

**HENDERSON COUNTY,
TEXAS**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2007**

**PREPARED BY:
HENDERSON COUNTY AUDITOR'S OFFICE
Ann Marie Lee, CPA – County Auditor**

HENDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

HENDERSON COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2007

Office	Name
County Judge	Judge David Holstein
Commissioner–Precinct 1	Joe Hall
Commissioner–Precinct 2	Wade McKinney
Commissioner–Precinct 3	Ronald Lawrence
Commissioner–Precinct 4	Jerry West
County Attorney	James Owen
County Auditor	Ann Marie Lee
County Clerk	Gwen Moffeit
County Tax Assessor/Collector	Milburn Chaney
County Treasurer	Karin Smith
Sheriff	J. R. “Ronny” Brownlow
District Clerk	Becky Hanks
District Attorney	Donna Bennett
Justice of the Peace–Precinct 1	Henry Ashford
Justice of the Peace–Precinct 2	Dale Blaylock
Justice of the Peace–Precinct 3	Sue Starnes
Justice of the Peace–Precinct 4	Sue Tarrant
Justice of the Peace–Precinct 5	Judy Newman
Justice of the Peace–Precinct 6	Milton Adams
Constable–Precinct 1	Daryl Graham
Constable–Precinct 2	Norman Terry
Constable–Precinct 3	David Grubbs
Constable–Precinct 4	Rick Stewart
Constable–Precinct 5	Brad Miers
Constable–Precinct 6	Mike Warren
Juvenile Probation	Bonny Turnage
Chief Community Supervision & Corrections Officer	Ty Choate
County Court-at-Law No. 1 Judge	Judge Matt Livingston
County Court-at-Law No. 2 Judge	Judge Nancy Adams Perryman
173rd District Judge	Judge Dan Moore
3rd District Judge	Judge Mark Calhoon
392nd District Judge	Judge Carter Tarrance

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Texas as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County, Texas' 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Texas, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Road and Bridge Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of Henderson County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Henderson County, Texas's basic financial statements. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Pattillo, Brown & Hill, LLP

December 31, 2008

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Henderson County, we offer readers of Henderson County's financial statements this narrative overview and analysis of the financial activities of Henderson County for the fiscal year ended December 31, 2007. The MD&A should be read in conjunction with the County's basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the Henderson County exceeded its liabilities at the close of fiscal year 2007 by \$44,784,598 (*net assets*). Of this amount, \$12,377,110 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net assets increased by \$3,218,978.
- As of December 31, 2007, Henderson County's governmental funds reported combined ending fund balances of \$14,011,272. This increase is primarily due to budgetary controls and increased property valuation.
- At the end of fiscal year 2007, unreserved fund balance for the General Fund was \$10,296,255, an increase of 23.81% from the prior year. This increase is primarily due to budgetary controls and increased property valuation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Henderson County's basic financial statements. Henderson 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 Henderson County's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Henderson 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 Henderson 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 Henderson 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 Henderson County include general government, legal, health and welfare, judicial, public safety, culture and recreation, roads and bridges and interest on long-term debt. Henderson County business-type activities consist of a recreational arena and corresponding concessions.

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. Henderson 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 the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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*.

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 and Jail Expansion Funds, all of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Henderson County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds – Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an Enterprise Fund to account for the Fair Park operations.

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 statements because the resources of those funds are *not* available to support Henderson County's own programs.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules that further support the information in the financial statements. The combining fund statements and schedules for nonmajor funds are presented immediately following the notes to the financial statements beginning on page 53 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 Henderson County, assets exceeded liabilities by \$44,784,598 at the close of the most recent fiscal year.

Investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any debt used to acquire those assets that are still outstanding accounted for \$28,692,471 of the County's net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the 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.

HENDERSON COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 32,032,902	\$ 34,242,492	\$ 111,715	\$ 131,689	\$ 32,144,617	\$ 34,374,181
Capital assets	37,460,252	16,045,356	1,150,442	1,224,690	38,610,694	17,270,046
Total assets	69,493,154	50,287,848	1,262,157	1,356,379	70,755,311	51,644,227
Long-term liabilities	9,431,278	9,976,430	111,485	136,108	9,542,763	10,112,538
Other liabilities	16,387,663	16,286,451	40,287	44,830	16,427,950	16,331,281
Total liabilities	25,818,941	26,262,881	151,772	180,938	25,970,713	26,443,819
Net assets:						
Invested in capital assets, net of related debt	27,678,137	5,639,923	1,014,334	1,065,517	28,692,471	6,705,440
Restricted	3,715,017	8,537,289	-	-	3,715,017	8,537,289
Unrestricted	12,281,059	9,847,755	96,051	110,374	12,377,110	9,958,129
Total net assets	\$ 43,674,213	\$ 24,024,967	\$ 1,110,385	\$ 1,175,891	\$ 44,784,598	\$ 25,200,858

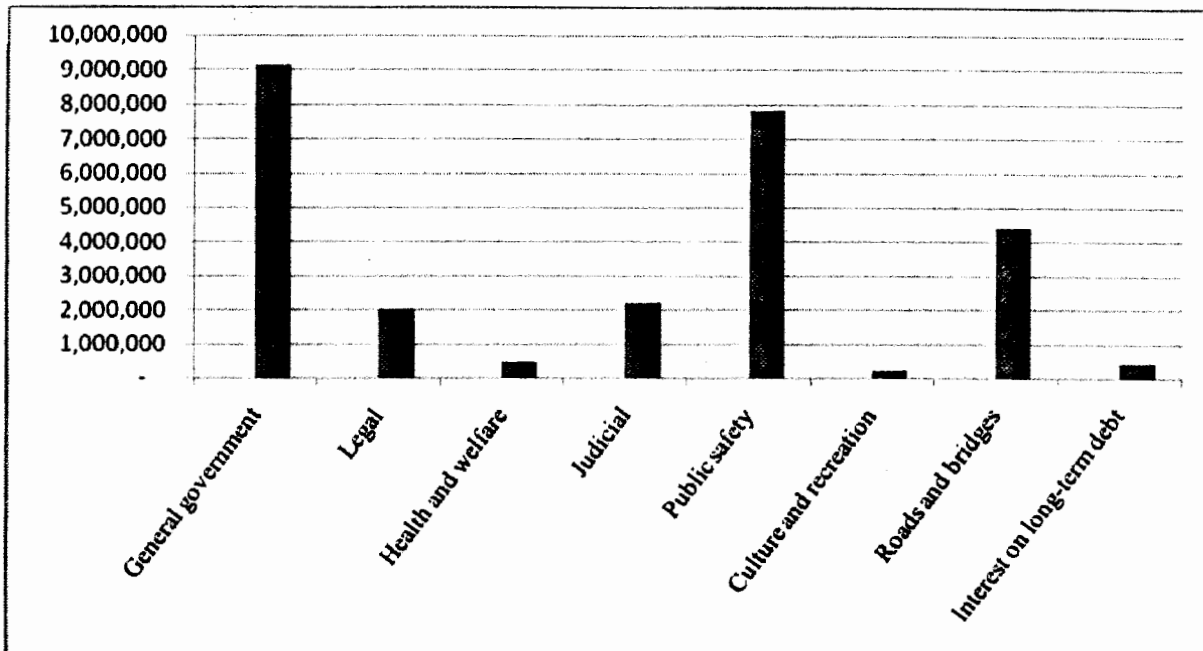
An additional portion of Henderson County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the County's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities increased Henderson County's net assets by \$3,284,484.

HENDERSON COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 5,824,087	\$ 6,670,190	\$ 289,523	\$ 297,904	\$ 6,113,610	\$ 6,968,094
Operating grants and contributions	718,357	484,208	57,927	110,694	776,284	594,902
Capital grants and contributions	305,747	645,937	-	-	305,747	645,937
General revenues:						
Property taxes	21,417,115	18,997,551	-	-	21,417,115	18,997,551
Other taxes	82,549	74,341	-	-	82,549	74,341
Investment earnings	1,308,064	1,177,456	22,916	34,621	1,330,980	1,212,077
Miscellaneous	266,084	27,602	-	-	266,084	27,602
Total revenues	29,922,003	28,077,285	370,366	443,219	30,292,369	28,520,504
Expenses:						
Governmental activities:						
General government	9,112,074	9,599,568	-	-	9,112,074	9,599,568
Legal	2,001,105	1,624,361	-	-	2,001,105	1,624,361
Health and welfare	462,955	382,363	-	-	462,955	382,363
Judicial	2,191,670	2,267,397	-	-	2,191,670	2,267,397
Public safety	7,820,811	7,048,304	-	-	7,820,811	7,048,304
Culture and recreation	197,674	181,887	-	-	197,674	181,887
Roads and bridges	4,404,061	5,345,431	-	-	4,404,061	5,345,431
Interest on long-term debt	423,552	311,652	-	-	423,552	311,652
Business-type activities:						
Fair Park	-	-	345,413	328,950	345,413	328,950
Fair Park development	-	-	41,806	29,681	41,806	29,681
Fair Park Concessions	-	-	72,270	74,430	72,270	74,430
Total expenses	26,613,902	26,760,963	459,489	433,061	27,073,391	27,194,024
Decreases in net assets before transfers	3,308,101	1,316,322	(89,123)	10,158	3,218,978	1,326,480
Transfers	(23,617)	(25,079)	23,617	25,079	-	-
Change in net assets	3,284,484	1,291,243	(65,506)	35,237	3,218,978	1,326,480
Net assets, beginning	24,024,967	20,948,518	1,175,891	1,120,870	25,200,858	22,069,388
Prior period adjustment	16,364,762	1,785,206	-	19,784	16,364,762	1,804,990
Net assets, ending	\$ 43,674,213	\$ 24,024,967	\$ 1,110,385	\$ 1,175,891	\$ 44,784,598	\$ 25,200,858



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds. The focus of Henderson County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2007, Henderson County's *governmental funds* reported combined ending fund balances of \$14,011,272. The increase over 2006 is attributable to frugal fiscal management and increased property values.

The General Fund is the chief operating fund of Henderson County. At the end of fiscal year 2007, the General Fund had an ending fund balance of \$10,296,255. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. All of this balance is unreserved and available for general funding.

During 2007, the Henderson County's General Fund fund balance increased by \$1,980,443, or 23.82%. This increase is primarily the result of an increase in property valuations and interest income.

The Road and Bridge Fund had an ending fund balance of \$1,094,608, a net increase of \$258,446. The increase in fund balance was mainly due to the increase in property values.

General Fund Budgetary Highlights

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

- Net increase of \$860,216 in expenditure appropriations

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Henderson County's investment in capital assets for its governmental activities as of December 31, 2007, was \$38,610,694 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furniture and equipment and infrastructure.

HENDERSON COUNTY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,960,688	\$ 2,931,086	\$ 250,504	\$ 250,504	\$ 3,211,192	\$ 3,181,590
Construction in progress	7,553,530	1,854,424	-	-	7,553,530	1,854,424
Buildings and improvements	13,481,011	13,632,430	1,714,150	1,714,150	15,195,161	15,346,580
Furniture and equipment	9,283,046	8,497,665	68,839	68,839	9,351,885	8,566,504
Infrastructure	32,283,205	19,179,908	-	-	32,283,205	19,179,908
Less: accumulated depreciation	(28,101,228)	(30,050,157)	(883,051)	(808,803)	(28,984,279)	(30,858,960)
Total capital assets	\$ 37,460,252	\$ 16,045,356	\$ 1,150,442	\$ 1,224,690	\$ 38,610,694	\$ 17,270,046

Additional information on the County's capital assets can be found in the notes to financial statements.

Long-term Debt. At the end of fiscal year 2007, Henderson County had total debt outstanding of \$9,918,223, which includes \$9,616,638 in outstanding bonds. Certificates of Obligation in the amount of \$90,000, and accrued compensated absences of \$786,788 comprise the remaining balance.

Henderson County maintains an "AAA" rating from Standard & Poor's and an "A2" rating from Moody's for general obligation debt.

Additional information on the County's long-term debt can be found in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commissioners' Court adopted the County's budget for the fiscal year 2008 during September 2007. The budget was adopted based on anticipated resources and estimated uses in fiscal year 2008.

Construction of the jail expansion has been significantly delayed. Anticipation of revenues generated from housing out-of-county inmate housing is not expected to start until the spring of 2009.

The current recession faced by America has been hardest on our Road and Bridge Fund due to the increase in road materials. Through conservative management and planning by the Henderson County Commissioners' Court, the Court believes the citizens of the County will feel no ill effects.

REQUESTS FOR INFORMATION

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

Auditor's Office
100 E. Tyler, St Room 300
Athens, TX 75751

**BASIC
FINANCIAL STATEMENTS**

HENDERSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 28,682,820	\$ 111,934	\$ 28,794,754
Receivables, net of allowance for uncollectibles			
Taxes	2,129,142	-	2,129,142
Fines	701,218	-	701,218
Other	88,405	-	88,405
Internal balances	219	(219)	-
Due from other governments	405,327	-	405,327
Inventories	25,771	-	25,771
Total current assets	32,032,902	111,715	32,144,617
Noncurrent assets:			
Capital assets:			
Land	2,960,688	250,504	3,211,192
Construction in progress	7,553,530	-	7,553,530
Buildings and improvements	13,481,011	1,714,150	15,195,161
Furniture and equipment	9,283,046	68,839	9,351,885
Infrastructure	32,283,205	-	32,283,205
Less: accumulated depreciation	(28,101,228)	(883,051)	(28,984,279)
Total capital assets	37,460,252	1,150,442	38,610,694
Total noncurrent assets	37,460,252	1,150,442	38,610,694
Total assets	69,493,154	1,262,157	70,755,311
LIABILITIES			
Current liabilities:			
Accounts payable	1,470,991	12,749	1,483,740
Accrued liabilities	349,138	2,915	352,053
Due to other governments	252,463	-	252,463
Unearned revenue	12,827,966	-	12,827,966
Cash bond deposits	290,712	-	290,712
Accrued interest payable	58,768	-	58,768
General obligation bonds	935,000	-	935,000
Capital lease obligation	45,267	14,623	59,890
Certificates of obligation	-	10,000	10,000
Compensated absences	157,358	-	157,358
Total current liabilities	16,387,663	40,287	16,427,950
Noncurrent liabilities:			
General obligation bonds	8,681,638	-	8,681,638
Capital lease obligation	120,210	31,485	151,695
Certificates of obligation	-	80,000	80,000
Compensated absences	629,430	-	629,430
Total noncurrent liabilities	9,431,278	111,485	9,542,763
Total liabilities	25,818,941	151,772	25,970,713
NET ASSETS			
Invested in capital assets, net of related debt	27,678,137	1,014,334	28,692,471
Restricted for:			
Roads and bridges	1,094,608	-	1,094,608
Capital projects	1,094,884	-	1,094,884
Debt service	610,339	-	610,339
Other purposes	915,186	-	915,186
Unrestricted	12,281,059	96,051	12,377,110
Total net assets	\$ 43,674,213	\$ 1,110,385	\$ 44,784,598

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 9,112,074	\$ 2,245,794	\$ 280,240	\$ -
Legal	2,001,105	109,765	63,503	-
Health and welfare	462,955	-	84,101	171,686
Judicial	2,191,670	1,687,605	151,247	-
Public safety	7,820,811	255,537	139,266	-
Culture and recreation	197,674	16,527	-	-
Roads and bridges	4,404,061	1,508,859	-	134,061
Interest on long-term debt	423,552	-	-	-
Total governmental activities	<u>26,613,902</u>	<u>5,824,087</u>	<u>718,357</u>	<u>305,747</u>
Business-type activities:				
Fair Park	345,413	212,097	44,902	-
Fair Park development	41,806	-	13,025	-
Fair Park concessions	72,270	77,426	-	-
Total business-type activities	<u>459,489</u>	<u>289,523</u>	<u>57,927</u>	<u>-</u>
Total	<u>\$ 27,073,391</u>	<u>\$ 6,113,610</u>	<u>\$ 776,284</u>	<u>\$ 305,747</u>

General revenues:

Taxes:

Property

Alcoholic beverages

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, as previously stated

Prior period adjustment

Net assets, beginning, as restated

Net assets, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$(6,586,040)	\$ -	\$(6,586,040)
(1,827,837)	-	(1,827,837)
(207,168)	-	(207,168)
(352,818)	-	(352,818)
(7,426,008)	-	(7,426,008)
(181,147)	-	(181,147)
(2,761,141)	-	(2,761,141)
<u>(423,552)</u>	<u>-</u>	<u>(423,552)</u>
<u>(19,765,711)</u>	<u>-</u>	<u>(19,765,711)</u>
-	(88,414)	(88,414)
-	(28,781)	(28,781)
-	<u>5,156</u>	<u>5,156</u>
<u>-</u>	<u>(112,039)</u>	<u>(112,039)</u>
<u>(19,877,750)</u>	<u>(112,039)</u>	<u>(19,989,789)</u>
21,417,115	-	21,417,115
82,549	-	82,549
1,308,064	22,916	1,330,980
266,084	-	266,084
<u>(23,617)</u>	<u>23,617</u>	<u>-</u>
<u>23,050,195</u>	<u>46,533</u>	<u>23,096,728</u>
3,284,484	(65,506)	3,218,978
24,024,967	1,175,891	25,200,858
<u>16,364,762</u>	<u>-</u>	<u>16,364,762</u>
<u>40,389,729</u>	<u>1,175,891</u>	<u>41,565,620</u>
<u>\$ 43,674,213</u>	<u>\$ 1,110,385</u>	<u>\$ 44,784,598</u>

HENDERSON COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Jail Expansion</u>
ASSETS			
Cash and investments	\$ 21,530,610	\$ 3,036,662	\$ 1,952,168
Receivables, net of allowance for uncollectibles:			
Taxes	1,691,098	320,894	-
Fines	701,218	-	-
Other	88,405	-	-
Due from other funds	154,082	-	-
Due from other governments	212,519	134,061	-
Inventory	<u>25,771</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 24,403,703</u>	<u>\$ 3,491,617</u>	<u>\$ 1,952,168</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	496,526	209,136	711,938
Accrued liabilities	311,376	37,603	-
Due to other funds	-	1,136	-
Due to other governments	200,544	-	-
Deferred revenue	12,808,290	2,149,134	-
Cash bond deposits	<u>290,712</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>14,107,448</u>	<u>2,397,009</u>	<u>711,938</u>
Fund balances:			
Reserved for:			
Debt service	-	-	-
Unreserved, reported in:			
General fund	10,296,255	-	-
Special revenue funds	-	1,094,608	-
Capital projects funds	<u>-</u>	<u>-</u>	<u>1,240,230</u>
Total fund balances	<u>10,296,255</u>	<u>1,094,608</u>	<u>1,240,230</u>
Total liabilities and fund balances	<u>\$ 24,403,703</u>	<u>\$ 3,491,617</u>	<u>\$ 1,952,168</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.

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

Net assets of governmental activities

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 2,163,380	\$ 28,682,820
117,150	2,129,142
-	701,218
-	88,405
-	154,082
58,747	405,327
-	25,771
<u>\$ 2,339,277</u>	<u>\$ 32,186,765</u>
53,391	1,470,991
159	349,138
152,727	153,863
51,919	252,463
700,902	15,658,326
-	290,712
<u>959,098</u>	<u>18,175,493</u>
610,339	610,339
-	10,296,255
915,186	2,009,794
(145,346)	<u>1,094,884</u>
<u>1,380,179</u>	<u>14,011,272</u>
<u>\$ 2,339,277</u>	
	37,460,252
	2,830,360
	(10,627,671)
	<u>\$ 43,674,213</u>

HENDERSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Jail Expansion</u>
REVENUES			
Taxes	\$ 16,925,782	\$ 2,792,218	\$ -
Fees of office	3,827,760	879,090	-
Intergovernmental	618,021	230,331	-
Motor vehicle registration	-	533,499	-
Records and security fees	330,460	-	-
Investment earnings	782,078	101,492	245,999
Miscellaneous	254,707	-	-
Total revenues	<u>22,738,808</u>	<u>4,536,630</u>	<u>245,999</u>
EXPENDITURES			
Current:			
General government	8,165,210	-	-
Public safety	7,524,411	-	-
Roads and bridges	-	3,620,333	-
Judicial	2,079,490	-	-
Legal	1,881,446	-	-
Health and welfare	73,052	210,974	-
Culture and recreation	153,101	-	-
Capital outlay	539,141	342,631	5,538,085
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>20,415,851</u>	<u>4,173,938</u>	<u>5,538,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,322,957</u>	<u>362,692</u>	<u>(5,292,086)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	-
Transfers in	87,725	-	345,809
Transfers out	(430,239)	(104,246)	(159,041)
Total other financing sources and uses	<u>(342,514)</u>	<u>(104,246)</u>	<u>186,768</u>
NET CHANGE IN FUND BALANCES	1,980,443	258,446	(5,105,318)
FUND BALANCES, BEGINNING	<u>8,315,812</u>	<u>836,162</u>	<u>6,345,548</u>
FUND BALANCES, ENDING	<u>\$ 10,296,255</u>	<u>\$ 1,094,608</u>	<u>\$ 1,240,230</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,338,915	\$ 21,056,915
144,647	4,851,497
276,822	1,125,174
-	533,499
-	330,460
178,495	1,308,064
11,377	266,084
<u>1,950,256</u>	<u>29,471,693</u>
15,391	8,180,601
11,847	7,536,258
-	3,620,333
76,516	2,156,006
92,453	1,973,899
173,193	457,219
41,705	194,806
414,729	6,834,586
693,215	693,215
760,907	760,907
<u>2,279,956</u>	<u>32,407,830</u>
(329,700)	(2,936,137)
190,759	190,759
272,305	705,839
(35,930)	(729,456)
<u>427,134</u>	<u>167,142</u>
97,434	(2,768,995)
<u>1,282,745</u>	<u>16,780,267</u>
\$ <u>1,380,179</u>	\$ <u>14,011,272</u>

HENDERSON COUNTY, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2007

Net change in fund balances - total governmental funds: \$(2,768,995)

Amounts reported for governmental activities in the Statement of Activities are different because:

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 exceeded depreciation in the current period. 5,115,344

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (65,210)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 450,310

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. This amount is the net effect of these differences in the treatment of long-term debt and related items. 704,523

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: (151,488)

Change in net assets of governmental activities \$ 3,284,484

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 17,090,033	\$ 17,090,033	\$ 16,925,782	\$ (164,251)
Fees of office:				
Sheriff	200,000	200,000	191,004	(8,996)
County clerk	475,000	400,000	728,643	328,643
Tax assessor/collector	935,000	935,000	1,065,396	130,396
District clerk	220,000	220,000	251,166	31,166
Justice of the peace	632,750	632,750	576,167	(56,583)
District attorney	30,000	54,000	76,964	22,964
Constable	59,500	59,500	51,783	(7,717)
Court costs	1,209,500	1,302,000	852,202	(449,798)
Other	35,000	35,000	34,435	(565)
Total fees of office	<u>3,796,750</u>	<u>3,838,250</u>	<u>3,827,760</u>	<u>(10,490)</u>
Records and security fees	337,500	337,500	330,460	(7,040)
Intergovernmental	249,500	249,500	618,021	368,521
Investment earnings	700,000	700,000	782,078	82,078
Miscellaneous	<u>178,000</u>	<u>136,500</u>	<u>254,707</u>	<u>118,207</u>
Total revenues	<u>22,351,783</u>	<u>22,351,783</u>	<u>22,738,808</u>	<u>387,025</u>
EXPENDITURES				
General government:				
County judge:				
Personnel services	190,693	190,321	188,958	1,363
Supplies and materials	2,000	2,538	2,288	250
Utilities	1,000	1,000	543	457
Business and education	1,800	2,494	2,405	89
Administrative	3,100	1,989	767	1,222
Capital outlay	-	1,250	1,225	25
Total County judge	<u>198,593</u>	<u>199,592</u>	<u>196,186</u>	<u>3,406</u>

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES (Continued)				
General government: (Continued)				
General operations:				
Personnel services	\$ 521,242	\$ 364,915	\$ 316,507	\$ 48,408
Supplies and materials	562,813	129,451	121,297	8,154
Public support	953,415	1,211,102	1,196,472	14,630
Professional services	574,966	479,538	472,155	7,383
Repairs and maintenance	5,000	315,862	313,479	2,383
Administrative	1,119,374	1,102,789	1,179,457	(76,668)
Business and education	6,000	13,788	8,361	5,427
Rental and lease	27,870	6,465	6,220	245
Capital outlay	7,500	141,937	141,759	178
Total general operations	<u>3,778,180</u>	<u>3,765,847</u>	<u>3,755,707</u>	<u>10,140</u>
County clerk:				
Personnel services	615,133	609,325	556,404	52,921
Supplies and materials	56,150	38,667	22,913	15,754
Repairs and maintenance	40,150	25,732	2,700	23,032
Utilities	500	421	421	-
Professional services	194,000	221,170	118,691	102,479
Business and education	2,950	860	848	12
Rental and lease	2,000	7,752	6,387	1,365
Capital outlay	22,000	32,118	7,386	24,732
Total County clerk	<u>932,883</u>	<u>936,045</u>	<u>715,750</u>	<u>220,295</u>
Veterans' services:				
Personnel services	19,456	19,506	17,981	1,525
Supplies and materials	100	100	55	45
Utilities	50	50	6	44
Business and education	250	200	-	200
Total veterans' services	<u>19,856</u>	<u>19,856</u>	<u>18,042</u>	<u>1,814</u>

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
General government: (Continued)				
District clerk:				
Personnel services	\$ 502,991	\$ 502,990	\$ 483,221	\$ 19,769
Supplies and materials	14,500	17,019	16,888	131
Repairs and maintenance	200	-	-	-
Business and education	1,250	1,142	1,115	27
Rental and lease	-	4,730	3,759	971
Utilities	800	170	159	11
Professional services	-	175	175	-
Capital outlay	-	6,445	5,367	1,078
Total district clerk	519,741	532,671	510,684	21,987
County auditor:				
Personnel services	736,409	736,094	636,486	99,608
Supplies and materials	13,200	9,425	6,229	3,196
Professional services	6,800	4,075	422	3,653
Repairs and maintenance	2,000	-	-	-
Rental and lease	-	4,400	4,062	338
Capital outlay	1,000	5,700	1,871	3,829
Utilities	2,200	1,075	506	569
Administrative	600	100	71	29
Business and education	8,100	9,440	7,783	1,657
Total County auditor	770,309	770,309	657,430	112,879
County treasurer:				
Personnel services	145,584	174,390	174,195	195
Supplies and materials	3,550	5,027	4,942	85
Utilities	300	211	165	46
Business and education	2,900	3,153	3,150	3
Rental and lease	-	1,250	1,173	77
Capital outlay	-	1,513	1,513	-
Administrative	71	71	71	-
Total County treasurer	152,405	185,615	185,209	406

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
General government: (Continued)				
Tax assessor/collector:				
Personnel services	\$ 740,179	\$ 740,178	\$ 731,844	\$ 8,334
Supplies and materials	76,500	81,330	77,937	3,393
Repairs and maintenance	17,200	428	-	428
Utilities	3,500	3,500	3,339	161
Professional services	500	-	-	-
Administrative	-	900	887	13
Business and education	3,500	8,862	8,840	22
Capital outlay	-	6,180	4,948	1,232
Rental and lease	8,500	8,500	7,303	1,197
Total tax assessor/collector	<u>849,879</u>	<u>849,878</u>	<u>835,098</u>	<u>14,780</u>
Maintenance:				
Personnel services	417,129	412,692	366,513	46,179
Supplies and materials	144,750	79,569	75,466	4,103
Repairs and maintenance	268,359	236,681	175,048	61,633
Utilities	793,550	745,267	646,989	98,278
Professional services	20,500	6,390	-	6,390
Rental and lease	-	24,281	22,180	2,101
Business and education	-	1,260	1,214	46
Capital outlay	113,841	76,253	28,407	47,846
Total maintenance	<u>1,758,129</u>	<u>1,582,393</u>	<u>1,315,817</u>	<u>266,576</u>
County extension office:				
Personnel services	182,763	172,760	149,506	23,254
Supplies and materials	3,350	8,313	8,252	61
Administrative	-	71	71	-
Utilities	700	700	470	230
Business and education	3,100	7,204	5,438	1,766
Capital outlay	-	865	865	-
Rental and lease	5,000	5,000	4,026	974
Total County extension office	<u>194,913</u>	<u>194,913</u>	<u>168,628</u>	<u>26,285</u>
Total general government	<u>9,174,888</u>	<u>9,037,119</u>	<u>8,358,551</u>	<u>678,568</u>

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES (Continued)				
Legal:				
County attorney:				
Personnel services	\$ 1,106,945	\$ 1,105,625	\$ 874,346	\$ 231,279
Supplies and materials	46,900	27,833	21,656	6,177
Utilities	3,500	2,247	1,550	697
Business and education	14,700	20,525	17,632	2,893
Repairs and maintenance	1,000	2,220	1,082	1,138
Rental and lease	4,800	15,375	9,894	5,481
Capital outlay	48,000	51,707	24,753	26,954
Administrative	2,250	2,563	2,280	283
Total County attorney	<u>1,228,095</u>	<u>1,228,095</u>	<u>953,193</u>	<u>274,902</u>
District attorney:				
Personnel services	693,235	825,003	824,998	5
Supplies and materials	14,500	16,232	13,999	2,233
Utilities	3,500	2,583	2,583	-
Business and education	7,500	13,633	12,831	802
Public support	-	27,500	2,327	25,173
Administrative	5,000	156,140	46,457	109,683
Professional services	3,000	45,168	43,655	1,513
Rental and lease	6,000	6,156	6,156	-
Capital outlay	-	9,100	7,637	1,463
Total district attorney	<u>732,735</u>	<u>1,101,515</u>	<u>960,643</u>	<u>140,872</u>
Total legal	<u>1,960,830</u>	<u>2,329,610</u>	<u>1,913,836</u>	<u>415,774</u>
Health and welfare:				
Health care coordination:				
Personnel services	71,969	71,964	69,095	2,869
Supplies and materials	1,200	1,074	1,049	25
Repairs and maintenance	1,700	1,725	1,725	-
Business and education	800	996	990	6
Utilities	300	210	193	17
Total health care coordination	<u>75,969</u>	<u>75,969</u>	<u>73,052</u>	<u>2,917</u>
Total health and welfare	<u>75,969</u>	<u>75,969</u>	<u>73,052</u>	<u>2,917</u>

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial:				
District court:				
Personnel services	\$ 388,159	\$ 515,090	\$ 474,379	\$ 40,711
Supplies and materials	9,050	5,814	3,393	2,421
Repairs and maintenance	-	1,210	1,210	-
Utilities	1,500	1,190	913	277
Professional services	38,150	50,219	49,567	652
Business and education	9,200	8,958	5,789	3,169
Administrative	5,250	10,095	7,822	2,273
Rental and lease	2,480	5,094	4,521	573
Capital outlay	-	7,165	6,654	511
Total district court	<u>453,789</u>	<u>604,835</u>	<u>554,248</u>	<u>50,587</u>
Justice of the peace, precinct #1:				
Personnel services	111,422	112,395	112,392	3
Supplies and materials	3,950	1,514	1,511	3
Professional services	500	3,380	3,380	-
Rental and lease	-	1,344	1,344	-
Utilities	250	241	241	-
Business and education	850	930	930	-
Total justice of the peace, precinct #1	<u>116,972</u>	<u>119,804</u>	<u>119,798</u>	<u>6</u>
Justice of the peace, precinct #2:				
Personnel services	160,689	149,132	145,700	3,432
Supplies and materials	5,100	7,733	7,722	11
Professional services	800	-	-	-
Utilities	1,000	1,326	1,326	-
Capital outlay	-	13,345	3,386	9,959
Business and education	2,400	5,354	4,716	638
Rental and lease	1,000	1,000	695	305
Total justice of the peace, precinct #2	<u>170,989</u>	<u>177,890</u>	<u>163,545</u>	<u>14,345</u>

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace, precinct #3:				
Personnel services	\$ 28,615	\$ 99,261	\$ 99,223	\$ 38
Supplies and materials	2,900	3,685	3,638	47
Repairs and maintenance	1,000	-	-	-
Rental and lease	-	570	540	30
Capital outlay	-	250	238	12
Utilities	1,800	1,416	1,372	44
Business and education	450	745	676	69
Total justice of the peace, precinct #3	<u>34,765</u>	<u>105,927</u>	<u>105,687</u>	<u>240</u>
Justice of the peace, precinct #4:				
Personnel services	96,567	97,024	97,022	2
Supplies and materials	3,300	8,597	7,492	1,105
Repairs and maintenance	250	275	275	-
Utilities	5,650	5,506	5,503	3
Business and education	2,900	4,218	4,218	-
Capital outlay	300	5,200	3,407	1,793
Professional services	-	45	45	-
Rental and lease	750	539	539	-
Total justice of the peace, precinct #4	<u>109,717</u>	<u>121,404</u>	<u>118,501</u>	<u>2,903</u>
Justice of the peace, precinct #5:				
Personnel services	68,734	74,680	74,675	5
Supplies and materials	1,600	3,283	2,795	488
Repairs and maintenance	200	-	-	-
Utilities	1,250	1,494	1,494	-
Administrative	75	-	-	-
Capital outlay	-	2,600	2,479	121
Business and education	400	1,934	1,928	6
Total justice of the peace, precinct #5	<u>72,259</u>	<u>83,991</u>	<u>83,371</u>	<u>620</u>

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace, precinct #6:				
Personnel services	\$ 116,510	\$ 116,887	\$ 116,289	\$ 598
Supplies and materials	2,500	1,943	1,943	-
Repairs and maintenance	100	-	-	-
Utilities	400	127	110	17
Professional services	300	39	-	39
Capital outlay	-	24,339	12,584	11,755
Business and education	700	1,209	1,112	97
Rental and lease	1,400	1,400	1,072	328
Total justice of the peace, precinct #6	<u>121,910</u>	<u>145,944</u>	<u>133,110</u>	<u>12,834</u>
Justice of the peace, arraignments:				
Personnel services	7,122	8,755	8,754	1
Business and education	1,000	-	-	-
Total justice of the peace, arraignments	<u>8,122</u>	<u>8,755</u>	<u>8,754</u>	<u>1</u>
County court-at-law #1:				
Personnel services	288,375	294,665	292,722	1,943
Supplies and materials	1,500	1,250	444	806
Utilities	200	200	47	153
Business and education	2,900	1,650	1,075	575
Administrative	2,000	2,000	-	2,000
Professional services	-	1,500	-	1,500
Total County court-at-law #1	<u>294,975</u>	<u>301,265</u>	<u>294,288</u>	<u>6,977</u>
County court-at-law #2:				
Personnel services	270,568	277,088	276,849	239
Supplies and materials	3,400	2,300	1,976	324
Utilities	200	600	446	154
Administrative	-	400	-	400
Professional services	250	2,725	2,024	701
Rental and lease	-	1,145	1,119	26
Business and education	3,000	1,925	1,707	218
Total County court-at-law #2	<u>277,418</u>	<u>286,183</u>	<u>284,121</u>	<u>2,062</u>
Probation:				
County funding of juvenile probation	-	-	786	(786)
County funding of CSCD	-	-	192,062	(192,062)
Total probation	<u>-</u>	<u>-</u>	<u>192,848</u>	<u>(192,848)</u>

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
Juvenile board:				
Personnel services	\$ 64,935	\$ 64,935	\$ 47,498	\$ 17,437
Administrative	6,600	6,600	2,469	4,131
Total juvenile board	71,535	71,535	49,967	21,568
Total judicial	1,732,451	2,027,533	2,108,238	(80,705)
Public safety:				
Emergency management:				
Personnel services	53,423	54,265	48,441	5,824
Supplies and materials	4,760	2,075	767	1,308
Utilities	1,000	1,000	159	841
Capital outlay	-	2,275	2,265	10
Administrative	-	1,100	1,000	100
Rental and lease	-	1,260	100	1,160
Business and education	4,500	3,208	1,081	2,127
Total emergency management	63,683	65,183	53,813	11,370
Fire marshal:				
Personnel services	285,010	278,120	222,256	55,864
Supplies and materials	68,500	29,073	23,240	5,833
Administrative	5,100	125	-	125
Capital outlay	10,200	56,534	56,526	8
Utilities	-	325	325	-
Rental and lease	-	750	628	122
Repairs and maintenance	-	1,115	679	436
Business and education	2,000	4,768	4,206	562
Total fire marshal	370,810	370,810	307,860	62,950
Department of public safety:				
Personnel services	47,391	44,703	42,494	2,209
Supplies and materials	1,450	3,275	3,111	164
Utilities	500	1,363	1,345	18
Rental and lease	7,460	7,460	7,455	5
Total department of public safety	56,801	56,801	54,405	2,396

(continued)

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	(Negative)
EXPENDITURES (Continued)				
Public safety: (Continued)				
Constable, precinct #1:				
Personnel services	\$ 49,958	\$ 49,958	\$ 49,378	\$ 580
Supplies and materials	9,150	4,496	583	3,913
Repairs and maintenance	2,700	349	25	324
Utilities	-	50	1	49
Total constable, precinct #1	61,808	54,853	49,987	4,866
Constable, precinct #2:				
Personnel services	47,110	46,717	46,558	159
Supplies and materials	3,750	4,138	3,668	470
Repairs and maintenance	2,000	1,853	1,791	62
Capital outlay	-	352	352	-
Business and education	-	336	336	-
Utilities	200	515	419	96
Total constable, precinct #2	53,060	53,911	53,124	787
Constable #3:				
Personnel services	47,110	46,906	46,837	69
Supplies and materials	2,640	2,417	2,406	11
Repairs and maintenance	750	2,715	2,711	4
Business and education	-	204	204	-
Utilities	750	368	279	89
Total constable, precinct #3	51,250	52,610	52,437	173
Constable #4:				
Personnel services	47,110	47,085	46,526	559
Supplies and materials	3,375	3,375	2,443	932
Repairs and maintenance	500	500	458	42
Utilities	500	500	425	75
Capital outlay	-	3,600	3,478	122
Business and education	-	525	25	500
Total constable, precinct #4	51,485	55,585	53,355	2,230

(continued)

HENDERSON COUNTY, TEXAS

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

**GENERAL FUND
(Continued)**

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public safety: (Continued)				
Constable #5:				
Personnel services	\$ 47,110	\$ 46,803	\$ 46,798	\$ 5
Supplies and materials	3,225	4,296	4,287	9
Repairs and maintenance	750	920	918	2
Business and education	-	599	599	-
Utilities	600	484	482	2
Total constable, precinct #5	<u>51,685</u>	<u>53,102</u>	<u>53,084</u>	<u>18</u>
Constable #6:				
Personnel services	48,207	48,061	47,740	321
Supplies and materials	3,825	3,819	2,409	1,410
Repairs and maintenance	750	750	120	630
Utilities	200	90	4	86
Business and education	-	262	262	-
Total constable, precinct #6	<u>52,982</u>	<u>52,982</u>	<u>50,535</u>	<u>2,447</u>
Sheriff's department:				
Personnel services	5,780,455	6,003,384	6,003,378	6
Supplies and materials	584,400	675,407	673,037	2,370
Repairs and maintenance	78,000	90,409	90,409	-
Public support	2,000	-	-	-
Professional services	-	22,578	22,578	-
Utilities	25,000	20,029	20,029	-
Business and education	12,050	17,565	17,562	3
Administrative	25,200	18,091	18,091	-
Rental and lease	16,406	13,348	13,348	-
Capital outlay	227,500	222,050	222,041	9
Total sheriff's department	<u>6,751,011</u>	<u>7,082,861</u>	<u>7,080,473</u>	<u>2,388</u>
Total public safety	<u>7,564,575</u>	<u>7,898,698</u>	<u>7,809,073</u>	<u>89,625</u>

(continued)

HENDERSON COUNTY, TEXAS

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

**GENERAL FUND
(Continued)**

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Culture and recreational:				
Main library:				
Personnel services	\$ 145,564	\$ 145,564	\$ 139,878	\$ 5,686
Total main library	<u>145,564</u>	<u>145,564</u>	<u>139,878</u>	<u>5,686</u>
Branch library:				
Personnel services	9,418	9,438	7,066	2,372
Business and education	-	6,500	5,098	1,402
Supplies and materials	7,250	730	685	45
Utilities	750	750	374	376
Total branch library	<u>17,418</u>	<u>17,418</u>	<u>13,223</u>	<u>4,195</u>
Total culture and recreational	<u>162,982</u>	<u>162,982</u>	<u>153,101</u>	<u>9,881</u>
Total general fund expenditures	<u>20,671,695</u>	<u>21,531,911</u>	<u>20,415,851</u>	<u>1,116,060</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,680,088</u>	<u>819,872</u>	<u>2,322,957</u>	<u>1,503,085</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	105,000	75,000	87,725	12,725
Transfers out	<u>-</u>	<u>-</u>	<u>(430,239)</u>	<u>(430,239)</u>
Total other financing sources (uses)	<u>105,000</u>	<u>75,000</u>	<u>(342,514)</u>	<u>(417,514)</u>
NET CHANGE IN FUND BALANCES	1,785,088	894,872	1,980,443	1,085,571
FUND BALANCES, BEGINNING	<u>8,315,812</u>	<u>8,315,812</u>	<u>8,315,812</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>10,100,900</u>	\$ <u>9,210,684</u>	\$ <u>10,296,255</u>	\$ <u>1,085,571</u>

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 2,769,481	\$ 2,769,481	\$ 2,792,218	\$ 22,737
Fees of office	934,000	882,000	879,090	(2,910)
Motor vehicle registration	600,000	600,000	533,499	(66,501)
Intergovernmental	-	52,000	230,331	178,331
Investment earnings	-	-	101,492	101,492
Total revenues	<u>4,303,481</u>	<u>4,303,481</u>	<u>4,536,630</u>	<u>233,149</u>
EXPENDITURES				
Waste management:				
Personnel services	71,333	63,459	61,860	1,599
Administrative	-	90	86	4
Supplies and materials	250	1,458	1,458	-
Utilities	141,000	147,576	147,570	6
Total waste management	<u>212,583</u>	<u>212,583</u>	<u>210,974</u>	<u>1,609</u>
Road and bridge general:				
Personnel services	29,413	29,413	14,707	14,706
Supplies and materials	-	1,050	1,048	2
Utilities	4,500	4,500	4,476	24
Public support	1,500	1,500	1,500	-
Administrative	1,500	450	-	450
Total road and bridge general	<u>36,913</u>	<u>36,913</u>	<u>21,731</u>	<u>15,182</u>
Road and bridge precinct #1:				
Personnel services	543,182	509,037	507,671	1,366
Supplies and materials	402,514	380,361	309,812	70,549
Repairs and maintenance	30,250	89,128	89,126	2
Utilities	5,800	7,352	7,352	-
Rentals and lease	-	9,472	9,472	-
Business and education	-	924	924	-
Public support	750	-	-	-
Capital outlay	70,000	17,221	17,221	-
Total road and bridge precinct #1	<u>1,052,496</u>	<u>1,013,495</u>	<u>941,578</u>	<u>71,917</u>
Road and bridge precinct #2:				
Personnel services	496,381	547,235	545,750	1,485
Supplies and materials	409,665	258,003	282,172	(24,169)
Repairs and maintenance	38,200	50,487	50,487	-
Rentals and lease	-	9,300	9,300	-
Professional services	-	2,000	2,000	-
Utilities	4,000	4,453	4,453	-
Administrative	750	1,876	1,876	-
Business and education	500	1,555	1,555	-
Capital outlay	51,000	148,069	148,069	-
Total road and bridge precinct #2	<u>1,000,496</u>	<u>1,022,978</u>	<u>1,045,662</u>	<u>(22,684)</u>

(continued)

HENDERSON COUNTY, TEXAS

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

**ROAD AND BRIDGE
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Road and bridge precinct #3:				
Personnel services	\$ 425,094	\$ 379,434	\$ 378,403	\$ 1,031
Supplies and materials	482,253	505,189	496,382	8,807
Repairs and maintenance	33,500	27,323	27,321	2
Utilities	2,850	3,093	3,093	-
Administrative	16,100	-	-	-
Business and education	700	390	390	-
Professional services	-	5,201	5,201	-
Capital outlay	40,000	92,868	92,868	-
Total road and bridge precinct #3	<u>1,000,497</u>	<u>1,013,498</u>	<u>1,003,658</u>	<u>9,840</u>
Road and bridge precinct #4:				
Personnel services	496,859	443,748	442,498	1,250
Supplies and materials	387,037	454,549	392,651	61,898
Repairs and maintenance	30,000	24,519	24,516	3
Utilities	4,900	4,530	4,530	-
Administrative	900	-	-	-
Business and education	800	670	667	3
Professional services	5,000	1,000	1,000	-
Capital outlay	75,000	84,480	84,473	7
Total road and bridge precinct #4	<u>1,000,496</u>	<u>1,013,496</u>	<u>950,335</u>	<u>63,161</u>
Total expenditures	<u>4,303,481</u>	<u>4,312,963</u>	<u>4,173,938</u>	<u>139,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(9,482)</u>	<u>362,692</u>	<u>372,174</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>-</u>	<u>(104,246)</u>	<u>(104,246)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(9,482)</u>	<u>258,446</u>	<u>267,928</u>
FUND BALANCES, BEGINNING	<u>836,162</u>	<u>836,162</u>	<u>836,162</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 836,162</u>	<u>\$ 826,680</u>	<u>\$ 1,094,608</u>	<u>\$ 267,928</u>

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2007

	Enterprise Funds		
	Fair Park	Other Enterprise Funds	Total
ASSETS			
Current assets:			
Cash and investments	\$ 36,972	\$ 74,962	\$ 111,934
Total current assets	36,972	74,962	111,934
Non-current assets:			
Capital assets:			
Land	250,504	-	250,504
Buildings and improvements	1,571,248	142,902	1,714,150
Furniture and equipment	61,849	6,990	68,839
Less: accumulated depreciation	(856,355)	(26,696)	(883,051)
Total non-current assets	1,027,246	123,196	1,150,442
Total assets	1,064,218	198,158	1,262,376
LIABILITIES			
Current liabilities:			
Accounts payable	12,409	340	12,749
Accrued liabilities	2,663	252	2,915
Due to other funds	219	-	219
Capital lease obligation	-	14,623	14,623
Certificates of obligation	-	10,000	10,000
Total current liabilities	15,291	25,215	40,506
Non-current liabilities:			
Capital lease obligation	-	31,485	31,485
Certificates of obligation	-	80,000	80,000
Total non-current liabilities	-	111,485	111,485
Total liabilities	15,291	136,700	151,991
NET ASSETS			
Invested in capital assets, net of related debt	1,027,246	(12,912)	1,014,334
Unrestricted	21,681	74,370	96,051
Total net assets	\$ 1,048,927	\$ 61,458	\$ 1,110,385

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Enterprise Funds		
	Fair Park	Other Enterprise Funds	Total
OPERATING REVENUES			
Rentals	\$ 126,029	\$ -	\$ 126,029
Concessions	-	77,426	77,426
Contributions	44,902	13,025	57,927
Other	86,068	-	86,068
Total operating revenues	<u>256,999</u>	<u>90,451</u>	<u>347,450</u>
OPERATING EXPENSES			
Personnel	141,014	13,630	154,644
Supplies and materials	49,478	44,676	94,154
Repairs and maintenance	16,080	107	16,187
Public support	-	590	590
Utilities	68,243	-	68,243
Professional services	-	12,767	12,767
Depreciation	67,110	7,139	74,249
Other	3,488	23,482	26,970
Total operating expenses	<u>345,413</u>	<u>102,391</u>	<u>447,804</u>
OPERATING LOSS	<u>(88,414)</u>	<u>(11,940)</u>	<u>(100,354)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	20,765	2,151	22,916
Interest expense	-	(11,685)	(11,685)
Total non-operating revenues (expenses)	<u>20,765</u>	<u>(9,534)</u>	<u>11,231</u>
LOSS BEFORE TRANSFERS	<u>(67,649)</u>	<u>(21,474)</u>	<u>(89,123)</u>
Transfers in	-	61,135	61,135
Transfers out	(19,132)	(18,386)	(37,518)
CHANGE IN NET ASSETS	<u>(86,781)</u>	<u>21,275</u>	<u>(65,506)</u>
TOTAL NET ASSETS, BEGINNING	<u>1,135,708</u>	<u>40,183</u>	<u>1,175,891</u>
TOTAL NET ASSETS, ENDING	<u>\$ 1,048,927</u>	<u>\$ 61,458</u>	<u>\$ 1,110,385</u>

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Enterprise Funds		
	Fair Park	Other Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 256,999	\$ 90,451	\$ 347,450
Cash paid to suppliers for goods and services	(141,352)	(86,159)	(227,511)
Cash paid to employees for services	(138,092)	(13,497)	(151,589)
Net cash used by operating activities	(22,445)	(9,205)	(31,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	61,135	61,135
Transfers to other funds	(19,132)	(18,386)	(37,518)
Net cash provided (used) by noncapital financing activities	(19,132)	42,749	23,617
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest and fiscal charges on long-term debt	-	(11,685)	(11,685)
Principal payments on long-term debt	-	(23,066)	(23,066)
Net cash used by capital and related financing activities	-	(34,751)	(34,751)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment on investments	20,765	2,151	22,916
Net cash provided by investing activities	20,765	2,151	22,916
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,812)	944	(19,868)
CASH AND CASH EQUIVALENTS, BEGINNING	57,784	74,018	131,802
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 36,972</u>	<u>\$ 74,962</u>	<u>\$ 111,934</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$(88,414)	\$(11,940)	\$(100,354)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	67,110	7,139	74,249
Increase (decrease) in liabilities:			
Accounts payable	(909)	(4,537)	(5,446)
Accrued liabilities	(338)	133	(205)
Due to other funds	106	-	106
Net cash used by operating activities	<u>\$(22,445)</u>	<u>\$(9,205)</u>	<u>\$(31,650)</u>

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ <u>4,015,064</u>
Total assets	\$ <u>4,015,064</u>
LIABILITIES	
Due to other agencies and individuals	\$ <u>4,015,064</u>
Total liabilities	\$ <u>4,015,064</u>

The accompanying notes are an integral part of these financial statements.

HENDERSON COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Henderson County, Texas (the County) uses a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Financial Reporting Entity

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing Henderson County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, it is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly. As of December 31, 2007, the County does not report any component units.

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. 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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*. Revenues are recognized as soon as it is both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Road and Bridge Fund is used to account for the operation, repair and maintenance of roads and bridges within the County.

The Jail Expansion Fund is used to provide a long range solution to overcrowding and future growth needs according to the County strategic building plan and needs assessment study.

The County reports the following major enterprise fund:

The Fair Park Fund is used to account for the activities of the Henderson County Fairgrounds.

Additionally, the County reports the following fund type:

Agency Funds account for assets held by the County in a trustee capacity or as an agent for individuals or other governments. They are custodial in nature and do not include measurement of results of operations.

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 and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County invests its resources in bank certificates of deposit. These investments are recorded at cost, which approximates fair value. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations with the State.

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 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 and Prepaid Items

All inventories are valued at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The County defines capital assets as physical assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Property improvements are capitalized if valued over \$10,000 with an estimated useful life in excess of 10 years. 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets (Continued)

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.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Furniture and equipment	5 - 10
Infrastructure	50 - 100

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Net Assets

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

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$10,627,671 difference are as follows:

General obligation bonds	\$ 9,029,184
Accreted interest on premium compound interest bonds	587,454
Accrued interest payable	58,768
Compensated absences	786,788
Capital leases	<u>165,477</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>10,627,671</u>

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$5,115,344 difference are as follows:

Capital outlay	\$ 6,508,303
Depreciation expense	(1,392,959)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>5,115,344</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$450,310 difference are as follows:

Property taxes	\$ 360,200
Court fines	<u>90,110</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>450,310</u>

Another element of that reconciliation states that, “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 \$151,488 difference are as follows:

Compensated absences	\$ 286,776
Accrued interest	(216,493)
Amortization of issuance costs	16,000
Accreted interest	<u>65,205</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>151,488</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Commissioners' Court approves a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. For each budgeted fund, budgetary control is maintained at the departmental classification level. This is the level at which expenditures may not legally exceed funds. Any expenditures which alter the total budgeted amounts must be approved by the Commissioners' Court and the budget appropriately amended. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the NRCS Water Development Special Revenue Fund and the Capital Projects Funds. All annual appropriations lapse at fiscal year-end.

Deficit Fund Equity

The following funds had deficit fund balances as of December 31, 2007:

Historical Commission Fund	\$(10,019)
Information System Fund	(28,759)
Stowes Building Fund	(7,485)
Courthouse/Tax Annex Fund	(13,992)
ETMC Fund	(130,500)

The County plans to fund the deficits with future revenues or transfer funds from the General Fund.

4. DETAILED NOTES ON ALL FUNDS

Deposits

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of December 31, 2007, all of the County's deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Receivables

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:

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Delinquent property taxes	\$ 1,691,098	\$ -
Unearned property taxes	-	10,335,145
Fines	701,218	-
Other	80,829	-
Road and bridge:		
Delinquent property taxes	320,894	-
Unearned property taxes	-	1,828,240
Nonmajor governmental funds:		
Delinquent property taxes	117,150	-
Unearned property taxes	-	583,752
Governmental Funds	<u>\$ 2,911,189</u>	<u>\$ 12,747,137</u>

Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,931,086	\$ 12,014	\$ -	\$ 17,588	\$ 2,960,688
Construction in progress	1,854,424	5,699,106	-	-	7,553,530
Total capital assets not being depreciated	<u>4,785,510</u>	<u>5,711,120</u>	<u>-</u>	<u>17,588</u>	<u>10,514,218</u>
Capital assets, being depreciated:					
Buildings and improvements	13,632,430	13,365	-	(164,784)	13,481,011
Furniture and fixtures	8,497,665	783,818	(119,390)	120,953	9,283,046
Infrastructure	19,179,908	-	-	13,103,297	32,283,205
Total capital assets being depreciated	<u>41,310,003</u>	<u>797,183</u>	<u>(119,390)</u>	<u>13,059,466</u>	<u>55,047,262</u>
Less accumulated depreciation:					
Buildings and improvements	(7,572,364)	(428,103)	-	(260,658)	(8,261,125)
Furniture and fixtures	(6,685,828)	(447,428)	54,180	32,045	(7,047,031)
Infrastructure	(15,791,965)	(517,428)	-	3,516,321	(12,793,072)
Total accumulated depreciation	<u>(30,050,157)</u>	<u>(1,392,959)</u>	<u>54,180</u>	<u>3,287,708</u>	<u>(28,101,228)</u>
Total capital assets, being depreciated, net	<u>11,259,846</u>	<u>(595,776)</u>	<u>(65,210)</u>	<u>16,347,174</u>	<u>26,946,034</u>
Governmental activities capital assets, net	<u>\$ 16,045,356</u>	<u>\$ 5,115,344</u>	<u>\$ (65,210)</u>	<u>\$ 16,364,762</u>	<u>\$ 37,460,252</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 250,504	\$ -	\$ -	\$ -	\$ 250,504
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>250,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,504</u>
Capital assets, being depreciated:					
Buildings	1,526,950	-	-	-	1,526,950
Improvements	187,200	-	-	-	187,200
Furniture and fixtures	68,839	-	-	-	68,839
Total capital assets being depreciated	<u>1,782,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,782,989</u>
Less accumulated depreciation:					
Buildings	(717,376)	(47,316)	-	-	(764,692)
Improvements	(46,685)	(18,720)	-	-	(65,405)
Furniture and fixtures	(44,741)	(8,213)	-	-	(52,954)
Total accumulated depreciation	<u>(808,802)</u>	<u>(74,249)</u>	<u>-</u>	<u>-</u>	<u>(883,051)</u>
Total capital assets, being depreciated, net	<u>974,187</u>	<u>(74,249)</u>	<u>-</u>	<u>-</u>	<u>899,938</u>
Business-type activities capital assets, net	<u>\$ 1,224,691</u>	<u>\$ (74,249)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,442</u>

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

Governmental activities:	
General government	\$ 442,477
Legal	4,264
Judicial	9,854
Public safety	195,652
Road and bridge	<u>740,712</u>
Total depreciation expense - governmental activities	<u>\$ 1,392,959</u>
Business-type activities:	
Fair Park	<u>\$ 74,249</u>
Total depreciation expense - business-type activities	<u>\$ 74,249</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

Interfund Receivables and Payables:

	<u>Interfund Receivables</u>
	<u>General</u>
Interfund payables:	
Road and bridge	\$ 1,136
Fair Park	219
Nonmajor governmental	<u>152,727</u>
Total	<u>\$ 154,082</u>

Interfund Transfers:

	<u>Transfers In</u>				<u>Total</u>
	<u>Road and Bridge</u>	<u>Jail Expansion</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	
Transfers Out:					
General	\$ -	\$ 345,809	\$ 84,430	\$ -	\$ 430,239
Road and bridge	-	-	-	16,521	16,521
Jail expansion	87,725	-	159,041	-	246,766
Fair Park	-	-	-	19,132	19,132
Nonmajor enterprise	-	-	7,096	11,290	18,386
Nonmajor governmental	-	-	<u>21,738</u>	<u>14,192</u>	<u>35,930</u>
Total Transfers Out	<u>\$ 87,725</u>	<u>\$ 345,809</u>	<u>\$ 272,305</u>	<u>\$ 61,135</u>	<u>\$ 766,974</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 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.

Capital Leases

The County has entered into a lease agreement as lessee for financing and acquisition of an LED message sign for the Henderson County Fairpark. The County is also the lessee in a lease agreement for financing and acquisition of Net Data accounting software. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>
2008	\$ 72,328
2009	72,328
2010	69,146
2011	<u>22,180</u>
Total	235,982
Less amount representing interest	<u>24,397</u>
Present value of minimum lease payments	<u>\$ 211,585</u>

Long-term Debt

The County issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation, and capital leases. These debt obligations are secured by either future tax revenue or liens on property and equipment. Debt obligations that are intended to be repaid from Fair Park revenue have been recorded as business-type activities. All other long-term obligations of the County are considered to be governmental type activities.

Bonds Payable and Certificates of Obligation

A summary of the terms of general obligation bonds and certificates of obligation outstanding and their corresponding allocations to the governmental and business-type activities at December 31, 2007, follows:

<u>Series and Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<u>General Obligation Bonds</u>					
1993 Right-of-Way Refunding Bonds	\$ 2,929,292	2010	2.80% - 6.10%	\$ 664,138	\$ -
2003 Permanent Improvement Bonds	2,610,000	2009	2.45%	652,500	-
2006 General Obligations	8,500,000	2016	3.625%-4.0%	8,300,000	-
<u>Certificates of Obligation</u>					
2000 Certificates of Obligation	140,000	2015	5.95%	<u>-</u>	<u>90,000</u>
Total Bonds and Certificates of Obligation			<u>\$ 9,616,638</u>	<u>\$ 90,000</u>	

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Annual debt service requirements for bonds and certificates of obligation are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 935,000	\$ 321,065	\$ 10,000	\$ 5,058
2009	962,500	296,287	10,000	4,463
2010	990,000	270,070	10,000	3,868
2011	1,025,000	236,789	10,000	3,273
2012	1,070,000	197,508	10,000	2,678
2013-2017	<u>4,695,000</u>	<u>354,013</u>	<u>40,000</u>	<u>3,867</u>
Total	<u>\$ 9,677,500</u>	<u>\$ 1,675,732</u>	<u>\$ 90,000</u>	<u>\$ 23,207</u>

Premium Compound Interest Bonds

A portion of the bonds sold in the Series 1993 refunding bond issue was premium compound interest bonds. The interest on these obligations will be paid upon maturity in the fiscal years ending December 31, 2008 through 2010.

Federal Arbitrage

General obligation bonds and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 10,421,433	\$ 65,205	\$ 870,000	\$ 9,616,638	\$ 935,000
Capital leases	-	190,759	25,282	165,477	45,267
Compensated absences	<u>500,102</u>	<u>286,686</u>	<u>-</u>	<u>786,788</u>	<u>157,358</u>
Governmental activities long-term liabilities	<u>\$ 10,921,535</u>	<u>\$ 542,650</u>	<u>\$ 895,282</u>	<u>\$ 10,568,903</u>	<u>\$ 1,137,625</u>
Business-type activities					
Certificates of obligation	\$ 100,000	\$ -	\$ 10,000	\$ 90,000	\$ 10,000
Capital leases	<u>59,173</u>	<u>-</u>	<u>13,065</u>	<u>46,108</u>	<u>14,623</u>
Business-type activities long-term liabilities	<u>\$ 159,173</u>	<u>\$ -</u>	<u>\$ 23,065</u>	<u>\$ 136,108</u>	<u>\$ 24,623</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Long-term Debt (Continued)

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Other Information

Risk Management

Henderson County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, errors and omissions and personnel risks which relate to workers' compensation. The County carries commercial insurance in order to manage the above listed risks. Amounts of coverage for the above types of risk have not been subject to a significant reduction in the past year. The amounts of settlements have not exceeded insurance coverage for the past three fiscal years.

Health Care Coverage

During the year ended December 31, 2007, employees of the County were covered by a health insurance plan (the "Plan"). The County contributed 100% of the premium for each employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a Health Maintenance Organization. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the County and the licensed insurer is renewable, and terms of coverage and contribution costs are included in the contractual provisions.

Litigation

The County is involved in certain legal actions and claims arising in the ordinary course of its operations. The outcome of these lawsuits is not presently determinable, but according to the County's attorneys, a judgment, if any, would have an immaterial impact on the County as a whole.

Commitments and Contingencies

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Pension Plans – Primary Government

Defined Benefit Plan – Texas County and District Retirement System (TCDRS)

Plan Description

Henderson County provides pension, disability, and death benefits for all of its fulltime 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 573 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 County, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years, but must leave their accumulated deposits 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 County 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

Henderson County has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 10.22% for the months of the accounting year in 2006, and 10.79% for the months of the accounting year in 2007.

The deposit rate payable by the employee members of the plan for calendar year 2007 is the rate of 7% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Annual Pension Cost

For Henderson County's accounting year ended December 31, 2007, the annual pension cost for the TCDRS plan for its employees was \$1,310,941 and the actual contributions were \$1,310,041.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2006 and 2007. The December 31, 2006, actuarial valuation is the most recent valuation.

Actuarial Valuation Date	12/31/04	12/31/05	12/31/06
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period	20	20	15
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return (1)	8.00%	8.00%	8.00%
Projected salary increases (1)	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1) includes inflation at the stated rate

Trend Information

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 1,016,320	100%	\$ -
12/31/06	1,130,748	100%	-
12/31/07	1,310,941	100%	-

Schedule of Funding Progress

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (1) (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2004	\$ 21,145,407	\$ 24,862,147	\$ 3,716,740	85.05%	\$ 9,505,876	39.10%
2005	23,092,175	26,738,338	3,646,163	86.36%	9,944,736	36.66%
2006	25,770,223	28,582,664	2,812,441	90.16%	11,064,049	25.42%

(1) The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Prior Period Adjustment

In the current year, the County completed the addition of infrastructure assets required to be presented by GASB Statement No. 34. The net effect of these adjustments was a \$16,364,762 increase to its beginning net assets in the government-wide financial statements.

**COMBINING
FUND STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

CWM Library – This fund is used for the operation of the Clint W. Murchison Memorial Library.

Hot Check– The *Hot Check Fund* is funded by fees from hot check collections. The Hot Check Department is a division of the County Attorney's office and is a computerized operation for the prosecution and collection of hot checks. This department assists merchants by preparing witness statements, collection and return of restitution to merchants, and filing criminal cases against check writers. Revenue derived from these collections is utilized for the benefit of the County Attorney's office.

Jury – This fund is funded by General Fund transfers and includes expenses for part-time bailiffs, juror compensation and all jury expenses, including the Grand Jury. This budget accommodates three District Courts, two County Courts-at-Law, County Court and six Justice of the Peace Courts. Summons are generated in the civil section of the Sheriff Department, and juror activity is monitored by the respective clerk of the court. Justices of the Peace conduct their own jury trials. All juror payments are made by the County Treasurer's office.

Law Enforcement – District Attorney – This fund constitutes funds from the seizure of property and money, which may be used by the District Attorney for law enforcement purposes. The fund is also a clearing account for seizures held pending disposition. The District Attorney may dispense funds according to court orders and prorata shares determined by interlocal agreements with other law enforcement agencies.

Law Enforcement – Sheriff – This fund represents funding from seizures awarded to the Sheriff Department through an interlocal agreement with the District Attorney. The fund may be used by the Sheriff for law enforcement purposes.

Historical Commission – This fund is commissioned for the preservation of County history through the publication of books, maintenance of historical files and assistance in the operation of the Henderson County Historical Museum.

County Attorney State Allotment – Starting in September 1999, the County Attorney's office received a state supplement provided by House Bill 801 for County Attorney salary and other uses of the office. The amount is appropriated from the State General Fund to enhance prosecution.

Law Library – This fund is used for the operation of the fees collected at the District Clerk and County Clerk for the Law Library fees collected.

NRCS Water Development – This fund represents funding from the Office of Rural Community Affairs for purposes of rural water system upgrades.

Task Force–Sheriff – This fund constitutes funds from the forfeiture of property and money, which may be used for the Narcotics Task Force at the Sheriff's Department.

Voting Access – This fund represents funding from the U. S. Elections Assistance Commission for the purpose of updating election equipment.

CAPITAL PROJECTS FUNDS

Right-of-Way – This fund is used to account for the County's cost for right-of-way acquisition costs for highway improvements in the County. Right-of-Way purchases are made from bond proceeds. Interest earned from bond proceeds is transferred to fund the Right-of-Way Interest & Sinking debt.

Information System – This fund is a reserve established to provide for the purchase and installation of new software, hardware, and a network management system.

Telephone Communications – This fund is a reserve established to provide for the purchase and installation of a new Countywide telephone communications system.

Stowes Building – This fund is a reserve established to ready the building for offices.

Judicial Annex – This fund is a reserve established to provide for the remodeling and improvements pertaining to the judicial annex.

ETMC –

DEBT SERVICE FUND

C.H.&J. Interest and Sinking – The ***Courthouse and Jail Fund*** was established to accumulate resources and pay principal and interest on the courthouse and jail bonds.

R.O.W. Interest and Sinking – The ***Right-of-Way Interest and Sinking Fund*** was established to accumulate resources and pay principal and interest on the 1993 Right-of-Way Refunding Bonds.

Jail Expansion Interest and Sinking – The ***Jail Expansion Interest and Sinking Fund*** was established to accumulate resources and pay principal and interest on the jail expansion bonds.

HENDERSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2007

	Special Revenue		
	CWM Library	Hot Check	Jury
ASSETS			
Cash and investments	\$ 23,281	\$ 138,081	\$ 7,166
Taxes receivable, net of allowance for uncollectibles	-	-	-
Due from other governments	-	-	-
Total assets	\$ 23,281	\$ 138,081	\$ 7,166
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,618	\$ 1,910	\$ 1,774
Accrued liabilities	-	-	-
Due to other funds	469	-	1
Due to other governments	-	-	-
Deferred revenue	-	-	-
Total liabilities	4,087	1,910	1,775
Fund balances:			
Reserved for debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	19,194	136,171	5,391
Capital projects fund	-	-	-
Total fund balances	19,194	136,171	5,391
Total liabilities and fund balances	\$ 23,281	\$ 138,081	\$ 7,166

Special Revenue

Law Enforcement District Attorney	Law Enforcement Sheriff	Historical Commission	County Attorney State Allotment	Law Library	NRCS Water Development	Task Force Sheriff
\$ 73,146	\$ 7,004	\$ -	\$ 102,883	\$ 79,239	\$ 2,867	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	58,747	-
<u>\$ 73,146</u>	<u>\$ 7,004</u>	<u>\$ -</u>	<u>\$ 102,883</u>	<u>\$ 79,239</u>	<u>\$ 61,614</u>	<u>\$ -</u>
\$ -	\$ 2,550	\$ 1,679	\$ -	\$ 2,610	\$ 2,590	\$ -
-	-	159	-	-	-	-
-	-	8,181	-	-	-	-
51,919	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>51,919</u>	<u>2,550</u>	<u>10,019</u>	<u>-</u>	<u>2,610</u>	<u>2,590</u>	<u>-</u>
-	-	-	-	-	-	-
21,227	4,454	(10,019)	102,883	76,629	59,024	-
-	-	-	-	-	-	-
<u>21,227</u>	<u>4,454</u>	<u>(10,019)</u>	<u>102,883</u>	<u>76,629</u>	<u>59,024</u>	<u>-</u>
<u>\$ 73,146</u>	<u>\$ 7,004</u>	<u>\$ -</u>	<u>\$ 102,883</u>	<u>\$ 79,239</u>	<u>\$ 61,614</u>	<u>\$ -</u>

(continued)

HENDERSON COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

DECEMBER 31, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Voting Access</u>	<u>Right-of-Way</u>	<u>Information System</u>
ASSETS			
Cash and investments	\$ 500,232	\$ 31,868	\$ -
Taxes receivable, net of allowance for uncollectibles	-	-	-
Due from other governments	-	-	-
 Total assets	 <u>\$ 500,232</u>	 <u>\$ 31,868</u>	 <u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 2,160
Accrued liabilities	-	-	-
Due to other funds	-	-	26,599
Due to other governments	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>28,759</u>
Fund balances:			
Reserved for debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	500,232	-	-
Capital projects fund	-	31,868	(28,759)
Total fund balances	<u>500,232</u>	<u>31,868</u>	<u>(28,759)</u>
 Total liabilities and fund balances	 <u>\$ 500,232</u>	 <u>\$ 31,868</u>	 <u>\$ -</u>

Capital Projects					Debt Service			Total Governmental Funds
Telephone Communications	Stowes Building	Judicial Annex	Courthouse/ Tax Annex Renovation	ETMC	CH&J Interest and Sinking	Right-of-Way Interest and Sinking	Jail Expansion Interest and Sinking	
\$ 722	\$ -	\$ 2,800	\$ -	\$ -	\$ 263,292	\$ 252,587	\$ 678,212	\$ 2,163,380
-	-	-	-	-	52,915	44,402	19,833	117,150
-	-	-	-	-	-	-	-	58,747
<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 2,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,207</u>	<u>\$ 296,989</u>	<u>\$ 698,045</u>	<u>\$ 2,339,277</u>
\$ -	\$ -	\$ -	\$ -	\$ 34,500	\$ -	\$ -	\$ -	\$ 53,391
-	-	-	-	-	-	-	-	159
-	7,485	-	13,992	96,000	-	-	-	152,727
-	-	-	-	-	-	-	-	51,919
-	-	-	-	-	230,563	211,386	258,953	700,902
-	<u>7,485</u>	-	<u>13,992</u>	<u>130,500</u>	<u>230,563</u>	<u>211,386</u>	<u>258,953</u>	<u>959,098</u>
-	-	-	-	-	85,644	85,603	439,092	610,339
-	-	-	-	-	-	-	-	915,186
<u>722</u>	<u>(7,485)</u>	<u>2,800</u>	<u>(13,992)</u>	<u>(130,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,346)</u>
<u>722</u>	<u>(7,485)</u>	<u>2,800</u>	<u>(13,992)</u>	<u>(130,500)</u>	<u>85,644</u>	<u>85,603</u>	<u>439,092</u>	<u>1,380,179</u>
<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 2,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,207</u>	<u>\$ 296,989</u>	<u>\$ 698,045</u>	<u>\$ 2,339,277</u>

HENDERSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue		
	CWM Library	Hot Check	Jury
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	16,527	67,710	-
Intergovernmental	-	-	42,636
Investment earnings	1,051	-	501
Miscellaneous	7,000	-	-
Total revenues	<u>24,578</u>	<u>67,710</u>	<u>43,137</u>
EXPENDITURES			
Current:			
General government	-	-	-
Legal	-	14,634	-
Health and welfare	-	-	-
Judicial	-	-	76,516
Public safety	-	-	-
Culture and recreation	29,998	-	-
Capital outlay	5,466	41,955	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>35,464</u>	<u>56,589</u>	<u>76,516</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,886)	11,121	(33,379)
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	-
Transfers in	4,887	-	40,000
Transfers out	-	-	-
Total other financing sources and uses	<u>4,887</u>	<u>-</u>	<u>40,000</u>
NET CHANGE IN FUND BALANCES	(5,999)	11,121	6,621
FUND BALANCES, BEGINNING	<u>25,193</u>	<u>125,050</u>	<u>(1,230)</u>
FUND BALANCES, ENDING	<u>\$ 19,194</u>	<u>\$ 136,171</u>	<u>\$ 5,391</u>

Special Revenue

Law Enforcement District Attorney	Law Enforcement Sheriff	Historical Commission	County Attorney State Allotment	Law Library	NRCS Water Development	Task Force Sheriff
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,620	12,750	-	-	40,040	-	-
-	-	-	62,500	-	171,686	-
1,746	633	-	-	-	-	-
-	1,000	2,370	-	-	-	-
<u>9,366</u>	<u>14,383</u>	<u>2,370</u>	<u>62,500</u>	<u>40,040</u>	<u>171,686</u>	<u>-</u>
-	-	-	-	-	-	-
1,637	-	-	45,245	30,937	-	-
-	-	-	-	-	173,193	-
-	-	-	-	-	-	-
-	10,719	-	-	-	-	1,128
-	-	11,707	-	-	-	-
4,398	2,467	3,441	-	-	-	-
-	-	-	-	-	-	-
<u>6,035</u>	<u>13,186</u>	<u>15,148</u>	<u>45,245</u>	<u>30,937</u>	<u>173,193</u>	<u>1,128</u>
<u>3,331</u>	<u>1,197</u>	<u>(12,778)</u>	<u>17,255</u>	<u>9,103</u>	<u>(1,507)</u>	<u>(1,128)</u>
-	-	-	-	-	-	-
-	-	282	-	-	-	1,543
<u>(1,182)</u>	<u>(2,462)</u>	<u>-</u>	<u>-</u>	<u>(19,809)</u>	<u>-</u>	<u>-</u>
<u>(1,182)</u>	<u>(2,462)</u>	<u>282</u>	<u>-</u>	<u>(19,809)</u>	<u>-</u>	<u>1,543</u>
2,149	(1,265)	(12,496)	17,255	(10,706)	(1,507)	415
<u>19,078</u>	<u>5,719</u>	<u>2,477</u>	<u>85,628</u>	<u>87,335</u>	<u>60,531</u>	<u>(415)</u>
<u>\$ 21,227</u>	<u>\$ 4,454</u>	<u>\$ (10,019)</u>	<u>\$ 102,883</u>	<u>\$ 76,629</u>	<u>\$ 59,024</u>	<u>\$ -</u>

(continued)

HENDERSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Voting Access</u>	<u>Right-of-Way</u>	<u>Information System</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	1,007	-
Total revenues	<u>-</u>	<u>1,007</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	15,391	-	-
Legal	-	-	-
Health and welfare	-	-	-
Judicial	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	3,062	192,919
Debt service:			
Principal	-	-	25,282
Interest and other charges	-	-	5,770
Total expenditures	<u>15,391</u>	<u>3,062</u>	<u>223,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,391)</u>	<u>(2,055)</u>	<u>(223,971)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	190,759
Transfers in	10,148	-	4,450
Transfers out	-	-	-
Total other financing sources and uses	<u>10,148</u>	<u>-</u>	<u>195,209</u>
NET CHANGE IN FUND BALANCES	<u>(5,243)</u>	<u>(2,055)</u>	<u>(28,762)</u>
FUND BALANCES, BEGINNING	<u>505,475</u>	<u>33,923</u>	<u>3</u>
FUND BALANCES, ENDING	<u>\$ 500,232</u>	<u>\$ 31,868</u>	<u>\$ (28,759)</u>

Capital Projects					Debt Service			Total Governmental Funds
Telephone Communications	Stowes Building	Judicial Annex	Courthouse/ Tax Annex Renovation	ETMC	CH&J Interest and Sinking	Right-of-Way Interest and Sinking	Jail Expansion Interest and Sinking	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 469,508	\$ 274,157	\$ 595,250	\$ 1,338,915
-	-	-	-	-	-	-	-	144,647
-	-	-	-	-	-	-	-	276,822
-	-	-	-	-	9,444	3,033	162,087	178,495
-	-	-	-	-	-	-	-	11,377
-	-	-	-	-	478,952	277,190	757,337	1,950,256
-	-	-	-	-	-	-	-	15,391
-	-	-	-	-	-	-	-	92,453
-	-	-	-	-	-	-	-	173,193
-	-	-	-	-	-	-	-	76,516
-	-	-	-	-	-	-	-	11,847
-	-	-	-	-	-	-	-	41,705
-	9,520	-	14,001	137,500	-	-	-	414,729
-	-	-	-	-	435,000	32,933	200,000	693,215
-	-	-	-	-	24,089	202,067	528,981	760,907
-	9,520	-	14,001	137,500	459,089	235,000	728,981	2,279,956
-	(9,520)	-	(14,001)	(137,500)	19,863	42,190	28,356	(329,700)
-	-	-	-	-	-	-	-	190,759
-	-	-	-	7,000	-	-	203,995	272,305
-	-	-	-	-	(9,444)	(3,033)	-	(35,930)
-	-	-	-	7,000	(9,444)	(3,033)	203,995	427,134
-	(9,520)	-	(14,001)	(130,500)	10,419	39,157	232,351	97,434
722	2,035	2,800	9	-	75,225	46,446	206,741	1,282,745
\$ 722	\$ (7,485)	\$ 2,800	\$ (13,992)	\$ (130,500)	\$ 85,644	\$ 85,603	\$ 439,092	\$ 1,380,179

HENDERSON COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2007

	Enterprise Funds		
	Fair Park Growth and Development	Fair Park Concessions	Total
ASSETS			
Current assets:			
Cash and investments	\$ 73,810	\$ 1,152	\$ 74,962
Total current assets	<u>73,810</u>	<u>1,152</u>	<u>74,962</u>
Non-current assets:			
Capital assets:			
Improvements	142,902	-	142,902
Furniture and equipment	6,990	-	6,990
Less: accumulated depreciation	(26,696)	-	(26,696)
Total non-current assets	<u>123,196</u>	<u>-</u>	<u>123,196</u>
Total assets	<u>197,006</u>	<u>1,152</u>	<u>198,158</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	340	340
Accrued liabilities	-	252	252
Capital lease obligation	14,623	-	14,623
Certificates of obligation bonds	10,000	-	10,000
Total current liabilities	<u>24,623</u>	<u>592</u>	<u>25,215</u>
Non-current liabilities:			
Capital lease obligation	31,485	-	31,485
Certificates of obligation bonds	80,000	-	80,000
Total non-current liabilities	<u>111,485</u>	<u>-</u>	<u>111,485</u>
Total liabilities	<u>136,108</u>	<u>592</u>	<u>136,700</u>
NET ASSETS			
Invested in capital assets, net of related debt	(12,912)	-	(12,912)
Unrestricted	<u>73,810</u>	<u>560</u>	<u>74,370</u>
Total net assets	<u>\$ 60,898</u>	<u>\$ 560</u>	<u>\$ 61,458</u>

HENDERSON COUNTY, TEXAS

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

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Enterprise Funds		
	Fair Park Growth and Development	Fair Park Concessions	Total
OPERATING REVENUES			
Concessions	\$ -	\$ 77,426	\$ 77,426
Contributions	13,025	-	13,025
Total operating revenues	13,025	77,426	90,451
OPERATING EXPENSES			
Personnel	-	13,630	13,630
Supplies and materials	100	44,576	44,676
Repairs and maintenance	107	-	107
Public support	590	-	590
Professional services	-	12,767	12,767
Depreciation	7,139	-	7,139
Other	22,185	1,297	23,482
Total operating expenses	30,121	72,270	102,391
OPERATING INCOME (LOSS)	(17,096)	5,156	(11,940)
NON-OPERATING REVENUES (EXPENSES)			
Investment income	1,356	795	2,151
Interest expense	(11,685)	-	(11,685)
Total non-operating revenue (expenses)	(10,329)	795	(9,534)
INCOME (LOSS) BEFORE TRANSFERS	(27,425)	5,951	(21,474)
TRANSFERS IN	61,135	-	61,135
TRANSFERS OUT	-	(18,386)	(18,386)
CHANGE IN NET ASSETS	33,710	(12,435)	21,275
TOTAL NET ASSETS, BEGINNING	27,188	12,995	40,183
TOTAL NET ASSETS, ENDING	\$ 60,898	\$ 560	\$ 61,458

HENDERSON COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Enterprise Funds		
	Fair Park Growth and Development	Fair Park Concessions	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 13,025	\$ 77,426	\$ 90,451
Cash paid to suppliers for goods and services	(26,098)	(60,061)	(86,159)
Cash paid to employees	-	(13,497)	(13,497)
Net cash provided (used) by operating activities	(13,073)	3,868	(9,205)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	61,135	-	61,135
Transfers to other funds	-	(18,386)	(18,386)
Net cash provided (used) by noncapital financing activities	61,135	(18,386)	42,749
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest and fiscal charges on debt	(11,685)	-	(11,685)
Principal payments on long-term debt	(23,066)	-	(23,066)
Net cash used by capital and related financing activities	(34,751)	-	(34,751)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	1,356	795	2,151
Net cash provided by investing activities	1,356	795	2,151
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,667	(13,723)	944
CASH AND CASH EQUIVALENTS, BEGINNING	59,143	14,875	74,018
CASH AND CASH EQUIVALENTS, ENDING	\$ 73,810	\$ 1,152	\$ 74,962
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$(17,096)	\$ 5,156	\$(11,940)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	7,139	-	7,139
Increase (decrease) in liabilities:			
Accounts payable	(3,116)	(1,421)	(4,537)
Accrued liabilities	-	133	133
Net cash provided (used) by operating activities	\$(13,073)	\$ 3,868	\$(9,205)

AGENCY FUNDS

Property Tax Fund – This fund is maintained by the Tax Collector for property taxes collected.

Auto 6.25% Fund – This fund is maintained by the Tax Collector to account for sales tax on new vehicles due to the State. The County retains a certain percentage for collections.

Auto Fund – The ***Auto Fund*** is maintained by the Tax Collector to account for collections from auto registrations. Disbursements are made to both the County and the State from this fund.

Auto Vehicle Inventory Tax Fund – This fund holds estimated payments in trust by auto dealers for taxes on inventory. Taxes are based on sales and are applied against the balance owed according to the assessment later in the year.

Seven Points Substation Fund – A tax account for automobile registrations maintained by the Tax Collector at a substation location, the fund “pays” the Tax Collector’s Auto 6% Funds and Auto Fund’s central accounts for accounting purposes.

Chandler Substation Fund – A tax account for automobile registrations maintained by the Tax Collector at a substation location, the fund “pays” the Tax Collector’s Auto 6% Fund’s and Auto Fund’s central accounts for accounting purposes.

Mobile Home Escrow Fund – This fund holds estimated payments in trust by mobile home owners for property taxes.

County Clerk Trust Fund – Maintained by the County Clerk, this fund accounts for trust money held in non-interest bearing accounts, for civil cases before the County Court or County Court-at-Law. Disbursements are made upon disposition of the cases by court order.

County Clerk Interest Bearing Trust Fund – The County Clerk maintains this fund to account for money held for civil cases before the County Court and County Court-at-Law. Disbursements are made upon disposition of the cases by court order.

District Clerk Trust Fund – This trust fund maintained by the District Clerk accounts for cash and investments held pending disposition of civil cases before the District Courts.

District Clerk Fee Fund – The District Clerk maintains the Fee Fund to account for fines and fees charged by the office and payable to the County. The account may hold a small amount of funds for restitution or bond payments.

District Clerk Trust Investment Fund – This trust fund maintained by the District Clerk accounts for certificates of deposit held pending disposition of civil cases before the District Courts.

County Attorney Hot Check Fund – The *Hot Check Fund* maintained by the County Attorney accounts for fees for bad check collections. The funds may be used for purposes benefiting the County Attorney's office.

Inmate Trust Fund – Maintained by the Sheriff, the fund holds inmate funds in trust during incarceration.

Sheriff Commissary Fund – The *Sheriff Commissary Fund* is used for commissary purchases. Purchases of supplies by inmates provides funding for the commissary.

District Attorney Escrow Fund – The District Attorney accounts for restitution payable to victims and temporarily holds fees collected on felony hot checks.

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>PROPERTY TAX FUND</u>				
Assets				
Cash and investments	\$ 13,748	\$ 61,295,781	\$ 60,764,201	\$ 545,328
Total assets	\$ 13,748	\$ 61,295,781	\$ 60,764,201	\$ 545,328
Liabilities				
Due to other agencies and individuals	\$ 13,748	\$ 61,295,781	\$ 60,764,201	\$ 545,328
Total liabilities	\$ 13,748	\$ 61,295,781	\$ 60,764,201	\$ 545,328
<u>AUTO 6.25% FUND</u>				
Assets				
Cash and investments	\$ 178,106	\$ 5,157,230	\$ 5,145,704	\$ 189,632
Total assets	\$ 178,106	\$ 5,157,230	\$ 5,145,704	\$ 189,632
Liabilities				
Due to other agencies and individuals	\$ 178,106	\$ 5,157,230	\$ 5,145,704	\$ 189,632
Total liabilities	\$ 178,106	\$ 5,157,230	\$ 5,145,704	\$ 189,632
<u>AUTO FUND</u>				
Assets				
Cash and investments	\$ 359,007	\$ 7,537,571	\$ 7,531,523	\$ 365,055
Total assets	\$ 359,007	\$ 7,537,571	\$ 7,531,523	\$ 365,055
Liabilities				
Due to other agencies and individuals	\$ 359,007	\$ 7,537,571	\$ 7,531,523	\$ 365,055
Total liabilities	\$ 359,007	\$ 7,537,571	\$ 7,531,523	\$ 365,055

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>AUTO VEHICLE INVENTORY TAX FUND</u>				
Assets				
Cash and investments	\$ 173,587	\$ 201,450	\$ 169,030	\$ 206,007
Total assets	\$ 173,587	\$ 201,450	\$ 169,030	\$ 206,007
Liabilities				
Due to other agencies and individuals	\$ 173,587	\$ 201,450	\$ 169,030	\$ 206,007
Total liabilities	\$ 173,587	\$ 201,450	\$ 169,030	\$ 206,007
<u>SEVEN POINTS SUBSTATION FUND</u>				
Assets				
Cash and investments	\$ 5,194	\$ 2,205,314	\$ 2,208,645	\$ 1,863
Total assets	\$ 5,194	\$ 2,205,314	\$ 2,208,645	\$ 1,863
Liabilities				
Due to other agencies and individuals	\$ 5,194	\$ 2,205,314	\$ 2,208,645	\$ 1,863
Total liabilities	\$ 5,194	\$ 2,205,314	\$ 2,208,645	\$ 1,863
<u>CHANDLER SUBSTATION FUND</u>				
Assets				
Cash and investments	\$ 7,430	\$ 917,341	\$ 921,619	\$ 3,152
Total assets	\$ 7,430	\$ 917,341	\$ 921,619	\$ 3,152
Liabilities				
Due to other agencies and individuals	\$ 7,430	\$ 917,341	\$ 921,619	\$ 3,152
Total liabilities	\$ 7,430	\$ 917,341	\$ 921,619	\$ 3,152

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>MOBILE HOME ESCROW FUND</u>				
Assets				
Cash and investments	\$ 284	\$ 8	\$ 292	\$ -
Total assets	<u>\$ 284</u>	<u>\$ 8</u>	<u>\$ 292</u>	<u>\$ -</u>
Liabilities				
Due to other agencies and individuals	\$ 284	\$ 8	\$ 292	\$ -
Total liabilities	<u>\$ 284</u>	<u>\$ 8</u>	<u>\$ 292</u>	<u>\$ -</u>
<u>COUNTY CLERK TRUST FUND</u>				
Assets				
Cash and investments	\$ 395,027	\$ 454,284	\$ 705,769	\$ 143,542
Total assets	<u>\$ 395,027</u>	<u>\$ 454,284</u>	<u>\$ 705,769</u>	<u>\$ 143,542</u>
Liabilities				
Due to other agencies and individuals	\$ 395,027	\$ 454,284	\$ 705,769	\$ 143,542
Total liabilities	<u>\$ 395,027</u>	<u>\$ 454,284</u>	<u>\$ 705,769</u>	<u>\$ 143,542</u>
<u>COUNTY CLERK INTEREST BEARING TRUST FUND</u>				
Assets				
Cash and investments	\$ 314,470	\$ 454,284	\$ 704,953	\$ 63,801
Total assets	<u>\$ 314,470</u>	<u>\$ 454,284</u>	<u>\$ 704,953</u>	<u>\$ 63,801</u>
Liabilities				
Due to other agencies and individuals	\$ 314,470	\$ 454,284	\$ 704,953	\$ 63,801
Total liabilities	<u>\$ 314,470</u>	<u>\$ 454,284</u>	<u>\$ 704,953</u>	<u>\$ 63,801</u>

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>DISTRICT CLERK TRUST FUND</u>				
Assets				
Cash and investments	\$ 193,122	\$ 253,437	\$ 278,241	\$ 168,318
Total assets	\$ 193,122	\$ 253,437	\$ 278,241	\$ 168,318
Liabilities				
Due to other agencies and individuals	\$ 193,122	\$ 253,437	\$ 278,241	\$ 168,318
Total liabilities	\$ 193,122	\$ 253,437	\$ 278,241	\$ 168,318
<u>DISTRICT CLERK FEE FUND</u>				
Assets				
Cash and investments	\$ 909,641	\$ 1,570,572	\$ 1,128,408	\$ 1,351,805
Total assets	\$ 909,641	\$ 1,570,572	\$ 1,128,408	\$ 1,351,805
Liabilities				
Due to other agencies and individuals	\$ 909,641	\$ 1,570,572	\$ 1,128,408	\$ 1,351,805
Total liabilities	\$ 909,641	\$ 1,570,572	\$ 1,128,408	\$ 1,351,805
<u>DISTRICT CLERK TRUST INVESTMENT FUND</u>				
Assets				
Cash and investments	\$ 812,558	\$ 118,102	\$ 94,839	\$ 835,821
Total assets	\$ 812,558	\$ 118,102	\$ 94,839	\$ 835,821
Liabilities				
Due to other agencies and individuals	\$ 812,558	\$ 118,102	\$ 94,839	\$ 835,821
Total liabilities	\$ 812,558	\$ 118,102	\$ 94,839	\$ 835,821

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>COUNTY ATTORNEY HOT CHECK FUND</u>				
Assets				
Cash and investments	\$ 46,851	\$ 413,376	\$ 408,379	\$ 51,848
Total assets	\$ 46,851	\$ 413,376	\$ 408,379	\$ 51,848
Liabilities				
Due to other agencies and individuals	\$ 46,851	\$ 413,376	\$ 408,379	\$ 51,848
Total liabilities	\$ 46,851	\$ 413,376	\$ 408,379	\$ 51,848
<u>INMATE TRUST FUND</u>				
Assets				
Cash and investments	\$ 20,043	\$ 863,683	\$ 852,585	\$ 31,141
Total assets	\$ 20,043	\$ 863,683	\$ 852,585	\$ 31,141
Liabilities				
Due to other agencies and individuals	\$ 20,043	\$ 863,683	\$ 852,585	\$ 31,141
Total liabilities	\$ 20,043	\$ 863,683	\$ 852,585	\$ 31,141
<u>SHERIFF COMMISSARY FUND</u>				
Assets				
Cash and investments	\$ 27,193	\$ 172,241	\$ 175,776	\$ 23,658
Total assets	\$ 27,193	\$ 172,241	\$ 175,776	\$ 23,658
Liabilities				
Due to other agencies and individuals	\$ 27,193	\$ 172,241	\$ 175,776	\$ 23,658
Total liabilities	\$ 27,193	\$ 172,241	\$ 175,776	\$ 23,658

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>DISTRICT ATTORNEY ESCROW FUND</u>				
Assets				
Cash and investments	\$ 26,871	\$ 87,841	\$ 80,619	\$ 34,093
Total assets	<u>\$ 26,871</u>	<u>\$ 87,841</u>	<u>\$ 80,619</u>	<u>\$ 34,093</u>
Liabilities				
Due to other agencies and individuals	\$ 26,871	\$ 87,841	\$ 80,619	\$ 34,093
Total liabilities	<u>\$ 26,871</u>	<u>\$ 87,841</u>	<u>\$ 80,619</u>	<u>\$ 34,093</u>
<u>ALL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 3,483,132	\$ 81,702,515	\$ 81,170,583	\$ 4,015,064
Total assets	<u>\$ 3,483,132</u>	<u>\$ 81,702,515</u>	<u>\$ 81,170,583</u>	<u>\$ 4,015,064</u>
Liabilities				
Due to other agencies and individuals	\$ 3,483,132	\$ 81,702,515	\$ 81,170,583	\$ 4,015,064
Total liabilities	<u>\$ 3,483,132</u>	<u>\$ 81,702,515</u>	<u>\$ 81,170,583</u>	<u>\$ 4,015,064</u>