

GREGG COUNTY, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2009

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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April 20, 2010

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, 2009. 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 Patillo, 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, 2009, 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 principals 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 slackened 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 1984 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 auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in the compliance section of this report.

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended September 30, 2009, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Factors Affecting Financial Condition

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 FY09 budget have risen to the current \$7.9 billion. The short term economic is expected to slow but not at the national rate.

The 2000 census for the county was 111,379, an increase of 6.13% since 1990. U. S. Census Bureau estimated population for 2009 is 119,637, an increase of 7.4%. The September, 2009, unemployment rate of 7.8% compared favorable with the 8.1% statewide rate, and with the 9.8% 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 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.

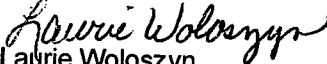
OTHER INFORMATION

Independent Audit The audit was designed to meet the requirements of the federal Single Audit Act of 1984 and OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the compliance section.

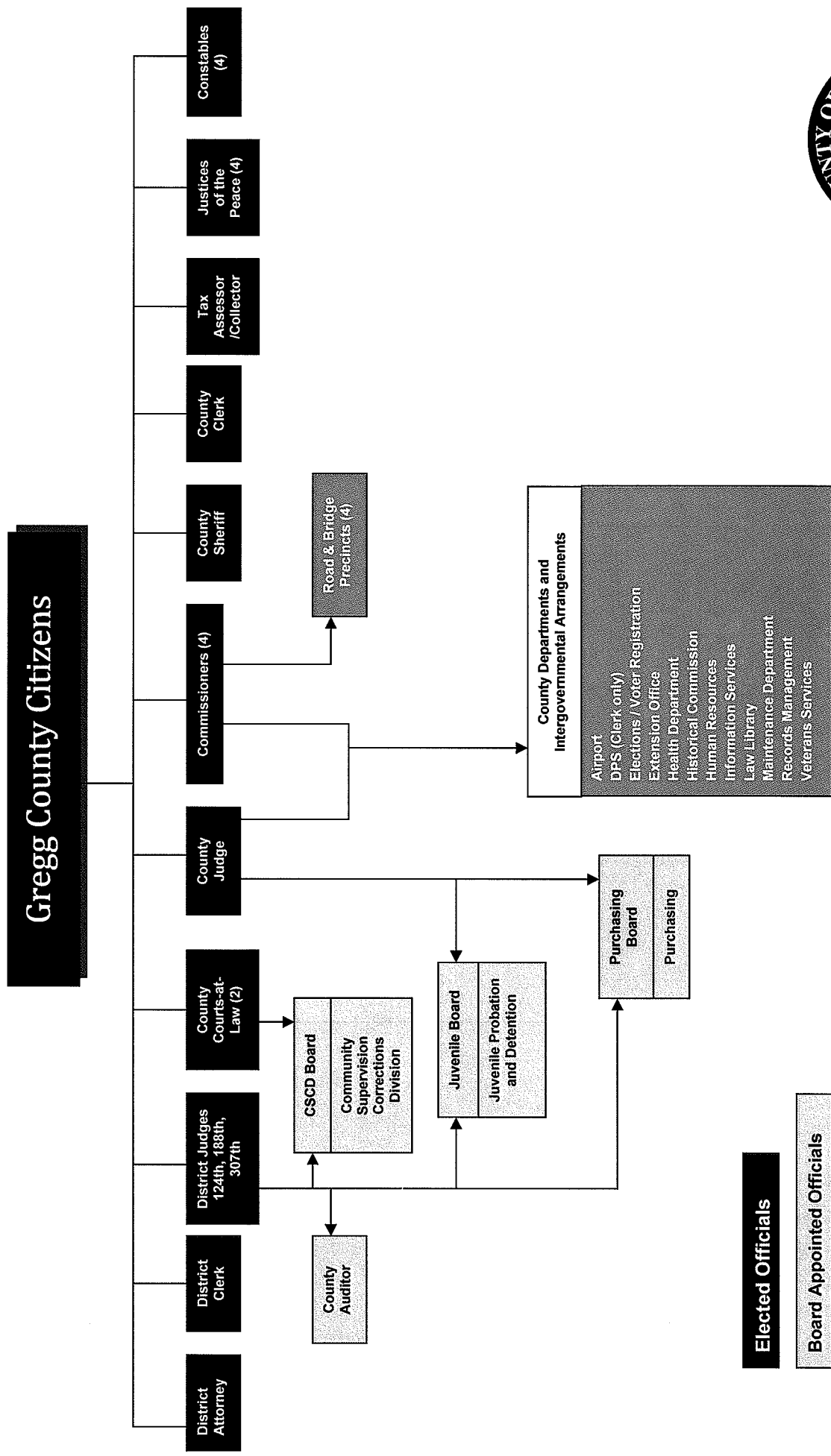
Acknowledgements The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the County Auditor's office. We would also like to express our appreciation to all the officials and members of county offices who assisted in and contributed to the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

In addition, I express my appreciation to the District Judges, the County Judge and Commissioners Court members and all other County officials and employees who have given their support in planning and conducting the financial operation and management of Gregg County in a responsible manner.

Respectfully submitted,


Laurie Woloszyn
Gregg County Auditor

Gregg County Organization Chart



Elected Officials

Board Appointed Officials

Comm. Court Oversight

Direction of Authority →



**Gregg County, Texas
Directory of Officials
September 30, 2009**

Elected:

**Bill Stoudt
Charles Davis
Darryl Primo
Bob Barbee
John Mathis
Carl Dorrrough
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
Bill Jennings/Alfonso Charles
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:

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

**County Auditor
Community Supervision Director
Juvenile Probation Director
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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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Road and Bridge Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2010, 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 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

May 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. 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 2009 by \$122,091,497 (*net assets*). Of this amount, \$56,637,636 (*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 \$13,604,140 or 12.5% primarily due to increase in fund balances and net capital asset improvement or outlays, mostly related to capital grants and contributions for infrastructure improvement at the East Texas Regional Airport.
- As of September 30, 2009, Gregg County's governmental funds reported combined ending fund balances of \$52,179,920, an increase of \$5,728,491 or 12.3% in comparison with the prior year. \$51,097,504 is *available for spending* at the government's discretion (*unreserved fund balance*). \$14,708,331 (29%) of the unreserved fund balances is designated for capital projects.
- At the end of fiscal year 2009, total unreserved fund balance for the General Fund was \$29,560,305 or 90.9% of total General Fund expenditures, compared to 79.4% in 2008, and 103.1% in 2007.
- Capital grants and contribution revenue increased by \$1,363,795 or 22.9% from 2008. This is due to the continued increase in grant contributions for infrastructure rehab at the East Texas Regional Airport.
- Total expenditures increased 12.9% for the Government. The largest increase in expenditures was \$2,287,796 (36.55%) in Transportation and Roads. The next largest increase can be found in Public Safety at \$1,407,027 (10.7%).
- The increase of \$1,911,343, 10.1% in property tax revenue was primarily due to an increase from the appraised values over the prior year in the tax roll certified by the Gregg County Appraisal District.
- Investment Earnings decreased 21.4% or \$287,001 due to the continued decline in interest rates. Additionally Sales Tax decreased 3.4% (\$560,796) due to the lingering sluggish economy.

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 14 - 15 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 55 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, Capital Improvement and Airport Improvement Funds, all of which are considered to be major funds. Data from the other 51 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 Fund are provided elsewhere in this report.

The basic governmental fund financial statements can be found on pages 16 – 41 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 41 – 43 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 44 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 45 – 58 of this report.

Other Information: 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 59 – 82 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 \$122,091,497 at the close of the most recent fiscal year.

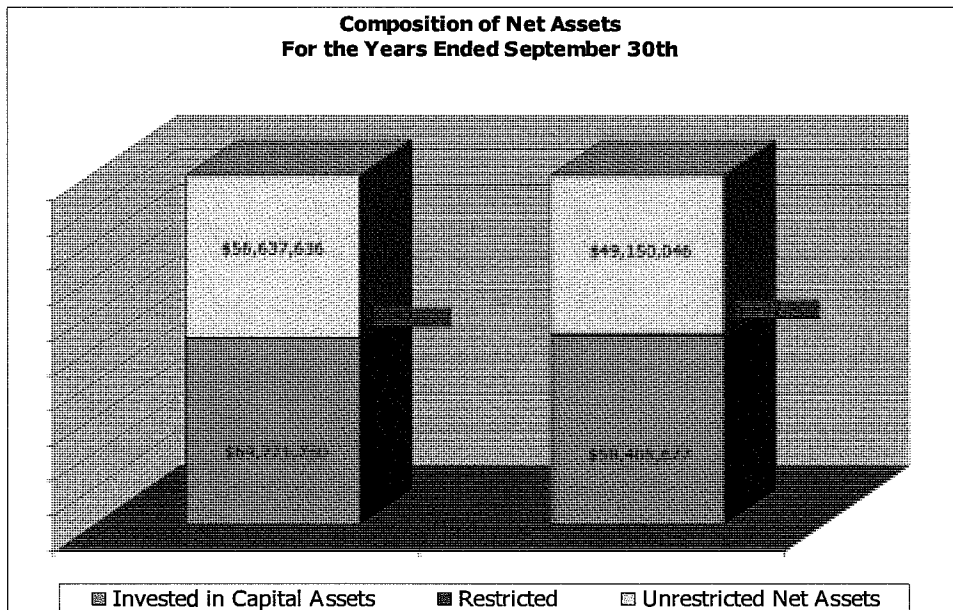
Gregg County's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, is 53.1% of net assets compared with 53.8% the last fiscal year. Gregg County uses these capital assets to provide services to citizens; 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>2009</u>	<u>2008</u>
Assets:		
Current and other assets	\$ 62,044,403	\$ 54,256,253
Capital assets	<u>65,154,395</u>	<u>58,304,077</u>
Total assets	<u>127,198,798</u>	<u>112,560,330</u>
Liabilities:		
Long-term liabilities	1,094,412	1,092,412
Other liabilities	<u>4,012,889</u>	<u>2,959,230</u>
Total liabilities	<u>5,107,301</u>	<u>4,051,642</u>
Net assets:		
Invested in capital assets, net of related debt	64,771,730	58,405,677
Restricted	682,131	952,965
Unrestricted	<u>56,637,636</u>	<u>49,150,046</u>
Total net assets	<u>\$ 122,091,497</u>	<u>\$ 108,508,688</u>

An additional portion of Gregg County's net assets (.56%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$56,637,636 (46.4%) 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.

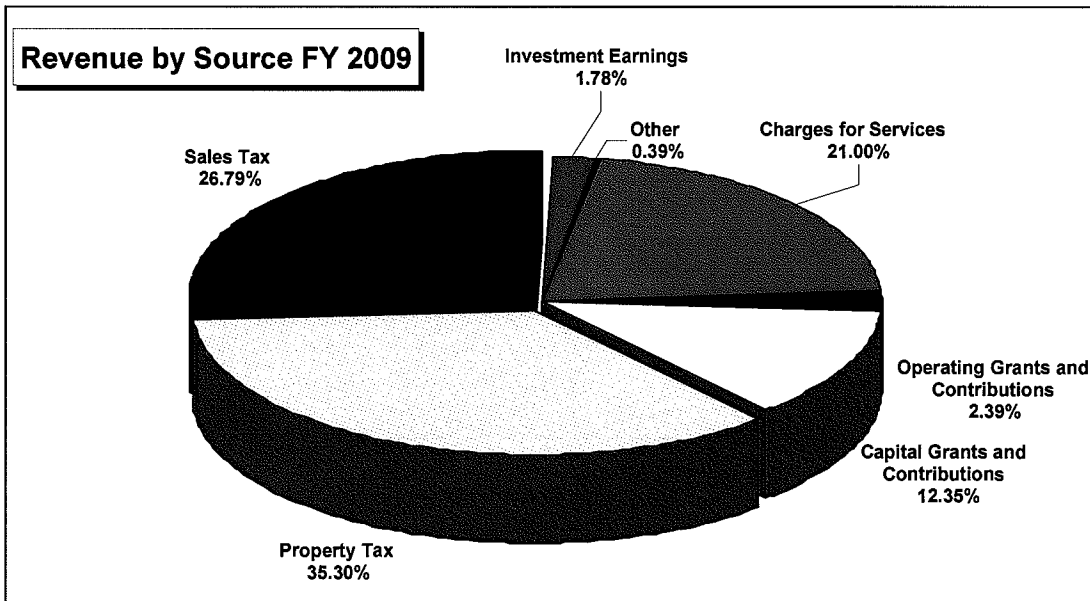


Governmental Activities: Governmental activities increased Gregg County's net assets by \$13,604,140 for a 12.5% increase of the total net assets of Gregg County. As a comparison to the prior year, net assets increased by 18.2% in FY2008.

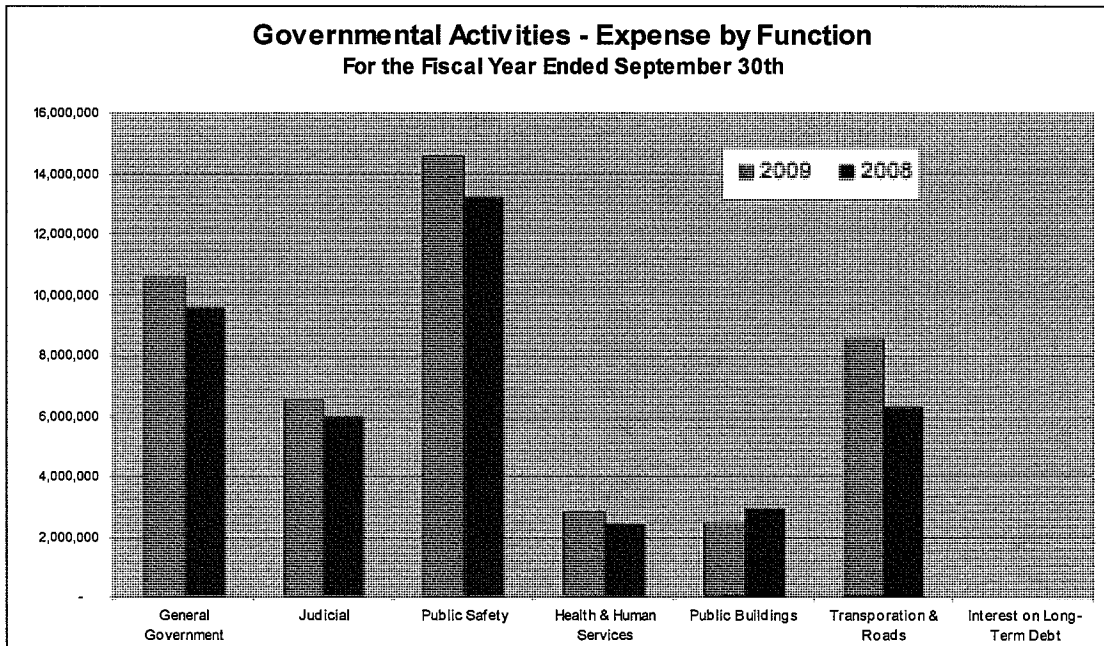
Gregg County's Changes in Net Assets Governmental Activities		
	<u>2009</u>	<u>2008</u>
REVENUES		
Program revenue		
Charges for services	\$ 12,399,080	\$ 12,261,874
Operating grants and contributions	1,410,235	1,578,343
Capital grants and contributions	7,301,696	5,937,901
General revenue		
Property taxes	20,864,871	18,953,528
Sales tax	15,831,322	16,392,118
Other taxes	316,233	270,364
Investment earnings	1,052,855	1,339,856
Miscellaneous	(74,770)	232,509
Total revenues	<u>59,101,522</u>	<u>56,966,493</u>
EXPENSES		
General government	10,545,040	9,543,171
Judicial	6,506,628	5,931,707
Public safety	14,596,497	13,189,470
Health and human services	2,780,822	2,363,996
Public buildings	2,440,792	2,941,860
Transportation and roads	8,604,974	6,259,955
Interest on long-term debt	22,629	28,459
Total expenses	<u>45,497,382</u>	<u>40,258,618</u>
Change in net assets	13,604,140	16,707,875
Net assets – beginning	108,508,688	91,780,457
Prior period adjustment	(21,331)	20,356
Net assets – ending	<u>\$ 122,091,497</u>	<u>\$ 108,508,688</u>

Net Cost of Governmental Activities for Gregg County By Function For the Fiscal Years Ended September 30		
<u>Function/Program</u>	Net Cost of Services	
	<u>2009</u>	<u>2008</u>
General government	\$(69)	\$(523,232)
Judicial	(4,214,395)	(3,648,301)
Public safety	(12,597,665)	(11,517,238)
Health and human services	(2,387,191)	(1,532,991)
Public buildings	1,180,505	868,337
Transportation and roads	(6,344,927)	(4,098,616)
Interest on long-term debt	(22,629)	(28,459)
Total	<u>\$(24,386,371)</u>	<u>\$(20,480,500)</u>

Reflected below is a comparison of government wide revenues by source. Total revenue for the government increased 3.7%.



Below is a comparison of government wide expenditures by function. Government wide expenditures increased 12.9%.



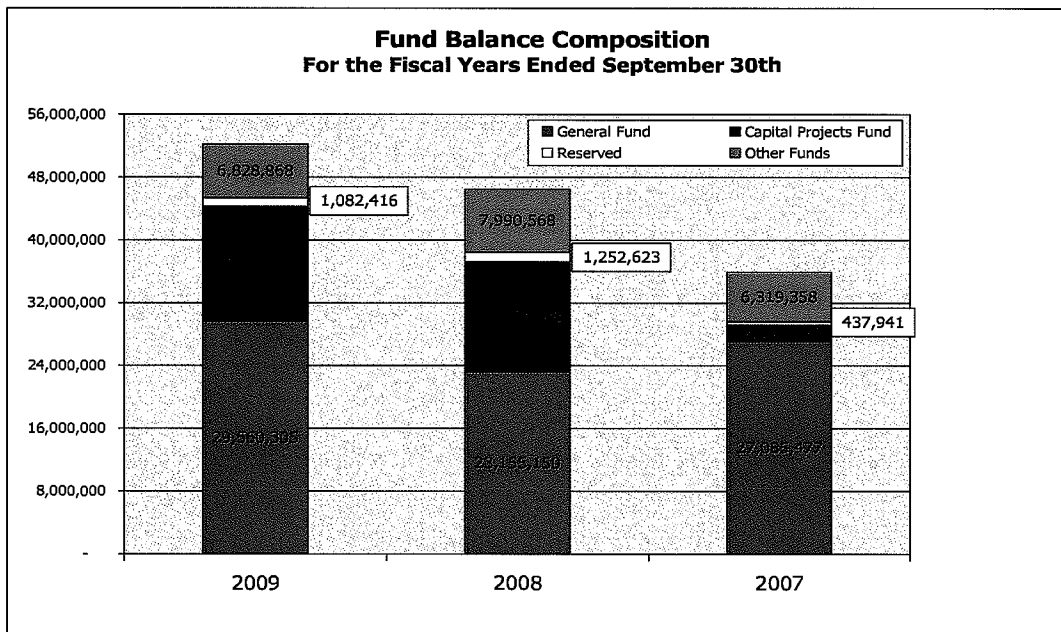
Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$21,111,011 equaled 46.4% of total government expenses of \$45,497,382. As expected, general revenues of \$37,990,511 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 (\$14,596,497) reflecting the continuing demands on law enforcement. This program provided 3.4% (\$1,998,832) of the total government revenues for the year.
- The next largest category of expenses is General Government and equaled \$10,545,040 or 23.2% of total expenditures. General Government provided 17.8% or \$10,544,971 of the government total revenue.
- Transportation and Roads accounted for 18.91%, \$8,604,974 of the government expenses while this category provided for 3.8% or \$2,260,047 of the government revenues.
- Judicial expenses for the government for the year accounted for 14.3% or \$6,506,628 of the expenditures while this category provided for 3.9% or \$2,292,233 of the government revenue.
- Capital grant revenues and contributions comprised about 12.4% of total government revenue all in the General Government program.

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 2009, Gregg County's *governmental funds* reported combined ending fund balances of \$52,179,920, an increase of \$5,728,491 (12.33%) in comparison with the prior year. Approximately 97.9% of the ending fund balance constitutes *unreserved fund balance*. Special revenue unrestricted fund balances account for 13.09% (\$6,828,868). CIP assigned funds, along with current capital project balances, account for 28.19% (\$14,708,331). 58.1% of the total ending fund balance is reporting in the General Fund of which \$29,560,305 is unrestricted. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed: 1) for archive restoration (\$682,131); 2) to reflect inventories (\$322,089); and 3) for other restricted purposes (\$78,196).

General Fund

The General Fund is the chief operating fund of Gregg County. At the end of fiscal year 2009, the General Fund had an ending fund balance of \$30,320,632 with 2.5% reserved for other uses.

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 90.96% of total General Fund expenditures.

The General Fund balance increased by \$6,413,351 (26.8%) during the 2009 fiscal year.

General Fund Highlights:

- Property tax revenue increased by 9.2% or \$1,296,028 from the prior year due to the increase in the appraised values for FY2009. Values rose from \$7.1 billion to \$7.9 billion.
- Public Building Revenue from managing contract jail operations decreased in FY09 by \$329,870 or 9.4%.
- Sales Tax revenues decreased \$401,579 (2.8%) compared to FY08 collections.
- Actual total expenditures were \$1,947,951 (5.7%) under budgeted appropriations.
- Total General Fund Revenues increased by \$1,090,552 or 2.8% compared to a 4% increase last year. Total General Fund Expenditures increased \$3,369,975 or 11.6% compared to a 10.9% increase in expenditures in FY08.
- Indigent health care hospital services increased by \$419,844 to \$611,838, a 318% increase from 2008, but the 2009 expenses are 14.7% less than the 2007 expenses of \$717,688. The court entered into indigent care affiliation agreements for an additional \$110,000 intergovernmental transfer.
- Indigent legal services increased 33%, or \$253,520 for a FY09 total of \$1,022,415.
- The tax rate to fund the FY09 Budget was reduced by one quarter of one cent from .2700 to .2675 cents per \$100 valuation.
- Building improvements completed during the year include roof replacements and upgrades at the Kilgore Community Building and the Service Center.
- Major equipment purchases during the year include 23 vehicles or vans for the Public Safety program for a total cost of \$376,954, a courtroom audio/visual system - \$12,234, and two mobile space saver filing units - \$24,053.
- Differences between the original budget and the final amended budget can be briefly summarized as follows:
 - A decrease of \$116,757 in expenditure appropriations.
 - An increase of \$1,115 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 \$2,277,819, a decrease of \$741,824 (24.5%) of which \$317,349, 13.9% is reserved for inventories and \$303,819, 13.3% is due to the General Fund for non Road and Bridge projects. The remaining \$1,656,651, 72.7% is unrestricted.
- Road and Bridge tax revenue increased by \$321,890 or 11.4% from FY08.
- Total FY 09 Road and Bridge expenditures increased by \$2,723,012 although \$2,000,000 was for a Hwy 42 project in partnership with TXDOT. The remainder, \$723,012, represents an increase of 12.8% in County Road and Bridge Department expenditures.
- Other financing sources included \$268,015 received from the sale of capital assets and \$297,237 from proceeds from capital leases for equipment.
- Additional capital equipment purchased during the year include the following: Six pickup trucks – \$155,459, Backhoe/Loader – \$67,199, Bobcat Planer – \$16,398, Asphalt Paver – \$289,324, Steel Wheeled Roller – \$112,000, Zero Turn Mower – \$7,999, Wheel Loader – \$108,694 and three dump trucks purchased under a capital lease with a buy back option within one year. Capital Building Improvements were completed at Precinct 4 for equipment sheds – \$52,500.

Airport and Airport Improvement Funds

- During the year, capital equipment purchases totaled \$93,254 and include Air stairs – \$65,590, and a Trailer and Mower – \$27,664. Also, an ARFF vehicle was purchased for \$643,046 utilizing grant funds.
- Major Capital Project expenditures for the year and in progress at year-end include the following:

○ Parking Lot Reconstruction Expansion	\$ 144,423
○ Continued Runway Safety Area Improvements	601,383
○ Reconstruct Mike Taxiway	2,357,202
○ Runway Lights/Sign Replacement	549,330
○ G Taxiway Overlay	616,480
○ GA Apron Construction	2,324,428
○ South GA Development	137,939
○ Taxiway Hotel Removal	131,907
○ Taxiway Kilo Reconstruction	195,834

Capital Improvement Fund

The County adopts a five year Capital Improvement Plan (CIP) annually designating funds for major facility and infrastructure improvements. Only individual projects adopted by Commissioners Court as part of each budget are considered "approved" projects. During each subsequent year estimates are used for planning purposes and are reevaluated for approval during each annual budget process. The Court identifies capital projects, updates the five year plan and sets aside available funds with the desire to minimize future debt impact. The CIP will develop a clear path for future capital improvements.

Major capital improvements during the year include the 307th District Courtroom Renovations, a major judicial system upgrade, a Tax Office software upgrade, and a new security and fire system for the North Jail.

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

- County Facility: ADA Compliance, County Telephone System, Longview Whaley Community Building renovations, Expanded Parking Facilities;
- Airport Infrastructure: County's Grant Match for East Texas Regional Airport Improvements;
- Transportation: expansion of SH149, widen and extend George Richey Road in partnership with the City of Longview and partnerships with TxDOT on other improvements 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 buildings		25,000
Infrastructure		25,000
Machinery, equipment and other assets		5,000
Construction in 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 \$13,385,061.

Capital Assets: As of September 30, 2009, Gregg County's investment in capital assets amounts to \$65,164,395 (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, 2009

Land	\$	1,315,910
Construction in progress		6,957,171
Buildings and improvements		37,814,031
Infrastructure		63,135,111
Machinery, equipment and other assets		16,275,984
Less: accumulated depreciation		(60,343,812)
Total assets being depreciated		<u>56,881,314</u>
Total capital assets	\$	<u>65,154,395</u>

Additional information on Gregg County's capital assets can be found in note 4 on page 54 of this report.

Long-term Debt: Gregg County has no bonded indebtedness at this time. Liabilities due within more than one year at the end of the fiscal year total \$690,092 which include an accrual for compensated absences of \$659,320 (95.5%). Due within one year are a note payable in the amount of \$90,238 and capital lease payments in the amount of \$314,082.

Additional information on Gregg County's long-term debt can be found in note 4 on pages 55 – 56 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 FY2010, 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 2010 budget \$8.2 billion up from \$7.9 billion in the prior year. Additionally, Gregg County has maintained a lower unemployment rate when compared with the state and national averages. Future years are not as certain.
- Due to the slower economy sales tax revenue is expected to decline throughout the year.
- The FY10 approved budget designates \$15 million dollars of General Fund reserves to the Capital Improvement Fund to finance future capital projects with cash.
- There is no plan to issue debt in the FY10 budget year or in the near future. The County's debt position continues to remain favorable.
- The tax rate approved to fund the FY10 budget remained at .2675 per \$100 valuation. This rate will adequately fund the FY10 budget.
- Budgeted revenue government wide for fiscal year 2010 is \$48,777,377 and the budgeted expenditures are \$48,682,029. Additionally, other financing sources are budgeted at \$19,207,383 and other financing uses are budgeted at \$19,878,513.
- Major capital improvements budgeted for FY10 include continued renovations at the Whaley community building, airport infrastructure improvements and partnerships with the City of Longview and TXDOT for an expansion on George Richey Road and SH149 upgrades.
- Revenue from interest is expected to decrease in FY2010.

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**

GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	<u>Primary Government</u> Governmental Activities	<u>Component Unit</u> Child Welfare Board
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,539,422	\$ 128,400
Investments	37,546,945	60,009
Receivables (net of allowances for uncollectibles)		
Due from other governments	4,092,099	-
Accounts	2,605,091	43
Taxes	841,195	-
Inventory	341,455	-
Prepays	78,196	-
Capital assets (net of accumulated depreciation)		
Land	1,315,910	-
Buildings and improvements	37,814,031	-
Equipment	16,275,984	-
Infrastructure	63,135,111	-
Construction work in progress	6,957,171	-
Less: accumulated depreciation	<u>(60,343,812)</u>	<u>-</u>
Total capital assets	<u>65,154,395</u>	<u>-</u>
 Total assets	 <u>127,198,798</u>	 <u>188,452</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,983,379	5,741
Accounts payable - other governments	40,001	-
Accrued liabilities	979,596	-
Accrued interest	9,913	-
Noncurrent liabilities:		
Due within one year	404,320	-
Due within more than one year	<u>690,092</u>	<u>-</u>
Total liabilities	<u>5,107,301</u>	<u>5,741</u>
NET ASSETS		
Invested in capital assets, net of related debt	64,771,730	-
Restricted for archive restoration	682,131	-
Unrestricted	<u>56,637,636</u>	<u>182,711</u>
 Total net assets	 <u>\$ 122,091,497</u>	 <u>\$ 182,711</u>

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

GREGG COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

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	Component Unit
					Governmental Activities	Governmental Activities
Primary government:						
Governmental activities:						
General government	\$ 10,545,040	\$ 3,125,963	\$ 117,312	\$ 7,301,696	\$(69)	\$ -
Judicial	6,506,628	1,872,257	419,976	-	(4,214,395)	-
Public safety	14,596,497	1,527,640	471,192	-	(12,597,665)	-
Health and human services	2,780,822	60,446	333,185	-	(2,387,191)	-
Public buildings	2,440,792	3,577,124	44,173	-	1,180,505	-
Transportation and roads	8,604,974	2,235,650	24,397	-	(6,344,927)	-
Interest on long-term debt	22,629	-	-	-	(22,629)	-
Total primary government	<u>\$ 45,497,382</u>	<u>\$ 12,399,080</u>	<u>\$ 1,410,235</u>	<u>\$ 7,301,696</u>	<u>(24,386,371)</u>	<u>-</u>
Component unit:						
Child Welfare Board	\$ 111,976	\$ 23,152	\$ -	\$ -	-	(88,824)
Total component unit	<u>\$ 111,976</u>	<u>\$ 23,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(88,824)</u>
General revenues:						
Taxes:						
Property taxes					20,864,871	-
Sales taxes					15,831,322	-
Alcoholic beverage taxes					211,389	-
Other taxes					104,844	-
Unrestricted investment earnings					1,052,855	1,073
Gain on insurance proceeds					8,730	-
Transfers					(83,500)	83,500
Total general revenues and transfers					<u>37,990,511</u>	<u>84,573</u>
Change in net assets					13,604,140	(4,251)
Net assets, beginning					108,508,688	186,962
Prior period adjustment					(21,331)	-
Net assets, beginning, as restated					<u>108,487,357</u>	<u>186,962</u>
Net assets, ending					<u>\$ 122,091,497</u>	<u>\$ 182,711</u>

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

GREGG COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	General	Road and Bridge	Capital Improvement
ASSETS			
Cash and cash equivalents	\$ 6,239,313	\$ 562,496	\$ 3,371,978
Investments	22,686,164	1,920,492	9,043,360
Receivables (net of allowance for uncollectibles)			
Other governments	2,707,770	8,003	-
Accounts	1,485,464	974,511	29,665
Delinquent property taxes	620,129	126,726	-
Due from other funds	329,192	-	-
Inventory - materials/supplies	-	317,349	-
Prepays	78,196	-	-
	<u>\$ 34,146,228</u>	<u>\$ 3,909,577</u>	<u>\$ 12,445,003</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,334,204	\$ 522,504	\$ -
Accounts payable - other governments	36,454	699	-
Accrued liabilities	669,897	81,990	-
Deferred revenues	1,785,041	1,026,565	-
Due to other funds	-	-	-
	<u>3,825,596</u>	<u>1,631,758</u>	<u>-</u>
Fund balances:			
Reserved for:			
Archive restoration	682,131	-	-
Inventory	-	317,349	-
Prepays	78,196	-	-
Unreserved, reported in:			
General fund	29,560,305	-	-
Special revenue funds			
Designated for general fund projects	-	303,819	-
Undesignated	-	1,656,651	-
Capital projects funds	-	-	12,445,003
	<u>30,320,632</u>	<u>2,277,819</u>	<u>12,445,003</u>
	<u>\$ 34,146,228</u>	<u>\$ 3,909,577</u>	<u>\$ 12,445,003</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.

<u>Airport Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 5,818,573	\$ 15,992,360
-	1,418,924	35,068,940
1,288,908	87,418	4,092,099
26	88,650	2,578,316
-	94,340	841,195
-	-	329,192
-	4,740	322,089
-	-	78,196
<u>\$ 1,288,934</u>	<u>\$ 7,512,645</u>	<u>\$ 59,302,387</u>
\$ 864,922	\$ 255,308	\$ 2,976,938
-	2,848	40,001
-	54,130	806,017
-	158,713	2,970,319
<u>224,320</u>	<u>104,872</u>	<u>329,192</u>
<u>1,089,242</u>	<u>575,871</u>	<u>7,122,467</u>
-	-	682,131
-	4,740	322,089
-	-	78,196
-	-	29,560,305
-	-	303,819
-	4,868,398	6,525,049
<u>199,692</u>	<u>2,063,636</u>	<u>14,708,331</u>
<u>199,692</u>	<u>6,936,774</u>	<u>52,179,920</u>
<u>\$ 1,288,934</u>	<u>\$ 7,512,645</u>	
		65,081,996
		2,970,319
		2,906,960
		<u>(1,047,698)</u>
		<u>\$ 122,091,497</u>

GREGG COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>General</u>	<u>Road and Bridge</u>	<u>Capital Improvement</u>
REVENUES			
Taxes:			
Current property taxes	\$ 14,942,836	\$ 3,054,559	\$ -
Delinquent property taxes	399,357	81,039	-
Delinquent property taxes - Debt Service	15,707	-	-
Alcoholic beverage tax	211,389	-	-
Bingo tax	104,844	-	-
Sales tax	14,185,661	-	-
Motor vehicle sales tax	546,519	1,099,142	-
Licenses and permits	102,438	1,237,058	-
Intergovernmental	890,058	24,397	-
Charges for services	3,382,492	-	-
Fines and forfeitures	580,433	616,163	-
Investment earnings	667,630	50,770	202,914
Rents and commissions	716,693	-	-
Miscellaneous	<u>3,260,587</u>	<u>185,705</u>	<u>-</u>
Total revenues	<u>40,006,644</u>	<u>6,348,833</u>	<u>202,914</u>
EXPENDITURES			
Current:			
General government	7,738,441	-	-
Judicial	6,292,313	-	-
Public safety	13,649,388	-	-
Health and human services	2,360,166	-	-
Public buildings	2,447,425	-	-
Transportation and roads	-	7,947,264	-
Debt service:			
Principal	8,363	378,769	-
Interest and fiscal charges	2,595	22,070	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>32,498,691</u>	<u>8,348,103</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,507,953</u>	<u>(1,999,270)</u>	<u>202,914</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	537,773	691,672	500,000
Transfers out	(1,684,588)	-	(757,911)
Proceeds from capital lease	17,395	297,237	-
Sale of capital assets	30,940	268,015	-
Insurance proceeds	<u>3,878</u>	<u>522</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,094,602)</u>	<u>1,257,446</u>	<u>(257,911)</u>
NET CHANGE IN FUND BALANCES	6,413,351	(741,824)	(54,997)
FUND BALANCES, BEGINNING	23,907,281	3,019,643	12,500,000
FUND BALANCES, ENDING	<u>\$ 30,320,632</u>	<u>\$ 2,277,819</u>	<u>\$ 12,445,003</u>

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>
\$ -	\$ 2,275,775	\$ 20,273,170
-	45,976	526,372
-	-	15,707
-	-	211,389
-	-	104,844
-	-	14,185,661
-	-	1,645,661
-	-	1,339,496
7,301,696	1,107,517	9,323,668
67,422	485,337	3,935,251
-	-	1,196,596
-	80,480	1,001,794
-	365,145	1,081,838
-	258,462	3,704,754
<u>7,369,118</u>	<u>4,618,692</u>	<u>58,546,201</u>
-	1,285,909	9,024,350
-	308,270	6,600,583
-	1,482,890	15,132,278
-	406,308	2,766,474
-	334,575	2,782,000
-	139,753	8,087,017
-	3,985	391,117
-	1,218	25,883
<u>7,916,340</u>	<u>718,985</u>	<u>8,635,325</u>
<u>7,916,340</u>	<u>4,681,893</u>	<u>53,445,027</u>
<u>(547,222)</u>	<u>(63,201)</u>	<u>5,101,174</u>
547,222	749,984	3,026,651
-	(584,152)	(3,026,651)
-	5,000	319,632
-	-	298,955
-	4,330	8,730
<u>547,222</u>	<u>175,162</u>	<u>627,317</u>
-	111,961	5,728,491
199,692	6,824,813	46,451,429
\$ <u>199,692</u>	\$ <u>6,936,774</u>	\$ <u>52,179,920</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, 2009

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)	\$ 5,728,491
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.	7,418,295
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(356,177)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	635,770
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.	71,484
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.	(37,108)
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>143,385</u>
Change in net assets of governmental activities (page 16)	\$ <u>13,604,140</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes:				
Current property taxes	\$ 15,036,083	\$ 15,036,083	\$ 14,942,836	\$(93,247)
Delinquent property taxes	453,462	453,462	399,357	(54,105)
Delinquent Property Taxes - Debt Service	-	-	15,707	15,707
Alcoholic beverage tax	160,000	160,000	211,389	51,389
Bingo tax	75,000	75,000	104,844	29,844
Sales tax	11,750,000	11,750,000	14,185,661	2,435,661
Motor vehicle sales tax	520,000	520,000	546,519	26,519
Total taxes	<u>27,994,545</u>	<u>27,994,545</u>	<u>30,406,313</u>	<u>2,411,768</u>
Licenses and permits:				
Alcoholic beverage licenses	25,000	25,000	32,338	7,338
Sexually oriented businesses	12,500	12,500	35,600	23,100
Bail bond applications	1,500	1,500	2,000	500
Sewage disposal systems	30,000	30,000	32,500	2,500
Total licenses and permits	<u>69,000</u>	<u>69,000</u>	<u>102,438</u>	<u>33,438</u>
Intergovernmental:				
Federal grant	10,000	10,000	-	(10,000)
Juvenile salary supplement	5,000	5,000	5,000	-
State supplement - court at law	150,000	150,000	150,000	-
State supplement - assistant prosecutors	11,500	11,500	10,958	(542)
State - indigent defense	50,000	50,000	78,316	28,316
State - juror reimbursement	60,000	60,000	65,960	5,960
State - commercial waste management fees	150	150	164	14
City of Lakeport - sewer fees	1,000	1,000	1,100	100
Fiscal service fee	11,600	11,600	13,758	2,158
HIDTA Task Force	1,000	1,000	1,314	314
Drug Enforcement Task Force	-	-	16,329	16,329
CSCD Security Deputy	23,000	23,000	23,116	116
Sabine Valley Deputy	70,978	70,978	70,978	-
Sabine ISD Resource Officer	37,500	37,500	39,452	1,952
City of Longview - prisoner care	319,000	319,000	319,706	706
Inmate Reimbursement	-	-	3,106	3,106
State - Title IV-E Legal Reimbursement	25,000	25,000	22,849	(2,151)
State Grant - Sheriff STEP	-	-	11,338	11,338
FEMA Reimbursement - Direct Expenditures	-	-	44,173	44,173
Child welfare board reimbursement	10,000	10,000	12,441	2,441
Total intergovernmental	<u>785,728</u>	<u>785,728</u>	<u>890,058</u>	<u>104,330</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (Continued)				
Charges for services:				
Sheriff	360,000	360,000	333,459	(26,541)
Constables	105,000	105,000	121,066	16,066
County clerk	1,065,000	1,065,000	1,035,860	(29,140)
County clerk - bond administrative fee	18,000	18,000	14,418	(3,582)
County clerk - archival fee	134,000	134,000	125,195	(8,805)
Sheriff - bond administrative fee	2,000	2,000	7,965	5,965
District clerk - bond administrative fee	200	200	250	50
Tax assessor - collector	850,000	850,000	832,743	(17,257)
District attorney	80,000	80,000	66,522	(13,478)
District clerk	425,000	425,000	404,696	(20,304)
Justices of the peace	50,000	50,000	61,427	11,427
Trial fees	100	100	90	(10)
Jury	30,000	30,000	26,844	(3,156)
Probate judge education fees	2,500	2,500	2,300	(200)
Other arrest fees	72,000	72,000	60,336	(11,664)
Judges Fee - Probate	4,100	4,100	3,408	(692)
State fees	104,000	104,000	113,715	9,715
State fees - TP - judicial efficiency	4,000	4,000	6,853	2,853
State Fee - Drug Court Program		-	4,226	4,226
Court reporter service fees	48,000	48,000	45,908	(2,092)
DRO fees	16,000	16,000	18,502	2,502
Guardianship fee	5,000	5,000	8,360	3,360
Parking lot fees	5,800	5,800	5,761	(39)
Computer services	6,000	6,000	5,958	(42)
Defensive driving fees	52,000	52,000	51,075	(925)
Child safety fees	3,600	3,600	3,432	(168)
Traffic fees	13,500	13,500	13,418	(82)
Video fees	6,000	6,000	8,705	2,705
Total charges for services	<u>3,461,800</u>	<u>3,461,800</u>	<u>3,382,492</u>	<u>(79,308)</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES (Continued)				
Fines and forfeitures:				
Justice courts	\$ 540,000	\$ 540,000	\$ 580,433	\$ 40,433
Total fines and forfeitures	<u>540,000</u>	<u>540,000</u>	<u>580,433</u>	<u>40,433</u>
Investment earnings:				
Interest	900,000	900,000	462,239	(437,761)
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>205,391</u>	<u>205,391</u>
Total investment earnings	<u>900,000</u>	<u>900,000</u>	<u>667,630</u>	<u>(232,370)</u>
Rent and commissions:				
BorgWarner Automotive	34,100	34,100	34,098	(2)
A & M Tower, Inc.	8,865	8,865	9,308	443
Community buildings	21,000	21,000	25,985	4,985
Other rent	8,500	8,500	9,610	1,110
Royalties	8,800	8,800	272,091	263,291
Telephone coin stations	250,000	250,000	357,763	107,763
Concession commissions	<u>8,200</u>	<u>8,200</u>	<u>7,838</u>	<u>(362)</u>
Total rent and commissions	<u>339,465</u>	<u>339,465</u>	<u>716,693</u>	<u>377,228</u>
Miscellaneous:				
Federal - jail lease	1,255,600	1,255,600	1,210,018	(45,582)
Contract jail revenue	2,190,000	2,190,000	1,969,760	(220,240)
Donations	-	1,115	1,115	-
Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>72,210</u>	<u>47,210</u>
Miscellaneous Revenue - AP		<u>-</u>	<u>7,484</u>	<u>7,484</u>
Total miscellaneous	<u>3,470,600</u>	<u>3,471,715</u>	<u>3,260,587</u>	<u>(211,128)</u>
 Total revenues	 <u>37,561,138</u>	 <u>37,562,253</u>	 <u>40,006,644</u>	 <u>2,444,391</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, 2009

	<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	\$ 623,975	\$ 623,131	\$ 612,256	\$ 10,875
Fringe benefits	263,685	264,529	250,412	14,117
Operating expenses	<u>74,724</u>	<u>71,617</u>	<u>69,214</u>	<u>2,403</u>
Capital outlay	<u>775</u>	<u>775</u>	<u>765</u>	<u>10</u>
Total County clerk - administration	<u>963,159</u>	<u>960,052</u>	<u>932,647</u>	<u>27,405</u>
County clerk - archive restoration:				
Operating expenses	<u>301,000</u>	<u>301,000</u>	<u>130,074</u>	<u>170,926</u>
Total County clerk - archive restoration	<u>301,000</u>	<u>301,000</u>	<u>130,074</u>	<u>170,926</u>
Telecommunications:				
Salaries	42,155	42,155	41,530	625
Fringe benefits	7,430	7,430	7,272	158
Operating expenses	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Total telecommunications	<u>49,785</u>	<u>49,785</u>	<u>48,802</u>	<u>983</u>
Purchasing:				
Salaries	119,019	118,998	118,400	598
Fringe benefits	35,805	35,826	34,960	866
Operating expenses	<u>8,300</u>	<u>6,381</u>	<u>6,257</u>	<u>124</u>
Total purchasing	<u>163,124</u>	<u>161,205</u>	<u>159,617</u>	<u>1,588</u>
Human resources:				
Salaries	127,127	127,602	126,942	660
Fringe benefits	44,565	44,090	42,399	1,691
Operating expenses	<u>13,958</u>	<u>11,995</u>	<u>11,879</u>	<u>116</u>
Capital outlay	<u>-</u>	<u>1,963</u>	<u>1,962</u>	<u>1</u>
Total human resources	<u>185,650</u>	<u>185,650</u>	<u>183,182</u>	<u>2,468</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
General government: (Continued)				
Nondepartmental - general government:				
Fringe benefits	\$ 100,000	\$ 42,827	\$ 3,684	\$ 39,143
Operating expenses	<u>2,901,280</u>	<u>2,461,405</u>	<u>2,382,773</u>	<u>78,632</u>
Total nondepartmental - general government	<u>3,001,280</u>	<u>2,504,232</u>	<u>2,386,457</u>	<u>117,775</u>
County judge:				
Salaries	175,693	176,097	173,097	3,000
Fringe benefits	53,165	52,761	51,607	1,154
Operating expenses	<u>20,445</u>	<u>16,982</u>	<u>7,922</u>	<u>9,060</u>
Capital outlay	<u>-</u>	<u>11,253</u>	<u>11,253</u>	<u>-</u>
Total County judge	<u>249,303</u>	<u>257,093</u>	<u>243,879</u>	<u>13,214</u>
Postal services:				
Operating expenses	<u>41,610</u>	<u>41,610</u>	<u>1,434</u>	<u>40,176</u>
Total postal services	<u>41,610</u>	<u>41,610</u>	<u>1,434</u>	<u>40,176</u>
Elections:				
Salaries	173,741	178,442	174,582	3,860
Fringe benefits	59,875	60,573	53,498	7,075
Operating expenses	<u>73,203</u>	<u>73,203</u>	<u>66,793</u>	<u>6,410</u>
Capital outlay	<u>16,000</u>	<u>16,000</u>	<u>14,400</u>	<u>1,600</u>
Total elections	<u>322,819</u>	<u>328,218</u>	<u>309,273</u>	<u>18,945</u>
County auditor:				
Salaries	419,466	419,466	414,242	5,224
Fringe benefits	140,683	140,683	133,767	6,916
Operating expenses	<u>29,000</u>	<u>32,312</u>	<u>32,246</u>	<u>66</u>
Capital outlay	<u>3,500</u>	<u>12,503</u>	<u>12,443</u>	<u>60</u>
Total County auditor	<u>592,649</u>	<u>604,964</u>	<u>592,698</u>	<u>12,266</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
General government: (Continued)				
Tax assessor-collector:				
Salaries	\$ 976,027	\$ 984,905	\$ 973,038	\$ 11,867
Fringe benefits	392,075	393,435	372,741	20,694
Operating expenses	<u>235,500</u>	<u>233,520</u>	<u>213,381</u>	<u>20,139</u>
Total tax assessor-collector	<u>1,603,602</u>	<u>1,611,860</u>	<u>1,559,160</u>	<u>52,700</u>
Information services:				
Salaries	294,971	295,532	295,532	-
Fringe benefits	96,575	96,014	93,997	2,017
Operating expenses	681,096	598,787	568,887	29,900
Capital outlay	<u>100,500</u>	<u>75,500</u>	<u>68,321</u>	<u>7,179</u>
Total information services	<u>1,173,142</u>	<u>1,065,833</u>	<u>1,026,737</u>	<u>39,096</u>
Agricultural extension service:				
Salaries	107,711	107,711	99,768	7,943
Fringe benefits	55,455	55,455	46,769	8,686
Operating expenses	18,000	17,200	17,199	1
Capital outlay	<u>-</u>	<u>800</u>	<u>745</u>	<u>55</u>
Total agricultural extension service	<u>181,166</u>	<u>181,166</u>	<u>164,481</u>	<u>16,685</u>
Total general government	<u>8,828,289</u>	<u>8,252,668</u>	<u>7,738,441</u>	<u>514,227</u>
Judicial:				
Nondepartmental - judicial:				
Operating expenses	<u>814,900</u>	<u>1,095,990</u>	<u>1,057,866</u>	<u>38,124</u>
Total nondepartmental - judicial	<u>814,900</u>	<u>1,095,990</u>	<u>1,057,866</u>	<u>38,124</u>
Court of civil appeals:				
Salaries	13,008	13,057	13,008	49
Fringe benefits	<u>2,235</u>	<u>2,186</u>	<u>999</u>	<u>1,187</u>
Total court of civil appeals	<u>15,243</u>	<u>15,243</u>	<u>14,007</u>	<u>1,236</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
County court-at-law no. 1:				
Salaries	\$ 240,157	\$ 241,070	\$ 240,070	\$ 1,000
Fringe benefits	68,275	67,842	64,270	3,572
Operating expenses	<u>21,185</u>	<u>20,663</u>	<u>20,600</u>	<u>63</u>
Capital outlay	<u>-</u>	<u>522</u>	<u>522</u>	<u>-</u>
Total County court-at-law no. 1	<u>329,617</u>	<u>330,097</u>	<u>325,462</u>	<u>4,635</u>
County court-at-law no. 2:				
Salaries	233,421	233,346	231,846	1,500
Fringe benefits	67,030	66,625	63,098	3,527
Operating expenses	<u>27,450</u>	<u>27,450</u>	<u>26,413</u>	<u>1,037</u>
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>2,930</u>	<u>70</u>
Total County court-at-law no. 2	<u>330,901</u>	<u>330,421</u>	<u>324,287</u>	<u>6,134</u>
Attorney general master:				
Operating expenses	<u>10,200</u>	<u>10,800</u>	<u>10,719</u>	<u>81</u>
Total attorney general master	<u>10,200</u>	<u>10,800</u>	<u>10,719</u>	<u>81</u>
124th district court:				
Salaries	87,939	100,544	98,360	2,184
Fringe benefits	30,265	32,446	31,089	1,357
Operating expenses	<u>61,200</u>	<u>76,200</u>	<u>58,792</u>	<u>17,408</u>
Total 124th district court	<u>179,404</u>	<u>209,190</u>	<u>188,241</u>	<u>20,949</u>
188th district court:				
Salaries	87,421	87,753	87,753	-
Fringe benefits	30,210	29,878	29,521	357
Operating expenses	<u>86,700</u>	<u>86,700</u>	<u>56,093</u>	<u>30,607</u>
Capital outlay	<u>13,500</u>	<u>13,500</u>	<u>12,734</u>	<u>766</u>
Total 188th district court	<u>217,831</u>	<u>217,831</u>	<u>186,101</u>	<u>31,730</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
307th district court:				
Salaries	\$ 91,673	\$ 108,513	\$ 101,711	\$ 6,802
Fringe benefits	30,965	32,369	30,061	2,308
Operating expenses	26,850	24,065	22,517	1,548
Total 307th district court	149,488	164,947	154,289	10,658
Judicial expenses:				
Operating expenses	197,000	197,000	135,025	61,975
Total judicial expenses	197,000	197,000	135,025	61,975
District clerk:				
Salaries	627,463	627,223	617,149	10,074
Fringe benefits	264,445	264,445	249,616	14,829
Operating expenses	66,000	66,000	61,811	4,189
Capital outlay	19,645	19,645	19,645	-
Total district clerk	977,553	977,313	948,221	29,092
Justice of the peace no. 1:				
Salaries	182,632	182,632	179,434	3,198
Fringe benefits	76,045	76,045	63,947	12,098
Operating expenses	66,311	91,311	68,772	22,539
Total justice of the peace no. 1	324,988	349,988	312,153	37,835
Justice of the peace no. 2:				
Salaries	104,178	104,178	103,063	1,115
Fringe benefits	40,255	40,304	38,793	1,511
Operating expenses	42,200	42,200	30,600	11,600
Capital outlay	3,895	3,895	2,964	931
Total justice of the peace no. 2	190,528	190,577	175,420	15,157

(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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace no. 3:				
Salaries	\$ 138,066	\$ 138,350	\$ 138,124	\$ 226
Fringe benefits	53,575	53,291	52,030	1,261
Operating expenses	56,385	56,385	44,214	12,171
Total justice of the peace no. 3	<u>248,026</u>	<u>248,026</u>	<u>234,368</u>	<u>13,658</u>
Justice of the peace no. 4:				
Salaries	101,238	101,238	101,156	82
Fringe benefits	39,790	39,790	37,643	2,147
Operating expenses	41,355	41,355	19,513	21,842
Total justice of the peace no. 4	<u>182,383</u>	<u>182,383</u>	<u>158,312</u>	<u>24,071</u>
District attorney:				
Salaries	1,390,243	1,404,063	1,402,119	1,944
Fringe benefits	453,685	440,225	435,460	4,765
Operating expenses	92,361	92,361	91,546	815
Total district attorney	<u>1,936,289</u>	<u>1,936,649</u>	<u>1,929,125</u>	<u>7,524</u>
Bail bond board:				
Salaries	3,500	3,260	2,223	1,037
Fringe benefits	615	855	626	229
Operating expenses	2,000	2,000	115	1,885
Total bail bond board	<u>6,115</u>	<u>6,115</u>	<u>2,964</u>	<u>3,151</u>
Collections office:				
Salaries	94,065	93,702	93,702	-
Fringe benefits	38,695	39,058	37,903	1,155
Operating expenses	10,850	10,850	4,148	6,702
Total collections office	<u>143,610</u>	<u>143,610</u>	<u>135,753</u>	<u>7,857</u>
Total judicial	<u>6,254,076</u>	<u>6,606,180</u>	<u>6,292,313</u>	<u>313,867</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public safety:				
Constable no. 1:				
Salaries	\$ 50,376	\$ 50,982	\$ 50,982	\$ -
Fringe benefits	19,235	18,650	17,423	1,227
Operating expenses	<u>2,620</u>	<u>2,620</u>	<u>1,523</u>	<u>1,097</u>
Total constable no. 1	<u>72,231</u>	<u>72,252</u>	<u>69,928</u>	<u>2,324</u>
Constable no. 2:				
Salaries	42,476	42,476	42,476	-
Fringe benefits	16,005	16,005	15,470	535
Operating expenses	<u>10,135</u>	<u>10,135</u>	<u>5,778</u>	<u>4,357</u>
Total constable no. 2	<u>68,616</u>	<u>68,616</u>	<u>63,724</u>	<u>4,892</u>
Constable no. 3:				
Salaries	60,732	60,908	60,401	507
Fringe benefits	19,225	19,055	18,395	660
Operating expenses	<u>17,472</u>	<u>17,472</u>	<u>12,949</u>	<u>4,523</u>
Total constable no. 3	<u>97,429</u>	<u>97,435</u>	<u>91,745</u>	<u>5,690</u>
Constable no. 4:				
Salaries	47,776	47,797	47,797	-
Fringe benefits	16,925	16,925	15,953	972
Operating expenses	<u>6,860</u>	<u>6,860</u>	<u>4,482</u>	<u>2,378</u>
Total constable no. 4	<u>71,561</u>	<u>71,582</u>	<u>68,232</u>	<u>3,350</u>
Sheriff - corrections:				
Salaries	6,344,060	6,344,368	6,235,979	108,389
Fringe benefits	2,625,750	2,603,826	2,378,392	225,434
Operating expenses	1,596,056	1,495,219	1,416,517	78,702
Capital outlay	<u>239,000</u>	<u>442,185</u>	<u>423,956</u>	<u>18,229</u>
Total sheriff - corrections	<u>10,804,866</u>	<u>10,885,598</u>	<u>10,454,844</u>	<u>430,754</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public safety: (Continued)				
Contract jail operations:				
Salaries	\$ 1,485,059	\$ 1,485,059	\$ 1,383,831	\$ 101,228
Fringe benefits	638,735	660,351	565,722	94,629
Operating expenses	480,578	418,578	380,875	37,703
Capital outlay	53,000	53,000	52,939	61
Total contract jail operations	<u>2,657,372</u>	<u>2,616,988</u>	<u>2,383,367</u>	<u>233,621</u>
Criminal justice center operations:				
Salaries	222,048	222,048	192,475	29,573
Fringe benefits	103,160	103,160	80,716	22,444
Operating expenses	79,900	75,348	51,849	23,499
Total criminal justice center operations	<u>405,108</u>	<u>400,556</u>	<u>325,040</u>	<u>75,516</u>
Department of public safety:				
Salaries	39,500	39,608	35,965	3,643
Fringe benefits	14,305	14,197	13,323	874
Operating expenses	6,550	6,200	4,813	1,387
Capital outlay	-	1,350	1,350	-
Total department of public safety	<u>60,355</u>	<u>61,355</u>	<u>55,451</u>	<u>5,904</u>
Parks and wildlife:				
Operating expenses	900	599	599	-
Capital outlay	-	1,001	947	54
Total parks and wildlife	<u>900</u>	<u>1,600</u>	<u>1,546</u>	<u>54</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	98,613	98,613	98,613	-
Fringe benefits	39,310	39,310	36,898	2,412
Total juvenile board	<u>137,923</u>	<u>137,923</u>	<u>135,511</u>	<u>2,412</u>
Total public safety	<u>14,376,611</u>	<u>14,414,155</u>	<u>13,649,388</u>	<u>764,767</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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Health and human services:				
Veterans services:				
Salaries	\$ 69,042	\$ 69,305	\$ 69,305	\$ -
Fringe benefits	12,450	12,505	12,437	68
Operating expenses	<u>12,600</u>	<u>12,600</u>	<u>12,118</u>	<u>482</u>
Total veterans services	<u>94,092</u>	<u>94,410</u>	<u>93,860</u>	<u>550</u>
Civil defense:				
Operating expenses	<u>19,200</u>	<u>19,200</u>	<u>3,000</u>	<u>16,200</u>
Total civil defense	<u>19,200</u>	<u>19,200</u>	<u>3,000</u>	<u>16,200</u>
Environmental protection:				
Operating expenses	<u>23,000</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Total environmental protection	<u>23,000</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
911 Addressing:				
Salaries	72,151	72,151	69,852	2,299
Fringe benefits	28,695	28,695	25,586	3,109
Operating expenses	<u>32,895</u>	<u>3,795</u>	<u>1,613</u>	<u>2,182</u>
Total 911 addressing	<u>133,741</u>	<u>104,641</u>	<u>97,051</u>	<u>7,590</u>
Health:				
Salaries	288,097	288,410	288,217	193
Fringe benefits	111,035	110,722	106,521	4,201
Operating expenses	<u>1,087,400</u>	<u>1,093,920</u>	<u>1,093,173</u>	<u>747</u>
Total health	<u>1,486,532</u>	<u>1,493,052</u>	<u>1,487,911</u>	<u>5,141</u>
Historical commission:				
Operating expenses	<u>6,525</u>	<u>7,640</u>	<u>3,196</u>	<u>4,444</u>
Total historical commission	<u>6,525</u>	<u>7,640</u>	<u>3,196</u>	<u>4,444</u>
Contributions:				
Operating expenses	<u>678,799</u>	<u>678,799</u>	<u>675,148</u>	<u>3,651</u>
Total contributions	<u>678,799</u>	<u>678,799</u>	<u>675,148</u>	<u>3,651</u>
Total health and human services	<u>2,441,889</u>	<u>2,420,742</u>	<u>2,360,166</u>	<u>60,576</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings:				
Courthouse building:				
Salaries	\$ 485,113	\$ 487,277	\$ 476,720	\$ 10,557
Fringe benefits	228,075	228,443	211,816	16,627
Operating expenses	785,735	783,090	698,579	84,511
Capital outlay	-	2,645	2,633	12
Total courthouse building	<u>1,498,923</u>	<u>1,501,455</u>	<u>1,389,748</u>	<u>111,707</u>
Service center building:				
Operating expenses	39,750	43,270	28,653	14,617
Capital outlay	109,000	121,000	118,532	2,468
Total service center building	<u>148,750</u>	<u>164,270</u>	<u>147,185</u>	<u>17,085</u>
Greggton building:				
Salaries	6,209	6,209	2,420	3,789
Fringe benefits	1,355	1,355	627	728
Operating expenses	25,225	34,202	27,380	6,822
Total Greggton building	<u>32,789</u>	<u>41,766</u>	<u>30,427</u>	<u>11,339</u>
Gladewater Commerce Street building:				
Operating expenses	14,425	12,471	10,907	1,564
Total Gladewater Commerce Street building	<u>14,425</u>	<u>12,471</u>	<u>10,907</u>	<u>1,564</u>
Longview Eastman Road building:				
Operating expenses	8,525	8,559	8,559	-
Total Longview Easton Road building	<u>8,525</u>	<u>8,559</u>	<u>8,559</u>	<u>-</u>
Jail building:				
Operating expenses	356,135	356,135	329,452	26,683
Capital outlay	35,000	32,700	-	32,700
Total jail building	<u>391,135</u>	<u>388,835</u>	<u>329,452</u>	<u>59,383</u>
M. A. Smith Criminal Justice Center:				
Operating expenses	64,290	64,290	44,859	19,431
Total M. A. Smith Criminal Justice Center	<u>64,290</u>	<u>64,290</u>	<u>44,859</u>	<u>19,431</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, 2009

	<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 buildings: (Continued)				
Youth detention center:				
Operating expenses	\$ 36,750	\$ 36,750	\$ 24,851	\$ 11,899
Total youth detention center	<u>36,750</u>	<u>36,750</u>	<u>24,851</u>	<u>11,899</u>
Community building maintenance:				
Salaries	32,658	32,781	32,460	321
Fringe benefits	14,410	14,287	13,790	497
Operating expenses	<u>10,400</u>	<u>10,400</u>	<u>5,638</u>	<u>4,762</u>
Total community building maintenance	<u>57,468</u>	<u>57,468</u>	<u>51,888</u>	<u>5,580</u>
Longview Whaley Street community building:				
Salaries	18,112	18,112	17,482	630
Fringe benefits	11,200	11,200	3,633	7,567
Operating expenses	<u>13,865</u>	<u>25,986</u>	<u>25,409</u>	<u>577</u>
Total Longview Whaley Street community building	<u>43,177</u>	<u>55,298</u>	<u>46,524</u>	<u>8,774</u>
Judson community building:				
Operating expenses	<u>5,675</u>	<u>4,489</u>	<u>4,444</u>	<u>45</u>
Total Judson community building	<u>5,675</u>	<u>4,489</u>	<u>4,444</u>	<u>45</u>
Garfield Hill community building:				
Operating expenses	<u>10,725</u>	<u>5,425</u>	<u>2,690</u>	<u>2,735</u>
Total Garfield Hill community building	<u>10,725</u>	<u>5,425</u>	<u>2,690</u>	<u>2,735</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Liberty City office/community building:				
Operating expenses	\$ 27,625	\$ 34,872	\$ 31,985	\$ 2,887
Capital outlay	<u> -</u>	<u> 2,017</u>	<u> 2,017</u>	<u> -</u>
Total Liberty City office/ community building	<u> 27,625</u>	<u> 36,889</u>	<u> 34,002</u>	<u> 2,887</u>
Hugh Camp Memorial Park:				
Operating expenses	24,725	31,266	26,812	4,454
Capital outlay	<u> 5,000</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total Hugh Camp Memorial Park	<u> 29,725</u>	<u> 31,266</u>	<u> 26,812</u>	<u> 4,454</u>
Olivia R. Hilburn community building:				
Operating expenses	<u> 22,325</u>	<u> 15,325</u>	<u> 10,742</u>	<u> 4,583</u>
Total Olivia R. Hilburn community building	<u> 22,325</u>	<u> 15,325</u>	<u> 10,742</u>	<u> 4,583</u>
Kilgore office and community building:				
Salaries	28,927	29,538	29,507	31
Fringe benefits	13,500	13,389	13,114	275
Operating expenses	36,325	57,871	50,946	6,925
Capital outlay	<u> 124,000</u>	<u> 151,110</u>	<u> 151,108</u>	<u> 2</u>
Total Kilgore office and community building	<u> 202,752</u>	<u> 251,908</u>	<u> 244,675</u>	<u> 7,233</u>
Kilgore South Street building:				
Operating expenses	<u> 19,525</u>	<u> 1,325</u>	<u> 1,239</u>	<u> 86</u>
Total Kilgore South Street building	<u> 19,525</u>	<u> 1,325</u>	<u> 1,239</u>	<u> 86</u>
Elderville community building:				
Operating expenses	30,225	24,738	10,118	14,620
Capital outlay	<u> -</u>	<u> 23,687</u>	<u> 19,532</u>	<u> 4,155</u>
Total Elderville community building	<u> 30,225</u>	<u> 48,425</u>	<u> 29,650</u>	<u> 18,775</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, 2009

	<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 buildings: (Continued)				
Easton community building:				
Operating expenses	\$ 13,525	\$ 13,525	\$ 7,437	\$ 6,088
Total Easton community building	<u>13,525</u>	<u>13,525</u>	<u>7,437</u>	<u>6,088</u>
West Harrison volunteer fire department building:				
Operating expenses	4,200	2,200	1,334	866
Total West Harrison volunteer fire department building	<u>4,200</u>	<u>2,200</u>	<u>1,334</u>	<u>866</u>
Total public buildings	<u>2,662,534</u>	<u>2,741,939</u>	<u>2,447,425</u>	<u>294,514</u>
Debt service - principal:				
Capital lease	-	8,363	8,363	-
Total debt service - principal	<u>-</u>	<u>8,363</u>	<u>8,363</u>	<u>-</u>
Debt service - interest:				
Capital lease	-	2,595	2,595	-
Total debt service - interest	<u>-</u>	<u>2,595</u>	<u>2,595</u>	<u>-</u>
Total expenditures	<u>34,563,399</u>	<u>34,446,642</u>	<u>32,498,691</u>	<u>1,947,951</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,997,739</u>	<u>3,115,611</u>	<u>7,507,953</u>	<u>4,392,342</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
Election Services Contract	-	5,399	5,399	-
Airport	-	5,000	5,000	-
C O 2004 - Refunding Jail	-	265,955	265,955	-
Permanent improvement	254,000	254,000	254,000	-
Longview Community Ctr Renovation	-	6,896	6,896	-
307th District Courtroom Renovation	-	523	523	-
Total operating transfer from other funds	<u>254,000</u>	<u>537,773</u>	<u>537,773</u>	<u>-</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

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

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES) (Continued)				
Operating transfers to other funds:				
Security	\$(15,000)	\$(15,789)	\$(15,789)	\$ -
Transfer - grant match	(38,750)	(38,750)	-	38,750
Jail Lease Facility	-	(21,000)	(21,000)	-
Road and bridge	(500,000)	(683,226)	(683,226)	-
Violence against women grant	(42,888)	(42,888)	(39,838)	3,050
County-Wide Records Management	-	(4,018)	(4,018)	-
Litter abatement grant	(25,000)	(25,000)	(25,000)	-
Capital improvement fund	(500,000)	(500,000)	(500,000)	-
Airport improvement	-	(389,365)	(370,578)	18,787
Computer upgrade projects	-	(25,000)	(25,000)	-
307th district courtroom renovation	-	(139)	(139)	-
Total operating transfers to other funds	(1,121,638)	(1,745,175)	(1,684,588)	60,587
Sale of capital assets	-	28,800	30,940	2,140
Insurance proceeds - loss of fixed assets	-	3,878	3,878	-
Proceeds from Capital Lease	-	17,395	17,395	-
Total other financing sources (uses)	(867,638)	(1,157,329)	(1,094,602)	62,727
NET CHANGE IN FUND BALANCE	2,130,101	1,958,282	6,413,351	4,455,069
FUND BALANCE, BEGINNING	23,907,281	23,907,281	23,907,281	-
FUND BALANCE, ENDING	\$ 26,037,382	\$ 25,865,563	\$ 30,320,632	\$ 4,455,069

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 3,069,318	\$ 3,069,318	\$ 3,054,559	\$(14,759)
Delinquent property taxes	85,432	85,432	81,039	(4,393)
Motor vehicle sales tax	<u>1,020,000</u>	<u>1,020,000</u>	<u>1,099,142</u>	<u>79,142</u>
Total taxes	<u>4,174,750</u>	<u>4,174,750</u>	<u>4,234,740</u>	<u>59,990</u>
Licenses and permits:				
Motor vehicle registration	1,175,000	1,175,000	1,223,063	48,063
Weight permits	<u>-</u>	<u>-</u>	<u>13,995</u>	<u>13,995</u>
Total licenses and permits	<u>1,175,000</u>	<u>1,175,000</u>	<u>1,237,058</u>	<u>62,058</u>
Intergovernmental:				
Lateral road	<u>23,000</u>	<u>23,000</u>	<u>24,397</u>	<u>1,397</u>
Total intergovernmental	<u>23,000</u>	<u>23,000</u>	<u>24,397</u>	<u>1,397</u>
Fines and forfeitures:				
Misdemeanor fines	450,000	450,000	536,415	86,415
Felony fines	50,000	50,000	59,599	9,599
Civil/BF fines	<u>45,000</u>	<u>45,000</u>	<u>20,149</u>	<u>(24,851)</u>
Total fines and forfeitures	<u>545,000</u>	<u>545,000</u>	<u>616,163</u>	<u>71,163</u>
Investment earnings:				
Interest	65,000	65,000	36,099	(28,901)
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>14,671</u>	<u>14,671</u>
Total investment earnings	<u>65,000</u>	<u>65,000</u>	<u>50,770</u>	<u>(14,230)</u>
Miscellaneous:				
Miscellaneous	<u>-</u>	<u>253</u>	<u>185,705</u>	<u>185,452</u>
Total miscellaneous	<u>-</u>	<u>253</u>	<u>185,705</u>	<u>185,452</u>
 Total revenue	 <u>5,982,750</u>	 <u>5,983,003</u>	 <u>6,348,833</u>	 <u>365,830</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Transportation and roads:				
Administration:				
Salaries	\$ 258,916	\$ 258,916	\$ 258,916	\$ -
Fringe benefits	78,120	78,120	75,571	2,549
Operating expenses	<u>74,428</u>	<u>74,028</u>	<u>35,012</u>	<u>39,016</u>
Total administration	<u>411,464</u>	<u>411,064</u>	<u>369,499</u>	<u>41,565</u>
Road and bridge - general:				
Fringe benefits	-	103	-	103
Operating expenses	<u>304,900</u>	<u>304,900</u>	<u>301,288</u>	<u>3,612</u>
Total road and bridge - general	<u>304,900</u>	<u>305,003</u>	<u>301,288</u>	<u>3,715</u>
Road and bridge - precinct no. 1:				
Salaries	673,391	675,440	666,205	9,235
Fringe benefits	261,075	259,026	243,898	15,128
Operating expenses	625,480	613,436	607,827	5,609
Capital outlay	<u>73,000</u>	<u>251,276</u>	<u>251,244</u>	<u>32</u>
Total road and bridge - precinct no. 1	<u>1,632,946</u>	<u>1,799,178</u>	<u>1,769,174</u>	<u>30,004</u>
Road and bridge - precinct no. 2:				
Salaries	32,870	32,987	31,480	1,507
Fringe benefits	13,140	13,023	12,459	564
Operating expenses	<u>131,745</u>	<u>131,745</u>	<u>6,115</u>	<u>125,630</u>
Total road and bridge - precinct no. 2	<u>177,755</u>	<u>177,755</u>	<u>50,054</u>	<u>127,701</u>
Road and bridge - precinct no. 3:				
Salaries	729,621	750,298	735,552	14,746
Fringe benefits	286,680	290,373	278,401	11,972
Operating expenses	1,069,296	791,665	709,202	82,463
Capital outlay	<u>575,024</u>	<u>818,652</u>	<u>718,171</u>	<u>100,481</u>
Total road and bridge - precinct no. 3	<u>2,660,621</u>	<u>2,650,988</u>	<u>2,441,326</u>	<u>209,662</u>
Road and bridge - precinct no. 4:				
Salaries	510,785	510,785	474,379	36,406
Fringe benefits	205,200	205,200	184,978	20,222
Operating expenses	470,225	397,873	277,671	120,202
Capital outlay	<u>113,000</u>	<u>185,352</u>	<u>166,440</u>	<u>18,912</u>
Total road and bridge - precinct no. 4	<u>1,299,210</u>	<u>1,299,210</u>	<u>1,103,468</u>	<u>195,742</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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES				
Transportation and roads: (Continued)				
Transportation and road expense:				
Operating expenses	\$ 2,000,000	\$ 2,000,000	\$ 1,912,455	\$ 87,545
Total transportation and road expense	2,000,000	2,000,000	1,912,455	87,545
Total transportation and roads	8,486,896	8,643,198	7,947,264	695,934
Debt service:				
Principal:				
Principal - Capital lease	397,078	288,531	288,531	-
Principal - Note payable	-	90,238	90,238	-
Total principal	397,078	378,769	378,769	-
Interest and fiscal charges:				
Interest - Capital lease	-	12,726	12,726	-
Interest - Note payable	-	9,345	9,344	1
Total interest and fiscal charges	-	22,071	22,070	1
Total debt service	397,078	400,840	400,839	1
Total expenditures	8,883,974	9,044,038	8,348,103	695,935
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,901,224)	(3,061,035)	(1,999,270)	1,061,765
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
General fund	500,000	683,226	683,226	-
FM 349 Project	-	8,446	8,446	-
Proceeds from capital lease	285,700	297,237	297,237	-
Sale of capital assets	267,700	268,015	268,015	-
Insurance proceeds - loss of capital assets	-	522	522	-
Total other financing sources and (uses)	1,053,400	1,257,446	1,257,446	-
NET CHANGE IN FUND BALANCE	(1,847,824)	(1,803,589)	(741,824)	1,061,765
FUND BALANCE, BEGINNING	3,019,643	3,019,643	3,019,643	-
FUND BALANCE, ENDING	\$ 1,171,819	\$ 1,216,054	\$ 2,277,819	\$ 1,061,765

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

GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2009

	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 547,062
Investments	2,478,005
Interest receivable	10,863
Accounts receivable, net of allowances	15,912
Inventories	<u>19,366</u>
Total current assets	<u>3,071,208</u>
Noncurrent assets:	
Capital assets:	
Equipment	18,794
Less: accumulated depreciation	<u>(3,022)</u>
Total capital assets	<u>15,772</u>
Total noncurrent assets	<u>15,772</u>
Total assets	<u>3,086,980</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>180,020</u>
Total current liabilities	<u>180,020</u>
Total liabilities	<u>180,020</u>
NET ASSETS	
Invested in capital assets, net of related debt	15,772
Unrestricted	<u>2,891,188</u>
Total net assets	<u>\$ 2,906,960</u>

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

GREGG COUNTY, TEXAS

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

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2009

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 4,567,017
Total operating revenues	<u>4,567,017</u>
OPERATING EXPENSES	
Salaries	23,627
Fringe benefits	11,095
Supplies	46,755
Copying machine	2,512
Repairs and maintenance service	5,308
Postage machine maintenance	7,862
Claim expenses	3,819,362
Administrative	<u>558,171</u>
Total operating expenses	<u>4,474,692</u>
OPERATING INCOME	92,325
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>51,060</u>
Total nonoperating revenues (expenses)	<u>51,060</u>
CHANGES IN NET ASSETS	143,385
TOTAL NET ASSETS, BEGINNING	<u>2,763,575</u>
TOTAL NET ASSETS, ENDING	<u>\$ 2,906,960</u>

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

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

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services	\$ 4,481,279
Cash paid to suppliers for goods and services	(4,471,900)
Net cash provided by operating activities	9,379
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(11,238)
Net cash provided by capital and related financing activities	(11,238)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	3,640,000
Purchase of investments	(3,598,000)
Earnings on investments	51,540
Net cash used by investing activities	93,540
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,681
CASH AND CASH EQUIVALENTS, BEGINNING	455,381
CASH AND CASH EQUIVALENTS, ENDING	\$ 547,062
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 92,325
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Inventory	(3,461)
Accounts receivable	(14,076)
Increase (decrease) in liabilities:	
Accounts payable	(65,409)
Net cash provided by operations	\$ 9,379
Noncash investing, capital and financing activities:	
Contributions of capital assets	\$ -

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,886,814
Investments	2,815,293
Accounts receivable	<u>3,327</u>
Total assets	<u>\$ 6,705,434</u>
LIABILITIES	
Due to others	<u>\$ 6,705,434</u>
Total liabilities	<u>\$ 6,705,434</u>

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

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GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 **Capital Improvement Fund** accounts for activities associated with the County's Capital Improvement Plan. This plan encompasses future capital asset acquisition and construction.

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, 2009, 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 \$7,418,295 difference are as follows:

Capital outlay	\$ 11,694,309
Depreciation expense	(4,276,014)
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>7,418,295</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 \$(356,177) 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>356,177</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>356,177</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 \$71,484 difference are as follows:

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Debt issued or incurred:	
Capital lease	\$(319,632)
Principal repayments:	
Note payable	90,238
Capital lease	<u>300,878</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>71,484</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(37,108) difference are as follows:

Compensated absences	\$(40,362)
Accrued interest	<u>3,254</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>37,108</u>)

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

State law provides that amendments approved by the Commissioners' Court may be made to the original budget provided that funds are available for the added expenditures. 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 \$36,149 as of September 30, 2009. The deficit 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, 2009, the total carrying amount of the County's deposits was \$23,241,529 (consisting of Governmental Funds in the amount of \$15,992,360, Internal Service Funds of \$547,062 and Trust and Agency Funds of \$6,702,107) and the bank balances of the County's were \$24,173,965. \$23,439,375 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, \$734,590 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, 2009. 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, 2009.

Investment types on September 30, 2009, 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, 2009, 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	0
U. S. Agency Securities:		
Federal Farm Credit Bank	2,053,120	219
Federal Home Loan Bank	16,567,198	402
Federal Home Loan Mortgage Corp.	13,285,444	256
Fannie Mae	<u>5,551,192</u>	313
Total U. S. Agency Securities	<u>37,456,954</u>	
Total portfolio	<u>\$ 37,606,954</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, 2009, 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, 2009, 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:		
Federal Farm Credit Bank	AAA	Moody
Federal Home Loan Bank	AAA	Moody
Federal Home Loan Mortgage Corp.	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>Capital Improvement</u>	<u>Airport Improvement</u>	<u>Nonmajor Funds</u>	<u>Internal Service Fund</u>	<u>Total</u>
Receivables:							
Taxes	\$ 814,673	\$ 166,482	\$ -	\$ -	\$ 123,936	\$ -	\$ 1,105,091
Accounts	1,485,464	974,511	29,665	26	88,650	15,912	2,594,228
Due from other governments	<u>2,707,770</u>	<u>8,003</u>	<u>-</u>	<u>1,288,908</u>	<u>87,418</u>	<u>-</u>	<u>4,092,099</u>
Gross receivables	5,007,907	1,148,996	29,665	1,288,934	300,004	15,912	7,791,418
Less: allowance for uncollectibles	<u>(194,544)</u>	<u>(39,756)</u>	<u>-</u>	<u>-</u>	<u>(29,596)</u>	<u>-</u>	<u>(263,896)</u>
Net total receivables	<u>\$ 4,813,363</u>	<u>\$ 1,109,240</u>	<u>\$ 29,665</u>	<u>\$ 1,288,934</u>	<u>\$ 270,408</u>	<u>\$ 15,912</u>	<u>\$ 7,527,522</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	\$ 573,445	\$ -
Fines	1,211,596	-
Road and bridge:		
Delinquent property taxes receivable	117,028	-
Fines	909,537	-
Nonmajor funds:		
Delinquent property taxes receivable	87,121	-
Other	<u>71,592</u>	<u>-</u>
Total governmental funds	<u>\$ 2,970,319</u>	<u>\$ -</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Capital Assets

Capital asset activity for the year ended September 30, 2009, 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	\$ 1,315,910	\$ -	\$ -	\$ 1,315,910
Construction in progress	<u>13,746,229</u>	<u>8,400,495</u>	<u>15,189,553</u>	<u>6,957,171</u>
Total assets not being depreciated	<u>15,062,139</u>	<u>8,400,495</u>	<u>15,189,553</u>	<u>8,273,081</u>
Capital assets, being depreciated:				
Buildings and improvements	36,861,681	952,350	-	37,814,031
Equipment	12,064,749	4,830,530	619,295	16,275,984
Infrastructure	<u>50,602,577</u>	<u>12,549,524</u>	<u>16,990</u>	<u>63,135,111</u>
Total capital assets being depreciated	<u>99,529,007</u>	<u>18,332,404</u>	<u>636,285</u>	<u>117,225,126</u>
Accumulated depreciation:				
Buildings and improvements	(17,168,819)	(907,101)	-	(18,075,920)
Equipment	(8,620,399)	(1,111,653)	(247,117)	(9,484,935)
Infrastructure	<u>(30,497,851)</u>	<u>(2,302,096)</u>	<u>(16,990)</u>	<u>(32,782,957)</u>
Total accumulated depreciation	<u>(56,287,069)</u>	<u>(4,320,850)</u>	<u>(264,107)</u>	<u>(60,343,812)</u>
Total capital assets being depreciated, net	<u>43,241,938</u>	<u>14,011,554</u>	<u>372,178</u>	<u>56,881,314</u>
Governmental activities capital assets, net	<u>\$ 58,304,077</u>	<u>\$ 22,412,049</u>	<u>\$ 15,561,731</u>	<u>\$ 65,154,395</u>

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

Governmental activities:	
General government	\$ 1,640,681
Judicial	7,686
Public safety	313,578
Health and human services	15,355
Public buildings	772,472
Transportation and roads	<u>1,571,078</u>
Total depreciation expense - governmental activities	<u>\$ 4,320,850</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Due to/from other funds:

Due to Fund	Amount
Code Enforcement Awarded Forfeiture	\$ 2,973
District Attorney - General	47,327
VIT Operating	752
Violence Against Women Prosecution 08/31/09	1,097
Violence Against Women Prosecution 08/31/10	3,616
Bioterrorism Grant - TDH 08/31/09	3,763
Bioterrorism Grant - TDH 08/31/10	2,588
Texas VINE Program 08/31/09	3,880
Small Community Airport Grant 08/31/09	3,935
Immunization Contract 08/31/09	23,601
Immunization Contract 08/31/10	8,307
307th Drug Court Program	3,033
Airport Improvement	<u>224,320</u>
	<u>\$ 329,192</u>

Interfund transfers:

	Transfer In					Total
	General	Road and Bridge	Capital Improvement	Airport Improvement	Other Governmental	
Transfer out:						
General	\$ -	\$ 683,226	\$ 500,000	\$ 370,578	\$ 130,784	\$ 1,684,588
Capital Improvement	-	-	-	140,411	617,500	757,911
Other governmental	<u>537,773</u>	<u>8,446</u>	-	<u>36,233</u>	<u>1,700</u>	<u>584,152</u>
Total transfers out	<u>\$ 537,773</u>	<u>\$ 691,672</u>	<u>\$ 500,000</u>	<u>\$ 547,222</u>	<u>\$ 749,984</u>	<u>\$ 3,026,651</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 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, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Note payable	185,034		90,238	94,796	90,238
Capital leases payable	288,420	352,754	300,878	340,296	314,082
Compensated absences	618,958	40,362	-	659,320	-
Governmental activity long-term liabilities	<u>\$ 1,092,412</u>	<u>\$ 393,116</u>	<u>\$ 391,116</u>	<u>\$ 1,094,412</u>	<u>\$ 404,320</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.

Gregg County provides for the management of risks through a combination of self-insurance and traditional insurance. 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 2009, the County was covered under a general liability insurance plan. Additionally, the County has commercial insurance for other risks of loss, including workers' compensation, unemployment compensation, public official liability, law enforcement liability, property 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.

Prior Period Adjustment

In the current year, the County determined that \$21,331 of capital assets acquired via capital leases in prior periods had not been capitalized. Accordingly, the beginning net assets in the government-wide financial statements have been restated to reflect a decrease of \$21,331, to \$108,487,357.

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 2009, and 9.47% for the months of the accounting year in 2008.

The deposit rate payable by the employee members for calendar year 2009 is the rate of 7.0%, 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 \$1,940,076 and the actual contributions were \$1,940,076.

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, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2009 and 2008. The December 31, 2008, actuarial valuation is the most recent valuation.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	15.0	12.9	20.0
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
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**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/07	1,500,429	100%	-
09/30/08	1,774,883	100%	-
09/30/09	1,940,076	100%	-

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

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2008	51,490,317	59,493,365	8,003,048	86.55%	20,509,831	39.02%

(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, 2009

	Special Revenue				
	FM 349 Project	Oilfield Theft Prosecution	Election Service Contract	County Clerk Records Management	Jail Lease Facility
ASSETS					
Cash and cash equivalents	\$ 14,437	\$ 14,765	\$ 23,525	\$ 361,840	\$ 136,147
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Other governments	-	-	-	-	-
Accounts	-	-	-	1,605	-
Delinquent property taxes	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-
Total assets	\$ 14,437	\$ 14,765	\$ 23,525	\$ 363,445	\$ 136,147
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 951	\$ 135,914
Accounts payable - other governments	-	-	-	-	-
Accrued liabilities	-	-	-	2,374	-
Deferred revenues	-	-	-	80	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	3,405	135,914
Fund balances:					
Reserved for inventory	-	-	-	-	-
Unreserved:					
Undesignated	14,437	14,765	23,525	360,040	233
Total fund balances	14,437	14,765	23,525	360,040	233
Total liabilities and fund balances	\$ 14,437	\$ 14,765	\$ 23,525	\$ 363,445	\$ 136,147

Special Revenue

Law Library	Airport	Child Support Title IV-D 08/31/03	Violence Against Women Prosecution 08/31/09	Violence Against Women Prosecution 08/31/10	County Wide Records Management	Security
\$ 144,061	\$ 564,364	\$ 9,677	\$ -	\$ -	\$ 144,201	\$ 15,296
-	-	-	-	-	-	-
-	5,310	-	1,097	7,906	-	-
28,158	6,601	-	-	-	29,806	10,772
-	50,312	-	-	-	-	-
-	4,740	-	-	-	-	-
<u>\$ 172,219</u>	<u>\$ 631,327</u>	<u>\$ 9,677</u>	<u>\$ 1,097</u>	<u>\$ 7,906</u>	<u>\$ 174,007</u>	<u>\$ 26,068</u>
\$ 4,267	\$ 44,406	\$ -	\$ -	\$ 1,048	\$ 1,021	\$ 2,407
-	2,611	-	-	-	38	-
669	34,013	-	-	3,242	958	2,695
27,638	46,462	-	-	-	27,324	9,901
-	-	-	1,097	3,616	-	-
<u>32,574</u>	<u>127,492</u>	<u>-</u>	<u>1,097</u>	<u>7,906</u>	<u>29,341</u>	<u>15,003</u>
-	4,740	-	-	-	-	-
<u>139,645</u>	<u>499,095</u>	<u>9,677</u>	<u>-</u>	<u>-</u>	<u>144,666</u>	<u>11,065</u>
<u>139,645</u>	<u>503,835</u>	<u>9,677</u>	<u>-</u>	<u>-</u>	<u>144,666</u>	<u>11,065</u>
<u>\$ 172,219</u>	<u>\$ 631,327</u>	<u>\$ 9,677</u>	<u>\$ 1,097</u>	<u>\$ 7,906</u>	<u>\$ 174,007</u>	<u>\$ 26,068</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2009

	Special Revenue						Medical Corps Funding
	TNRCC- SEP Project 07/06/08	Bioterrorism Grant - TDH 07/31/09	Bioterrorism Grant - TDH 08/31/10	Texas VINE Program 08/31/09	State Homeland Grant V 02/28/10	State Homeland Grant VI 02/28/11	
ASSETS							
Cash and cash equivalents	\$ 817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,351
Investments	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles)							
Other governments	-	3,763	5,047	3,880	-	-	-
Accounts	-	-	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-	-	-
Total assets	\$ 817	\$ 3,763	\$ 5,047	\$ 3,880	\$ -	\$ -	\$ 13,351
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 681	\$ -	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	199	-	-	-	-
Accrued liabilities	-	-	1,579	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-
Due to other funds	-	3,763	2,588	3,880	-	-	-
Total liabilities	-	3,763	5,047	3,880	-	-	-
Fund balances:							
Reserved for inventory	-	-	-	-	-	-	-
Unreserved:							
Undesignated	817	-	-	-	-	-	13,351
Total fund balances	817	-	-	-	-	-	13,351
Total liabilities and fund balances	\$ 817	\$ 3,763	\$ 5,047	\$ 3,880	\$ -	\$ -	\$ 13,351

Special Revenue

Litter Abatement Grant 08/31/09	Small Community Airport Grant 08/31/09	Immunization Contract 08/31/09	Immunization Contract 08/31/10	HAVA - Polling 12/31/08	LEOSE	Justice Court Technology
\$ 113	\$ -	\$ -	\$ -	\$ -	\$ 47,562	\$ 123,394
-	-	-	-	-	-	-
1,804	3,935	23,849	17,269	-	-	-
-	-	-	-	-	70	3,192
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,917</u>	<u>\$ 3,935</u>	<u>\$ 23,849</u>	<u>\$ 17,269</u>	<u>\$ -</u>	<u>\$ 47,632</u>	<u>\$ 126,586</u>
\$ 498	\$ -	\$ 248	\$ 3,173	\$ -	\$ 47,632	\$ -
-	-	-	-	-	-	-
1,419	-	-	5,789	-	-	-
-	-	-	-	-	-	3,103
<u>-</u>	<u>3,935</u>	<u>23,601</u>	<u>8,307</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,917</u>	<u>3,935</u>	<u>23,849</u>	<u>17,269</u>	<u>-</u>	<u>47,632</u>	<u>3,103</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,483</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,483</u>
<u>\$ 1,917</u>	<u>\$ 3,935</u>	<u>\$ 23,849</u>	<u>\$ 17,269</u>	<u>\$ -</u>	<u>\$ 47,632</u>	<u>\$ 126,586</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2009

	Special Revenue				
	District Clerk Civil Records Management	District Clerk Criminal Records Management	Justice of the Peace Security	County Clerk Criminal Records Management	Chapter 19 Funds
ASSETS					
Cash and cash equivalents	\$ 31,162	\$ 2,940	\$ 25,853	\$ 18,655	\$ 674
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Other governments	-	-	-	-	-
Accounts	125	1,901	640	3,149	-
Delinquent property taxes	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-
Total assets	\$ 31,287	\$ 4,841	\$ 26,493	\$ 21,804	\$ 674
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	606	2,940	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	606	2,940	-
Fund balances:					
Reserved for inventory	-	-	-	-	-
Unreserved:					
Undesignated	31,287	4,841	25,887	18,864	674
Total fund balances	31,287	4,841	25,887	18,864	674
Total liabilities and fund balances	\$ 31,287	\$ 4,841	\$ 26,493	\$ 21,804	\$ 674

Special Revenue

HAVA - Leasing Equipment	HAVA - Opportunity 12/31/08	Health Care Fund	307th Drug Court Program	SCAAP Grant	H1N1 07/31/10	H1N1 Phase 3 07/31/10	VIT Operating	Sheriff Asset and Forfeiture
\$ 9,685	\$ -	\$ 1,316,412	\$ -	\$ 24,918			\$ 17,392	\$ 52,405
-	-	1,418,924	-	-	-	-	-	-
-	662	-	6,448	-	6,448	-	-	-
-	57	2,438	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 9,685</u>	<u>\$ 719</u>	<u>\$ 2,737,774</u>	<u>\$ 6,448</u>	<u>\$ 24,918</u>	<u>\$ 6,448</u>	<u>\$ -</u>	<u>\$ 17,392</u>	<u>\$ 52,405</u>
\$ -	\$ 719	\$ -	\$ 2,023	\$ -	\$ 6,448	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	1,392	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	3,033	-	-	-	752	-
-	719	-	6,448	-	6,448	-	752	-
-	-	-	-	-	-	-	-	-
<u>9,685</u>	<u>-</u>	<u>2,737,774</u>	<u>-</u>	<u>24,918</u>	<u>-</u>	<u>-</u>	<u>16,640</u>	<u>52,405</u>
<u>9,685</u>	<u>-</u>	<u>2,737,774</u>	<u>-</u>	<u>24,918</u>	<u>-</u>	<u>-</u>	<u>16,640</u>	<u>52,405</u>
<u>\$ 9,685</u>	<u>\$ 719</u>	<u>\$ 2,737,774</u>	<u>\$ 6,448</u>	<u>\$ 24,918</u>	<u>\$ 6,448</u>	<u>\$ -</u>	<u>\$ 17,392</u>	<u>\$ 52,405</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2009

	Special Revenue				
	Sheriff Enforcement	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account	District Attorney General
ASSETS					
Cash and cash equivalents	\$ 100,595	\$ 108,899	\$ 293,983	\$ 126,269	\$ 11,178
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles)					
Other governments	-	-	-	-	-
Accounts	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-
Inventory - materials/supplies	-	-	-	-	-
Total assets	\$ 100,595	\$ 108,899	\$ 293,983	\$ 126,269	\$ 11,178
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	2,973	-	47,327
Total liabilities	-	-	2,973	-	47,327
Fund balances:					
Reserved for inventory	-	-	-	-	-
Unreserved:					
Undesignated	100,595	108,899	291,010	126,269	(36,149)
Total fund balances	100,595	108,899	291,010	126,269	(36,149)
Total liabilities and fund balances	\$ 100,595	\$ 108,899	\$ 293,983	\$ 126,269	\$ 11,178

Capital Projects

Permanent Improvement	Longview Community Center Renovation	Computer Upgrade Projects	307th District Courtroom Renovation	CCL #1 Courtroom Renovation	Courthouse Phone System	Totals
\$ 1,325,842	\$ 115,354	\$ 57,805	\$ -	\$ 285,001	\$ 280,001	\$ 5,818,573
-	-	-	-	-	-	1,418,924
-	-	-	-	-	-	87,418
136	-	-	-	-	-	88,650
44,028	-	-	-	-	-	94,340
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,740</u>
<u>\$ 1,370,006</u>	<u>\$ 115,354</u>	<u>\$ 57,805</u>	<u>\$ -</u>	<u>\$ 285,001</u>	<u>\$ 280,001</u>	<u>\$ 7,512,645</u>
\$ -	\$ -	\$ 3,872	\$ -	\$ -	\$ -	\$ 255,308
-	-	-	-	-	-	2,848
-	-	-	-	-	-	54,130
40,659	-	-	-	-	-	158,713
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,872</u>
<u>40,659</u>	<u>-</u>	<u>3,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,871</u>
-	-	-	-	-	-	4,740
<u>1,329,347</u>	<u>115,354</u>	<u>53,933</u>	<u>-</u>	<u>285,001</u>	<u>280,001</u>	<u>6,932,034</u>
<u>1,329,347</u>	<u>115,354</u>	<u>53,933</u>	<u>-</u>	<u>285,001</u>	<u>280,001</u>	<u>6,936,774</u>
<u>\$ 1,370,006</u>	<u>\$ 115,354</u>	<u>\$ 57,805</u>	<u>\$ -</u>	<u>\$ 285,001</u>	<u>\$ 280,001</u>	<u>\$ 7,512,645</u>

GREGG COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue				
	FM 349 Project	Oilfield Theft Prosecution	Election Service Contract	County Clerk Management Records	Jail Lease Facility
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	6,679	134,415	-
Interest	-	2	154	1,738	78
Rent and commissions	-	-	-	-	-
Miscellaneous	-	-	445	-	-
Total revenues	-	2	7,278	136,153	78
EXPENDITURES					
Current:					
General government	-	-	12,252	130,454	-
Judicial	-	1,237	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	-	-	-	-
Public buildings	-	-	-	-	334,575
Transportation and roads	139,753	-	-	-	-
Debt service:					
Principal	-	-	972	-	-
Interest and fiscal charges	-	-	280	-	-
Capital projects	-	-	-	-	-
Total expenditures	139,753	1,237	13,504	130,454	334,575
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(139,753)	(1,235)	(6,226)	5,699	(334,497)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	21,000
Transfers out	(8,446)	-	(5,399)	(1,700)	-
Insurance proceeds	-	-	-	-	-
Capital lease	-	-	-	-	-
Total other financing sources (uses)	(8,446)	-	(5,399)	(1,700)	21,000
NET CHANGE IN FUND BALANCES	(148,199)	(1,235)	(11,625)	3,999	(313,497)
FUND BALANCES, BEGINNING	162,636	16,000	35,150	356,041	313,730
FUND BALANCES, ENDING	\$ 14,437	\$ 14,765	\$ 23,525	\$ 360,040	\$ 233

Special Revenue						
Law Library	Airport	Child Support Title IV-D 08/31/03	Violence Against Women Prosecution 08/31/09	Violence Against Women Prosecution 08/31/10	County Wide Records Management	Security
\$ -	\$ 1,244,876	\$ -	\$ -	\$ -	\$ -	\$ -
-	45,774	-	62,042	7,906	-	-
56,231	14,765	-	-	-	78,876	73,771
643	6,841	-	-	-	560	108
-	208,553	-	-	-	-	-
249	118	-	-	-	-	-
<u>57,123</u>	<u>1,520,927</u>	<u>-</u>	<u>62,042</u>	<u>7,906</u>	<u>79,436</u>	<u>73,879</u>
-	983,816	-	-	-	67,785	-
74,172	-	2,113	101,880	7,906	-	-
-	574,027	-	-	-	-	108,187
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,013	-	-	-	-	-	-
938	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>78,123</u>	<u>1,557,843</u>	<u>2,113</u>	<u>101,880</u>	<u>7,906</u>	<u>67,785</u>	<u>108,187</u>
(21,000)	(36,916)	(2,113)	(39,838)	-	11,651	(34,308)
-	-	-	39,838	-	5,718	15,789
-	(5,000)	-	-	-	-	-
-	4,330	-	-	-	-	-
5,000	-	-	-	-	-	-
<u>5,000</u>	<u>(670)</u>	<u>-</u>	<u>39,838</u>	<u>-</u>	<u>5,718</u>	<u>15,789</u>
(16,000)	(37,586)	(2,113)	-	-	17,369	(18,519)
<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>139,645</u>	\$ <u>503,835</u>	\$ <u>9,677</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>144,666</u>	\$ <u>11,065</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, 2009

	Special Revenue				
	TNRCC SEP Project 07/06/08	Bioterrorism Grant - TDH 7/31/09	Bioterrorism Grant - TDH 07/31/10	Texas VINE Program 08/31/09	State Homeland Grant V 02/28/10
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	43,282	8,873	33,988	140,708
Charges for services	-	-	-	-	-
Interest	4	-	-	-	-
Rent and commissions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>4</u>	<u>43,282</u>	<u>8,873</u>	<u>33,988</u>	<u>140,708</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	-	-	-	33,988	140,708
Health and human services	-	43,282	8,873	-	-
Public buildings	-	-	-	-	-
Transportation and roads	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>-</u>	<u>43,282</u>	<u>8,873</u>	<u>33,988</u>	<u>140,708</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
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>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING	<u>813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

State Homeland Grant VI 02/28/11	Medical Corps Funding	Litter Abatement Grant 08/31/09	Small Community Airport Grant 08/31/09	Immunization Contract 08/31/09	Immunization Contract 08/31/10	HAVA - Polling 12/31/08	LEOSE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
235,569	-	9,583	63,232	175,669	22,117	1,390	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	11,476	-	-	-	-	-
<u>235,569</u>	<u>-</u>	<u>21,059</u>	<u>63,232</u>	<u>175,669</u>	<u>22,117</u>	<u>1,390</u>	<u>-</u>
-	-	-	63,232	-	-	1,390	-
-	-	-	-	-	-	-	-
235,569	-	-	-	-	-	-	-
-	526	46,059	-	175,669	22,117	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>235,569</u>	<u>526</u>	<u>46,059</u>	<u>63,232</u>	<u>175,669</u>	<u>22,117</u>	<u>1,390</u>	<u>-</u>
-	(526)	(25,000)	-	-	-	-	-
-	-	25,000	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	25,000	-	-	-	-	-
-	(526)	-	-	-	-	-	-
-	13,877	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 13,351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2009

	Special Revenue				
	Justice Court Technology	District Clerk Civil Records Management	District Clerk Criminal Records Management	Justice of the Peace Security	County Clerk Criminal Records Management
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	26,805	10,163	3,863	6,706	5,658
Interest	445	129	4	88	60
Rent and commissions	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>27,250</u>	<u>10,292</u>	<u>3,867</u>	<u>6,794</u>	<u>5,718</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Judicial	2,914	7,308	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	-	-	-	-
Public buildings	-	-	-	-	-
Transportation and roads	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>2,914</u>	<u>7,308</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,336</u>	<u>2,984</u>	<u>3,867</u>	<u>6,794</u>	<u>5,718</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Insurance proceeds	-	-	-	-	-
Capital lease	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	24,336	2,984	3,867	6,794	5,718
FUND BALANCES, BEGINNING	<u>99,147</u>	<u>28,303</u>	<u>974</u>	<u>19,093</u>	<u>13,146</u>
FUND BALANCES, ENDING	<u>\$ 123,483</u>	<u>\$ 31,287</u>	<u>\$ 4,841</u>	<u>\$ 25,887</u>	<u>\$ 18,864</u>

Special Revenue

Chapter 19 Funds	HAVA - Leasing Equipment	HAVA - Opportunity 12/31/08	Health Care Fund	307th Drug Court 05/31/08	SCAAP Grant	H1N1 07/31/10
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,474	-	1,442	77,969	21,945	31,946	8,926
-	8,643	-	-	-	-	-
-	-	-	52,414	-	-	-
-	-	-	-	-	-	-
<u>5,474</u>	<u>8,643</u>	<u>1,442</u>	<u>130,383</u>	<u>21,945</u>	<u>31,946</u>	<u>8,926</u>
4,794	-	1,442	-	-	-	-
-	-	-	-	21,945	-	-
-	-	-	-	-	7,028	-
-	-	-	100,000	-	-	8,926
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,794</u>	<u>-</u>	<u>1,442</u>	<u>100,000</u>	<u>21,945</u>	<u>7,028</u>	<u>8,926</u>
680	8,643	-	30,383	-	24,918	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>680</u>	<u>8,643</u>	<u>-</u>	<u>30,383</u>	<u>-</u>	<u>24,918</u>	<u>-</u>
(6)	1,042	-	2,707,391	-	-	-
<u>\$ 674</u>	<u>\$ 9,685</u>	<u>\$ -</u>	<u>\$ 2,737,774</u>	<u>\$ -</u>	<u>\$ 24,918</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, 2009

	Special Revenue			
	H1N1 Phase 3 07/31/10	VIT Operating	Sheriff Asset and Forfeiture	Sheriff Enforcement
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	856	-	-	-
Charges for services	-	-	-	-
Interest	-	7,274	-	-
Rent and commissions	-	-	-	-
Miscellaneous	-	-	47,250	62,734
Total revenues	856	7,274	47,250	62,734
EXPENDITURES				
Current:				
General government	-	20,744	-	-
Judicial	-	-	-	-
Public safety	-	-	7,897	48,337
Health and human services	856	-	-	-
Public buildings	-	-	-	-
Transportation and roads	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	856	20,744	7,897	48,337
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(13,470)	39,353	14,397
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Insurance proceeds	-	-	-	-
Capital lease	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(13,470)	39,353	14,397
FUND BALANCES, BEGINNING	-	30,110	13,052	86,198
FUND BALANCES, ENDING	\$ -	\$ 16,640	\$ 52,405	\$ 100,595

Special Revenue				Debt Service
Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account	District Attorney General	Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	108,826	-
-	-	-	58,762	-
586	1,629	360	-	-
156,592	-	-	-	-
1,871	126,018	8,290	11	-
<u>159,049</u>	<u>127,647</u>	<u>8,650</u>	<u>167,599</u>	-
-	-	-	-	-
-	-	-	88,795	-
177,804	132,709	16,636	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>177,804</u>	<u>132,709</u>	<u>16,636</u>	<u>88,795</u>	-
(18,755)	(5,062)	(7,986)	78,804	-
-	-	-	-	-
-	-	-	-	(265,955)
-	-	-	-	-
-	-	-	-	(265,955)
(18,755)	(5,062)	(7,986)	78,804	(265,955)
<u>127,654</u>	<u>296,072</u>	<u>134,255</u>	<u>(114,953)</u>	<u>265,955</u>
\$ <u>108,899</u>	\$ <u>291,010</u>	\$ <u>126,269</u>	\$ <u>(36,149)</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, 2009

	Capital Projects			
	Permanent Improvement	Longview Community Center Renovation	Computer Upgrade Projects	307th District Courtroom Renovation
REVENUES				
Taxes	\$ 1,076,875	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	3,788	314	3,171	88
Rent and commissions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,080,663	314	3,171	88
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and human services	-	-	-	-
Public buildings	-	-	-	-
Transportation and roads	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	-	1,286	697,574	20,125
Total expenditures	-	1,286	697,574	20,125
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,080,663	(972)	(694,403)	(20,037)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	52,500	25,000	139
Transfers out	(290,233)	(6,896)	-	(523)
Insurance proceeds	-	-	-	-
Capital lease	-	-	-	-
Total other financing sources (uses)	(290,233)	45,604	25,000	(384)
NET CHANGE IN FUND BALANCES	790,430	44,632	(669,403)	(20,421)
FUND BALANCES, BEGINNING	538,917	70,722	723,336	20,421
FUND BALANCES, ENDING	\$ 1,329,347	\$ 115,354	\$ 53,933	\$ -

Capital Projects

<u>CCL #1 Courtroom Renovation</u>	<u>Courthouse Phone System</u>	<u>Totals</u>
\$ -	\$ -	\$ 2,321,751
-	-	1,107,517
-	-	485,337
1	1	80,480
-	-	365,145
-	-	258,462
<u>1</u>	<u>1</u>	<u>4,618,692</u>
-	-	1,285,909
-	-	308,270
-	-	1,482,890
-	-	406,308
-	-	334,575
-	-	139,753
-	-	3,985
-	-	1,218
-	-	718,985
-	-	4,681,893
<u>1</u>	<u>1</u>	<u>(63,201)</u>
285,000	280,000	749,984
-	-	(584,152)
-	-	4,330
-	-	5,000
<u>285,000</u>	<u>280,000</u>	<u>175,162</u>
285,001	280,001	111,961
-	-	6,824,813
<u>\$ 285,001</u>	<u>\$ 280,001</u>	<u>\$ 6,936,774</u>

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INTERNAL SERVICE FUNDS

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GREGG COUNTY, TEXAS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2009

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 18,032	\$ 529,030	\$ 547,062
Investments	-	2,478,005	2,478,005
Interest receivable	-	10,863	10,863
Accounts receivable, net of allowance	482	15,430	15,912
Inventory	<u>19,366</u>	<u>-</u>	<u>19,366</u>
Total current assets	<u>37,880</u>	<u>3,033,328</u>	<u>3,071,208</u>
Noncurrent assets:			
Capital assets:			
Equipment	18,794	-	18,794
Less accumulated depreciation	<u>(3,022)</u>	<u>-</u>	<u>(3,022)</u>
Total capital assets	<u>15,772</u>	<u>-</u>	<u>15,772</u>
Total noncurrent assets	<u>15,772</u>	<u>-</u>	<u>15,772</u>
Total assets	<u>53,652</u>	<u>3,033,328</u>	<u>3,086,980</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>7,526</u>	<u>172,494</u>	<u>180,020</u>
Total liabilities	<u>7,526</u>	<u>172,494</u>	<u>180,020</u>
NET ASSETS			
Invested in capital assets	15,772	-	15,772
Unrestricted	<u>30,354</u>	<u>2,860,834</u>	<u>2,891,188</u>
Total net assets	<u>\$ 46,126</u>	<u>\$ 2,860,834</u>	<u>\$ 2,906,960</u>

GREGG COUNTY, TEXAS

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

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 84,245	\$ 4,482,772	\$ 4,567,017
Total operating revenues	<u>84,245</u>	<u>4,482,772</u>	<u>4,567,017</u>
OPERATING EXPENSES			
Salaries	23,627	-	23,627
Fringe benefits	11,095	-	11,095
Supplies	46,755	-	46,755
Copying machine	2,512	-	2,512
Repairs and maintenance service	5,308	-	5,308
Postage machine maintenance	7,862	-	7,862
Claim expenses	-	3,819,362	3,819,362
Administrative	-	558,171	558,171
Total operating expenses	<u>97,159</u>	<u>4,377,533</u>	<u>4,474,692</u>
OPERATING INCOME (LOSS)	(12,914)	105,239	92,325
NONOPERATING REVENUES			
Investment earnings	<u>113</u>	<u>50,947</u>	<u>51,060</u>
CHANGE IN NET ASSETS	(12,801)	156,186	143,385
TOTAL NET ASSETS, BEGINNING	<u>58,927</u>	<u>2,704,648</u>	<u>2,763,575</u>
TOTAL NET ASSETS, ENDING	\$ <u>46,126</u>	\$ <u>2,860,834</u>	\$ <u>2,906,960</u>

GREGG COUNTY, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 85,007	\$ 4,396,272	\$ 4,481,279
Cash paid to suppliers for goods and services	<u>(101,472)</u>	<u>(4,370,428)</u>	<u>(4,471,900)</u>
Net cash provided (used) by operating activities	<u>(16,465)</u>	<u>25,844</u>	<u>9,379</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	<u>(11,238)</u>	<u>-</u>	<u>(11,238)</u>
Net cash flows provided by capital and related financing activities	<u>(11,238)</u>	<u>-</u>	<u>(11,238)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investments	-	3,640,000	3,640,000
Purchase of investments	-	(3,598,000)	(3,598,000)
Investment earnings	<u>191</u>	<u>51,349</u>	<u>51,540</u>
Net cash flows provided (used) by investing activities	<u>191</u>	<u>93,349</u>	<u>93,540</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(27,512)</u>	119,193	91,681
CASH AND CASH EQUIVALENTS, BEGINNING	<u>45,544</u>	<u>409,837</u>	<u>455,381</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 18,032</u>	<u>\$ 529,030</u>	<u>\$ 547,062</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$(12,914)	\$ 105,239	\$ 92,325
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	<u>(3,461)</u>	-	<u>(3,461)</u>
Accounts receivable	274	<u>(14,350)</u>	<u>(14,076)</u>
Increase (decrease) in liabilities:			
Accounts payable	<u>(364)</u>	<u>(65,045)</u>	<u>(65,409)</u>
Net cash provided (used) by operating activities	<u>\$(16,465)</u>	<u>\$ 25,844</u>	<u>\$ 9,379</u>

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AGENCY FUNDS

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2009

	<u>Tax Assessor- Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>
ASSETS				
Cash	\$ 1,749,957	\$ 351,050	\$ 463,616	\$ 192,839
Investments	-	429,059	2,386,234	-
Accounts receivable	<u>-</u>	<u>3,327</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,749,957</u>	<u>\$ 783,436</u>	<u>\$ 2,849,850</u>	<u>\$ 192,839</u>
LIABILITIES				
Due to others	<u>\$ 1,749,957</u>	<u>\$ 783,436</u>	<u>\$ 2,849,850</u>	<u>\$ 192,839</u>
Total liabilities	<u>\$ 1,749,957</u>	<u>\$ 783,436</u>	<u>\$ 2,849,850</u>	<u>\$ 192,839</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>
\$ 304,714	\$ 38,840	\$ 333,136	\$ 1,500	\$ 20,607	\$ 430,555	\$ 3,886,814
-	-	-	-	-	-	2,815,293
-	-	-	-	-	-	3,327
<u>\$ 304,714</u>	<u>\$ 38,840</u>	<u>\$ 333,136</u>	<u>\$ 1,500</u>	<u>\$ 20,607</u>	<u>\$ 430,555</u>	<u>\$ 6,705,434</u>
<u>\$ 304,714</u>	<u>\$ 38,840</u>	<u>\$ 333,136</u>	<u>\$ 1,500</u>	<u>\$ 20,607</u>	<u>\$ 430,555</u>	<u>\$ 6,705,434</u>
<u>\$ 304,714</u>	<u>\$ 38,840</u>	<u>\$ 333,136</u>	<u>\$ 1,500</u>	<u>\$ 20,607</u>	<u>\$ 430,555</u>	<u>\$ 6,705,434</u>

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

<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	\$ 1,750,725	\$ 170,251,469	\$ 170,252,237	\$ 1,749,957
County clerk	757,139	1,859,390	1,836,420	780,109
District clerk	3,198,421	2,555,206	2,903,777	2,849,850
Sheriff	248,794	1,824,148	1,880,103	192,839
District attorney	153,836	1,013,828	862,950	304,714
Code forfeiture pending	163,711	55,138	180,009	38,840
State fees	310,150	1,398,273	1,375,287	333,136
Local emergency planning	1,500	-	-	1,500
Gregg/Harrison first call warning	26,107	10,000	15,500	20,607
Juvenile probation	<u>493,342</u>	<u>3,110,630</u>	<u>3,173,417</u>	<u>430,555</u>
	<u>\$ 7,103,725</u>	<u>\$ 182,078,082</u>	<u>\$ 182,479,700</u>	<u>\$ 6,702,107</u>

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gregg County, Texas as of and for the year ended September 30, 2009, and have issued our report thereon dated May 25, 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.

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

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

Our consideration of 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated May 25, 2010.

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.

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

May 25, 2010



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

**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 "County") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 2009-1.

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Item 2009-1 to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

The Gregg County, Texas' response to the Finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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.

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

May 25, 2010

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

<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-09-V30-13450-12	Violence Against Women	16.588	\$ 7,906
WF-08-V30-13450-11	Violence Against Women	16.588	<u>62,042</u>
	Total Passed through the Criminal Justice Council		<u>69,948</u>
	Direct Programs:		
2008-AP-BX1491	State Criminal Alien Assistance Program	16.572	<u>31,946</u>
	Total Direct Programs		<u>31,946</u>
	Total U. S. Department of Justice		<u>101,894</u>
	<u>U. S. Department of Transportation</u>		
	Passed through Federal Aviation Administration:		
3-48-0137-24-2005	Airport Development Projects	20.106	106,164
3-48-0137-25-2006	Airport Development Projects	20.106	31,462
3-48-0137-26-2007	Airport Development Projects	20.106	1,072,851
3-48-0137-28-2008	Airport Development Projects	20.106	415,136
3-48-0137-29-2008	Airport Development Projects	20.106	760,154
3-48-0137-30-2008	Airport Development Projects	20.106	79
3-48-0137-29-2009	Airport Development Projects	20.106	1,388,998
3-48-0137-30-2009	Airport Development Projects	20.106	333,967
3-48-0137-31-2009	Airport Development Projects	20.106	2,637,364
3-48-0137-32-2009	Airport Development Projects	20.106	127,360
3-48-0137-33-2009	Airport Development Projects	20.106	200,802
3-48-0137-34-2009	Airport Development Projects	20.106	<u>137,199</u>
	Total Passed through Federal Aviation Administration		<u>7,211,536</u>
	Passed through Texas Department of Transportation:		
2009-GregCO-STEP IDM-00004	STEP - IDM	20.600	<u>11,338</u>
	Total Passed through Texas Department of Transportation		<u>11,338</u>
	Passed through the Office of Aviation Analysis		
OST-2006-23671	Small Community Air Service Development	20.930	<u>63,232</u>
	Total U. S. Department of Transportation		<u>7,286,106</u>

(continued)

GREGG COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<u>Pass-through Grantor's Number</u>	<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
	<u>U. S. Department of Health and Human Services</u>		
	Passed through Texas Department of Protective and Regulatory Services:		
2008-02800	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	\$ 43,282
2009-031927	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	<u>5,047</u>
	Total Passed through Texas Department of Protective and Regulatory Services		<u>48,329</u>
	Passed through Texas Secretary of State:		
77937	Help America Vote Act - Polling	93.617	1,390
78196	Help America Vote Act - Opportunity for Access	93.617	<u>1,442</u>
	Total Passed through Texas Secretary of State		<u>2,832</u>
	Passed through Texas Department of State Health Services:		
2010-033327	H1N1	93.283	6,448
2009-028321	Immunization Branch - Locals	93.268	175,669
2010-031692	Immunization Branch - Locals	93.268	<u>17,269</u>
	Total Passed through Texas Department of State Health Services		<u>199,386</u>
	Total U. S. Department of Health and Human Services		<u>250,547</u>
	<u>U. S. Department of Homeland Security</u>		
	Passed through Texas Department of Public Safety:		
1791-DR	FEMA	97.036	19,810
1791-DR	FEMA	97.036	<u>44,173</u>
	Total Passed through the Texas Department of Public Safety		<u>63,983</u>
	Passed through Texas Engineering Extension Service:		
07-GA 48183-02	State Homeland Security Grant program	97.073	235,569
07-SR 48183-01	State Homeland Security Grant program	97.073	<u>140,708</u>
	Total Passed through the Texas Engineering and Extension Service		<u>376,277</u>
	Passed through Transportation Security Administration		
HSTS0208HSLR154	TSA-OSSA-LEO Reimbursement Program	97.090	<u>25,964</u>
	Total Passed through Transportation Security Administration		<u>25,964</u>
	Total U. S. Department of Homeland Security		<u>466,224</u>
	Total Federal Awards		\$ <u>8,104,771</u>

GREGG COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2009

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

GREGG COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	See 2009-1
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 2009-1
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The County was not classified as a low-risk auditee in the context of OMB Circular A-133
Major federal programs	Airport Development, CFDA #20.106 ARRA State Homeland Security Grant Program, CFDA #97.073

(continued)

GREGG COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

None

Findings and Questioned Costs for Federal Awards

<u>Item 2009-1:</u>	All Major Programs
<u>Condition:</u>	We identified instances in which documentation verifying a vendor's suspension or debarment status could not be provided.
<u>Criteria:</u>	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.
<u>Cause:</u>	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.
<u>Effect:</u>	The County may purchase goods or services from vendors who are suspended or debarred.
<u>Recommendation:</u>	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.
<u>Management's Response:</u>	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:

(continued)

GREGG COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Findings and Questioned Costs for Federal Awards (Continued)

Item 2009-1: (Continued)

Management's Response:

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

GREGG COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

**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
<u>Current Status:</u>	Corrected

(continued)

GREGG COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Findings and Questioned Costs for Federal Awards

<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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Findings and Questioned Costs for Federal Awards (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

Current Status: Corrected

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Findings and Questioned Costs for Federal Awards (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

Current Status:

Unchanged

(continued)

GREGG COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Findings and Questioned Costs for Federal Awards (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
<u>Current Status:</u>	Corrected