

GREGG COUNTY, TEXAS

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2011**

GREGG COUNTY, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2011

**Page
Number**

INTRODUCTORY SECTION

Letter of Transmittal.....	i – iv
Organizational Chart.....	v
Principal County Officials.....	vi – vii

FINANCIAL SECTION

Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16 – 17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18 – 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	21 – 37
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund.....	38 – 40

(continued)

GREGG COUNTY, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2011**

**Page
Number**

FINANCIAL SECTION (Continued)

Fund Financial Statements (Continued)

Statement of Net Assets – Proprietary Fund.....	41
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	42
Statement of Cash Flows – Proprietary Fund	43
Statement of Fiduciary Net Assets – Agency Funds.....	44
Notes to Financial Statements.....	45 – 59

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Combining Balance Sheet.....	60 – 69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70 – 80

Internal Service Funds

Combining Statement of Net Assets.....	81
Combining Statement of Revenues, Expenditures and Changes in Fund Net Assets.....	82
Combining Statement of Cash Flows	83

Agency Funds

Combining Statement of Fiduciary Net Assets.....	84 – 85
Combining Statement of Cash Receipts and Disbursements	86

(continued)

GREGG COUNTY, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2011**

**Page
Number**

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	87 – 88
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	89 – 90
Schedule of Expenditures of Federal Awards	91 – 92
Notes to Schedule of Expenditures of Federal Awards.....	93
Schedule of Findings and Questioned Costs	94
Summary Schedule of Prior Audit Findings.....	95

THIS PAGE LEFT BLANK INTENTIONALLY

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



May 22, 2012

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, 2011. 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, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Gregg County's financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

PROFILE OF GREGG COUNTY

Located in northeast Texas, Gregg County was inhabited by Caddo Tribes until the early 1800s and partly by Cherokee immigrants until 1839. Gregg County was settled by farmers from the southern United States after Texas achieved statehood in 1845. The construction of the railroad in the 1870's established the early towns that were to form Gregg County. In 1873, State Representative B. W. Brown introduced a bill to create Gregg County from parts of Upshur and

Rusk Counties. The County seat is Longview. The name for Gregg County commemorated a leader named John Gregg who was killed in action as a Confederate General.

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

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

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

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

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

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

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

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of

financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 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 auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in the compliance section of this report.

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended September 30, 2011, 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 effect 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 FY11 budget dropped from \$8.2 billion to \$8.0 billion.

The U. S. Census Bureau population total for 2010 for the County was 121,730, an increase of 9.3% since 2000. The September, 2010 unemployment rate of 7% compared favorably with the 8% statewide rate, and with the 9.2% 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 auditor's reports related specifically to the single audit are included in the compliance section.

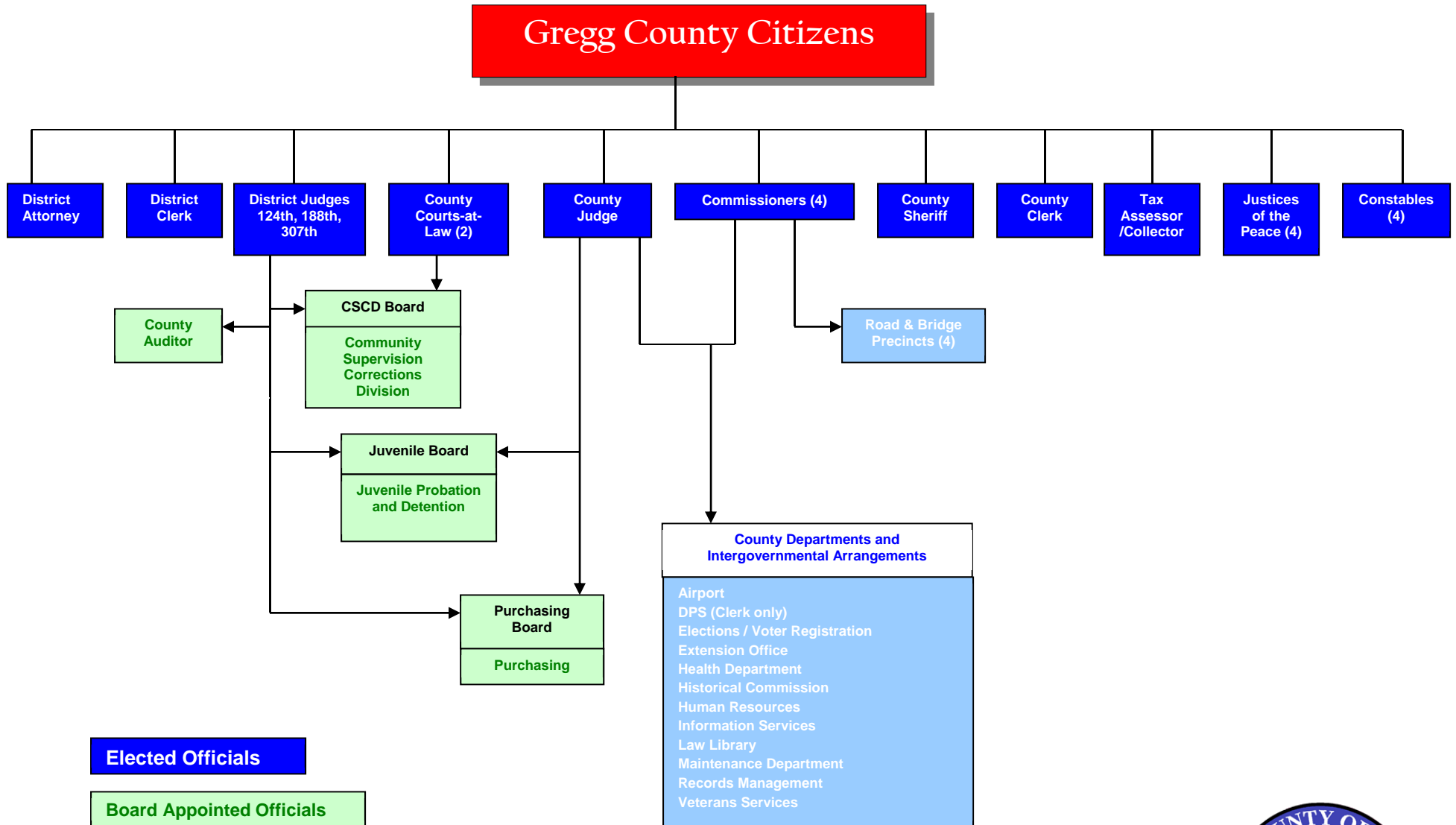
Acknowledgements The preparation of this report would not have been possible without the efficient and dedicated services of the staff of the County Auditor's office. We would also like to express our appreciation to all the officials and members of County offices who assisted in and contributed to the 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, 2011**

Elected:

**Bill Stoudt
Charles Davis
Darryl Primo
Gary Boyd
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
Alfonso Charles
Tim Womack
Rebecca Simpson
Vincent Dulwebber
B. H. Jameson
Arthur Fort
Talya Carlson
Sam Lawson**

**Judge, 188th District Court
Judge, 124th District Court
Judge, 307th 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
Rick Davis
Lewis Browne
Rita Fyffe
Derold Miller
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**

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gregg County, Texas (the "County") as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County's management. Our responsibility is to express opinions 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. 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and the Road and Bridge Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the County adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2012, 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, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

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

May 22, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2011. 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-v 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 2011 by \$130,387,093 (*net assets*). Of this amount, \$66,288,684 (*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 \$2,654,784 or 2.1% primarily due to net change in fund balances.
- As of September 30, 2011, Gregg County's governmental funds reported combined ending fund balances of \$61,724,177, an increase of \$2,498,233 or 4.2% in comparison with the prior year. \$27,494,970 (44.5%) is *available for spending* at the government's discretion (*unassigned fund balance*). \$19,479,235 (31.6%) is assigned fund balance designated for capital projects.
- At the end of fiscal year 2011, total unassigned fund balance for the General Fund was \$27,494,970 or 75.2% of total General Fund expenditures, compared to \$21,576,334 or 68.83% in 2010 and \$29,560,305 or 90.9% in 2009.
- Total revenue for the government increased 3% mostly due to an increase in capital grants and contribution revenue and sales tax collection increase.
- Total expenditures for the government increased by \$4,552,219 or 9.9%. The program to have the largest increase in expenditures was Transportation and Roads at \$2,587,944 or 34.4%. This was mostly due to a large infrastructure assistance project with TXDOT for safety improvement for SH149. The next largest increase can be found in Health and Human Services at \$614,116 or 20.8%.
- An increase of \$1,782,831 or 11.8% can be found in sales tax revenue. Last year's sales tax (FY10) revenue had decreased by 4.43% compared to FY09 sales tax revenue.
- Investment earnings remained relatively the same at (\$260,974) .05% of total revenues when compared to FY10. Investments continued to remain at a low rate throughout the year.

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 53 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 49 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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.

A budgetary comparison for the Road and Bridge Fund is provided elsewhere in the report.

The basic governmental fund financial statements can be found on pages 16 – 20 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 – 59 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Gregg County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining fund statements can be found on pages 60 – 86 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 \$130,387,093 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 48.6% of net assets compared with 49.5% 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**

Assets:	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 71,112,444	\$ 67,870,464
Capital assets	<u>63,368,816</u>	<u>63,804,498</u>
Total assets	<u>134,481,260</u>	<u>131,674,962</u>
Liabilities:		
Long-term liabilities	660,677	677,530
Other liabilities	<u>3,433,490</u>	<u>3,265,123</u>
Total liabilities	<u>4,094,167</u>	<u>3,942,653</u>
Net assets:		
Invested in capital assets, net of related debt	63,355,158	63,282,308
Restricted	743,251	766,580
Unrestricted	<u>66,288,684</u>	<u>63,683,421</u>
Total net assets	<u>\$ 130,387,093</u>	<u>\$ 127,732,309</u>

An additional portion of Gregg County's net assets (.60%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$66,288,684 (50.8%) 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.

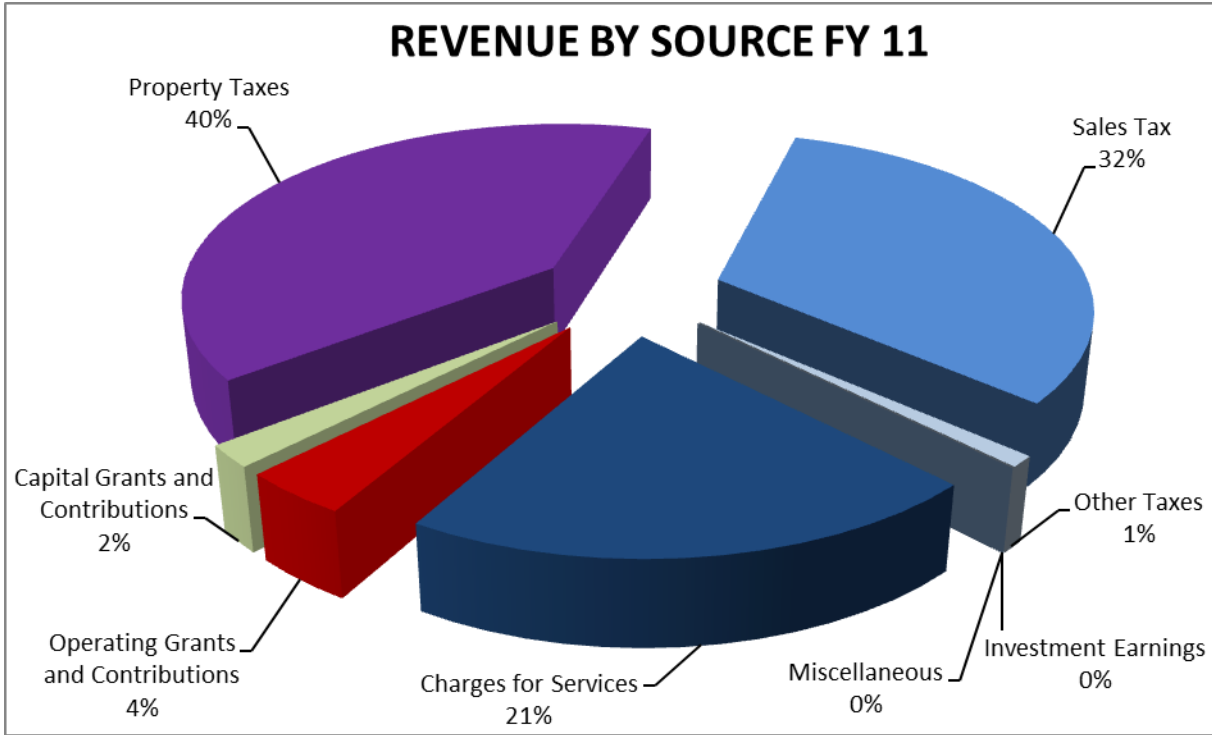
Governmental Activities: Governmental activities increased Gregg County's net assets by \$2,654,784 for a 2.1% increase of the total net assets of Gregg County. As a comparison to the prior year, net assets increased by 4.6% in FY10.

**Gregg County's Changes in Net Assets
Government Activities**

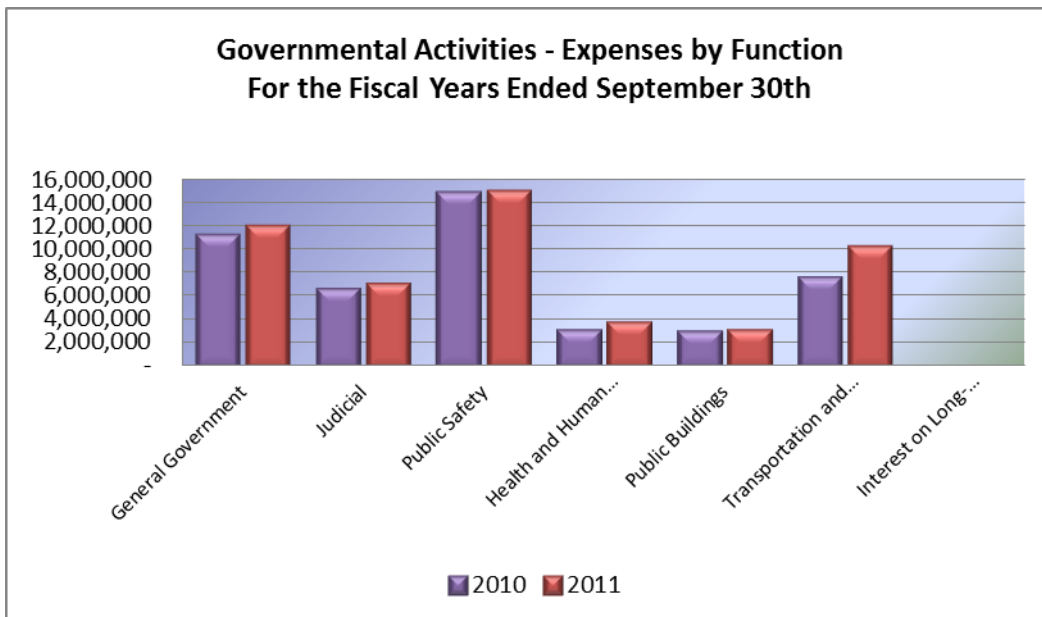
	2011	2010
REVENUES		
Program Revenue		
Charges for Services	\$ 11,181,061	\$ 11,621,871
Operating Grants and Contributions	1,981,326	1,514,592
Capital Grants and Contributions	1,263,850	1,099,734
General Revenue		
Property Taxes	21,302,750	21,372,685
Sales Tax	16,912,110	15,129,279
Other Taxes	280,914	300,731
Investment Earnings	260,974	250,028
Miscellaneous	(195,534)	132,340
Total Revenues	52,987,451	51,421,260
EXPENSES		
General Government	11,930,242	11,102,197
Judicial	6,926,043	6,485,552
Public Safety	14,857,301	14,826,537
Health and Human Services	3,566,125	2,952,009
Public Buildings	2,921,703	2,864,443
Transportation and Roads	10,119,148	7,531,204
Interest on Long-Term Debt	12,105	18,506
Total Expenses	50,332,667	45,780,448
Change in Net Assets	2,654,784	5,640,812
Net Assets – Beginning	127,732,309	122,091,497
Net Assets – Ending	\$ 130,387,093	\$ 127,732,309

**Net Cost of Governmental Activities for Gregg County
By Function for the Fiscal Years Ended September 30**

Function/Program	Net Cost of Services	
	2011	2010
General Government	\$(7,641,222)	\$(7,122,209)
Judicial	(4,751,900)	(4,067,656)
Public Safety	(13,405,482)	(13,191,071)
Health and Human Services	(2,334,762)	(2,253,067)
Public Buildings	431,170	496,942
Transportation and Roads	(8,192,129)	(5,388,684)
Interest on long -term debt	(12,105)	(18,506)
Total	\$(35,906,430)	\$(31,544,251)



Comparison of government-wide expenditures by function. Total expenditures increased 9.9%.



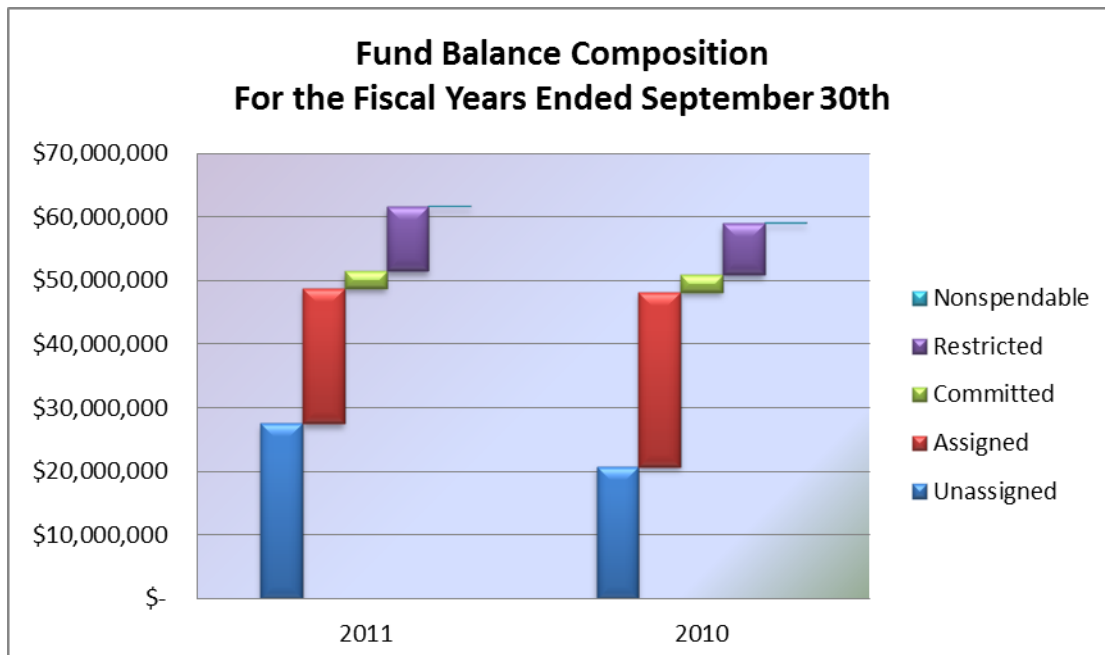
Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$14,426,237 equaled 28.7% of total government expenses of \$50,332,667. As expected, general revenues of \$38,561,214 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 which are not attributable to a specific program.
- Over 29% of the expenses are for Public Safety (\$14,857,301) reflecting the continuing demands on law enforcement. This program provided 2.7% (\$1,451,819) of the total government revenues for the year.
- The next largest category of expenses is General Government which equals \$11,930,242 or 23.7% of total expenditures. General Government provided 8.1% or \$4,289,020 of the government total revenue.
- Transportation and Roads accounted for \$10,119,148 or 20.1% of the government expenses while this category provided 3.6% or \$1,927,019 of total government revenue.
- Judicial expenses for the government for the year accounted for 13.8% or \$6,926,043 of the expenditures while this category provided for 4.1% or \$2,174,143 of the government revenue.
- Capital Grant Revenues and Contributions comprised 2.4% of total government revenue, all in the General Government program. Operating Grants and Contributions accounts for 3.7% of total government revenue distributed throughout all programs.

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 2011, Gregg County's *governmental funds* reported combined ending fund balances of \$61,724,177, an increase of \$2,498,233 (4.2%) in comparison with the prior year. "Unassigned" fund balance accounts for 44.5% or \$27,494,970 of the total and is all in the General Fund. An additional \$21,300,970 (34.5%) is "Assigned" fund balance and is constituted mostly of CIP funds. "Committed" fund balance total is \$2,687,276 or 4.4% of total fund balance and would require a Commissioner's Court order to use for any other purpose. \$10,096,732 or 16.4% of the total ending fund balance is reporting as "Restricted" fund balance and accounts for special revenue or dedicated funds. The remainder of fund balance is "Nonspendable" to indicate it is not available for new spending because it has already been committed: 1) to reflect inventories (\$103,010); and 2) for prepaids (\$41,219).

General Fund

The General Fund is the chief operating fund of Gregg County. At the end of fiscal year 2011, the General Fund had an ending fund balance of \$28,335,971 with 3% restricted for other uses.

As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance of \$27,494,970 represents 75.2% of total General Fund expenditures.

The General Fund balance increased by \$6,536,882 (30%) during the 2011 fiscal year. 57.2% of the increase can be account for by excess revenue over expenditures.

General Fund Highlights:

- Property tax revenue decreased by .2% or \$69,935 from the prior year due to the decrease in the appraised values. Values declined 1.9% from \$8.24 billion to \$8.09 billion.
- Sales Tax revenues increased \$1,520,836 (11%) compared to FY10 collection.
- Actual total expenditures were \$4,255,662 (10.4%) under final budget appropriations.
- Total General Fund Revenues increased by \$1,422,316 or 3.7% compared to a 2.8% decrease last year.
- Total General Fund Expenditures increased \$5,243,003 or 16.7% compared to a 3.6% decrease last year. The largest expenditure increase (\$3,924,698) was due the partnerships with TXDOT for HWY 149 safety improvements and the City of Longview George Richey Road Project for FY11.
- Major equipment purchases during the year include several vehicles for the Public Safety program for a total cost of \$249,774.
- Differences between the original budget and the final amended budget can be briefly summarized as follows:
 - An increase of \$4,996,108 in expenditure appropriations although final expenditures were only \$739,446 over the original budget appropriations.

Road and Bridge Fund

- The Road and Bridge Fund had an ending fund balance of \$4,483,186, a decrease of \$808,846 (15.3%) of which \$96,484 or 2.2% is reserved for inventories and \$203,953 or 4.5% is due to the General Fund for non-Road and Bridge projects.
- Most of the above decrease is due to property tax revenue decrease by \$628,539 or 17.1% from FY10. This shift in the property tax distribution decreased the regular Road and Bridge tax levy from .0400 to .0330 per \$100 of valuation.

- Total FY11 Road and Bridge Expenditures decreased by \$945,554 or 12.6%.
- Other financing sources included \$22,255 received from the sale of capital assets.
- Additional capital equipment purchased during the year includes the following: a Water Tank truck – \$18,232 and a Caterpillar motorgrader – \$237,580 where the buyback repurchase option was exercised on an existing motorgrader.

Airport and Airport Improvement Funds

- Major Infrastructure Project completions for the year include the following:
 - Airport Runway Lights/Sign Replacement \$1,209,561

Capital Improvement Fund

The government 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 develops a clearer path for future capital improvements.

Additional capital purchases include a major Communications Project Upgrade – \$658,323, DPS Hanger and upgrade – \$408,065, Courthouse Jail Elevator Rehab – \$282,987, Courthouse Public Elevator Rehab – \$268,241 and Courthouse Cooling Tower and Chiller Upgrade – \$98,987. Finally, there was a roof replacement project at the Whaley Street Community Building – \$116,222.

Future Projects included in the CIP are:

- County Facility: ADA Compliance, Longview Whaley Community Building renovations, Expanded Parking Facilities;
- Airport Infrastructure: County’s Grant Match for East Texas Regional Airport Improvements;
- Transportation: 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 building	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.

Capital Assets: As of September 30, 2011, Gregg County's investment in capital assets amounts to \$63,368,816 (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, 2011**

Land	\$	1,315,910
Construction in progress		2,088,706
Buildings and improvements		39,141,223
Infrastructure		73,153,102
Machinery, equipment and other assets		<u>17,942,210</u>
		133,641,151
Less: accumulated depreciation		<u>(70,272,335)</u>
Total assets being depreciated		<u>59,964,200</u>
Total capital assets	\$	<u><u>63,368,816</u></u>

Additional information on Gregg County's capital assets can be found in note 4 on page 52 of this report.

Long-term Debt: Gregg County has no bonded indebtedness at this time. Liabilities due more than one year after the end of the fiscal year total \$660,677 almost all of which are an accrual for compensated absences of \$652,843 (98.8%).

Additional information on Gregg County's long-term debt can be found in Note 4 on page 57 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 FY12 the Court considered the following:

- The County economy has not been affected as much as the rest of the nation by the economic downturn but the Court continues to budget conservatively as the future still holds much uncertainty. For FY12 there was an increase in the tax base valuation from \$8.09 billion to \$8.27 billion in the prior year. Additionally, Gregg County continues to maintain a lower unemployment rate when compared with the state and national averages.
- Sales tax revenue growth is expected to remain relatively flat for FY 2012.
- There is no plan to issue debt in the FY12 budget year or in the near future. The County's debt position continues to remain favorable.
- The tax rate approved to fund the FY12 budget decreased to .2650 from .2675 per \$100 valuation. This rate will adequately fund the FY12 budget.
- Budgeted revenue government wide for FY12 is \$48,712,973 and the budgeted expenditures are \$48,680,404. Additionally, other financing sources are budgeted at \$438,032 and other financing uses are budgeted at \$1,266,150.

- Major capital improvements budgeted for FY12 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 SH42.
- Revenue from interest is expected to remain low.

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.

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Primary Government Governmental Activities	Component Unit Child Welfare Board
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,942,835	\$ 176,241
Investments	49,237,538	50,019
Receivables (net of allowances for uncollectibles)		
Due from other governments	3,947,436	-
Accounts	3,174,534	23
Taxes	647,000	-
Inventory	119,882	-
Prepays	41,219	-
Capital assets (net of accumulated depreciation)		
Land	1,315,910	-
Buildings and improvements	39,141,223	-
Equipment	17,942,210	-
Infrastructure	73,153,102	-
Construction work in progress	2,088,706	-
Less: accumulated depreciation	<u>(70,272,335)</u>	<u>-</u>
Total capital assets	<u>63,368,816</u>	<u>-</u>
Total assets	<u>134,479,260</u>	<u>226,283</u>
LIABILITIES		
Current liabilities:		
Accounts payable	2,380,007	15,406
Accounts payable - other governments	59,199	-
Accrued liabilities	986,454	-
Accrued interest	-	-
Deferred revenue	6	-
Noncurrent liabilities:		
Due within one year	5,824	-
Due within more than one year	<u>660,677</u>	<u>-</u>
Total liabilities	<u>4,092,167</u>	<u>15,406</u>
NET ASSETS		
Invested in capital assets, net of related debt	63,355,158	-
Restricted for archive restoration	743,251	-
Unrestricted	<u>66,288,684</u>	<u>210,877</u>
Total net assets	<u>\$ 130,387,093</u>	<u>\$ 210,877</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Governmental Activities
Primary government:						
Governmental activities:						
General government	\$ 11,930,242	\$ 2,867,886	\$ 157,284	\$ 1,263,850	\$(7,641,222)	\$ -
Judicial	6,926,043	1,788,901	385,242	-	(4,751,900)	-
Public safety	14,857,301	1,306,073	145,746	-	(13,405,482)	-
Health and human services	3,566,125	124,161	1,107,202	-	(2,334,762)	-
Public buildings	2,921,703	3,341,469	11,404	-	431,170	-
Transportation and roads	10,119,148	1,752,571	174,448	-	(8,192,129)	-
Interest on long-term debt	<u>12,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,105)</u>	<u>-</u>
Total primary government	<u>\$ 50,332,667</u>	<u>\$ 11,181,061</u>	<u>\$ 1,981,326</u>	<u>\$ 1,263,850</u>	<u>(35,906,430)</u>	<u>-</u>
Component unit:						
Child Welfare Board	<u>\$ 94,192</u>	<u>\$ 26,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(67,691)</u>
Total component unit	<u>\$ 94,192</u>	<u>\$ 26,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(67,691)</u>
General revenues:						
Taxes:						
Property taxes					21,302,750	-
Sales taxes					16,912,110	-
Alcoholic beverage taxes					203,001	-
Other taxes					77,913	-
Unrestricted investment earnings					260,974	1,178
Sale of capital assets					(136,146)	-
Gain on insurance proceeds					25,612	-
Transfers					<u>(85,000)</u>	<u>85,000</u>
Total general revenues and transfers					<u>38,561,214</u>	<u>86,178</u>
Change in net assets					2,654,784	18,487
Net assets, beginning					<u>127,732,309</u>	<u>192,390</u>
Net assets, ending					<u>\$ 130,387,093</u>	<u>\$ 210,877</u>

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

GREGG COUNTY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Capital Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 3,689,408	\$ 511,493	\$ 4,435,003
Investments	23,133,631	4,019,622	15,082,880
Receivables (net of allowance for uncollectibles)			
Other governments	3,210,405	6,970	-
Accounts	1,715,110	1,212,700	20,804
Delinquent property taxes	464,873	109,567	-
Due from other funds	218,703	-	-
Inventory - materials/supplies	-	96,484	-
Prepays	<u>41,219</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 32,473,349</u>	<u>\$ 5,956,836</u>	<u>\$ 19,538,687</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,302,704	\$ 102,402	\$ 59,452
Accounts payable - other governments	53,770	1,058	-
Accrued liabilities	819,414	99,870	-
Deferred revenues	1,959,490	1,270,320	-
Due to other funds	<u>2,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,137,378</u>	<u>1,473,650</u>	<u>59,452</u>
Fund balances:			
Nonspendable	41,219	96,484	-
Restricted	770,646	4,182,749	-
Committed	-	-	-
Assigned	29,136	203,953	19,479,235
Unassigned	<u>27,494,970</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>28,335,971</u>	<u>4,483,186</u>	<u>19,479,235</u>
Total liabilities and fund balances	<u>\$ 32,473,349</u>	<u>\$ 5,956,836</u>	<u>\$ 19,538,687</u>

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

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

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

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

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

Net assets of governmental activities

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

<u>Airport Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,860,789	\$ 13,496,693
-	4,700,194	46,936,327
283,312	446,749	3,947,436
26	194,745	3,143,385
-	72,560	647,000
-	-	218,703
-	6,526	103,010
-	-	41,219
<u>\$ 283,338</u>	<u>\$ 10,281,563</u>	<u>\$ 68,533,773</u>
\$ 75,703	\$ 539,482	\$ 2,079,743
-	4,371	59,199
-	65,769	985,053
-	237,088	3,466,898
<u>37,272</u>	<u>179,431</u>	<u>218,703</u>
<u>112,975</u>	<u>1,026,141</u>	<u>6,809,596</u>
-	6,526	144,229
170,363	4,972,974	10,096,732
-	2,687,276	2,687,276
-	1,588,646	21,300,970
-	-	27,494,970
<u>170,363</u>	<u>9,255,422</u>	<u>61,724,177</u>
<u>\$ 283,338</u>	<u>\$ 10,281,563</u>	
		63,362,073
		3,466,893
		2,500,451
		<u>(666,501)</u>
		<u>\$ 130,387,093</u>

GREGG COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Capital Improvement</u>
REVENUES			
Taxes:			
Current property taxes	\$ 14,885,650	\$ 2,941,113	\$ -
Delinquent property taxes	441,408	97,928	-
Alcoholic beverage tax	203,001	-	-
Bingo tax	77,913	-	-
Sales tax	15,359,393	-	-
Motor vehicle sales tax	765,610	787,107	-
Licenses and permits	104,555	1,133,289	-
Intergovernmental	799,690	24,439	-
Charges for services	3,237,427	-	-
Fines and forfeitures	593,741	574,280	-
Investment earnings	118,546	9,580	100,135
Rents and commissions	632,430	-	-
Miscellaneous	3,106,417	10,018	-
Total revenues	<u>40,325,781</u>	<u>5,577,754</u>	<u>100,135</u>
EXPENDITURES			
Current:			
General government	8,254,886	-	-
Judicial	6,570,442	-	-
Public safety	13,361,897	-	-
Health and human services	2,384,487	-	-
Public buildings	2,082,011	-	-
Transportation and roads	3,924,698	6,040,536	-
Debt service:			
Principal	6,107	497,622	-
Interest and fiscal charges	1,899	18,623	-
Capital outlay	-	-	798,675
Total expenditures	<u>36,586,427</u>	<u>6,556,781</u>	<u>798,675</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,739,354</u>	<u>(979,027)</u>	<u>(698,540)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,828,897	300,000	700,000
Transfers out	(1,051,341)	(156,768)	(4,361,579)
Sale of capital assets	-	22,255	-
Insurance proceeds	19,972	4,694	-
Total other financing sources (uses)	<u>2,797,528</u>	<u>170,181</u>	<u>(3,661,579)</u>
NET CHANGE IN FUND BALANCES	6,536,882	(808,846)	(4,360,119)
FUND BALANCES, BEGINNING	<u>21,799,089</u>	<u>5,292,032</u>	<u>23,839,354</u>
FUND BALANCES, ENDING	<u>\$ 28,335,971</u>	<u>\$ 4,483,186</u>	<u>\$ 19,479,235</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>
\$ -	\$ 2,729,762	\$ 20,556,525
-	73,265	612,601
-	-	203,001
-	-	77,913
-	-	15,359,393
-	-	1,552,717
-	-	1,237,844
1,263,850	1,643,457	3,731,436
63,396	473,726	3,774,549
-	-	1,168,021
4	23,087	251,352
-	401,252	1,033,682
-	210,694	3,327,129
<u>1,327,250</u>	<u>5,555,243</u>	<u>52,886,163</u>
-	1,149,163	9,404,049
-	316,817	6,887,259
-	1,224,036	14,585,933
-	1,246,154	3,630,641
-	-	2,082,011
-	306,777	10,272,011
-	3,379	507,108
-	288	20,810
<u>1,431,774</u>	<u>806,591</u>	<u>3,037,040</u>
<u>1,431,774</u>	<u>5,053,205</u>	<u>50,426,862</u>
(104,524)	<u>502,038</u>	<u>2,459,301</u>
75,000	754,574	5,658,471
-	(97,718)	(5,667,406)
-	-	22,255
-	946	25,612
<u>75,000</u>	<u>657,802</u>	<u>38,932</u>
(29,524)	1,159,840	2,498,233
<u>199,887</u>	<u>8,095,582</u>	<u>59,225,944</u>
<u>\$ 170,363</u>	<u>\$ 9,255,422</u>	<u>\$ 61,724,177</u>

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2011

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (pages 18 - 19)	\$ 2,498,233
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.	(272,092)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(159,831)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	301,429
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.	508,532
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.	18,617
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.	(240,104)
Change in net assets of governmental activities (page 15)	<u>\$ 2,654,784</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 14,927,116	\$ 14,927,116	\$ 14,807,323	\$(119,793)
Current penalty and interest	82,000	82,000	78,327	(3,673)
Delinquent property taxes	389,386	389,386	346,220	(43,166)
Delinquent penalty and interest	90,000	90,000	95,188	5,188
Alcoholic beverage tax	192,000	192,000	203,001	11,001
Bingo tax	75,000	75,000	77,913	2,913
Sales tax	12,100,000	12,100,000	15,359,393	3,259,393
Motor vehicle sales tax	585,000	585,000	765,610	180,610
Total taxes	<u>28,440,502</u>	<u>28,440,502</u>	<u>31,732,975</u>	<u>3,292,473</u>
Licenses and permits:				
Alcoholic beverage licenses	35,000	35,000	32,755	(2,245)
Sexually oriented businesses	28,000	28,000	39,900	11,900
Bail bond applications	2,000	2,000	7,500	5,500
Sewage disposal systems	22,000	22,000	24,400	2,400
Total licenses and permits	<u>87,000</u>	<u>87,000</u>	<u>104,555</u>	<u>17,555</u>
Intergovernmental:				
Juvenile salary supplement	5,000	5,000	5,000	-
State supplement - court at law	150,000	150,000	150,000	-
State supplement - assistant prosecutors	12,000	12,000	9,990	(2,010)
State - indigent defense	60,000	60,000	87,454	27,454
State - juror reimbursement	60,000	60,000	44,982	(15,018)
State - commercial waste management fees	200	200	286	86
City of Lakeport - sewer fees	1,000	1,000	1,200	200
Fiscal service fee	12,000	12,000	14,033	2,033
HIDTA task force	-	-	245	245
Drug enforcement task force	15,000	15,000	12,433	(2,567)
CSCD security deputy	23,000	23,000	23,511	511
Sabine Valley deputy	103,374	103,374	103,374	-
Sabine ISD resource officer	39,452	39,452	39,452	-
City of Longview - prisoner care	250,743	250,743	250,743	-
State - Title IV-E Legal Reimbursement	22,000	22,000	22,720	720
Child welfare board reimbursement	18,000	18,000	29,615	11,615
Federal grant	-	-	4,652	4,652
Total intergovernmental	<u>771,769</u>	<u>771,769</u>	<u>799,690</u>	<u>27,921</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES (Continued)				
Charges for services:				
Sheriff	\$ 310,000	\$ 310,000	\$ 337,046	\$ 27,046
Constable # 1	30,500	30,500	34,575	4,075
Constable # 2	28,418	28,418	27,209	(1,209)
Constable # 3	26,006	26,006	22,535	(3,471)
Constable # 4	34,850	34,850	31,510	(3,340)
County clerk	960,000	960,000	868,247	(91,753)
County clerk - bond administrative fee	10,000	10,000	9,752	(248)
County clerk - archival fee	115,000	115,000	109,850	(5,150)
Sheriff - bond administrative fee	2,400	2,400	2,984	584
District clerk - bond administrative fee	100	100	50	(50)
District clerk-archival fee	13,000	13,000	13,354	354
Tax assessor - collector	640,000	640,000	610,572	(29,428)
Tax collection contract fees	220,000	220,000	262,697	42,697
District attorney	48,000	48,000	44,439	(3,561)
District clerk	425,000	425,000	422,997	(2,003)
Justice of the Peace # 1	20,000	20,000	19,625	(375)
Justice of the Peace # 2	10,000	10,000	12,795	2,795
Justice of the Peace # 3	11,000	11,000	9,551	(1,449)
Justice of the Peace # 4	10,000	10,000	10,735	735
Trial fees	50	50	52	2
Jury	22,000	22,000	12,184	(9,816)
Probate judge education fees	2,400	2,400	2,734	334
Other arrest fees	48,000	48,000	80,257	32,257
Judges fee - probate	3,800	3,800	3,319	(481)
State fees	95,000	95,000	97,762	2,762
State fees - TP - judicial efficiency	5,500	5,500	3,801	(1,699)
State fee - drug court program	17,500	17,500	20,578	3,078
Court reporter service fees	44,000	44,000	45,408	1,408
DRO fees	10,000	10,000	6,181	(3,819)
Guardianship fee	8,500	8,500	7,696	(804)
Parking lot fees	5,600	5,600	7,259	1,659
Computer services	6,000	6,000	6,500	500
Defensive driving fees	42,000	42,000	44,942	2,942
Child safety fees	2,400	2,400	2,650	250
Traffic fees	10,000	10,000	10,448	448
Video fees	6,200	6,200	7,436	1,236
Inmate reimbursement	500	500	27,697	27,197
Total charges for services	3,243,724	3,243,724	3,237,427	(6,297)

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Fines and forfeitures:				
Justice court fines - JP 1	\$ 165,000	\$ 165,000	\$ 198,610	\$ 33,610
Justice court fines - JP 2	46,500	46,500	63,965	17,465
Justice court fines - JP 3	234,000	234,000	241,364	7,364
Justice court fines - JP 4	91,080	91,080	89,802	(1,278)
Total fines and forfeitures	536,580	536,580	593,741	57,161
Investment earnings:				
Interest	290,000	290,000	48,306	(241,694)
Unrealized gains (losses)	-	-	70,240	70,240
Total investment earnings	290,000	290,000	118,546	(171,454)
Rent and commissions:				
BorgWarner Automotive	34,000	34,000	34,098	98
A & M Tower, Inc.	9,300	9,300	10,262	962
Community buildings	21,500	21,500	28,430	6,930
Other rent	9,200	9,200	129,017	119,817
Royalties	110,000	110,000	107,221	(2,779)
Telephone coin stations	295,000	295,000	274,838	(20,162)
Concession commissions	4,000	4,000	700	(3,300)
Concession sales	-	-	40,093	40,093
Vending machine sales	-	-	7,771	7,771
Total rent and commissions	483,000	483,000	632,430	149,430
Miscellaneous:				
Federal - jail lease	1,400,000	1,400,000	1,804,606	404,606
Contract jail revenue	1,500,000	1,500,000	1,237,040	(262,960)
Miscellaneous	25,000	25,000	64,771	39,771
Total miscellaneous	2,925,000	2,925,000	3,106,417	181,417
Total revenues	36,777,575	36,777,575	40,325,781	3,548,206

(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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES				
General government:				
County clerk - administration:				
Salaries	\$ 633,044	\$ 636,214	\$ 611,815	\$ 24,399
Fringe benefits	287,683	284,513	268,200	16,313
Operating expenses	81,920	82,150	73,175	8,975
Total county clerk - administration	1,002,647	1,002,877	953,190	49,687
County clerk - archive restoration:				
Operating expenses	350,000	350,000	146,533	203,467
Total county clerk - archive restoration	350,000	350,000	146,533	203,467
Telecommunications:				
Salaries	47,155	47,155	42,035	5,120
Fringe benefits	8,575	8,575	7,598	977
Operating expenses	200	1,650	769	881
Total telecommunications	55,930	57,380	50,402	6,978
Purchasing:				
Salaries	125,479	131,915	130,964	951
Fringe benefits	39,475	40,161	38,940	1,221
Operating expenses	6,925	6,925	5,867	1,058
Total purchasing	171,879	179,001	175,771	3,230
Human resources:				
Salaries	127,127	127,602	126,921	681
Fringe benefits	47,970	47,495	44,481	3,014
Operating expenses	11,940	11,980	11,976	4
Total human resources	187,037	187,077	183,378	3,699

(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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
EXPENDITURES (Continued)				
General government: (Continued)				
Nondepartmental - general government:				
Fringe benefits	\$ 398,000	\$ 140,368	\$ 46,611	\$ 93,757
Operating expenses	<u>3,175,000</u>	<u>3,162,829</u>	<u>2,819,615</u>	<u>343,214</u>
Total nondepartmental - general government	<u>3,573,000</u>	<u>3,303,197</u>	<u>2,866,226</u>	<u>436,971</u>
County judge:				
Salaries	178,358	178,771	175,771	3,000
Fringe benefits	57,353	56,940	55,093	1,847
Operating expenses	16,020	16,020	8,505	7,515
Capital outlay	<u>-</u>	<u>2,805</u>	<u>2,805</u>	<u>-</u>
Total county judge	<u>251,731</u>	<u>254,536</u>	<u>242,174</u>	<u>12,362</u>
Postal services:				
Operating expenses	<u>43,610</u>	<u>34,675</u>	<u>8,794</u>	<u>25,881</u>
Total postal services	<u>43,610</u>	<u>34,675</u>	<u>8,794</u>	<u>25,881</u>
Concession operations:				
Salaries	-	-	23,842	(23,842)
Fringe benefits	-	-	1,874	(1,874)
Operating expenses	<u>-</u>	<u>-</u>	<u>25,878</u>	<u>(25,878)</u>
Total concession operations	<u>-</u>	<u>-</u>	<u>51,594</u>	<u>(51,594)</u>
Elections:				
Salaries	173,401	173,661	164,663	8,998
Fringe benefits	64,390	64,130	53,098	11,032
Operating expenses	<u>66,040</u>	<u>66,040</u>	<u>48,823</u>	<u>17,217</u>
Total elections	<u>303,831</u>	<u>303,831</u>	<u>266,584</u>	<u>37,247</u>
County auditor:				
Salaries	469,686	469,926	458,545	11,381
Fringe benefits	168,235	167,995	155,151	12,844
Operating expenses	<u>22,100</u>	<u>22,100</u>	<u>22,031</u>	<u>69</u>
Total county auditor	<u>660,021</u>	<u>660,021</u>	<u>635,727</u>	<u>24,294</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
General government: (Continued)				
Tax assessor-collector:				
Salaries	\$ 974,722	\$ 974,730	\$ 945,423	\$ 29,307
Fringe benefits	424,213	424,205	385,659	38,546
Operating expenses	<u>226,000</u>	<u>226,000</u>	<u>194,480</u>	<u>31,520</u>
Total tax assessor-collector	<u>1,624,935</u>	<u>1,624,935</u>	<u>1,525,562</u>	<u>99,373</u>
Information services:				
Salaries	297,321	311,494	308,754	2,740
Fringe benefits	103,935	100,874	98,933	1,941
Operating expenses	596,323	624,323	587,023	37,300
Capital outlay	<u>72,200</u>	<u>44,200</u>	<u>35,310</u>	<u>8,890</u>
Total information services	<u>1,069,779</u>	<u>1,080,891</u>	<u>1,030,020</u>	<u>50,871</u>
Agricultural extension service:				
Salaries	108,191	108,191	73,282	34,909
Fringe benefits	60,590	60,590	31,077	29,513
Operating expenses	<u>14,469</u>	<u>14,585</u>	<u>14,572</u>	<u>13</u>
Total agricultural extension service	<u>183,250</u>	<u>183,366</u>	<u>118,931</u>	<u>64,435</u>
Total general government	<u>9,477,650</u>	<u>9,221,787</u>	<u>8,254,886</u>	<u>966,901</u>
Judicial:				
Court of civil appeals:				
Salaries	13,008	13,008	13,008	-
Fringe benefits	<u>2,315</u>	<u>2,315</u>	<u>999</u>	<u>1,316</u>
Total court of civil appeals	<u>15,323</u>	<u>15,323</u>	<u>14,007</u>	<u>1,316</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Judicial: (Continued)				
County court-at-law no. 1:				
Salaries	\$ 240,877	\$ 241,310	\$ 239,830	\$ 1,480
Fringe benefits	72,918	72,485	67,302	5,183
Operating expenses	14,110	11,928	11,748	180
Capital outlay	-	2,800	2,703	97
Total county court-at-law no. 1	327,905	328,523	321,583	6,940
County court-at-law no. 2:				
Salaries	227,562	228,429	226,929	1,500
Fringe benefits	70,463	69,596	65,812	3,784
Operating expenses	14,750	13,635	13,113	522
Capital outlay	-	2,294	2,294	-
Total county court-at-law no. 2	312,775	313,954	308,148	5,806
Attorney general master:				
Operating expenses	12,200	12,200	10,400	1,800
Total attorney general master	12,200	12,200	10,400	1,800
124th district court:				
Salaries	92,661	93,007	91,407	1,600
Fringe benefits	33,435	33,089	31,670	1,419
Operating expenses	39,590	39,590	10,350	29,240
Capital outlay	1,000	1,000	-	1,000
Total 124th district court	166,686	166,686	133,427	33,259
188th district court:				
Salaries	87,421	87,753	87,753	-
Fringe benefits	32,485	32,153	31,105	1,048
Operating expenses	36,700	36,700	10,948	25,752
Total 188th district court	156,606	156,606	129,806	26,800

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
307th district court:				
Salaries	\$ 91,193	\$ 91,532	\$ 91,144	\$ 388
Fringe benefits	33,180	32,841	31,209	1,632
Operating expenses	17,150	17,150	14,560	2,590
Capital outlay	-	1,175	1,100	75
Total 307th district court	<u>141,523</u>	<u>142,698</u>	<u>138,013</u>	<u>4,685</u>
Judicial expenses:				
Operating expenses	<u>1,239,350</u>	<u>1,489,350</u>	<u>1,258,630</u>	<u>230,720</u>
Total judicial expenses	<u>1,239,350</u>	<u>1,489,350</u>	<u>1,258,630</u>	<u>230,720</u>
307th Drug Court Program:				
Operating expenses	-	30,000	2,503	27,497
Total judicial expenses	<u>-</u>	<u>30,000</u>	<u>2,503</u>	<u>27,497</u>
District clerk:				
Salaries	631,464	631,704	618,483	13,221
Fringe benefits	287,478	287,238	260,361	26,877
Operating expenses	<u>63,200</u>	<u>64,580</u>	<u>62,605</u>	<u>1,975</u>
Total district clerk	<u>982,142</u>	<u>983,522</u>	<u>941,449</u>	<u>42,073</u>
District clerk archive restoration:				
Operating expenses	<u>8,250</u>	<u>8,250</u>	-	8,250
Total district clerk archive restoration	<u>8,250</u>	<u>8,250</u>	<u>-</u>	<u>8,250</u>
Justice of the peace no. 1:				
Salaries	185,872	186,354	186,354	-
Fringe benefits	83,183	82,701	72,057	10,644
Operating expenses	<u>71,502</u>	<u>71,502</u>	<u>49,655</u>	<u>21,847</u>
Total justice of the peace no. 1	<u>340,557</u>	<u>340,557</u>	<u>308,066</u>	<u>32,491</u>
Justice of the peace no. 2:				
Salaries	107,178	117,129	113,829	3,300
Fringe benefits	44,183	45,837	41,997	3,840
Operating expenses	<u>40,200</u>	<u>40,200</u>	<u>22,650</u>	<u>17,550</u>
Total justice of the peace no. 2	<u>191,561</u>	<u>203,166</u>	<u>178,476</u>	<u>24,690</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace no. 3:				
Salaries	\$ 142,352	\$ 142,708	\$ 137,810	\$ 4,898
Fringe benefits	58,738	58,382	54,635	3,747
Operating expenses	<u>54,895</u>	<u>54,895</u>	<u>29,331</u>	<u>25,564</u>
Total justice of the peace no. 3	<u>255,985</u>	<u>255,985</u>	<u>221,776</u>	<u>34,209</u>
Justice of the peace no. 4:				
Salaries	104,478	104,744	104,744	-
Fringe benefits	43,643	43,377	40,622	2,755
Operating expenses	<u>39,355</u>	<u>39,355</u>	<u>25,187</u>	<u>14,168</u>
Total justice of the peace no. 4	<u>187,476</u>	<u>187,476</u>	<u>170,553</u>	<u>16,923</u>
District attorney:				
Salaries	1,584,523	1,604,951	1,559,482	45,469
Fringe benefits	548,128	531,250	501,834	29,416
Operating expenses	<u>90,600</u>	<u>210,007</u>	<u>210,335</u>	<u>(328)</u>
Total district attorney	<u>2,223,251</u>	<u>2,346,208</u>	<u>2,271,651</u>	<u>74,557</u>
Bail bond board:				
Salaries	3,500	3,500	341	3,159
Fringe benefits	635	635	93	542
Operating expenses	<u>3,000</u>	<u>3,000</u>	<u>79</u>	<u>2,921</u>
Total bail bond board	<u>7,135</u>	<u>7,135</u>	<u>513</u>	<u>6,622</u>
Collections office:				
Salaries	111,630	112,228	109,557	2,671
Fringe benefits	44,975	44,377	41,651	2,726
Operating expenses	<u>15,300</u>	<u>15,300</u>	<u>10,233</u>	<u>5,067</u>
Total collections office	<u>171,905</u>	<u>171,905</u>	<u>161,441</u>	<u>10,464</u>
Total judicial	<u>6,740,630</u>	<u>7,159,544</u>	<u>6,570,442</u>	<u>589,102</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public safety:				
Constable no. 1:				
Salaries	\$ 42,476	\$ 42,476	\$ 42,476	\$ -
Fringe benefits	17,278	17,278	15,677	1,601
Operating expenses	7,335	7,335	3,920	3,415
Total constable no. 1	67,089	67,089	62,073	5,016
Constable no. 2:				
Salaries	42,476	42,476	42,476	-
Fringe benefits	17,118	17,118	15,809	1,309
Operating expenses	12,600	12,600	4,587	8,013
Total constable no. 2	72,194	72,194	62,872	9,322
Constable no. 3:				
Salaries	60,732	60,732	60,576	156
Fringe benefits	20,443	20,443	18,816	1,627
Operating expenses	16,269	16,269	12,412	3,857
Total constable no. 3	97,444	97,444	91,804	5,640
Constable no. 4:				
Salaries	42,476	42,476	42,476	-
Fringe benefits	17,118	17,118	15,396	1,722
Operating expenses	12,150	12,150	7,974	4,176
Total constable no. 4	71,744	71,744	65,846	5,898
Sheriff - corrections:				
Salaries	6,471,417	6,452,460	6,288,387	164,073
Fringe benefits	2,859,318	2,858,759	2,464,995	393,764
Operating expenses	1,356,956	1,422,528	1,178,872	243,656
Capital outlay	259,600	277,400	268,752	8,648
Total sheriff - corrections	10,947,291	11,011,147	10,201,006	810,141

(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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public safety: (Continued)				
Contract jail operations:				
Salaries	\$ 1,500,158	\$ 1,500,216	\$ 1,392,062	\$ 108,154
Fringe benefits	723,955	723,897	591,787	132,110
Operating expenses	<u>423,733</u>	<u>373,733</u>	<u>322,513</u>	<u>51,220</u>
Total contract jail operations	<u>2,647,846</u>	<u>2,597,846</u>	<u>2,306,362</u>	<u>291,484</u>
Criminal justice center operations:				
Salaries	222,048	222,048	200,677	21,371
Fringe benefits	112,000	112,000	88,953	23,047
Operating expenses	<u>75,500</u>	<u>75,500</u>	<u>58,891</u>	<u>16,609</u>
Total criminal justice center operations	<u>409,548</u>	<u>409,548</u>	<u>348,521</u>	<u>61,027</u>
Department of public safety:				
Salaries	41,500	41,608	41,209	399
Fringe benefits	15,760	15,652	15,032	620
Operating expenses	7,900	7,900	6,422	1,478
Capital outlay	<u>19,000</u>	<u>19,000</u>	<u>16,300</u>	<u>2,700</u>
Total department of public safety	<u>84,160</u>	<u>84,160</u>	<u>78,963</u>	<u>5,197</u>
DPS Hangar:				
Operating expenses	-	3,500	3,200	300
Capital outlay	<u>-</u>	<u>2,000</u>	<u>1,499</u>	<u>501</u>
Total DPS hangar	<u>-</u>	<u>5,500</u>	<u>4,699</u>	<u>801</u>
Parks and wildlife:				
Operating expenses	<u>900</u>	<u>939</u>	<u>935</u>	<u>4</u>
Total parks and wildlife	<u>900</u>	<u>939</u>	<u>935</u>	<u>4</u>
Texas alcoholic beverage commission:				
Operating expenses	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total alcoholic beverage commission	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Juvenile board:				
Salaries	98,613	98,613	98,613	-
Fringe benefits	<u>42,885</u>	<u>42,885</u>	<u>40,203</u>	<u>2,682</u>
Total juvenile board	<u>141,498</u>	<u>141,498</u>	<u>138,816</u>	<u>2,682</u>
Total public safety	<u>14,539,964</u>	<u>14,559,359</u>	<u>13,361,897</u>	<u>1,197,462</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and human services:				
Veterans services:				
Salaries	\$ 69,042	\$ 69,305	\$ 69,305	\$ -
Fringe benefits	12,855	12,897	12,734	163
Operating expenses	14,440	14,135	13,111	1,024
Total veterans services	<u>96,337</u>	<u>96,337</u>	<u>95,150</u>	<u>1,187</u>
Civil defense:				
Operating expenses	22,500	22,500	6,028	16,472
Total civil defense	<u>22,500</u>	<u>22,500</u>	<u>6,028</u>	<u>16,472</u>
Environmental protection:				
Operating expenses	28,000	28,000	-	28,000
Total environmental protection	<u>28,000</u>	<u>28,000</u>	<u>-</u>	<u>28,000</u>
911 Addressing:				
Salaries	79,880	100,800	97,014	3,786
Fringe benefits	32,345	30,941	27,368	3,573
Operating expenses	27,895	14,495	8,956	5,539
Total 911 addressing	<u>140,120</u>	<u>146,236</u>	<u>133,338</u>	<u>12,898</u>
Health:				
Salaries	339,615	351,769	341,515	10,254
Fringe benefits	145,105	132,951	132,503	448
Operating expenses	1,062,675	1,060,587	904,812	155,775
Capital outlay	-	2,088	2,088	-
Total health	<u>1,547,395</u>	<u>1,547,395</u>	<u>1,380,918</u>	<u>166,477</u>
Historical commission:				
Operating expenses	6,525	6,525	2,639	3,886
Total historical commission	<u>6,525</u>	<u>6,525</u>	<u>2,639</u>	<u>3,886</u>
Contributions:				
Operating expenses	783,299	806,799	766,414	40,385
Total contributions	<u>783,299</u>	<u>806,799</u>	<u>766,414</u>	<u>40,385</u>
Total health and human services	<u>2,624,176</u>	<u>2,653,792</u>	<u>2,384,487</u>	<u>269,305</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public buildings:				
CSCD annex:				
Operating expenses	\$ -	\$ 3,680	\$ 3,680	\$ -
Total service center building	<u>-</u>	<u>3,680</u>	<u>3,680</u>	<u>-</u>
Courthouse building:				
Salaries	\$ 466,918	\$ 494,952	\$ 470,236	\$ 24,716
Fringe benefits	233,595	233,355	205,855	27,500
Operating expenses	<u>791,150</u>	<u>801,095</u>	<u>661,403</u>	<u>139,692</u>
Total courthouse building	<u>1,491,663</u>	<u>1,529,402</u>	<u>1,337,494</u>	<u>191,908</u>
Service center building:				
Operating expenses	<u>45,250</u>	<u>45,250</u>	<u>31,160</u>	<u>14,090</u>
Total service center building	<u>45,250</u>	<u>45,250</u>	<u>31,160</u>	<u>14,090</u>
Greggton building:				
Salaries	6,209	6,209	2,268	3,941
Fringe benefits	1,375	1,375	531	844
Operating expenses	<u>25,800</u>	<u>25,800</u>	<u>23,612</u>	<u>2,188</u>
Total Greggton building	<u>33,384</u>	<u>33,384</u>	<u>26,411</u>	<u>6,973</u>
Gladewater Commerce Street building:				
Operating expenses	<u>15,850</u>	<u>15,850</u>	<u>11,607</u>	<u>4,243</u>
Total Gladewater Commerce Street building	<u>15,850</u>	<u>15,850</u>	<u>11,607</u>	<u>4,243</u>
Longview Eastman Road building:				
Operating expenses	<u>10,600</u>	<u>10,600</u>	<u>9,199</u>	<u>1,401</u>
Total Longview Easton Road building	<u>10,600</u>	<u>10,600</u>	<u>9,199</u>	<u>1,401</u>
Jail building:				
Operating expenses	<u>347,000</u>	<u>347,000</u>	<u>304,303</u>	<u>42,697</u>
Total jail building	<u>347,000</u>	<u>347,000</u>	<u>304,303</u>	<u>42,697</u>
M. A. Smith Criminal Justice Center:				
Operating expenses	<u>51,500</u>	<u>51,500</u>	<u>46,370</u>	<u>5,130</u>
Total M. A. Smith Criminal Justice Center	<u>51,500</u>	<u>51,500</u>	<u>46,370</u>	<u>5,130</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Youth detention center:				
Operating expenses	\$ 126,750	\$ 126,750	\$ 55,548	\$ 71,202
Total youth detention center	126,750	126,750	55,548	71,202
Community building maintenance:				
Salaries	32,658	32,781	32,482	299
Fringe benefits	15,425	15,302	14,108	1,194
Operating expenses	10,400	10,400	7,305	3,095
Total community building maintenance	58,483	58,483	53,895	4,588
Longview Whaley Street community building:				
Salaries	18,112	18,112	18,083	29
Fringe benefits	3,995	3,995	3,607	388
Operating expenses	35,000	42,815	33,366	9,449
Capital outlay	-	4,500	4,323	177
Total Longview Whaley Street community building	57,107	69,422	59,379	10,043
Judson community building:				
Operating expenses	12,300	9,731	6,786	2,945
Capital outlay	-	2,569	2,569	-
Total Judson community building	12,300	12,300	9,355	2,945
Garfield Hill community building:				
Operating expenses	10,725	10,725	8,520	2,205
Total Garfield Hill community building	10,725	10,725	8,520	2,205

(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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Liberty City office/community building:				
Operating expenses	\$ 29,760	\$ 26,760	\$ 10,183	\$ 16,577
Total Liberty City office/ community building	29,760	26,760	10,183	16,577
Hugh Camp Memorial Park:				
Operating expenses	24,600	30,600	14,912	15,688
Total Hugh Camp Memorial Park	24,600	30,600	14,912	15,688
Olivia R. Hilburn community building:				
Operating expenses	23,325	33,325	25,238	8,087
Total Olivia R. Hilburn community building	23,325	33,325	25,238	8,087
Kilgore office and community building:				
Salaries	28,927	29,038	29,038	-
Fringe benefits	14,610	14,499	13,359	1,140
Operating expenses	54,350	41,350	20,476	20,874
Total Kilgore office and community building	97,887	84,887	62,873	22,014
Kilgore South Street building:				
Operating expenses	-	213	213	-
Total Kilgore South Street building	-	213	213	-
Elderville community building:				
Operating expenses	17,417	16,986	10,442	6,544
Total Elderville community building	17,417	16,986	10,442	6,544

(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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Easton community building:				
Operating expenses	\$ -	\$ 218	\$ 218	\$ -
Total Easton community building	<u>-</u>	<u>218</u>	<u>218</u>	<u>-</u>
West Harrison volunteer fire department building:				
Operating expenses	<u>2,600</u>	<u>2,600</u>	<u>1,011</u>	<u>1,589</u>
Total West Harrison volunteer fire department building	<u>2,600</u>	<u>2,600</u>	<u>1,011</u>	<u>1,589</u>
Total public buildings	<u>2,456,201</u>	<u>2,509,935</u>	<u>2,082,011</u>	<u>427,924</u>
Transportation and roads:				
Right of way:				
Operating expenses	<u>-</u>	<u>1,420,755</u>	<u>615,141</u>	<u>805,614</u>
Total right of way	<u>-</u>	<u>1,420,755</u>	<u>615,141</u>	<u>805,614</u>
Transportation and road expense:				
Operating expenses	<u>-</u>	<u>3,309,557</u>	<u>3,309,557</u>	<u>-</u>
Total transportation and road expense	<u>-</u>	<u>3,309,557</u>	<u>3,309,557</u>	<u>-</u>
Total transportation and roads	<u>-</u>	<u>4,730,312</u>	<u>3,924,698</u>	<u>805,614</u>
Debt service - principal:				
Capital lease	<u>6,425</u>	<u>6,425</u>	<u>6,107</u>	<u>318</u>
Total debt service - principal	<u>6,425</u>	<u>6,425</u>	<u>6,107</u>	<u>318</u>
Debt service - interest:				
Capital lease	<u>1,935</u>	<u>1,935</u>	<u>1,899</u>	<u>36</u>
Total debt service - interest	<u>1,935</u>	<u>1,935</u>	<u>1,899</u>	<u>36</u>
Total expenditures	<u>35,846,981</u>	<u>40,843,089</u>	<u>36,586,427</u>	<u>4,256,662</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXCESS OF REVENUES OVER EXPENDITURES	\$ 930,594	\$(4,065,514)	\$ 3,739,354	\$(708,456)
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
Capital improvement fund	-	4,513,057	3,736,579	(776,478)
Permanent improvement	-	9,063	9,063	-
Computer upgrade projects	-	83,260	83,255	(5)
Total operating transfers from other funds	-	4,605,380	3,828,897	(776,483)
Operating transfers to other funds:				
Transfer - grant match	(38,750)	(33,250)	-	33,250
Road and bridge	(300,000)	(300,000)	(300,000)	-
Violence against women grant	(45,000)	(45,000)	(42,406)	2,594
307th drug court	(30,000)	-	-	-
Capital improvement fund	(700,000)	(700,000)	(700,000)	-
Concession operations	-	(600)	-	600
Print shop	-	(8,935)	(8,935)	-
Total operating transfers to other funds	(1,113,750)	(1,087,785)	(1,051,341)	36,444
Sale of capital assets	25,000	25,000	-	(25,000)
Insurance proceeds - loss of fixed assets	-	19,972	19,972	-
Total other financing sources (uses)	(1,088,750)	3,562,567	2,797,528	(765,039)
NET CHANGE IN FUND BALANCE	(158,156)	(502,947)	6,536,882	7,039,829
FUND BALANCE, BEGINNING	21,799,089	21,799,089	21,799,089	-
FUND BALANCE, ENDING	\$ 21,640,933	\$ 21,296,142	\$ 28,335,971	\$ 7,039,829

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

ROAD AND BRIDGE

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 2,948,282	\$ 2,948,282	\$ 2,926,114	\$(22,168)
Current penalty and interest	20,000	20,000	14,999	(5,001)
Delinquent property taxes	91,696	91,696	76,381	(15,315)
Delinquent penalty and interest	17,500	17,500	21,547	4,047
Motor vehicle sales tax	<u>650,000</u>	<u>650,000</u>	<u>787,107</u>	<u>137,107</u>
Total taxes	<u>3,727,478</u>	<u>3,727,478</u>	<u>3,826,148</u>	<u>98,670</u>
Licenses and permits:				
Motor vehicle registration	1,080,000	1,080,000	1,121,677	41,677
Weight permits	<u>12,000</u>	<u>12,000</u>	<u>11,612</u>	(388)
Total licenses and permits	<u>1,092,000</u>	<u>1,092,000</u>	<u>1,133,289</u>	<u>41,289</u>
Intergovernmental:				
Lateral road	<u>20,000</u>	<u>20,000</u>	<u>24,439</u>	<u>4,439</u>
Total intergovernmental	<u>20,000</u>	<u>20,000</u>	<u>24,439</u>	<u>4,439</u>
Fines and forfeitures:				
Misdemeanor fines	498,000	498,000	422,978	(75,022)
Felony fines	55,000	55,000	124,624	69,624
Civil/BF fines	<u>35,000</u>	<u>35,000</u>	<u>26,678</u>	(8,322)
Total fines and forfeitures	<u>588,000</u>	<u>588,000</u>	<u>574,280</u>	(13,720)
Investment earnings:				
Interest	8,000	8,000	(723)	(8,723)
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>10,303</u>	<u>10,303</u>
Total investment earnings	<u>8,000</u>	<u>8,000</u>	<u>9,580</u>	<u>1,580</u>
Miscellaneous:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>10,018</u>	<u>10,018</u>
Total miscellaneous	<u>-</u>	<u>-</u>	<u>10,018</u>	<u>10,018</u>
Total revenues	<u>5,435,478</u>	<u>5,435,478</u>	<u>5,577,754</u>	<u>142,276</u>
EXPENDITURES				
Transportation and roads:				
Administration:				
Salaries	258,916	258,916	258,916	-
Fringe benefits	83,293	83,293	77,374	5,919
Operating expenses	<u>43,500</u>	<u>43,500</u>	<u>20,468</u>	<u>23,032</u>
Total administration	<u>385,709</u>	<u>385,709</u>	<u>356,758</u>	<u>28,951</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Transportation and roads: (Continued)				
Road and bridge - general:				
Operating expenses	\$ 254,900	\$ 254,900	\$ 250,812	\$ 4,088
Total road and bridge - general	<u>254,900</u>	<u>254,900</u>	<u>250,812</u>	<u>4,088</u>
Road and bridge - precinct no. 1:				
Salaries	677,080	681,030	644,049	36,981
Fringe benefits	289,580	285,630	235,418	50,212
Operating expenses	596,720	589,637	565,837	23,800
Capital outlay	-	7,083	6,182	901
Total road and bridge - precinct no. 1	<u>1,563,380</u>	<u>1,563,380</u>	<u>1,451,486</u>	<u>111,894</u>
Road and bridge - precinct no. 2:				
Salaries	34,642	34,766	34,022	744
Fringe benefits	14,550	14,426	13,475	951
Operating expenses	56,745	56,745	17,564	39,181
Total road and bridge - precinct no. 2	<u>105,937</u>	<u>105,937</u>	<u>65,061</u>	<u>40,876</u>
Road and bridge - precinct no. 3:				
Salaries	729,141	729,141	680,040	49,101
Fringe benefits	314,745	314,745	261,467	53,278
Operating expenses	1,129,430	969,630	861,219	108,411
Capital outlay	47,580	72,436	68,412	4,024
Total road and bridge - precinct no. 3	<u>2,220,896</u>	<u>2,085,952</u>	<u>1,871,138</u>	<u>214,814</u>
Road and bridge - precinct no. 4:				
Salaries	506,766	516,473	481,881	34,592
Fringe benefits	222,805	213,098	188,477	24,621
Operating expenses	416,600	417,771	311,382	106,389
Capital outlay	-	2,155	1,905	250
Total road and bridge - precinct no. 4	<u>1,146,171</u>	<u>1,149,497</u>	<u>983,645</u>	<u>165,852</u>
Transportation and road expense:				
Operating expenses	-	955,242	1,061,636	(106,394)
Total transportation and road expense	<u>-</u>	<u>955,242</u>	<u>1,061,636</u>	<u>(106,394)</u>
Total transportation and roads	<u>5,676,993</u>	<u>6,500,617</u>	<u>6,040,536</u>	<u>460,081</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Transportation and roads: (Continued)				
Debt service:				
Principal:				
Principal - capital lease	\$ 497,635	\$ 497,635	\$ 497,622	\$ 13
Total principal	<u>497,635</u>	<u>497,635</u>	<u>497,622</u>	<u>13</u>
Interest and fiscal charges:				
Interest - capital lease	18,635	18,635	18,623	12
Total interest and fiscal charges	<u>18,635</u>	<u>18,635</u>	<u>18,623</u>	<u>12</u>
Total debt service	<u>516,270</u>	<u>516,270</u>	<u>516,245</u>	<u>25</u>
Total expenditures	<u>6,193,263</u>	<u>7,016,887</u>	<u>6,556,781</u>	<u>460,106</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(757,785)</u>	<u>(1,581,409)</u>	<u>(979,027)</u>	<u>602,382</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
General fund	300,000	300,000	300,000	-
Total operating transfers to other funds	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Operating transfers to other funds:				
General fund	-	(157,200)	(156,768)	432
Total operating transfers to other funds	<u>-</u>	<u>(157,200)</u>	<u>(156,768)</u>	<u>432</u>
Sale of capital assets	-	42,256	22,255	(20,001)
Gain/loss - disposal of fixed assets	470,976	(450,976)	-	450,976
Insurance proceeds - loss of capital assets	-	3,326	4,694	1,368
Total other financing sources and (uses)	<u>770,976</u>	<u>(262,594)</u>	<u>170,181</u>	<u>432,775</u>
NET CHANGE IN FUND BALANCE	13,191	(1,844,003)	(808,846)	1,035,157
FUND BALANCE, BEGINNING	<u>5,292,032</u>	<u>5,292,032</u>	<u>5,292,032</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 5,305,223</u>	<u>\$ 3,448,029</u>	<u>\$ 4,483,186</u>	<u>\$ 1,035,157</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2011

	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 446,142
Investments	2,301,211
Interest receivable	2,832
Accounts receivable, net of allowances	28,316
Inventory	<u>16,872</u>
Total current assets	<u>2,795,373</u>
Noncurrent assets:	
Capital assets:	
Equipment	18,794
Less: accumulated depreciation	<u>(12,051)</u>
Total capital assets	<u>6,743</u>
Total noncurrent assets	<u>6,743</u>
Total assets	<u>2,802,116</u>
LIABILITIES	
Current liabilities:	
Accounts payable	300,264
Accrued liabilities	<u>1,402</u>
Total current liabilities	<u>301,666</u>
Total liabilities	<u>301,666</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,743
Unrestricted	<u>2,493,707</u>
Total net assets	<u>\$ 2,500,450</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

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

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 4,669,163
Total operating revenues	<u>4,669,163</u>
OPERATING EXPENSES	
Salaries	23,867
Fringe benefits	11,840
Supplies	43,253
Copying machine	7,856
Repairs and maintenance service	733
Insurance consultant	22,000
Claim expenses	4,257,446
Administrative	557,070
Depreciation	<u>3,759</u>
Total operating expenses	<u>4,927,824</u>
OPERATING LOSS	(258,661)
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>9,622</u>
Total nonoperating revenues (expenses)	<u>9,622</u>
LOSS BEFORE TRANSFERS	(249,039)
TRANSFERS IN	<u>8,935</u>
CHANGES IN NET ASSETS	(240,104)
TOTAL NET ASSETS, BEGINNING	<u>2,740,554</u>
TOTAL NET ASSETS, ENDING	<u>\$ 2,500,450</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services	\$ 4,702,191
Cash paid to suppliers for goods and services	(4,769,829)
Net cash used by operating activities	<u>(67,638)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	<u>8,935</u>
Net cash provided by noncapital financing activities	<u>8,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	2,875,000
Purchase of investments	(2,500,000)
Earnings on investments	<u>2,162</u>
Net cash provided by investing activities	<u>377,162</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	318,459
CASH AND CASH EQUIVALENTS, BEGINNING	<u>127,683</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 446,142</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$(258,661)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	3,759
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Inventory	(2,756)
Accounts receivable	66,669
Prepays	30,909
Increase (decrease) in liabilities:	
Accounts payable	92,286
Accrued liabilities	<u>156</u>
Net cash used by operations	<u>\$(67,638)</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 5,931,333
Investments	3,289,851
Accounts receivable	<u>2,714</u>
 Total assets	 \$ <u>9,223,898</u>
LIABILITIES	
Due to others	\$ <u>9,223,898</u>
 Total liabilities	 \$ <u>9,223,898</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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)

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, 2011, 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 Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners' Court.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers unrestricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of unassigned funds, then assigned funds, and finally committed.

The constraints placed on fund balance for the major governmental funds and all other governmental funds as of September 30, 2011, are as follows:

Fund Balances	General	Road and Bridge	Capital Improvement	Airport Improvement	Other Governmental Funds	Total
Nonspendable:						
Prepays	\$ 41,219	\$ -	\$ -	\$ -	\$ -	\$ 41,219
Inventory	-	96,484	-	-	6,526	103,010
<i>Total nonspendable</i>	<u>41,219</u>	<u>96,484</u>	<u>-</u>	<u>-</u>	<u>6,526</u>	<u>144,229</u>
Restricted for:						
Archive restoration	743,251	-	-	-	-	743,251
Bail bond board	27,395	-	-	-	-	27,395
Road and bridge	-	4,182,749	-	-	-	4,182,749
Airport improvements	-	-	-	170,363	-	170,363
FM 349 project	-	-	-	-	19,507	19,507
Oilfield theft prosecution	-	-	-	-	10,504	10,504
Public safety	-	-	-	-	458,547	458,547
Court technology	-	-	-	-	129,425	129,425
Court records preservation	-	-	-	-	48,123	48,123
Elections	-	-	-	-	41,271	41,271
Records management	-	-	-	-	604,556	604,556
Law library	-	-	-	-	93,189	93,189
Judicial grants	-	-	-	-	73,324	73,324
Security	-	-	-	-	59,834	59,834
Medical corps	-	-	-	-	664	664
VIT collection	-	-	-	-	6,099	6,099
District attorney	-	-	-	-	36,701	36,701
Permanent improvements	-	-	-	-	3,391,230	3,391,230
<i>Total restricted</i>	<u>770,646</u>	<u>4,182,749</u>	<u>-</u>	<u>170,363</u>	<u>4,972,974</u>	<u>10,096,732</u>
Committed for:						
Healthcare donations	-	-	-	-	2,687,276	2,687,276
<i>Total committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,687,276</u>	<u>2,687,276</u>
Assigned for:						
Hwy 149 project	29,136	-	-	-	-	29,136
Nonroad and bridge projects	-	203,953	-	-	-	203,953
Airport operations	-	-	-	-	1,084,198	1,084,198
Capital improvements	-	-	19,479,235	-	-	19,479,235
Capital projects	-	-	-	-	504,448	504,448
<i>Total assigned</i>	<u>29,136</u>	<u>203,953</u>	<u>19,479,235</u>	<u>-</u>	<u>1,588,646</u>	<u>19,983,683</u>
Total fund balances	<u>\$ 841,001</u>	<u>\$ 4,483,186</u>	<u>\$ 19,479,235</u>	<u>\$ 170,363</u>	<u>\$ 6,568,146</u>	<u>\$ 34,229,207</u>

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

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(272,092) difference are as follows:

Capital outlay	\$ 5,473,151
Depreciation expense	<u>(5,745,243)</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>(272,092)</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 \$(159,831) 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>(159,831)</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>(159,831)</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 \$508,532 difference are as follows:

Principal repayments:	
Capital lease	\$ <u>508,532</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>508,532</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 \$18,617 difference are as follows:

Compensated absences	\$	9,908
Accrued interest		8,709
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>		\$ 18,617

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.

Change in Accounting Principles

For fiscal year 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the County reclassifying fund balances of its governmental funds.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

On September 30, 2011, the total carrying amount of the County's deposits was \$23,164,019 (consisting of Governmental Funds in the amount of \$13,496,693, Internal Service Funds of \$446,142 and Trust and Agency Funds of \$9,221,184) and the bank balances of the County were \$23,437,666. \$22,781,755 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, \$655,911, was covered by FDIC insurance.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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, 2011. 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, 2011.

Investment types on September 30, 2011, 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.

As of September 30, 2011, the County had the following investments:

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 21,429,126	44
Texas Revenue Bond	3,061,440	335
U. S. Treasury Bond	2,510,350	244
U. S. Agency Securities:		
Federal Home Loan Bank	7,502,250	371
Federal Farm Credit Bank	4,021,800	910
Federal Home Loan Mortgage Corp.	5,765,216	633
Fannie Mae	<u>4,997,375</u>	640
Total U. S. Agency Securities	<u>22,286,641</u>	
 Total portfolio	 <u>\$ 49,287,557</u>	
 Portfolio weighted average maturity (days)		 448

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, 2011, 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, 2011, were rated as follows:

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAm	Standard & Poor's
Texas Revenue Bond		
U. S. Treasury Bond		
U. S. Agency Securities:		
Federal Home Loan Bank	AA+	Moody
Federal Farm Credit Bank	AAA	Moody
Federal Home Loan Mortgage Corp.	AA+	Moody
Fannie Mae	AA+	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.

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	\$ 802,151	\$ 189,060	\$ -	\$ -	\$ 125,205	\$ -	\$ 1,116,416
Accounts	1,715,110	1,212,700	20,804	26	194,745	31,148	3,174,533
Due from other governments	<u>3,210,405</u>	<u>6,970</u>	<u>-</u>	<u>283,312</u>	<u>446,749</u>	<u>-</u>	<u>3,947,436</u>
Gross receivables	5,727,666	1,408,730	20,804	283,338	766,699	31,148	8,238,385
Less: allowance for uncollectibles	<u>(337,278)</u>	<u>(79,493)</u>	<u>-</u>	<u>-</u>	<u>(52,645)</u>	<u>-</u>	<u>(469,416)</u>
Net total receivables	<u>\$ 5,390,388</u>	<u>\$ 1,329,237</u>	<u>\$ 20,804</u>	<u>\$ 283,338</u>	<u>\$ 714,054</u>	<u>\$ 31,148</u>	<u>\$ 7,768,969</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:

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

	Unavailable	Unearned
General fund		
Delinquent property taxes receivable	\$ 405,386	\$ -
Fines	1,554,104	-
Road and bridge:		
Delinquent property taxes receivable	97,806	-
Fines	1,172,514	-
Nonmajor funds:		
Delinquent property taxes receivable	61,659	-
Other	175,423	6
Total governmental funds	\$ 3,466,892	\$ 6

Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,315,910	\$ -	\$ -	\$ 1,315,910
Construction in progress	2,155,875	1,759,944	1,827,113	2,088,706
Total assets not being depreciated	3,471,785	1,759,944	1,827,113	3,404,616
Capital assets, being depreciated:				
Buildings and improvements	37,814,031	1,327,192	-	39,141,223
Equipment	16,925,037	1,277,499	260,326	17,942,210
Infrastructure	70,217,473	2,935,629	-	73,153,102
Total capital assets being depreciated	124,956,541	5,540,320	260,326	130,236,535
Accumulated depreciation:				
Buildings and improvements	(19,042,272)	(981,642)	-	(20,023,914)
Equipment	(9,881,228)	(1,584,637)	(100,495)	(11,365,370)
Infrastructure	(35,700,328)	(3,182,723)	-	(38,883,051)
Total accumulated depreciation	(64,623,828)	(5,749,002)	(100,495)	(70,272,335)
Total capital assets being depreciated, net	60,332,713	(208,682)	159,831	59,964,200
Governmental activities capital assets, net	\$ 63,804,498	\$ 1,551,262	\$ 1,986,944	\$ 63,368,816

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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

Governmental activities:	
General government	\$ 2,627,980
Judicial	8,313
Public safety	460,219
Health and human services	13,807
Public buildings	832,802
Transportation and roads	<u>1,805,881</u>
 Total depreciation expense - governmental activities	 \$ <u>5,749,002</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Due to/from other funds:

<u>Due to Fund</u>	<u>Amount</u>
General	\$ 2,000
District Attorney - General	23,466
Violence Against Women Prosecution 08/31/11	9,785
Violence Against Women Prosecution 08/31/12	3,790
Bioterrorism Grant - TDH 07/31/12	1,898
Immunization Contract 08/31/11	46,828
Immunization Contract 08/31/12	6,638
HAVA - Opportunity 12/31/08	661
Energy Efficiency Block 06/30/12	86,365
Airport Improvement	<u>37,272</u>
	 \$ <u>218,703</u>

Interfund transfers:

	<u>Transfer In</u>					<u>Total</u>
	<u>General</u>	<u>Road and Bridge</u>	<u>Capital Improvement</u>	<u>Airport Improvement</u>	<u>Other Governmental</u>	
Transfer out:						
General	\$ -	\$ -	\$ 3,736,579	\$ -	\$ 92,318	\$ 3,828,897
Road and bridge	300,000	-	-	-	-	300,000
Capital improvement	700,000	-	-	-	-	700,000
Airport improvement	-	-	75,000	-	-	75,000
Other governmental	42,406	156,768	550,000	-	5,400	754,574
Internal service fund	<u>8,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,935</u>
 Total transfers out	 \$ <u>1,051,341</u>	 \$ <u>156,768</u>	 \$ <u>4,361,579</u>	 \$ <u>-</u>	 \$ <u>97,718</u>	 \$ <u>5,667,406</u>

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

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The County currently has no outstanding bonds payable.

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Capital leases payable	\$ 522,190	\$ -	\$ 508,532	\$ 13,658	\$ 5,824
Compensated absences	<u>662,752</u>	<u>535</u>	<u>10,444</u>	<u>652,843</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>\$ 1,184,942</u>	<u>\$ 535</u>	<u>\$ 518,976</u>	<u>\$ 666,501</u>	<u>\$ 5,824</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 2011, 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.

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 586 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 10.10% for the months of the accounting year in 2010 and 2011.

The deposit rate payable by the employee members for calendar year 2011 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, 2011, the annual pension cost for the TCDRS plan for its employees was \$2,088,079 and the actual contributions were \$2,088,079.

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, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010, actuarial valuation is the most recent valuation.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/08	12/31/09	12-31-10
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	20.0	14.4	17.9
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%	5.4%	5.4%
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
09/30/09	\$ 1,940,076	100%	-
09/30/10	2,059,489	100%	-
09/30/11	2,088,079	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)
2008	51,490,317	59,493,365	8,003,048	86.55%	20,509,831	39.02%
2009	57,256,667	65,104,488	7,847,821	87.95%	22,935,596	34.22%
2010	61,261,693	69,839,488	8,577,795	87.72%	22,056,031	38.89%

(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.

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2011

	Special Revenue			
	FM 349 Project	Oilfield Theft Prosecution	Constable #3 Seizures Awarded	District Court Technology
ASSETS				
Cash and cash equivalents	\$ 19,507	\$ 10,504	\$ 4,825	\$ 197
Investments	-	-	-	-
Receivables (net of allowance for uncollectibles)				
Other governments	-	-	-	-
Accounts	-	-	-	765
Delinquent property taxes	-	-	-	-
Inventory - materials/supplies	-	-	-	-
Total assets	\$ 19,507	\$ 10,504	\$ 4,825	\$ 962
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	-	-
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	739
Due to other funds	-	-	-	-
Total liabilities	-	-	-	739
Fund balances:				
Nonspendable	-	-	-	-
Restricted	19,507	10,504	4,825	223
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balances	19,507	10,504	4,825	223
Total liabilities and fund balances	\$ 19,507	\$ 10,504	\$ 4,825	\$ 962

Special Revenue

<u>County Court Technology</u>	<u>County Court Records Preservation</u>	<u>District Court Records Preservation</u>	<u>Election Service Contract</u>	<u>County Clerk Records Management</u>	<u>Law Library</u>
\$ 5,678	\$ 14,446	\$ 33,089	\$ 20,002	\$ 383,857	\$ 98,237
-	-	-	-	-	-
-	-	-	-	-	-
5,882	874	420	-	60	30,045
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,560</u>	<u>15,320</u>	<u>33,509</u>	<u>20,002</u>	<u>383,917</u>	<u>128,282</u>
\$ -	\$ -	\$ -	\$ 185	\$ 897	\$ 5,269
-	-	-	-	-	-
-	-	-	-	3,854	955
5,622	706	-	-	60	28,869
-	-	-	-	-	-
<u>5,622</u>	<u>706</u>	<u>-</u>	<u>185</u>	<u>4,811</u>	<u>35,093</u>
-	-	-	-	-	-
5,938	14,614	33,509	19,817	379,106	93,189
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,938</u>	<u>14,614</u>	<u>33,509</u>	<u>19,817</u>	<u>379,106</u>	<u>93,189</u>
<u>\$ 11,560</u>	<u>\$ 15,320</u>	<u>\$ 33,509</u>	<u>\$ 20,002</u>	<u>\$ 383,917</u>	<u>\$ 128,282</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2011

	Special Revenue			
	Airport	Child Support Title IV-D 08/31/03	Violence Against Women Prosecution 08/31/11	Violence Against Women Prosecution 08/31/12
ASSETS				
Cash and cash equivalents	\$ 340,793	\$ 9,677	\$ -	\$ -
Investments	800,019	-	-	-
Receivables (net of allowance for uncollectibles)				
Other governments	14,206	-	9,785	9,322
Accounts	9,946	-	-	-
Delinquent property taxes	38,699	-	-	-
Inventory - materials/supplies	<u>6,526</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 1,210,189</u>	 <u>\$ 9,677</u>	 <u>\$ 9,785</u>	 <u>\$ 9,322</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 37,255	\$ -	\$ -	\$ 1,399
Accounts payable - other governments	4,210	-	-	-
Accrued liabilities	45,891	-	-	4,133
Deferred revenues	32,109	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>9,785</u>	<u>3,790</u>
Total liabilities	<u>119,465</u>	<u>-</u>	<u>9,785</u>	<u>9,322</u>
Fund balances:				
Nonspendable	6,526	-	-	-
Restricted	-	9,677	-	-
Committed	-	-	-	-
Assigned	<u>1,084,198</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,090,724</u>	<u>9,677</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balances	 <u>\$ 1,210,189</u>	 <u>\$ 9,677</u>	 <u>\$ 9,785</u>	 <u>\$ 9,322</u>

Special Revenue

County Wide Records Management	Security	Bioterrorism Grant - TDH 07/31/12	Medical Corps Funding	Immunization Contract 08/31/11	Immunization Contract 08/31/12
\$ 186,647	\$ 25,229	\$ -	\$ 964	\$ -	\$ -
-	-	-	-	-	-
-	-	1,898	-	46,828	15,828
98,192	24,071	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 284,839</u>	<u>\$ 49,300</u>	<u>\$ 1,898</u>	<u>\$ 964</u>	<u>\$ 46,828</u>	<u>\$ 15,828</u>
\$ 9,292	\$ 2,164	\$ -	\$ 300	\$ -	\$ 1,959
161	-	-	-	-	-
1,224	2,057	-	-	-	7,231
95,483	23,373	-	-	-	-
-	-	1,898	-	46,828	6,638
<u>106,160</u>	<u>27,594</u>	<u>1,898</u>	<u>300</u>	<u>46,828</u>	<u>15,828</u>
-	-	-	-	-	-
178,679	21,706	-	664	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>178,679</u>	<u>21,706</u>	<u>-</u>	<u>664</u>	<u>-</u>	<u>-</u>
<u>\$ 284,839</u>	<u>\$ 49,300</u>	<u>\$ 1,898</u>	<u>\$ 964</u>	<u>\$ 46,828</u>	<u>\$ 15,828</u>

(continued)

GREGG COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2011

	Special Revenue			
			District Clerk Civil Records Management	District Clerk Criminal Records Management
	LEOSE	Justice Court Technology	Management	Management
ASSETS				
Cash and cash equivalents	\$ 74,174	\$ 129,426	\$ 33,496	\$ 4,884
Investments	-	-	-	-
Receivables (net of allowance for uncollectibles)				
Other governments	-	-	-	-
Accounts	-	5,901	231	4,648
Delinquent property taxes	-	-	-	-
Inventory - materials/supplies	-	-	-	-
Total assets	\$ 74,174	\$ 135,327	\$ 33,727	\$ 9,532
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 74,174	\$ 6,259	\$ 30	\$ -
Accounts payable - other governments	-	-	-	-
Accrued liabilities	-	-	82	-
Deferred revenues	-	5,804	-	4,588
Due to other funds	-	-	-	-
Total liabilities	74,174	12,063	112	4,588
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	123,264	33,615	4,944
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balances	-	123,264	33,615	4,944
Total liabilities and fund balances	\$ 74,174	\$ 135,327	\$ 33,727	\$ 9,532

Special Revenue

Justice of the Peace Security	County Clerk Criminal Records Management	Chapter 19 Funds	HAVA - Leasing Equipment	HAVA - Opportunity 12/31/08	Health Care Fund
\$ 38,104	\$ 8,460	\$ 674	\$ 23,130	\$ -	\$ 34,051
	-	-	-	-	2,650,080
-	-	14,000	-	661	-
1,287	9,088	-	-	-	3,145
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 39,391</u>	<u>\$ 17,548</u>	<u>\$ 14,674</u>	<u>\$ 23,130</u>	<u>\$ 661</u>	<u>\$ 2,687,276</u>
\$ -	\$ 89	\$ 14,000	\$ 2,350	\$ -	\$ -
-	-	-	-	-	-
-	342	-	-	-	-
1,263	8,905	-	-	-	-
-	-	-	-	661	-
<u>1,263</u>	<u>9,336</u>	<u>14,000</u>	<u>2,350</u>	<u>661</u>	<u>-</u>
-	-	-	-	-	-
38,128	8,212	674	20,780	-	-
-	-	-	-	-	2,687,276
-	-	-	-	-	-
<u>38,128</u>	<u>8,212</u>	<u>674</u>	<u>20,780</u>	<u>-</u>	<u>2,687,276</u>
<u>\$ 39,391</u>	<u>\$ 17,548</u>	<u>\$ 14,674</u>	<u>\$ 23,130</u>	<u>\$ 661</u>	<u>\$ 2,687,276</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2011

	Special Revenue			
	SCAAP Grant	SCAAP Grant FY10	SCAAP Grant FY11	Block Grant Street Improvement 09/14/11
ASSETS				
Cash and cash equivalents	\$ 1,056	\$ 25,593	\$ 36,998	\$ -
Investments	-	-	-	-
Receivables (net of allowance for uncollectibles)				
Other governments	-	-	-	1,500
Accounts	-	-	-	-
Delinquent property taxes	-	-	-	-
Inventory - materials/supplies	-	-	-	-
Total assets	<u>\$ 1,056</u>	<u>\$ 25,593</u>	<u>\$ 36,998</u>	<u>\$ 1,500</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,500
Accounts payable - other governments	-	-	-	-
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	1,056	25,593	36,998	-
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balances	<u>1,056</u>	<u>25,593</u>	<u>36,998</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,056</u>	<u>\$ 25,593</u>	<u>\$ 36,998</u>	<u>\$ 1,500</u>

Special Revenue

CDBG Disaster Recovery 01/31/12	Energy Efficiency Block 06/30/12	VIT Operating	Sheriff Asset and Forfeiture	Sheriff Enforcement	Sheriff Inmate Welfare
\$ 5	\$ -	\$ 6,099	\$ 31,367	\$ 72,634	\$ 171,456
-	-	-	-	-	-
246,356	86,365	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>246,361</u>	<u>86,365</u>	<u>6,099</u>	<u>31,367</u>	<u>72,634</u>	<u>171,456</u>
\$ 246,356	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
5	-	-	-	-	-
-	86,365	-	-	-	-
<u>246,361</u>	<u>86,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	6,099	31,367	72,634	171,456
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>6,099</u>	<u>31,367</u>	<u>72,634</u>	<u>171,456</u>
<u>\$ 246,361</u>	<u>\$ 86,365</u>	<u>\$ 6,099</u>	<u>\$ 31,367</u>	<u>\$ 72,634</u>	<u>\$ 171,456</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2011

	Special Revenue		
	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account	District Attorney General
ASSETS			
Cash and cash equivalents	\$ 149,427	\$ 28,838	\$ 60,167
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	-	-	-
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	\$ 149,427	\$ 28,838	\$ 60,167
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenues	-	-	-
Due to other funds	-	-	23,466
Total liabilities	-	-	23,466
Fund balances:			
Nonspendable	-	-	-
Restricted	149,427	28,838	36,701
Committed	-	-	-
Assigned	-	-	-
Total fund balances	149,427	28,838	36,701
Total liabilities and fund balances	\$ 149,427	\$ 28,838	\$ 60,167

Capital Projects

<u>Permanent Improvement</u>	<u>Parking Garage Construction</u>	<u>Courthouse ADA Compliance Project</u>	<u>Longview Community Center Renovation</u>	<u>Computer Upgrade Projects</u>	<u>Courthouse Phone System</u>	<u>Totals</u>
\$ 2,136,646	\$ 150,011	\$ 145,581	\$ 250,680	\$ -	\$ 94,180	\$ 4,860,789
1,250,095	-	-	-	-	-	4,700,194
-	-	-	-	-	-	446,749
190	-	-	-	-	-	194,745
33,861	-	-	-	-	-	72,560
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,526</u>
<u>\$ 3,420,792</u>	<u>\$ 150,011</u>	<u>\$ 145,581</u>	<u>\$ 250,680</u>	<u>\$ -</u>	<u>\$ 94,180</u>	<u>\$ 10,281,563</u>
\$ -	\$ -	\$ -	\$ 58,535	\$ -	\$ 77,469	\$ 539,482
-	-	-	-	-	-	4,371
-	-	-	-	-	-	65,769
29,562	-	-	-	-	-	237,088
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,431</u>
<u>29,562</u>	<u>-</u>	<u>-</u>	<u>58,535</u>	<u>-</u>	<u>77,469</u>	<u>1,026,141</u>
-	-	-	-	-	-	6,526
3,391,230	-	-	-	-	-	4,972,974
-	-	-	-	-	-	2,687,276
<u>-</u>	<u>150,011</u>	<u>145,581</u>	<u>192,145</u>	<u>-</u>	<u>16,711</u>	<u>1,588,646</u>
<u>3,391,230</u>	<u>150,011</u>	<u>145,581</u>	<u>192,145</u>	<u>-</u>	<u>16,711</u>	<u>9,255,422</u>
<u>\$ 3,420,792</u>	<u>\$ 150,011</u>	<u>\$ 145,581</u>	<u>\$ 250,680</u>	<u>\$ -</u>	<u>\$ 94,180</u>	<u>\$ 10,281,563</u>

GREGG COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue			
	FM 349 Project	Oilfield Theft Prosecution	Constable #3 Seizures Awarded	District Court Technology
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	217
Interest	-	1	-	-
Rent and commissions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	1	-	217
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	2,578	-	-
Public safety	-	-	-	-
Health and human services	-	-	-	-
Transportation and roads	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	-	2,578	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,577)	-	217
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Insurance proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(2,577)	-	217
FUND BALANCES, BEGINNING	19,507	13,081	4,825	6
FUND BALANCES, ENDING	\$ 19,507	\$ 10,504	\$ 4,825	\$ 223

Special Revenues

County Court Technology	County Court Records Preservation	District Court Records Preservation	Election Service Contract	County Clerk Management Records	Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1	-	-	-
4,557	9,045	19,048	7,239	118,440	57,986
-	-	-	2	25	8
-	-	-	-	-	-
-	-	-	-	-	213
<u>4,557</u>	<u>9,045</u>	<u>19,049</u>	<u>7,241</u>	<u>118,465</u>	<u>58,207</u>
-	-	-	8,087	116,780	-
-	-	-	-	-	81,223
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	739	-	2,640
-	-	-	32	-	256
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,858</u>	<u>116,780</u>	<u>84,119</u>
<u>4,557</u>	<u>9,045</u>	<u>19,049</u>	<u>(1,617)</u>	<u>1,685</u>	<u>(25,912)</u>
-	-	-	-	-	-
-	-	-	-	(1,700)	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,700)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,700)</u>	<u>-</u>
4,557	9,045	19,049	(1,617)	(15)	(25,912)
<u>1,381</u>	<u>5,569</u>	<u>14,460</u>	<u>21,434</u>	<u>379,121</u>	<u>119,101</u>
<u>\$ 5,938</u>	<u>\$ 14,614</u>	<u>\$ 33,509</u>	<u>\$ 19,817</u>	<u>\$ 379,106</u>	<u>\$ 93,189</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, 2011

	Special Revenue			
	Airport	Child Support Title IV-D 08/31/03	Violence Against Women Prosecution 08/31/11	Violence Against Women Prosecution 08/31/12
REVENUES				
Taxes	\$ 1,695,036	\$ -	\$ -	\$ -
Intergovernmental	70,769	-	60,775	9,321
Charges for services	16,352	-	-	-
Interest	461	-	-	-
Rent and commissions	219,233	-	-	-
Miscellaneous	6	-	-	-
Total revenues	<u>2,001,857</u>	<u>-</u>	<u>60,775</u>	<u>9,321</u>
EXPENDITURES				
Current:				
General government	851,508	-	-	-
Judicial	-	-	103,181	9,321
Public safety	747,493	-	-	-
Health and human services	-	-	-	-
Transportation and roads	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>1,599,001</u>	<u>-</u>	<u>103,181</u>	<u>9,321</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>402,856</u>	<u>-</u>	<u>(42,406)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	42,406	-
Transfers out	-	-	-	-
Insurance proceeds	946	-	-	-
Total other financing sources (uses)	<u>946</u>	<u>-</u>	<u>42,406</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	403,802	-	-	-
FUND BALANCES, BEGINNING	<u>686,922</u>	<u>9,677</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,090,724</u>	<u>\$ 9,677</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

County Wide Records Management	Security	Bioterrorism Grant - TDH 07/31/10	Bioterrorism Grant - TDH 07/31/12	Texas VINE Program 08/31/11	State Homeland Grant VI 02/28/11
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	13,355	45,457	30,710	39,744
60,292	65,751	-	-	-	-
12	-	-	-	-	-
-	-	-	-	-	-
-	-	-	19,168	-	-
<u>60,304</u>	<u>65,751</u>	<u>13,355</u>	<u>64,625</u>	<u>30,710</u>	<u>39,744</u>
54,614	-	-	-	-	-
-	-	-	-	-	-
-	56,182	-	-	30,710	39,744
-	-	13,355	64,625	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>54,614</u>	<u>56,182</u>	<u>13,355</u>	<u>64,625</u>	<u>30,710</u>	<u>39,744</u>
<u>5,690</u>	<u>9,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,400	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11,090	9,569	-	-	-	-
<u>167,589</u>	<u>12,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 178,679</u>	<u>\$ 21,706</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, 2011

	Special Revenue			
	HAVA Grant	Medical Corps Funding	Immunization Contract 08/31/11	Immunization Contract 08/31/11
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	72,515	-	176,705	15,828
Charges for services	-	-	-	-
Interest	-	-	-	-
Rent and commissions	-	-	-	-
Miscellaneous	-	-	79,100	-
Total revenues	<u>72,515</u>	<u>-</u>	<u>255,805</u>	<u>15,828</u>
EXPENDITURES				
Current:				
General government	72,515	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and human services	-	12,449	255,805	15,828
Transportation and roads	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>72,515</u>	<u>12,449</u>	<u>255,805</u>	<u>15,828</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(12,449)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Insurance proceeds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(12,449)	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>13,113</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 664</u>	<u>\$ -</u>	<u>\$ -</u>

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	Chapter 19 Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	14,000
25,385	11,209	1,248	6,309	4,034	-
8	2	-	2	1	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>25,393</u>	<u>11,211</u>	<u>1,248</u>	<u>6,311</u>	<u>4,035</u>	<u>14,000</u>
-	-	-	-	8,639	14,000
14,654	8,819	2,192	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,654</u>	<u>8,819</u>	<u>2,192</u>	<u>-</u>	<u>8,639</u>	<u>14,000</u>
<u>10,739</u>	<u>2,392</u>	<u>(944)</u>	<u>6,311</u>	<u>(4,604)</u>	<u>-</u>
-	-	-	-	-	-
-	(1,700)	-	-	(2,000)	-
-	-	-	-	-	-
<u>-</u>	<u>(1,700)</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>
10,739	692	(944)	6,311	(6,604)	-
<u>112,525</u>	<u>32,923</u>	<u>5,888</u>	<u>31,817</u>	<u>14,816</u>	<u>674</u>
\$ <u>123,264</u>	\$ <u>33,615</u>	\$ <u>4,944</u>	\$ <u>38,128</u>	\$ <u>8,212</u>	\$ <u>674</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, 2011

	Special Revenue			
	HAVA - Leasing Equipment	Health Care Fund	SCAAP Grant	SCAAP Grant FY10
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	46,228	-	-
Charges for services	11,445	-	-	-
Interest	-	12,374	-	-
Rent and commissions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	11,445	58,602	-	-
EXPENDITURES				
Current:				
General government	12,760	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and human services	-	75,000	-	-
Transportation and roads	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	12,760	75,000	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,315)	(16,398)	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Insurance proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,315)	(16,398)	-	-
FUND BALANCES, BEGINNING	22,095	2,703,674	1,056	25,593
FUND BALANCES, ENDING	\$ 20,780	\$ 2,687,276	\$ 1,056	\$ 25,593

(continued)

Special Revenue

SCAAP Grant FY11	Block Grant Street Improvement 09/14/11	CDBG Disaster Recovery 01/31/12	Energy Efficiency Block 06/30/12	JAG 06/30/12	VIT Operating
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47,433	150,009	723,265	86,365	10,529	-
-	-	-	-	-	-
-	-	-	-	-	7,181
-	-	-	-	-	-
<u>47,433</u>	<u>150,009</u>	<u>723,265</u>	<u>86,365</u>	<u>10,529</u>	<u>7,181</u>
-	-	538	-	-	9,722
-	-	-	-	-	-
10,435	-	-	-	10,529	-
-	-	722,727	86,365	-	-
-	306,777	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,435</u>	<u>306,777</u>	<u>723,265</u>	<u>86,365</u>	<u>10,529</u>	<u>9,722</u>
<u>36,998</u>	<u>(156,768)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,541)</u>
-	156,768	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>156,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
36,998	-	-	-	-	(2,541)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,640</u>
<u>\$ 36,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,099</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, 2011

	Special Revenue			
	Sheriff Asset and Forfeiture	Sheriff Enforcement	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	16	48
Rent and commissions	-	-	182,019	-
Miscellaneous	<u>2,100</u>	<u>41,298</u>	<u>4,934</u>	<u>31,437</u>
Total revenues	<u>2,100</u>	<u>41,298</u>	<u>186,969</u>	<u>31,485</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Public safety	15,904	56,430	158,841	97,768
Health and human services	-	-	-	-
Transportation and roads	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>15,904</u>	<u>56,430</u>	<u>158,841</u>	<u>97,768</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(13,804)</u>	<u>(15,132)</u>	<u>28,128</u>	<u>(66,283)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Insurance proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(13,804)</u>	<u>(15,132)</u>	<u>28,128</u>	<u>(66,283)</u>
FUND BALANCES, BEGINNING	<u>45,171</u>	<u>87,766</u>	<u>143,328</u>	<u>215,710</u>
FUND BALANCES, ENDING	<u>\$ 31,367</u>	<u>\$ 72,634</u>	<u>\$ 171,456</u>	<u>\$ 149,427</u>

Capital Projects

Code Federal Enforcement Account	District Attorney General	Permanent Improvement	Parking Garage Construction	Courthouse ADA Compliance Project	Longview Community Center Renovation
\$ -	\$ -	\$ 1,107,991	\$ -	\$ -	\$ -
-	30,448	-	-	-	-
-	55,169	-	-	-	-
29	-	2,866	11	10	10
-	-	-	-	-	-
<u>20,663</u>	<u>11,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>20,692</u>	<u>97,392</u>	<u>1,110,857</u>	<u>11</u>	<u>10</u>	<u>10</u>
-	-	-	-	-	-
-	94,849	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	29,043	-	-	119,225
-	<u>94,849</u>	<u>29,043</u>	<u>-</u>	<u>-</u>	<u>119,225</u>
<u>20,692</u>	<u>2,543</u>	<u>1,081,814</u>	<u>11</u>	<u>10</u>	<u>(119,215)</u>
-	-	-	-	-	155,000
-	-	(9,063)	-	-	-
-	-	-	-	-	-
-	-	<u>(9,063)</u>	<u>-</u>	<u>-</u>	<u>155,000</u>
20,692	2,543	1,072,751	11	10	35,785
<u>8,146</u>	<u>34,158</u>	<u>2,318,479</u>	<u>150,000</u>	<u>145,571</u>	<u>156,360</u>
<u>\$ 28,838</u>	<u>\$ 36,701</u>	<u>\$ 3,391,230</u>	<u>\$ 150,011</u>	<u>\$ 145,581</u>	<u>\$ 192,145</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, 2011

	Capital Projects		
	Computer Upgrade Projects	Courthouse Phone System	Totals
REVENUES			
Taxes	\$ -	\$ -	\$ 2,803,027
Intergovernmental	-	-	1,643,457
Charges for services	-	-	473,726
Interest	-	20	23,087
Rent and commissions	-	-	401,252
Miscellaneous	-	-	210,694
Total revenues	-	20	5,555,243
EXPENDITURES			
Current:			
General government	-	-	1,149,163
Judicial	-	-	316,817
Public safety	-	-	1,224,036
Health and human services	-	-	1,246,154
Transportation and roads	-	-	306,777
Debt service:			
Principal	-	-	3,379
Interest and fiscal charges	-	-	288
Capital projects	-	658,323	806,591
Total expenditures	-	658,323	5,053,205
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(658,303)	502,038
OTHER FINANCING SOURCES (USES)			
Transfers in	-	395,000	754,574
Transfers out	(83,255)	-	(97,718)
Insurance proceeds	-	-	946
Total other financing sources (uses)	(83,255)	395,000	657,802
NET CHANGE IN FUND BALANCES	(83,255)	(263,303)	1,159,840
FUND BALANCES, BEGINNING	83,255	280,014	8,095,582
FUND BALANCES, ENDING	\$ -	\$ 16,711	\$ 9,255,422

INTERNAL SERVICE FUNDS

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2011

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 22,653	\$ 423,489	\$ 446,142
Investments	-	2,301,211	2,301,211
Interest receivable	-	2,832	2,832
Accounts receivable, net of allowance	715	27,601	28,316
Inventory	<u>16,872</u>	<u>-</u>	<u>16,872</u>
Total current assets	<u>40,240</u>	<u>2,755,133</u>	<u>2,795,373</u>
Noncurrent assets:			
Capital assets:			
Equipment	18,794	-	18,794
Less accumulated depreciation	<u>(12,051)</u>	<u>-</u>	<u>(12,051)</u>
Total capital assets	<u>6,743</u>	<u>-</u>	<u>6,743</u>
Total noncurrent assets	<u>6,743</u>	<u>-</u>	<u>6,743</u>
Total assets	<u>46,983</u>	<u>2,755,133</u>	<u>2,802,116</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,091	297,173	300,264
Accrued liabilities	<u>1,402</u>	<u>-</u>	<u>1,402</u>
Total liabilities	<u>4,493</u>	<u>297,173</u>	<u>301,666</u>
NET ASSETS			
Invested in capital assets	6,743	-	6,743
Unrestricted	<u>35,747</u>	<u>2,457,960</u>	<u>2,493,707</u>
Total net assets	<u>\$ 42,490</u>	<u>\$ 2,457,960</u>	<u>\$ 2,500,450</u>

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

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

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Print Shop	Self- Insurance	Totals
OPERATING REVENUES			
Charges for services	\$ 99,626	\$ 4,569,537	\$ 4,669,163
Total operating revenues	99,626	4,569,537	4,669,163
OPERATING EXPENSES			
Salaries	23,867	-	23,867
Fringe benefits	11,840	-	11,840
Supplies	43,253	-	43,253
Copying machine	7,856	-	7,856
Repairs and maintenance service	733	-	733
Insurance consultant	-	22,000	22,000
Claim expenses	-	4,257,446	4,257,446
Administrative	-	557,070	557,070
Depreciation	3,759	-	3,759
Total operating expenses	91,308	4,836,516	4,927,824
OPERATING INCOME (LOSS)	8,318	(266,979)	(258,661)
NONOPERATING REVENUES			
Investment earnings	-	9,622	9,622
INCOME (LOSS) BEFORE TRANSFERS	8,318	(257,357)	(249,039)
TRANSFERS IN	8,935	-	8,935
CHANGE IN NET ASSETS	17,253	(257,357)	(240,104)
TOTAL NET ASSETS, BEGINNING	25,237	2,715,317	2,740,554
TOTAL NET ASSETS, ENDING	\$ 42,490	\$ 2,457,960	\$ 2,500,450

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 101,151	\$ 4,601,040	\$ 4,702,191
Cash paid to suppliers for goods and services	<u>(88,404)</u>	<u>(4,681,425)</u>	<u>(4,769,829)</u>
Net cash provided (used) by operating activities	<u>12,747</u>	<u>(80,385)</u>	<u>(67,638)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	<u>8,935</u>	<u>-</u>	<u>8,935</u>
Net cash flows provided by capital and related financing activities	<u>8,935</u>	<u>-</u>	<u>8,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investments	-	2,875,000	2,875,000
Purchase of investments	-	(2,500,000)	(2,500,000)
Investment earnings	<u>-</u>	<u>2,162</u>	<u>2,162</u>
Net cash flows provided by investing activities	<u>-</u>	<u>377,162</u>	<u>377,162</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,682	296,777	318,459
CASH AND CASH EQUIVALENTS, BEGINNING	<u>971</u>	<u>126,712</u>	<u>127,683</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 22,653</u>	<u>\$ 423,489</u>	<u>\$ 446,142</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 8,318	\$(266,979)	\$(258,661)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,759	-	3,759
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	(2,756)	-	(2,756)
Accounts receivable	1,283	65,386	66,669
Prepays	7	30,902	30,909
Increase (decrease) in liabilities:			
Accounts payable	1,980	90,306	92,286
Accrued liabilities	<u>156</u>	<u>-</u>	<u>156</u>
Net cash provided (loss) by operating activities	<u>\$ 12,747</u>	<u>\$(80,385)</u>	<u>\$(67,638)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

AGENCY FUNDS

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2011

	<u>Tax Assessor- Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>
ASSETS				
Cash	\$ 1,311,995	\$ 427,847	\$ 2,461,239	\$ 201,610
Investments	763,000	495,302	2,031,549	-
Accounts receivable	<u>-</u>	<u>2,714</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,074,995</u>	<u>\$ 925,863</u>	<u>\$ 4,492,788</u>	<u>\$ 201,610</u>
LIABILITIES				
Due to others	<u>\$ 2,074,995</u>	<u>\$ 925,863</u>	<u>\$ 4,492,788</u>	<u>\$ 201,610</u>
Total liabilities	<u>\$ 2,074,995</u>	<u>\$ 925,863</u>	<u>\$ 4,492,788</u>	<u>\$ 201,610</u>

<u>District Attorney</u>	<u>Code Forfeiture Pending</u>	<u>State Fees</u>	<u>Gregg/ Harrison First Call Warning</u>	<u>Juvenile Probation</u>	<u>Totals</u>
\$ 343,833	\$ 40,193	\$ 294,772	\$ 10,107	\$ 839,737	\$ 5,931,333
-	-	-	-	-	3,289,851
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,714</u>
<u>\$ 343,833</u>	<u>\$ 40,193</u>	<u>\$ 294,772</u>	<u>\$ 10,107</u>	<u>\$ 839,737</u>	<u>\$ 9,223,898</u>
<u>\$ 343,833</u>	<u>\$ 40,193</u>	<u>\$ 294,772</u>	<u>\$ 10,107</u>	<u>\$ 839,737</u>	<u>\$ 9,223,898</u>
<u>\$ 343,833</u>	<u>\$ 40,193</u>	<u>\$ 294,772</u>	<u>\$ 10,107</u>	<u>\$ 839,737</u>	<u>\$ 9,223,898</u>

THIS PAGE LEFT BLANK INTENTIONALLY

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

<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	\$ 1,943,078	\$ 192,558,165	\$ 192,426,248	\$ 2,074,995
County clerk	884,078	1,618,151	1,579,080	923,149
District clerk	2,751,717	4,440,439	2,699,368	4,492,788
Sheriff	194,878	1,840,792	1,834,060	201,610
District attorney	476,616	708,366	841,149	343,833
Code forfeiture pending	35,357	7,349	2,513	40,193
State fees	300,860	1,284,650	1,290,738	294,772
Gregg/Harrison first call warning	8,107	2,000	-	10,107
Juvenile probation	<u>554,049</u>	<u>2,847,963</u>	<u>2,562,275</u>	<u>839,737</u>
	<u>\$ 7,148,740</u>	<u>\$ 205,307,875</u>	<u>\$ 203,235,431</u>	<u>\$ 9,221,184</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gregg County, as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 22, 2012. 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 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 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

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

May 22, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Gregg County, Texas (the "County") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2011. The County's major federal programs are identified in the summary of auditor's 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 County's management. Our responsibility is to express an opinion on 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; and 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 that 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 of the County's compliance with those requirements.

In our opinion, the County, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

May 22, 2012

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

Pass-through Grantor's Number	Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Total Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Rural Affairs:			
DRS010058	CDBG Disaster Recovery Non-Entitlement Grant	14.228	\$ 723,265
R729180	Block Grant Street Improvement	14.225	<u>150,009</u>
	Total Passed through Texas Department of Rural Affairs		<u>873,274</u>
	Total U. S. Department of Housing and Urban Development		<u>873,274</u>
<u>U. S. Department of Justice</u>			
Passed through the Criminal Justice Council:			
WF-10-V30-13450-14	Violence Against Women	16.588	9,323
WF-10-V30-13450-13	Violence Against Women	16.588	<u>60,776</u>
	Total Passed through the Criminal Justice Council		<u>70,099</u>
Passed through the Office of the Governor:			
2010-APBX-0267	State Criminal Alien Assistance Program	16.738	<u>47,433</u>
	Total Passed through the Office of the Governor		<u>47,433</u>
Passed through the City of Longview:			
2010-DJ-BX-0496	2010 Recovery Act JAG Grant	16.738	<u>10,529</u>
	Total Passed through the City of Longview		<u>10,529</u>
	Total U. S. Department of Justice		<u>128,061</u>
<u>U. S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
3-48-0137-34-2009	Airport Development Projects	20.106	<u>1,263,850</u>
	Total Passed through Federal Aviation Administration		<u>1,263,850</u>
	Total U. S. Department of Transportation		<u>1,263,850</u>
<u>U. S. Department of Energy</u>			
Passed through Texas Comptroller of Public Accounts:			
R729180	EECBG	81.128	<u>86,365</u>
	Total Passed through the Texas Comptroller of Public Accounts		<u>86,365</u>
	Total U. S. Department of Energy		<u>86,365</u>

(continued)

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2011

Pass-through Grantor's Number	Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Total Expenditures
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Secretary of State:			
N/A	Help America Vote Act - Opportunity for Access	90.401	\$ <u>72,515</u>
	Total Passed through Texas Secretary of State		<u>72,515</u>
Passed through Texas Department of State			
Health Services:			
2011-035489-001	Immunization Branch - Locals	93.268	\$ 176,705
2012-035489-001	Immunization Branch - Locals	93.268	<u>15,828</u>
	Total Passed through Texas Department of State Health Services		<u>192,533</u>
Passed through Texas Department of Protective and Regulatory Services:			
2009-031927	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	13,355
2011-031927	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	<u>45,457</u>
	Total Passed through Texas Department of Protective and Regulatory Services		<u>58,812</u>
Direct:			
23379902	Title IV-E Legal Reimbursement	93.658	<u>6,501</u>
	Total U. S. Department of Health and Human Services		<u>330,361</u>
<u>U. S. Department of Homeland Security</u>			
Passed through Transportation Security Administration:			
HSTS0208HSLR154	TSA-OSSA-LEO Reimbursement Program	97.090	<u>70,769</u>
	Total Passed through Transportation Security Administration		<u>70,769</u>
	Total U. S. Department of Homeland Security		<u>70,769</u>
	Total Federal Awards		\$ <u>2,752,680</u>

GREGG COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2011

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, 2011

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs	Unqualified
--	-------------

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
--	------

Identification of major programs:

CFDA Number(s) #14.228 #20.106 ARRA	Name of Federal Program or Cluster: Community Development Block Grant Airport Development
---	---

Dollar threshold used to distinguish between type A and type B programs	\$300,000
---	-----------

Auditee qualified as low-risk auditee?	No
--	----

Findings Related 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

None

GREGG COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

None

THIS PAGE LEFT BLANK INTENTIONALLY