441</u>
EXPENDITURES					
Current:					
General government	-	-	-	175,515	-
Judicial	-	-	-	-	-
Public safety	-	-	4,905	-	-
Health and human services	43,999	3,723	-	-	56,441
Public buildings	-	-	-	-	-
Transportation and roads	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>43,999</u>	<u>3,723</u>	<u>4,905</u>	<u>175,515</u>	<u>56,441</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,743)</u>	<u>-</u>	<u>-</u>	<u>(13,750)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	11,743	-	-	13,750	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Capital lease	-	-	-	-	-
Total other financing sources (uses)	<u>11,743</u>	<u>-</u>	<u>-</u>	<u>13,750</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RESTATEMENT FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue						
Immunization Contract 08/31/09	LEOSE	Justice Court Technology	District Clerk Civil Records Management	District Clerk Criminal Records Management	Justice of the Peace Security	County Clerk Criminal Records Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15,868	-	-	-	-	-	-
-	-	26,509	11,410	639	6,516	5,747
-	-	2,869	897	19	506	314
-	-	-	-	-	-	-
<u>15,868</u>	<u>-</u>	<u>29,378</u>	<u>12,307</u>	<u>658</u>	<u>7,022</u>	<u>6,061</u>
-	-	-	-	-	-	-
-	-	6,813	12,414	-	-	-
-	-	-	-	-	-	-
15,868	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>15,868</u>	<u>-</u>	<u>6,813</u>	<u>12,414</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>22,565</u>	<u>(107)</u>	<u>658</u>	<u>7,022</u>	<u>6,061</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>22,565</u>	<u>(107)</u>	<u>658</u>	<u>7,022</u>	<u>6,061</u>
-	-	76,582	28,410	316	12,071	7,085
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>76,582</u>	<u>28,410</u>	<u>316</u>	<u>12,071</u>	<u>7,085</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,147</u>	<u>\$ 28,303</u>	<u>\$ 974</u>	<u>\$ 19,093</u>	<u>\$ 13,146</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, 2008

	Special Revenue				
	Chapter 19 Funds	HAVA - Leasing Equipment	Drug Court 05/31/08	VIT Operating	Sheriff Asset and Forfeiture
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12,163	-	737	-	-
Charges for services	-	12,162	-	-	-
Interest	-	-	-	24,670	-
Rent and commissions	-	-	-	-	-
Miscellaneous	-	-	-	-	15,816
Total revenues	<u>12,163</u>	<u>12,162</u>	<u>737</u>	<u>24,670</u>	<u>15,816</u>
EXPENDITURES					
Current:					
General government	12,301	16,800	-	25,097	-
Judicial	-	-	737	-	-
Public safety	-	-	-	-	2,234
Health and human services	-	-	-	-	-
Public buildings	-	-	-	-	-
Transportation and roads	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>12,301</u>	<u>16,800</u>	<u>737</u>	<u>25,097</u>	<u>2,234</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(138)</u>	<u>(4,638)</u>	<u>-</u>	<u>(427)</u>	<u>13,582</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Capital lease	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(138)</u>	<u>(4,638)</u>	<u>-</u>	<u>(427)</u>	<u>13,582</u>
FUND BALANCES, BEGINNING	132	5,680	-	-	(530)
PRIOR PERIOD ADJUSTMENT	-	-	-	30,537	-
RESTATE FUND BALANCES, BEGINNING	<u>132</u>	<u>5,680</u>	<u>-</u>	<u>30,537</u>	<u>(530)</u>
FUND BALANCES, ENDING	<u>\$ (6)</u>	<u>\$ 1,042</u>	<u>\$ -</u>	<u>\$ 30,110</u>	<u>\$ 13,052</u>

Special Revenue					Debt Service	Capital Projects
Sheriff Enforcement	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account	District Attorney General	Debt Service	Capital Improvement Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 980,534	\$ -
-	-	-	-	112,849	-	-
-	-	-	-	90,243	-	-
-	2,658	10,035	360	-	13,599	-
-	174,708	-	-	-	-	-
<u>45,521</u>	<u>42,524</u>	<u>56,839</u>	<u>145,105</u>	<u>49,334</u>	<u>-</u>	<u>-</u>
<u>45,521</u>	<u>219,890</u>	<u>66,874</u>	<u>145,465</u>	<u>252,426</u>	<u>994,133</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	339,325	-	-
59,887	164,700	135,125	27,374	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	860,000	-
-	-	-	-	-	8,923	-
-	-	-	-	-	-	-
<u>59,887</u>	<u>164,700</u>	<u>135,125</u>	<u>27,374</u>	<u>339,325</u>	<u>868,923</u>	<u>-</u>
(14,366)	55,190	(68,251)	118,091	(86,899)	125,210	-
-	-	-	-	-	-	12,500,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	12,500,000
(14,366)	55,190	(68,251)	118,091	(86,899)	-	12,500,000
100,564	72,464	364,323	16,164	(28,054)	140,745	-
-	-	-	-	-	-	-
<u>100,564</u>	<u>72,464</u>	<u>364,323</u>	<u>16,164</u>	<u>(28,054)</u>	<u>140,745</u>	<u>-</u>
\$ <u>86,198</u>	\$ <u>127,654</u>	\$ <u>296,072</u>	\$ <u>134,255</u>	\$ <u>(114,953)</u>	\$ <u>140,745</u>	\$ <u>12,500,000</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, 2008

	Capital Projects				Totals
	Permanent Improvement	Longview Community Center Renovation	Computer Upgrade Projects	307th District Courtroom Renovation	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,103,012
Intergovernmental	-	-	-	-	1,202,992
Charges for services	-	-	-	-	538,812
Interest	17,174	1,950	28,921	6,657	153,675
Rent and commissions	-	-	-	-	574,011
Miscellaneous	-	-	-	-	560,262
Total revenues	17,174	1,950	28,921	6,657	5,132,764
EXPENDITURES					
Current:					
General government	-	-	-	-	1,413,497
Judicial	-	-	-	-	549,118
Public safety	-	-	-	-	1,148,742
Health and human services	-	-	-	-	649,944
Public buildings	-	-	-	-	60,000
Transportation and roads	-	-	-	-	7,364
Debt service:					
Principal	-	-	-	-	860,208
Interest and fiscal charges	-	-	-	-	9,004
Capital projects	-	14,462	471,724	263,453	749,639
Total expenditures	-	14,462	471,724	263,453	5,447,516
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,174	(12,512)	(442,803)	(256,796)	(314,752)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	24,295	198,135	-	12,844,883
Transfers out	(65,000)	-	(8,000)	-	(75,140)
Sale of capital assets	-	-	-	-	21,795
Insurance proceeds	-	-	-	-	10,686
Capital lease	-	-	-	-	2,928
Total other financing sources (uses)	(65,000)	24,295	190,135	-	12,805,152
NET CHANGE IN FUND BALANCES	(47,826)	11,783	(252,668)	(256,796)	12,490,400
FUND BALANCES, BEGINNING	586,743	58,939	976,004	277,217	4,106,666
PRIOR PERIOD ADJUSTMENT	-	-	-	-	20,356
RESTATE FUND BALANCES, BEGINNING	586,743	58,939	976,004	277,217	4,127,022
FUND BALANCES, ENDING	\$ 538,917	\$ 70,722	\$ 723,336	\$ 20,421	\$ 16,617,422

INTERNAL SERVICE FUNDS

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GREGG COUNTY, TEXAS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2008

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 45,544	\$ 409,837	\$ 455,381
Investments	-	2,501,257	2,501,257
Interest receivable	78	30,019	30,097
Accounts receivable, net of allowance	756	1,078	1,834
Inventory	<u>15,906</u>	<u>-</u>	<u>15,906</u>
Total current assets	<u>62,284</u>	<u>2,942,191</u>	<u>3,004,475</u>
Noncurrent assets:			
Capital assets:			
Equipment	23,555	-	23,555
Less accumulated depreciation	<u>(19,022)</u>	<u>-</u>	<u>(19,022)</u>
Total capital assets	<u>4,533</u>	<u>-</u>	<u>4,533</u>
Total noncurrent assets	<u>4,533</u>	<u>-</u>	<u>4,533</u>
Total assets	<u>66,817</u>	<u>2,942,191</u>	<u>3,009,008</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>7,890</u>	<u>237,543</u>	<u>245,433</u>
Total liabilities	<u>7,890</u>	<u>237,543</u>	<u>245,433</u>
NET ASSETS			
Invested in capital assets	4,533	-	4,533
Unrestricted	<u>54,394</u>	<u>2,704,648</u>	<u>2,759,042</u>
Total net assets	<u>\$ 58,927</u>	<u>\$ 2,704,648</u>	<u>\$ 2,763,575</u>

GREGG COUNTY, TEXAS

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

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ <u>66,416</u>	\$ <u>4,276,380</u>	\$ <u>4,342,796</u>
Total operating revenues	<u>66,416</u>	<u>4,276,380</u>	<u>4,342,796</u>
OPERATING EXPENSES			
Salaries	19,510	-	19,510
Fringe benefits	8,481	-	8,481
Supplies	37,811	-	37,811
Copying machine	8,965	-	8,965
Conferences, workshops and training	65	-	65
Repairs and maintenance service	2,238	-	2,238
Claim expenses	-	2,913,958	2,913,958
Administrative	-	536,459	536,459
Depreciation	<u>3,022</u>	-	<u>3,022</u>
Total operating expenses	<u>80,092</u>	<u>3,450,417</u>	<u>3,530,509</u>
OPERATING INCOME (LOSS)	(13,676)	825,963	812,287
NONOPERATING REVENUES			
Investment earnings	<u>1,660</u>	<u>73,026</u>	<u>74,686</u>
CHANGE IN NET ASSETS	(12,016)	898,989	886,973
TOTAL NET ASSETS, BEGINNING	<u>70,943</u>	<u>1,805,659</u>	<u>1,876,602</u>
TOTAL NET ASSETS, ENDING	<u>\$ 58,927</u>	<u>\$ 2,704,648</u>	<u>\$ 2,763,575</u>

GREGG COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 66,755	\$ 4,337,942	\$ 4,404,697
Cash paid to suppliers for goods and services	(81,247)	(3,379,862)	(3,461,109)
Net cash provided (used) by operating activities	<u>(14,492)</u>	<u>958,080</u>	<u>943,588</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investments	-	3,920,311	3,920,311
Purchase of investments	-	(4,945,311)	(4,945,311)
Investment earnings	<u>1,833</u>	<u>93,507</u>	<u>95,340</u>
Net cash flows provided (used) by investing activities	<u>1,833</u>	<u>(931,493)</u>	<u>(929,660)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,659)	26,587	13,928
CASH AND CASH EQUIVALENTS, BEGINNING	<u>58,203</u>	<u>383,250</u>	<u>441,453</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 45,544</u>	<u>\$ 409,837</u>	<u>\$ 455,381</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$(13,676)	\$ 825,963	\$ 812,287
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,022	-	3,022
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	(7,325)	-	(7,325)
Accounts receivable	488	56,354	56,842
Increase (decrease) in liabilities:			
Accounts payable	<u>2,999</u>	<u>75,763</u>	<u>78,762</u>
Net cash provided (used) by operating activities	<u>\$(14,492)</u>	<u>\$ 958,080</u>	<u>\$ 943,588</u>

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AGENCY FUNDS

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2008

	<u>Tax Assessor- Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>
ASSETS				
Cash	\$ 1,750,725	\$ 393,285	\$ 619,032	\$ 248,794
Investments	-	363,854	2,579,389	-
Accounts receivable	<u>11</u>	<u>7,803</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,750,736</u>	<u>\$ 764,942</u>	<u>\$ 3,198,421</u>	<u>\$ 248,794</u>
LIABILITIES				
Due to others	<u>\$ 1,750,736</u>	<u>\$ 764,942</u>	<u>\$ 3,198,421</u>	<u>\$ 248,794</u>
Total liabilities	<u>\$ 1,750,736</u>	<u>\$ 764,942</u>	<u>\$ 3,198,421</u>	<u>\$ 248,794</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>
\$ 153,836	\$ 163,711	\$ 310,150	\$ 1,500	\$ 26,107	\$ 493,342	\$ 4,160,482
-	-	-	-	-	-	2,943,243
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,814</u>
<u>\$ 153,836</u>	<u>\$ 163,711</u>	<u>\$ 310,150</u>	<u>\$ 1,500</u>	<u>\$ 26,107</u>	<u>\$ 493,342</u>	<u>\$ 7,111,539</u>
<u>\$ 153,836</u>	<u>\$ 163,711</u>	<u>\$ 310,150</u>	<u>\$ 1,500</u>	<u>\$ 26,107</u>	<u>\$ 493,342</u>	<u>\$ 7,111,539</u>
<u>\$ 153,836</u>	<u>\$ 163,711</u>	<u>\$ 310,150</u>	<u>\$ 1,500</u>	<u>\$ 26,107</u>	<u>\$ 493,342</u>	<u>\$ 7,111,539</u>

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<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	\$ 2,066,564	\$ 167,307,823	\$ 167,623,662	\$ 1,750,725
County clerk	697,790	1,986,058	1,926,709	757,139
District clerk	3,114,941	3,086,936	3,003,456	3,198,421
Sheriff	335,823	2,099,101	2,186,130	248,794
District attorney	157,776	980,721	984,661	153,836
Code forfeiture pending	25,819	199,597	61,705	163,711
State fees	337,076	1,321,005	1,347,931	310,150
Local emergency planning	1,500	-	-	1,500
Gregg/Harrison first call warning	42,230	5,500	21,623	26,107
Juvenile probation	<u>532,693</u>	<u>3,072,966</u>	<u>3,112,317</u>	<u>493,342</u>
	<u>\$ 7,312,212</u>	<u>\$ 180,059,707</u>	<u>\$ 180,268,194</u>	<u>\$ 7,103,725</u>

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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, each major fund, and the aggregate remaining fund information of the Gregg County, Texas as of and for the year ended September 30, 2008, and have issued our report thereon dated April 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as Item 2008-1 to be a significant deficiency in internal control over financial reporting.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

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*.

We noted certain matters that we reported to management of the County in a separate letter dated April 24, 2009.

The County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the County, and Commissioners' Court and is not intended to be and should not be used by anyone other than these specified parties.

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

April 24, 2009



**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 the Gregg County, Texas, (the "City") 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, 2008. 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 and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Responses as Items 2008-2 through 2008-4.

Internal Control Over Compliance

The management of the Gregg County, Texas 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.

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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Responses as Items 2008-2 through 2008-4 to be significant deficiencies.

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. We do not consider the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Responses to be material weaknesses.

The Gregg County, Texas' response to the Findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Gregg County, Texas' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Commissioners' Court, 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.

April 24, 2009

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<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 Justice</u>			
Passed through the Criminal Justice Council:			
WF-05-V30-13450-10	Violence Against Women	16.588	\$ 8,687
WF-08-V30-13450-11	Violence Against Women	16.588	<u>106,639</u>
	Total Passed through the Criminal Justice Council		<u>115,326</u>
	Total U. S. Department of Justice		<u>115,326</u>
<u>U. S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
3-48-0137-24-2005	Airport Development Projects	20.106	6,503
3-48-0137-25-2006	Airport Development Projects	20.106	781,536
3-48-0137-26-2007	Airport Development Projects	20.106	4,431,643
3-48-0137-28-2008	Airport Development Projects	20.106	326,470
3-48-0137-29-2008	Airport Development Projects	20.106	<u>226,889</u>
	Total Passed through Federal Aviation Administration		<u>5,773,041</u>
	Passed through the Office of Aviation Analysis		
OST-2006-23671	Small Community Air Service Development	20.930	<u>175,515</u>
	Total U. S. Department of Transportation		<u>5,948,556</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of Protective and Regulatory Services:			
2008-022949	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	466,903
7560009718-2008	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	29,559
2008-02800	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	<u>7,844</u>
	Total Passed through Texas Department of Protective and Regulatory Services		<u>504,306</u>

(continued)

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2008

Pass-through Grantor's Number	Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Total Expenditures
<u>U. S. Department of Health and Human Services (Continued)</u>			
Passed through Texas Department of State			
Health Services			
2008-027749	Immunization Branch - Locals	93.268	\$ 56,441
2009-028321	Immunization Branch - Locals	93.268	<u>15,869</u>
Total Passed through Texas Department of State Health Services			<u>72,310</u>
Total U. S. Department of Health and Human Services			<u>576,616</u>
 <u>U. S. Department of Homeland Security</u>			
Passed through Texas Engineering Extension Service:			
07-SR 48183-01	State Homeland Security Grant program	97.073	<u>113,734</u>
Total Passed through the Texas Engineering and Extension Service			<u>113,734</u>
 Passed through Texas Department of Public Safety's Division of Emergency Management			
PA-06-TX-1791-PW-01178(0	FEMA - Hurricane Ike	97.036	<u>47,069</u>
Total Passed through Texas Department of Public Safety's Division of Emergency Management			<u>47,069</u>
 Passed through Transportation Security Administration			
		97.090	<u>35,514</u>
Total Passed through Transportation Security Administration			<u>35,514</u>
Total U. S. Department of Homeland Security			<u>196,317</u>
 Total Federal Awards			 <u>\$ 6,836,815</u>

GREGG COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2008

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 RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	Yes
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)?	See 2008-2, 2008-3, and 2008-4
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	See 2008-2; 2008-3; and 2008-4
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 Centers for Disease Control and Prevention Investigations and Technical Assistance, CFDA #93.283

(continued)

GREGG COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

Item 2008-1:

<u>Condition:</u>	Several vehicles in Special Revenue Funds
<u>Criteria:</u>	County policy requires all 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 to be capitalized.
<u>Cause:</u>	Controls are not in place to ensure that all capital assets are capitalized.
<u>Effect:</u>	Net assets in the government-wide financial statements were understated.
<u>Recommendation:</u>	Implement controls that help management identify capital assets at the time of purchase.
<u>Management's Response:</u>	The Gregg County Capital Asset Guide passed by the Commissioners' Court in 2003 designates that the individual department is responsible to report to the County Auditor and Purchasing Agent asset information. Departments who have the use of discretionary funds where the capital asset purchase payment is not paid through the County's financial system will be notified of current policy. The Auditor's office will implement a control procedure where internal auditors assigned discretionary fund audits will verify required asset purchases have been capitalized on the County financial system.
<u>Contact Person Responsible for corrective action:</u>	County Auditor
<u>Anticipated Completion Date:</u>	Immediate

(continued)

GREGG COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

**Findings Relating to the Financial Statements Which Are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

<u>Item 2008-2:</u>	All Major Programs
<u>Condition:</u>	Documentation is not available to ensure time and effort requirements are met in accordance with OMB Circular A-87.
<u>Criteria:</u>	Documentation of allowable salaries and wages in accordance with OMB Circular A-87 include the following. <ol style="list-style-type: none">1) Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. 2) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards, unless a statistical sampling system or other substitute system has been approved by the cognizant federal agency. Such documentary support will be required where employees work on:<ol style="list-style-type: none">a. More than one federal award;b. A federal award and a non-federal award;c. An indirect cost activity and a direct cost activity;d. Two or more indirect activities which are allocated using different allocation basis; ore. An unallowable activity and a direct or indirect cost activity.
<u>Cause:</u>	Policies and procedures are not in place to ensure time and effort requirements, as described above, are met.
<u>Effect:</u>	Adequate documentation of time and effort was not available. We performed procedures to verify salaries and wages tested were allowable costs. These procedures included inspection of payroll documentation.
<u>Recommendation:</u>	Management should implement policies and procedures to ensure grant employees certify time and effort either monthly or semi-annually, depending on how an employee's time is allocated.

(continued)

GREGG COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

**Findings Relating to the Financial Statements Which Are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

Item 2008-2: (Continued)

Management's Response: Notification has been made to those departments who may have employees paid wholly or partially with grant funds of the adequate documentation requirements of OMB Circular A-87 for compliance. Additional control procedures will also be implemented in the Auditor's office where a grant fund auditor includes review of grant employee certifications or time and effort records to document and verify compliance.

Contact Person Responsible
for corrective action: Individual grant employee, their supervisor and County Auditor

Anticipated Completion Date: May 2009

Item 2008-3: All Major Programs

Condition: We identified instances in which documentation verifying a vendor's suspension or debarment status could not be provided.

Criteria: According to OMB Circular A-133, recipients of federal and state awards are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. The County should have control procedures in place to verify that each entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Cause: Policies and procedures are not in place to prevent the County from contracting with or purchasing goods or services to parties that are suspended or debarred.

Effect: The County may purchase goods or services from vendors who are suspended or debarred.

(continued)

GREGG COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards (Continued)

Item 2008-3: (Continued)

Recommendation:

Management should implement a policy to verify that each entity it contracts with or purchases goods or services from is not suspended, debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity. Additionally, management or representatives of management should periodically conduct independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended.

Management's Response:

Gregg County has implemented a policy to verify that each entity it contracts with or purchases goods or services from is not suspended, debarred or otherwise excluded as follows:

Verifiable documentation must be provided documenting that the vendor is not currently suspended, debarred or otherwise excluded from doing business before a requisition will be approved and in order to obtain a purchase order for any purchase being made through grant funds. Verification documentation will be obtained by accessing the Excluded Parties List System ("EPLS") maintained by the General Services Administration (GSA) at <http://epls.arnet.gov>.

Contact Person Responsible

for corrective action:

County Purchasing Agent

Anticipated Completion Date:

Immediate

(continued)

GREGG COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards (Continued)

<u>Item 2008-4:</u>	Airport Development, CFDA #20.106
<u>Condition:</u>	We identified instances in which requests for reimbursement were submitted to the FAA prior to cash disbursements for the airport improvement grant.
<u>Criteria:</u>	According to OMB Circular A-133, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government.
<u>Cause:</u>	Policies and procedures are not in place to prevent the County from submitting reimbursement requests prior to disbursing cash. Specifically, payment dates are not confirmed prior to submitting the reimbursement requests.
<u>Effect:</u>	The County has requested reimbursement from the federal government before paying for program costs, and is therefore not in compliance.
<u>Recommendation:</u>	Management should implement a policy to verify check dates for program costs prior to submitting reimbursements requests to the FAA.
<u>Management's Response:</u>	The County Auditor is developing procedures for all FAA reimbursement requests to be reviewed by the Auditor's office prior to submission by the Airport Manager to the FAA for reimbursement. The County Auditor's office will review the FAA reimbursement request detail to verify all check dates for program costs have been made prior to approval for submission.
<u>Contact Person Responsible for corrective action:</u>	Airport Manager and County Auditor
<u>Anticipated Completion Date:</u>	May 2009

Findings and Questioned Costs for Federal Awards

None

GREGG COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

None