

**TAYLOR COUNTY, TEXAS**

---

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

---

TAYLOR COUNTY, TEXAS  
Annual Financial Report  
Year Ended September 30, 2012

Table of Contents

	<u>Exhibit No.</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	11
Statement of Activities	A-2	12
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	13
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets	A-4	14
Statement of Revenues, Expenditures and Changes in		
Fund Balance – Governmental Funds	A-5	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balance of Governmental Funds to the Statement of Activities	A-6	16
Statement of Net Assets – Proprietary Funds	A-7	17
Statement of Revenues, Expenses and Changes in Fund Net Assets –		
Proprietary Funds	A-8	18
Statement of Cash Flows – Proprietary Funds	A-9	19
Statement of Fiduciary Net Assets – Fiduciary Fund	A-10	20
Notes to Financial Statements		21
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund	B-1	40
Major Fund:		
Road and Bridge Fund	B-2	41
Schedule of Funding Progress – Pension Plan		42
Notes to Required Supplementary Information		43

TAYLOR COUNTY, TEXAS  
Annual Financial Report  
Year Ended September 30, 2012

Table of Contents

	<u>Exhibit No.</u>	<u>Page No.</u>
<u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	C-1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C-2	45
Special Revenue Funds:		
Combining Balance Sheet – Nonmajor Special Revenue Funds	C-3	46
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Special Revenue Funds	C-4	48
Capital Project Funds:		
Combining Balance Sheet – Nonmajor Capital Project Funds	C-5	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds	C-6	51
Internal Service Funds:		
Combining Statement of Net Assets –Internal Service Funds	C-7	52
Combining Statement of Revenues, Expenses and Changes in Net Assets –Internal Service Funds	C-8	53
Combining Statement of Cash Flows –Internal Service Funds	C-9	54
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities	C-10	55
<u>Governmental Reporting Section:</u>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		59
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61
Schedule of Findings and Questioned Costs		63
Schedule of Status of Prior Year Findings		64
Schedule of Expenditures of Federal Awards	D-1	65
Schedule of Expenditures of State Awards	D-2	67
Notes to the Schedule of Expenditures of Federal and State Awards		68

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and  
Members of the Commissioners Court  
Taylor County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof 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 March 19, 2013, on our consideration of Taylor County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 3 through 10 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Taylor County, Texas' financial statements as a whole. The accompanying schedule of expenditures of state awards and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of state awards, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Certified Public Accountants

Abilene, Texas  
March 19, 2013

# **TAYLOR COUNTY, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Taylor County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2012. Please read it in conjunction with the County's financial statements.

### **FINANCIAL HIGHLIGHTS**

- Taylor County's total combined net assets were \$81.4 million at September 30, 2012. This represents a decrease of \$5.1 million from September 30, 2011. Of this amount, \$32.2 million (unrestricted net assets) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$5.1 million more than the \$43.6 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$22.0 million, all but \$6,661 is available for spending at the government's discretion.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Taylor County, Texas basic financial statements. The County's basic financial statements consist of 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 Statements**

The government-wide statements are designed to provide readers with a broad overview of Taylor County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (Page 11) presents information on all of Taylor 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 Taylor County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 12) presents information showing how the government's net assets changed during the 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.

Net assets- the difference between the County's assets and liabilities- is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

Both of these government-wide financial statements are designed to distinguish functions of Taylor 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). Governmental activities include general government, public safety, highways and streets, sanitation, economic development, culture and recreation. These activities are financed primarily by property taxes and grants. The County does not have any business-type activities.

## Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Taylor County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Taylor County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has three types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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. These reconciliations can be found on Pages 14 and 16 of the basic financial statements section.

The County maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, contingency fund, and the road and bridge fund, all of which are considered to be major funds. Individual fund data for each of the twenty-two non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided in the Required Supplementary section to demonstrate compliance with this budget.

- **Proprietary funds** — Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, Taylor County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities. The individual internal service funds are combined into a single aggregate presentation in the proprietary fund financial statements on Pages 17-19. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.
- **Fiduciary funds** — The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on Page 20. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Taylor County's combined net assets were approximately \$81.4 million at September 30, 2012. The largest portion of the County's net assets (57%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net assets (3%) represent resources that are subject to 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.

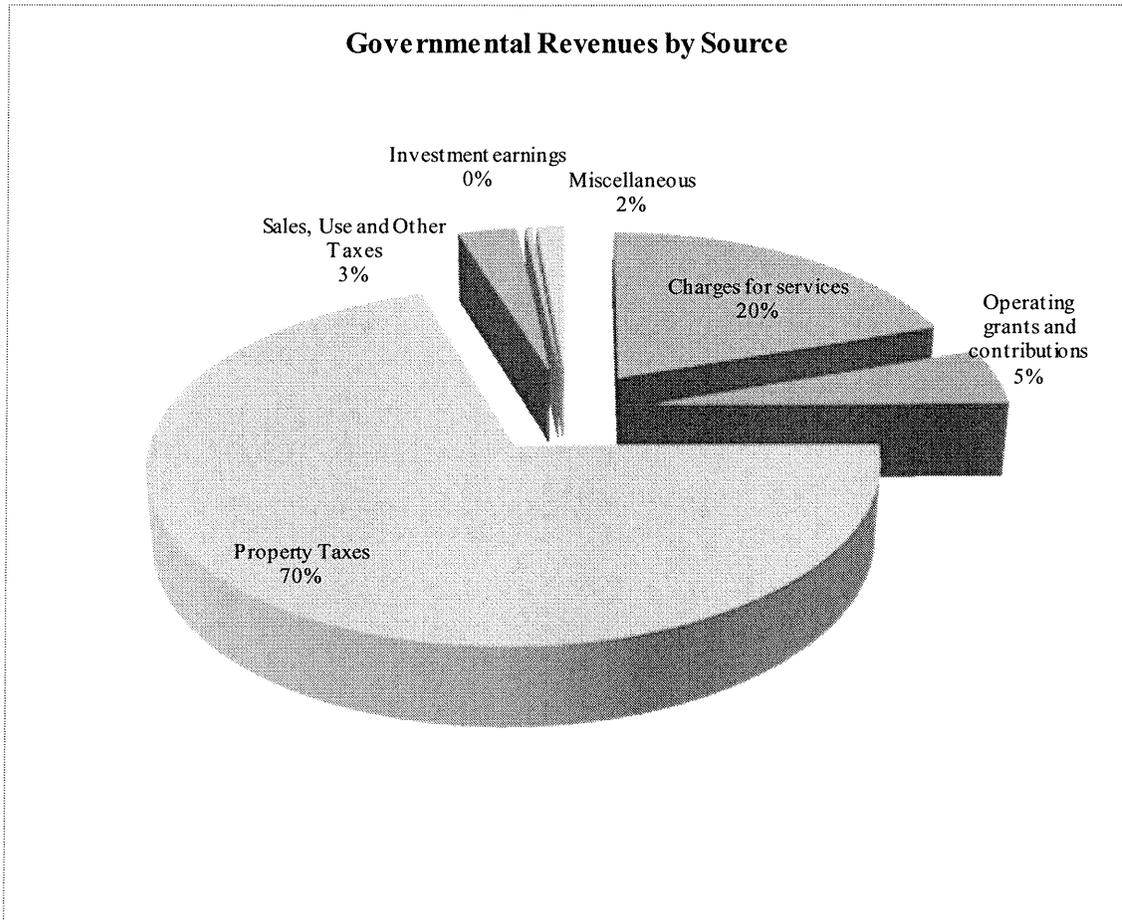
	Governmental	
	Activities	
	September 30, 2012	September 30, 2011
Current and Other Assets	\$ 41,149,325	\$ 41,351,869
Capital Assets	48,993,674	53,374,152
<b>Total Assets</b>	<b>90,142,999</b>	<b>94,726,021</b>
Current Liabilities	3,479,717	2,780,998
Long Term Liabilities	5,296,453	5,500,190
<b>Total Liabilities</b>	<b>8,776,170</b>	<b>8,281,188</b>
Net Assets		
Invested in Capital Assets, net of related debt	46,653,674	50,552,896
Restricted	2,508,513	2,408,505
Unrestricted	32,204,642	33,483,432
<b>Total Net Assets</b>	<b>\$ 81,366,829</b>	<b>\$ 86,444,833</b>

**Changes in Net Assets**—Taylor County’s net assets decreased by approximately \$5.1 million during the current fiscal year.

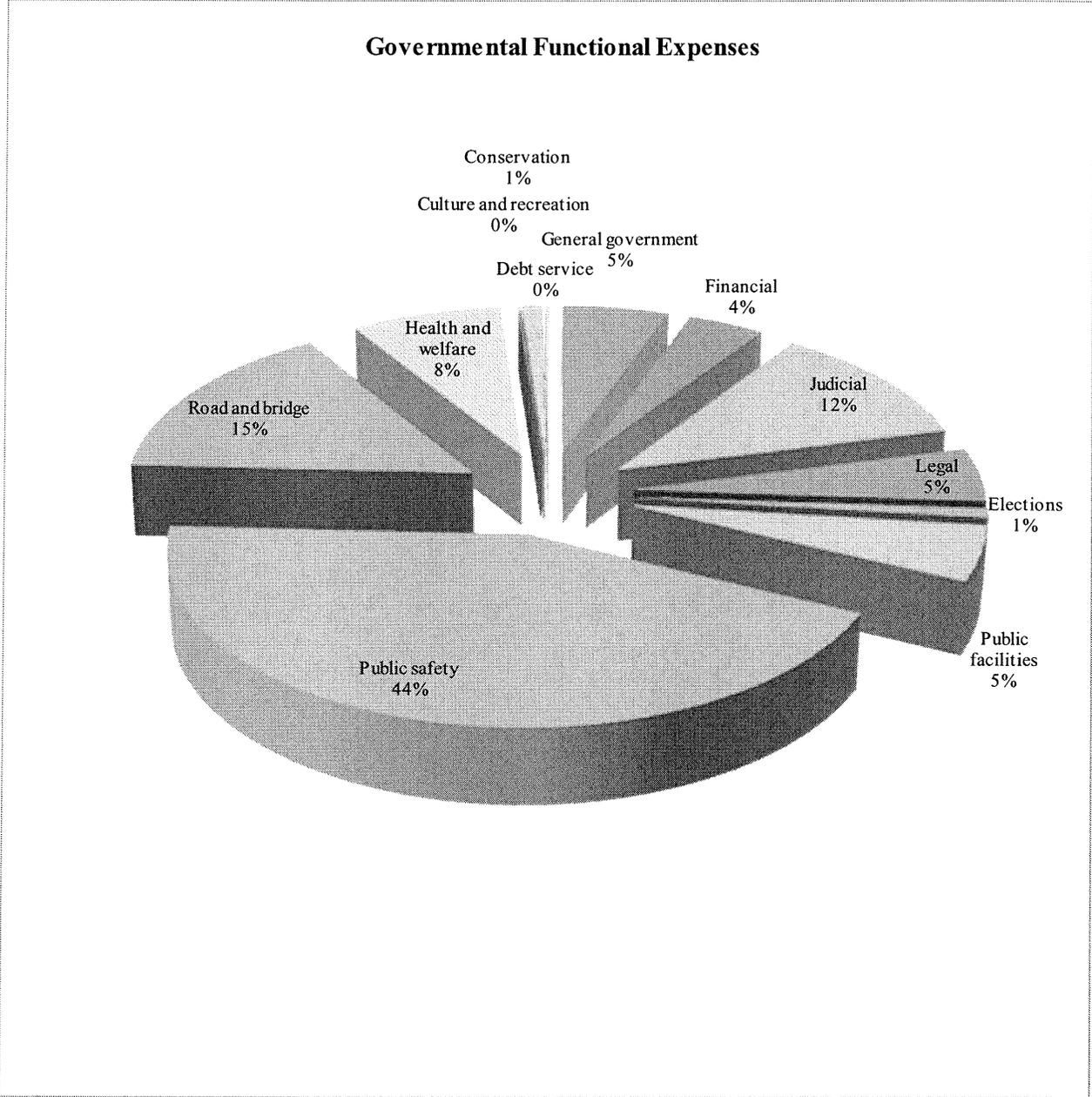
	Governmental Activities	
	Fiscal Year 2012	Fiscal Year 2011
Revenues:		
Program Revenues:		
Charges for Services	\$ 8,613,919	\$ 8,789,607
Operating Grants and Contributions	2,253,351	2,077,820
General Revenues:		
Property Taxes	30,562,791	30,355,960
Sales and Use and Other Taxes	1,326,081	1,209,627
Investment Earnings	161,871	309,917
Miscellaneous Revenue	375,647	327,867
Gain on Sale of Assets	255,088	73,726
Total Revenues	<u>43,548,748</u>	<u>43,144,524</u>
Expenses:		
General Government	2,643,709	2,977,325
Financial Administration	1,910,006	1,966,729
Judicial	5,689,834	5,441,444
Legal	2,440,106	2,334,492
Elections	404,321	323,369
Public Facilities	2,537,833	2,455,518
Public Safety	21,183,375	21,048,806
Road and Bridge	7,487,071	7,506,188
Health and Welfare	3,721,968	3,730,395
Conservation	477,370	487,978
Culture and Recreation	26,469	20,795
Interest on Long-Term Debt	104,690	123,862
Total Expenses	<u>48,626,752</u>	<u>48,416,901</u>
Change in Net Assets	(5,078,004)	(5,272,377)
Beginning Net Assets, as Restated	86,444,833	91,717,210
Ending Net Assets	<u>\$ 81,366,829</u>	<u>\$ 86,444,833</u>

**Governmental Activities**—Total revenues for the fiscal year ending September 30, 2012 were \$43.5 million. Approximately 73% of the County’s revenue comes from taxes, with over 70% from property taxes alone. Property tax revenue increased .7% due to an increase in the tax base.

Expenditures increased by \$209,851 from the prior year, mostly in Judicial and Public Safety due to increased personnel costs and the increased cost of medical care provided to inmates.



The total cost for all programs and services totaled \$48.6 million for the year ended September 30, 2012. Of this amount, the largest operating services areas were public safety which totaled \$21.2 million or 44% of total expenses for the year, and road and bridge services which totaled \$7.5 million, or 15% of total expenses for the year. In the prior year, these two operating areas comprised 59% of total expenses. Costs related to general government (5%) continued to absorb a significant percentage of the County's total expenses for the current year.



## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Taylor County's governmental funds reported a combined fund balance of \$33.0 million, an increase of \$52,320 or less than 1% in comparison with the prior year. Approximately 67% of this total amount (\$22.0 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or assigned, to indicate that it is not available for new spending because it has already been committed to: 1) special purposes by virtue of special revenue funds (\$10.4 million), 2) retirement of bonded indebtedness (\$602 thousand), and 3) authorized construction (\$22 thousand).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$22.0 million. Approximately \$22.0 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 61% of total General Fund expenditures.

Taylor County's General Fund balance increased by \$59,375 during the current fiscal year.

**General Fund Budgetary Highlights** - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$1.1 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$732 thousand greater than the final budgeted amount. The revenue increases were primarily from increased tax revenues.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**—As of September 30, 2012, the County had invested \$153.6 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net decrease (including additions, retirements and adjustments) of \$4.4 million, or 8.2% over last year.

Major events affecting capital assets during the year were:

- Various equipment and building improvement acquisitions.

More detailed information about the County's capital assets can be found in Note 5 on Pages 30-31 of this report.

	Governmental		Percent Change
	Activities		
	2012	2011	
Land	\$ 1,975,105	\$ 1,975,105	0.00%
Buildings and Improvements	69,228,249	68,306,499	1.35%
Furniture and Equipment	2,932,823	2,717,218	7.93%
Vehicles and Heavy Equipment	8,987,625	8,649,920	3.90%
Infrastructure	70,512,665	70,512,665	0.00%
Total	<u>153,636,467</u>	<u>152,161,407</u>	<u>0.97%</u>
Total Accumulated Depreciation	<u>(104,642,793)</u>	<u>(98,787,255)</u>	<u>5.93%</u>
Net Capital Assets	<u>\$ 48,993,674</u>	<u>\$ 53,374,152</u>	<u>-8.21%</u>

**Long Term Debt** — At the end of the year, the County had \$5.8 million of long-term obligations. \$2.3 million represents bonds secured solely by specified revenue sources.

	Governmental Activities		Percent Change
	2012	2011	
Bonds Payable	\$ 2,340,000	\$ 2,860,000	-18%
Compensated Absences	1,158,170	1,413,295	-18%
Net OPEB Obligation	2,343,283	1,226,895	91%
Total	\$ 5,841,453	\$ 5,500,190	6%

During the year, Taylor County’s long-term obligations increased by \$341 thousand. The County’s Series 2005 Advanced General Obligation Refunding Bonds presently carry “Aa2” ratings from Moody’s and “AA+” ratings by Standard & Poors.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is \$1.6 billion, which is significantly higher than the County’s outstanding general obligation debt.

More detailed information about the County’s long-term liabilities can be found in Note 7 on Pages 32-33 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- The net taxable appraised value used for the 2013 budget preparation is estimated to be up \$159 million, or 2.7% from 2012. Total values for Taylor County, without adjustments, were up 3.3%.
- The combined tax rate established for 2013 is \$.4826, an increase of \$.01 from 2012.
- Taylor County’s unemployment rate is currently 4.6%, compared to 5.8% in 2011. The State unemployment rate in December 2012 was 6.0%.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2013 fiscal year.

Amounts available for appropriation in the General Fund budget are \$38,400,328, an increase of 4.2% over the 2012 budget of \$36,855,211. Property taxes and fees for services (with anticipated increases in these areas) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 4.2% to \$38,400,328. The largest increments are increases in salaries of 3%. The County has added no major new programs or initiatives to the 2013 budget.

**CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Taylor County’s finances and to demonstrate the County’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Taylor County Auditor, 300 Oak Street, Abilene, TX 79102.

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Statement of Net Assets  
September 30, 2012

Exhibit A-1

	Governmental Activities
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 18,479,128
Investments	18,047,254
Receivables (net of allowance for uncollectibles)	
Taxes	313,621
Other	4,256,688
Due from agency funds	15,810
Prepaid expenses	3,665
Inventory	2,996
Debt issuance cost	30,163
Capital Assets	
Land	1,975,105
Infrastructure, net	16,542,959
Buildings and improvements, net	27,195,785
Vehicles and heavy equipment, net	2,466,653
Furniture and equipment, net	813,172
Total assets	90,142,999
<b>LIABILITIES:</b>	
Accounts payable and other current liabilities	1,018,323
Payroll liabilities	1,423,406
Accrued interest payable	5,812
Due to other governments	487,176
Noncurrent liabilities	
Due within one year	545,000
Due in more than one year	5,296,453
Total liabilities	8,776,170
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	46,653,674
Restricted for	
Debt service	601,674
Capital projects	21,687
JP technology	158,987
JP security	205,476
Enabling legislation	1,520,689
Unrestricted	32,204,642
Total net assets	\$ 81,366,829

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

TAYLOR COUNTY, TEXAS  
Statement of Activities  
For the Year Ended September 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>PRIMARY GOVERNMENT</b>			
Governmental activities			
General government	\$ 2,643,709	\$ 2,166,282	\$ 614,630
Financial	1,910,006	581,193	
Judicial	5,689,834	1,744,950	
Legal	2,440,106	210,638	100,407
Elections	404,321	7,597	19,355
Public facilities	2,537,833	334,823	
Public safety	21,183,375	1,771,729	1,401,354
Road and bridge	7,487,071	1,678,479	84,058
Health and welfare	3,721,968	86,873	33,547
Conservation	477,370	31,355	
Culture and recreation	26,469		
Interest and fees on long term debt	104,690		
	<u>48,626,752</u>	<u>8,613,919</u>	<u>2,253,351</u>
Total governmental activities			
	<u>48,626,752</u>	<u>8,613,919</u>	<u>2,253,351</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 48,626,752</u>	<u>\$ 8,613,919</u>	<u>\$ 2,253,351</u>

General Revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for debt purposes
- Other taxes
- Penalties and interest
- Miscellaneous revenues
- Investment earnings
- Gain on sale of assets
- Total general revenues

Change in net assets

- Net assets at beginning of year
- Prior period adjustment
- Net assets - beginning, restated
- Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Total
\$ 137,203	\$ 137,203
(1,328,813)	(1,328,813)
(3,944,884)	(3,944,884)
(2,129,061)	(2,129,061)
(377,369)	(377,369)
(2,203,010)	(2,203,010)
(18,010,292)	(18,010,292)
(5,724,534)	(5,724,534)
(3,601,548)	(3,601,548)
(446,015)	(446,015)
(26,469)	(26,469)
<u>(104,690)</u>	<u>(104,690)</u>
<u>(37,759,482)</u>	<u>(37,759,482)</u>
<u>(37,759,482)</u>	<u>(37,759,482)</u>
30,012,693	30,012,693
550,098	550,098
1,326,081	1,326,081
221,198	221,198
154,449	154,449
161,871	161,871
255,088	255,088
<u>32,681,478</u>	<u>32,681,478</u>
(5,078,004)	(5,078,004)
87,671,728	87,671,728
<u>(1,226,895)</u>	<u>(1,226,895)</u>
86,444,833	86,444,833
<u>\$ 81,366,829</u>	<u>\$ 81,366,829</u>

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Balance Sheet  
Governmental Funds  
September 30, 2012

	General Fund	Contingency Fund	Road and Bridge Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,969,316	\$ 2,392,616	\$ 133,727
Investments	17,046,405		
Receivables (net of allowances for uncollectibles)			
Property taxes	289,177		11,613
Other	407,771		42,557
Interest			
Due from other funds	80,269		20,089
Due from agency funds	15,810		
Inventories	2,996		
Prepaid items	3,665		
	<u>24,815,409</u>	<u>2,392,616</u>	<u>207,986</u>
Total assets	\$ <u>24,815,409</u>	\$ <u>2,392,616</u>	\$ <u>207,986</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 643,215	\$	\$ 112,541
Payroll liabilities	1,423,406		
Due to other funds			61,704
Due to other governments	487,176		
Deferred revenue	289,177		11,613
	<u>2,842,974</u>		<u>185,858</u>
Total liabilities	2,842,974		185,858
Fund balances:			
Nonspendable			
Prepaid items	3,665		
Inventory	2,996		
Restricted for			
Debt service			
Capital projects			
JP Technology			
JP Security			
Enabling legislation			
Assigned for			
Road and bridge			22,128
Contingencies		2,392,616	
Other purposes			
Unassigned	21,965,774		
	<u>21,972,435</u>	<u>2,392,616</u>	<u>22,128</u>
Total fund balances	21,972,435	2,392,616	22,128
Total liabilities and fund balances	\$ <u>24,815,409</u>	\$ <u>2,392,616</u>	\$ <u>207,986</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 7,676,112	\$ 17,171,771
1,000,849	18,047,254
12,831	313,621
38,246	488,574
820	820
159,308	259,666
	15,810
	2,996
	3,665
<u>\$ 8,888,166</u>	<u>\$ 36,304,177</u>
\$ 53,007	\$ 808,763
	1,423,406
197,962	259,666
	487,176
12,831	313,621
<u>263,800</u>	<u>3,292,632</u>
	3,665
	2,996
601,674	601,674
21,687	21,687
158,987	158,987
205,476	205,476
1,520,689	1,520,689
26,728	48,856
	2,392,616
6,089,125	6,089,125
	21,965,774
<u>8,624,366</u>	<u>33,011,545</u>
<u>\$ 8,888,166</u>	<u>\$ 36,304,177</u>

TAYLOR COUNTY, TEXAS  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
September 30, 2012

Exhibit A-4

<b>Total Fund Balance-Governmental Funds</b>	<b>\$</b>	<b>33,011,545</b>
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.</p>		
		1,097,797
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	\$ 153,636,467	
Accumulated depreciation	<u>(104,642,793)</u>	48,993,674
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	(2,340,000)	
Other postemployment benefit obligation	(2,343,283)	
Compensated absences	(1,158,170)	
Accrued interest payable	(5,812)	
Debt issuance costs	<u>30,163</u>	(5,817,102)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Office fees receivable	3,767,294	
Deferred revenue - property taxes	<u>313,621</u>	<u>4,080,915</u>
<b>Net Assets of Governmental Activities-Statement of Net Assets</b>	<b>\$</b>	<b><u>81,366,829</u></b>

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

TAYLOR COUNTY, TEXAS  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2012

	General Fund	Contingency Fund	Road and Bridge Fund
<b>REVENUES</b>			
Taxes			
Property taxes	\$ 29,216,936	\$	\$ 1,056,544
Other taxes	369,656		956,425
License and permits	589,422		1,567,757
Intergovernmental and grants	1,801,385		7,502
Fines and fees	3,874,121		35,047
Rents and recoveries	301,880		
Investment earnings	141,517	2,718	363
Miscellaneous	242,287		2,780
Total revenues	<u>36,537,204</u>	<u>2,718</u>	<u>3,626,418</u>
<b>EXPENDITURES</b>			
Current			
General government	2,621,862		
Financial	1,839,936		
Judicial	5,527,180		
Legal	2,028,306		
Elections	317,791		
Public facilities	1,248,338		
Public safety	17,548,153		
Road and bridge	483		3,261,698
Health and welfare	3,611,667		
Conservation	455,485		
Culture and Recreation	26,469		
Debt Service			
Debt principal			
Debt interest and agent fees			
Capital Outlay			
Capital outlay	<u>1,029,790</u>		<u>981,159</u>
Total expenditures	<u>36,255,460</u>	<u>-</u>	<u>4,242,857</u>
Excess revenues over expenditures	281,744	2,718	(616,439)
<b>OTHER FINANCING SOURCES</b>			
Transfers in			87,000
Transfers out	(235,997)		
Sale of property	<u>13,628</u>		<u>279,073</u>
Total other financing sources (uses)	<u>(222,369)</u>	<u>-</u>	<u>366,073</u>
NET CHANGE IN FUND BALANCE	59,375	2,718	(250,366)
FUND BALANCE AT BEGINNING OF YEAR	<u>21,913,060</u>	<u>2,389,898</u>	<u>272,494</u>
FUND BALANCE AT END OF YEAR	<u>\$ 21,972,435</u>	<u>\$ 2,392,616</u>	<u>\$ 22,128</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 551,695	\$ 30,825,175
	1,326,081
	2,157,179
1,431,929	3,240,816
432,658	4,341,826
	301,880
15,633	160,231
624,702	869,769
<u>3,056,617</u>	<u>43,222,957</u>
182,412	2,804,274
13,293	1,853,229
	5,527,180
331,960	2,360,266
57,829	375,620
	1,248,338
1,473,068	19,021,221
54,129	3,316,310
69,412	3,681,079
	455,485
	26,469
520,000	520,000
105,919	105,919
<u>121,999</u>	<u>2,132,948</u>
<u>2,930,021</u>	<u>43,428,338</u>
126,596	(205,381)
147,816	234,816
(48,819)	(284,816)
15,000	307,701
<u>113,997</u>	<u>257,701</u>
240,593	52,320
<u>8,383,773</u>	<u>32,959,225</u>
<u>\$ 8,624,366</u>	<u>\$ 33,011,545</u>

TAYLOR COUNTY, TEXAS

Exhibit A-6

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2012

Net Change in Fund Balances -Total Governmental Funds		\$ 52,320
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The change in net assets of these internal service funds are reported with governmental funds. The net effect of this consolidation is to decrease net assets.</p>		
		(627,375)
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.</p>		
Capital outlay	\$ 2,440,248	
Debt principal payments	<u>520,000</u>	2,960,248
<p>Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(6,611,033)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Increase in office fines and fees receivable	267,330	
Deferred tax revenues	(41,186)	
Decrease in bond interest payable	1,229	
Increase in other postemployment benefit obligation	(1,116,388)	
Amortization of debt issuance cost	(8,581)	
Net book value of assets retired	(209,693)	
Decrease in compensated absences	<u>255,125</u>	<u>(852,164)</u>
Change in Net Assets of Governmental Activities-Statement of Activities		<u>\$ (5,078,004)</u>

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

**PROPRIETARY FUND FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Statement of Net Assets  
Proprietary Funds  
September 30, 2012

Exhibit A-7

---

---

	<u>Governmental Activities</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ <u>1,307,357</u>
Total current assets	\$ <u><u>1,307,357</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accounts payable	\$ <u>209,560</u>
Total current liabilities	<u>209,560</u>
Net Assets	
Unrestricted	<u>1,097,797</u>
Total net assets	<u><u>1,097,797</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u><u>1,307,357</u></u></b>

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

TAYLOR COUNTY, TEXAS  
Statement of Revenues,  
Expenses and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended September 30, 2012

Exhibit A-8

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 4,442,233
Other revenues	278,900
Total operating revenues	4,721,133
OPERATING EXPENSES	
Contract services	1,009,928
Claims	3,749,803
Repair and maintenance	640,417
Total operating expenses	5,400,148
OPERATING INCOME (LOSS)	(679,015)
NONOPERATING REVENUES	
Investment earnings	1,640
Income before transfers	(677,375)
TRANSFERS	
Transfers in	50,000
CHANGE IN NET ASSETS	(627,375)
NET ASSETS AT BEGINNING OF YEAR	1,725,172
NET ASSETS AT END OF YEAR	\$ 1,097,797

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

TAYLOR COUNTY, TEXAS  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2012

Exhibit A-9

	Governmental Activities <u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Other operating receipts	\$ 278,900
Cash received from interfund services provided	4,442,561
Cash payments for claims	(3,963,958)
Cash payments for insurance premiums	(1,009,928)
Cash payments for repair and maintenance	<u>(640,417)</u>
Net cash used by operating activities	<u>(892,842)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	<u>50,000</u>
Net cash provided by non-capital financing activities	<u>50,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	<u>1,640</u>
Net cash provided by investing activities	<u>1,640</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(841,202)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,148,559</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,307,357</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (679,015)
Net change in:	
Accounts receivable	328
Claims payable	<u>(214,155)</u>
Total adjustments	<u>(213,827)</u>
Net cash used by operating activities	<u>\$ (892,842)</u>

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

TAYLOR COUNTY, TEXAS  
Statement of Fiduciary Net Assets - Fiduciary Funds  
September 30, 2012

Exhibit A-10

---

---

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 5,763,193
Due from other funds	16,395
Accounts receivable	<u>21,779</u>
 TOTAL ASSETS	 \$ <u>5,801,367</u>
 LIABILITIES:	
Accounts payable	\$ 224,446
Due to other funds	32,404
Due to others	<u>5,544,517</u>
 TOTAL LIABILITIES	 \$ <u>5,801,367</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 1: Summary of Significant Accounting Policies**

*A. Reporting Entity*

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Taylor County (the "County") operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles ("GAAP") applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The Commissioners' Court has governance responsibilities over all activities related to Taylor County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by authoritative guidance. There are no component units included within the reporting entity.

The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (roads and bridges), health and welfare (pauper care, health clinic facilities, meals for the elderly and indigent health care), culture and recreation facilities, conservation, public facilities, judicial and legal, election functions, and general and financial administrative services.

*B. Government-wide and Fund Financial Statements*

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Taylor County nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from agency funds on the government-wide Statement of Net Assets.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

**NOTE 1: Summary of Significant Accounting Policies, continued**

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**NOTE 1: Summary of Significant Accounting Policies, continued**

*D. Fund Accounting*

The County reports the following major governmental funds:

General Fund – The General Fund is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Contingency Fund – The Contingency Fund is a capital projects fund that is used to account for monies for renovation projects within the Courthouse, the courthouse security, and unforeseen, unbudgeted major repairs or replacements.

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Additionally, the County reports the following non-major fund types:

Governmental Funds:

Non-Major Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

Capital Projects Funds – The County uses these funds to account for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

Debt Service Fund – The County uses this fund to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds:

Internal Service Funds – The County uses these funds to account for the financing of goods or services provided by one department or other departments of the County, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

*E. Assets, Liabilities, and Net Assets or Equity*

- Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**NOTE 1: Summary of Significant Accounting Policies, continued**

- Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation in January 1, 1980.

As of October 1, 1981, the appraisal of property within the County was the responsibility of the Central Appraisal District (the "Appraisal District") of Taylor County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Through a contractual arrangement with the County, the Central Appraisal District of Taylor County is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

The County has adopted a policy to record all delinquent taxes in the General Fund at year end. The County's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes, after the current year funding requirements have been satisfied, will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the County's General Fund after the County has met the annual requirements for the payment of the bonds.

**NOTE 1: Summary of Significant Accounting Policies, continued**

- Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In the fund financial statements, they are offset by nonspendable fund balance which indicates they do not represent "available spendable resources."

- Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of \$5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-10
Infrastructure	20-35

- Deferred Charges on Bonds Payable

Deferred charges consist of issuance costs of the bonds. Such costs are amortized on a straight-line basis over the term of the bonds.

- Receivables and Payables Balances

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue.

- Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on specific event (such as illness)

**NOTE 1: Summary of Significant Accounting Policies, continued**

Per GASB Interpretation No. 6 liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee that has completed six months of employment shall be entitled to payment for total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours has been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues at a rate of 10 hours per month or 120 hours per year up to a maximum of 480 hours, but compensation is paid only for an illness-related absences. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time is the only accrued compensation liabilities recorded.

- Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

- Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

- Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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 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.

- Deferred Revenues

The County reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in current period. Deferred revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 2: Stewardship, Compliance and Accountability**

*A. Budgetary Information*

The County Judge and the County Auditor submit an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. In August, the Commissioners Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

**NOTE 3: Deposits and Investments**

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

*A. Investments*

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 3: Deposits and Investments-continued**

*A. Investments, continued*

At September 30, 2012, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	Fair Value	Maturity	Credit Quality Rating
General Fund			
TexPool	\$ 6,065,008	47 days - Weighted Avg.	AAAm
Contingency Fund			
TexPool	2,392,616	47 days - Weighted Avg.	AAAm
Capital Project Funds			
TexPool	21,687	47 days - Weighted Avg.	AAAm
Debt Service Fund			
TexPool	601,674	47 days - Weighted Avg.	AAAm
Internal Service Funds			
TexPool	1,307,357	47 days - Weighted Avg.	AAAm
Total Cash in First Financial Bank	8,090,785		
Total Certificates of Deposit	18,047,254	Less than one year	
	<u>\$ 36,526,381</u>		

The County has a financial arrangement with its bank and TexPool whereby TexPool will transfer funds to the bank to cover any shortfalls in the operating account.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is approximately the same as the value of the shares in each pool.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available online. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 3: Deposits and Investments-continued**

*B. Investment Accounting Policy*

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the County’s deposits may not be returned to it. The County’s policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2012 were covered by depository insurance or by pledged collateral held by the County’s agent bank in the County’s name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

**Concentration of Credit Risk – Diversification by investment type shall be established by the following maximum percentages of investment types to the total County investment portfolio at the time of each investment transaction:**

- |   |      |
|---|------|
| a.) U.S. Treasury Bills/Notes/Bonds     | 100% |
| b.) U.S. Agencies and Instrumentalities | 85%  |
| c.) States, Counties, Cities, and Other | 50%  |
| d.) Certificates of Deposit             | 100% |
| e.) Money Market Mutual Funds           | 80%  |
| f.) Eligible Investment Pools           | 100% |

**Interest Rate Risk –** In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years. The maximum maturity for all construction or capital improvement funds shall not be more than five years. County funds that are considered “bond proceeds” for arbitrage purposes shall have a maximum maturity not to exceed one year. Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years. Agency funds are to be invested not to exceed ninety days. Registry funds maturity are not to exceed court order limits.

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool’s investment policy allows the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. TexPool is rated AAAM by Standard & Poor’s. It is the County’s policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 4: Receivables**

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Interest Receivable</u>	<u>Property Taxes</u>	<u>Other Receivables</u>	<u>Due From Other Funds</u>	<u>Total Receivables</u>
Governmental Funds					
General Fund	\$	\$ 289,177	\$ 407,771	\$ 80,269	\$ 777,217
Road and Bridge Fund		11,613	42,557	20,089	74,259
Non-major					
Governmental Funds	<u>820</u>	<u>12,831</u>	<u>38,246</u>	<u>159,308</u>	<u>211,205</u>
Total-Governmental Funds	<u>\$ 820</u>	<u>\$ 313,621</u>	<u>\$ 488,574</u>	<u>\$ 259,666</u>	<u>\$ 1,062,681</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ (313,621)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (313,621)</u>

Additionally, the County has estimated fines receivable of \$3,767,294 accrued in the Statement of Net Assets.

**NOTE 5: Capital Assets**

Capital asset activity for the period ended September 30, 2012 was as follows:

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2012</u>
Governmental Activities				
Non-depreciable Assets				
Land	\$ 1,975,105	\$	\$	\$ 1,975,105
Total Non-depreciable Assets	<u>1,975,105</u>			<u>1,975,105</u>
Depreciable Assets				
Buildings and Improvements	68,306,499	921,750		69,228,249
Furniture and Equipment	2,717,218	266,519	50,914	2,932,823
Vehicles and Heavy Equipment	8,649,920	1,251,979	914,274	8,987,625
Infrastructure	<u>70,512,665</u>			<u>70,512,665</u>
Total Depreciable Assets	<u>150,186,302</u>	<u>2,440,248</u>	<u>965,188</u>	<u>151,661,362</u>
Total at Historic Cost	<u>152,161,407</u>	<u>2,440,248</u>	<u>965,188</u>	<u>153,636,467</u>
Less Accumulated Depreciation:				
Buildings and Improvements	39,858,108	2,174,356		42,032,464
Furniture and Equipment	1,991,613	178,952	50,914	2,119,651
Vehicles and Heavy Equipment	6,435,645	789,908	704,581	6,520,972
Infrastructure	<u>50,501,889</u>	<u>3,467,817</u>		<u>53,969,706</u>
Total Accumulated Depreciation	<u>98,787,255</u>	<u>6,611,033</u>	<u>755,495</u>	<u>104,642,793</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,374,152</u>	<u>\$ (4,170,785)</u>	<u>\$ 209,693</u>	<u>\$ 48,993,674</u>

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 5: Capital Assets-continued**

Depreciation was charged to functions as follows:

General Administration	\$	17,824
Judicial		29,044
Legal		3,751
Elections		17,120
Public Safety		1,398,402
Public Facilities		1,177,973
Road and Bridge		3,960,549
Health and Welfare		1,389
Conservation		4,981
	\$	<u>6,611,033</u>

**NOTE 6: Interfund Balances and Activity**

*A. Due To and From Other Funds*

Balances due to and due from other funds at September 30, 2012, consisted of the following:

Due to General Fund from:

Nonmajor Special Revenue Funds	\$	18,565
Road and Bridge Fund		61,704

Due to Road and Bridge Fund from:

Nonmajor Special Revenue Funds		20,089
--------------------------------	--	--------

Due to Nonmajor Special Revenue Funds from

Nonmajor Special Revenue Funds		159,308
Due from Other Funds	\$	<u>259,666</u>

Due to General Fund from:

Agency Funds	\$	<u>15,810</u>
--------------	----	---------------

Due to and due from other funds are interfund receivables and payables that reflect either short term borrowing or payroll clearing accounts between funds.

*B. Transfers To and From Other Funds*

Transfers to and from other funds at September 30, 2012, consisted of the following:

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 6: Interfund Balances and Activity-continued**

Transfers from General Fund to:

Nonmajor Special Revenue Funds	\$	98,997
Road and Bridge Fund		87,000
Internal Service Funds		50,000
	\$	<u>235,997</u>

Transfers from Nonmajor Special Revenue Funds to:

Nonmajor Special Revenue Funds	\$	<u>48,819</u>
--------------------------------	----	---------------

Transfers from the general fund provide additional funding for special projects or major repairs within the contingency fund and support for internal service functions.

**NOTE 7: Long-Term Obligations**

The County's long-term debt consists of general obligation refunding bonds. Other long-term debt consists of the accrued liability for employee vested compensated absences.

*A. Bonds*

On May 24, 2005, the County issued \$5,895,000 in Advanced General Obligation Refunding Bonds, Series 2005, to refund \$5,725,000 of the Series 1996 and Series 1999 bond issues. Interest is due semi-annually at rates ranging from 3% to 4%. The bonds mature serially through 2016.

The following table summarizes the annual debt service requirements of the outstanding bond issues at September 30, 2012, to maturity:

<u>Year Ending</u> <u>September 30</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u> <u>Requirements</u>
2013	\$ 545,000	\$ 82,019	\$ 627,019
2014	570,000	60,400	630,400
2015	595,000	37,100	632,100
2016	630,000	12,600	642,600
Total	<u>\$ 2,340,000</u>	<u>\$ 192,119</u>	<u>\$ 2,532,119</u>

Current requirements for bonded indebtedness of the County are accounted for in the Debt Service Fund.

Taylor County, Texas has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Taylor County, Texas.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 7: Long-Term Obligations-continued**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2012, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds, Loans and Leases Payable					
General Obligation Bonds	\$ 2,860,000	\$	\$ 520,000	\$ 2,340,000	\$ 545,000
Other Liabilities					
Compensated Absences	1,413,295		255,125	1,158,170	
Net OPEB Obligation	<u>1,226,895</u>	<u>1,116,388</u>		<u>2,343,283</u>	
Total Other Liabilities	2,640,190	1,116,388	255,125	3,501,453	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 5,500,190</u>	<u>\$ 1,116,388</u>	<u>\$ 775,125</u>	<u>\$ 5,841,453</u>	<u>\$ 545,000</u>

**NOTE 8: Compensated Absences**

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide financial statements. At September 30, 2012, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$1,158,170.

**NOTE 9: Deferred Revenue**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ <u>289,177</u>	\$ <u>11,613</u>	\$ <u>12,831</u>	\$ <u>313,621</u>

Adjustments required for government-wide Statement of Net Assets decreased deferred revenue by \$313,621.

**NOTE 10: Risk Management**

The County has established a Self-Insurance Fund and an Employee Benefits Fund to separately report the activities of the County's general law enforcement professional liability, health, life and property insurance and worker's compensation plans.

General Liability

The County's liability insurance is a self-insured plan. The County informally budgets for current claims based on historical data. The County incurred \$53,436, \$68,739, and \$26,283, for liability claims during the years ended September 30, 2012, 2011, and 2010, respectively. There were no unpaid claims at September 30, 2012.

Health Insurance

The County's health insurance program is a "self-insured" minimum premium cash flow plan. The County and each covered employee make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the County reimburses the insurance company for the amount of each claim paid. The insurance company charges the County a fee for each claim processed.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 10: Risk Management-continued**

The County informally budgets for current claims based on actuarial valuations and current health care statistics. Funding covers both the cost of claims and administrative expenses. The County paid \$3,696,367, \$3,450,322, and \$3,188,924, in health claims, and paid \$750,353, \$746,102, and \$742,069, for administrative costs, for the years ended September 30, 2012, 2011, and 2010, respectively. The County contributed \$3,537,263, \$3,450,322, and \$3,306,375, and County employees contributed \$658,058, \$648,963, and \$652,943, to the health insurance program for the years ended September 30, 2012, 2011, and 2010, respectively. Retirees and other agency contributions were \$246,912, \$219,195, and \$263,265, for the years ended September 30, 2012, 2011, and 2010, respectively. Previous years' funds were utilized in funding the health insurance program.

Estimated health claims that have been incurred but not reported are accrued at year-end. The estimated liability for health claims was \$209,560, \$419,985, and \$125,326, at September 30, 2012, 2011, and 2010, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2012, 2011, and 2010.

Year Ending Sept. 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2010	\$ 66,771	\$ 3,188,924	\$ 3,130,369	\$ 125,326
2011	125,326	3,754,325	3,459,666	419,985
2012	419,985	3,696,367	3,906,792	209,560

Worker's Compensation

The County's worker's compensation plan is administered by the Texas Association of Counties ("TAC"), a joint insurance fund, in which the County is a member. TAC reviews and processes all worker's compensation claims. The County informally budgets for current claims based on actuarial valuations and historical data. The County incurred \$64,557, \$43,835, and \$98,730, in worker's compensation claims for the years ended September 30, 2012, 2011, and 2010. Estimated liabilities for claims that have been incurred but not reported are accrued at year-end. The estimated liability for worker's compensation claims was \$45,157, \$12,805, and \$83,262, at September 30, 2012, 2011, and 2010, respectively.

Summary

The Self-Insurance Fund has net assets available for the purpose of funding all self-insurance programs, other than health, in the amount of \$835,359 at September 30, 2012. In the opinion of management, net assets are adequate to meet probable claim contingencies at September 30, 2012. The Employee Benefits Fund has net assets of \$262,438.

**NOTE 11: Pension Plan**

*A. Plan Description*

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 624 nontraditional defined benefit 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.

**NOTE 11: Pension Plan-continued**

The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

*B. Funding Policy*

The County has elected the annually determined contribution rate (Variable Rate) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.25% for the months of the accounting year in 2012.

The deposit rate payable by the employee members for calendar year 2012 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

If a plan has had adverse experience, the TCDRS Act has provisions that allow the employer to contribute a fixed supplemental contribution rate determined by the System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

*C. Annual Pension Cost*

For the County's accounting year ended September 30, 2012, the annual pension cost for the TCDRS plan for its employees was \$1,671,586; the actual contributions were \$1,671,586.

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 20 years.

*D. Funded Status and Funding Progress*

As of December 31, 2011, the most recent actuarial valuation date, the plan was 79.3% funded. The actuarial accrued liability for benefits was \$64,402,269, and the actuarial value of assets was \$51,068,512, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,333,757. The covered payroll (annual payroll of active employees covered by the plan) was \$21,000,084, and the ratio of UAAL to the covered payroll was 63.49%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 12: Fund Balance**

The County classifies governmental fund balance in the following categories:

*Nonspendable* fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2012, the County had \$2,996 and \$3,665 in nonspendable fund balance for inventory and prepaid items, respectively.

*Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Debt service fund balance restricted for the retirement of funded indebtedness totaled \$601,674 as of September 30, 2012. Fund balance restricted for capital projects totaled \$21,687 as of September 30, 2012. Special revenue fund balance restricted for specific programs included JP technology, JP security, and enabling legislation and totaled \$158,987, \$205,476, and \$1,520,689, respectively, as of September 30, 2012.

*Committed* fund balance is established and modified by a resolution from the Commissioners Court and can be used only for the specified purposes determined by the Court's resolution. At September 30, 2012, the County had no committed fund balance.

*Assigned* fund balance is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. Fund balance can be assigned by the Commissioners Court or by a Court designee. At September 30, 2012, the County had \$48,856 in fund balance assigned for road and bridge, \$2,392,616 assigned for contingencies and \$6,089,125 for other purposes.

*Unassigned* fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

The County aims to maintain the following minimum fund balances:

General fund: Unassigned fund balance of approximately 20-30% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

Debt service funds: Restricted fund balances of approximately 25-50% of the following year's debt service requirements, to be used for debt service.

**NOTE 13: Postemployment Healthcare Benefits**

Plan Description

The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Permanent full-time employees who retire under TCDRS eligibility rules are eligible to participate in the County's health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 30 years of service or at age 60 with 8 years of service or when the retirees age plus years of service equals 75. Spouses and dependents of retirees are also eligible. As of the date of the latest actuarial valuation, the City has 521 active employees and 39 retirees participating in the plan.

When a regular, full-time employee retires and is currently enrolled in the health care plan, they are eligible to continue to participate in the County's group health insurance and prescription plans. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 13: Postemployment Healthcare Benefits-continued**

Retirees may purchase retiree health care coverage for eligible spouses and dependents at their own expense. Surviving spouses and dependents of deceased retired members may continue retiree health care coverage up to age 65 for spouses and to age 25 for dependents. Spouse and/or dependent must be on the plan prior to retirement of the employee. Retirees are required to enroll in Medicare Parts A and B once eligible.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County's annual OPEB cost for the fiscal year ending September 30, 2012 is as follows:

Annual Required Contribution (ARC)	\$ 1,102,075
Interest on OPEB Obligation	55,210
Adjustment to the ARC	<u>(40,897)</u>
Annual OPEB Cost	1,116,388
Net estimated employer contributions	<u>-</u>
Increase (Decrease) in Net OPEB Obligation	1,116,388
Net OPEB Obligation, beginning of the year	<u>1,226,895</u>
Net OPEB Obligation, end of the year	<u><u>\$ 2,343,283</u></u>

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization) are as follows:

Fiscal Year Ended	Net Employer Contributions	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Annual Required Contribution	Percentage of ARC Contributed
9/30/2010	\$ -	\$ 609,890	0.0%	\$ 609,890	\$ 609,890	0.0%
9/30/2011	-	617,005	0.0%	1,226,895	609,890	0.0%
9/30/2012	-	1,116,388	0.0%	2,343,283	1,102,075	0.0%

Funding Status and Funding Progress

The funded status of the County's retiree health care plan as of October 31, 2011 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/31/2011	\$ -	\$ 10,839,135	\$ 10,839,135	0%	\$ 21,000,084	51.6%
10/31/2009	-	5,879,707	5,879,707	0%	20,284,194	29.0%

Under the reporting parameters, the County's retiree health care plan is 0% funded with an estimated actuarial liability exceeding actuarial assets by \$10,839,135 at October 31, 2011.

**NOTE 13: Postemployment Healthcare Benefits-continued**

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

<u>Actuarial Valuation Date</u>	<u>10/31/2011</u>
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of payroll
Amortization Period	30 years, open period
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%, net of investment expenses
Payroll Growth Rate	3%
Projected salary increases	0.25% to 5.25%, not including wage inflation rate of 4%
General Inflation Rate	3%
Healthcare Cost Trend Rate	8.5% in 2012 decreasing by 0.5% in 8 years to an ultimate rate of 4.5%
The number of active members is assumed to remain constant in the future	

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The County selects a firm to conduct an independent actuarial valuation of its employer financed health benefits every two years as required by GASB 45. The most recent valuation was performed by the consultant and actuarial firm Gabriel Roeder Smith & Company. A copy of this report can be obtained by writing to the Office of the Taylor County Auditor, 300 Oak Street, Abilene, TX 79102 or by calling 325-674-1252.

**NOTE 14: Upcoming Accounting Pronouncements**

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and 34*. This Statement modifies the criteria for inclusion of component units in the financial reporting entity. This Statement also clarifies the reporting of equity interests in legally separate organizations. The County will reassess its accounting and financial reporting for potential component units and interests in joint ventures when this Statement is implemented. The provisions of this Statement are effective for periods beginning after June 15, 2012.

Taylor County, Texas  
Notes to Financial Statements  
September 30, 2012

**NOTE 14: Upcoming Accounting Pronouncements-continued**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows and inflows of resources, which Concepts Statement No. 4 introduced and defined those elements as consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement amends the net assets reporting requirements of Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the required components of residual measure and by renaming that measure as net position, rather than net assets. This Statement will require the County to assess the reporting of deferred inflows and outflows to which this Statement is applicable. The provisions of this Statement are effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement reclassifies deferred amounts upon refunding of debt as deferred inflows or outflows and requires debt issuance costs to be expensed as incurred. The provisions of this Statement are effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the County to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TCDRS plan. This Statement requires the use of the entry age normal method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The County will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

**NOTE 15: Prior Period Adjustment**

The County determined that the postemployment healthcare benefits described in Note 13 above were not properly included in the financial statements. As a result, net assets were decreased by \$1,226,895 at September 30, 2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

TAYLOR COUNTY, TEXAS  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2012

Exhibit B-1

	Budget Amounts			Variance from Final Budget
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 28,550,000	\$ 28,550,000	\$ 29,216,936	\$ 666,936
Other taxes	430,000	430,000	369,656	(60,344)
License and permits	490,500	490,500	589,422	98,922
Intergovernmental and grants	1,673,533	1,673,533	1,801,385	127,852
Fines and fees	3,720,750	3,720,750	3,874,121	153,371
Rents and recoveries	295,648	295,648	301,880	6,232
Investment earnings	275,100	275,100	141,517	(133,583)
Miscellaneous	140,400	147,158	242,287	95,129
Total revenues	35,575,931	35,582,689	36,537,204	954,515
<b>EXPENDITURES</b>				
Current				
General government	3,212,825	2,851,386	2,621,862	229,524
Financial	2,070,411	2,072,050	1,839,936	232,114
Judicial	5,367,013	5,782,450	5,527,180	255,270
Legal	2,130,539	2,123,668	2,028,306	95,362
Elections	337,823	337,823	317,791	20,032
Public facilities	1,177,518	1,342,619	1,248,338	94,281
Public safety	18,223,428	18,201,614	17,548,153	653,461
Road and bridge	4,500	4,500	483	4,017
Health and welfare	3,643,636	3,985,668	3,611,667	374,001
Conservation	517,483	482,255	455,485	26,770
Culture and recreation	170,035	185,210	26,469	158,741
Capital Outlay				
Capital outlay			1,029,790	(1,029,790)
Total expenditures	36,855,211	37,369,243	36,255,460	1,113,783
Excess revenues over expenditures	(1,279,280)	(1,786,554)	281,744	2,068,298
<b>OTHER FINANCING SOURCES</b>				
Transfers (out) in	1,279,280		(235,997)	(235,997)
Sale of property			13,628	13,628
Total other financing sources (uses)	1,279,280		(222,369)	(222,369)
NET CHANGE IN FUND BALANCE		(1,786,554)	59,375	1,845,929
FUND BALANCE AT BEGINNING OF YEAR	21,913,060	21,913,060	21,913,060	
FUND BALANCE AT END OF YEAR	\$ 21,913,060	\$ 20,126,506	\$ 21,972,435	\$ 1,845,929

TAYLOR COUNTY, TEXAS  
Road and Bridge  
Budgetary Comparison Schedule  
For the Year Ended September 30, 2012

Exhibit B-2

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 1,025,000	\$ 1,025,000	\$ 1,056,544	\$ 31,544
Other taxes	700,000	700,000	956,425	256,425
Licenses and permits	1,470,000	1,470,000	1,567,757	97,757
Intergovernmental and grants	82,312	89,814	7,502	(82,312)
Fines and fees			35,047	35,047
Investment earnings	700	700	363	(337)
Other revenue	1,500		2,780	2,780
	<u>3,279,512</u>	<u>3,285,514</u>	<u>3,626,418</u>	<u>340,904</u>
<b>EXPENDITURES</b>				
Current				
Road and bridge	3,304,857	3,363,226	3,261,698	101,528
Capital outlay				
Capital outlay	<u>552,847</u>	<u>1,477,102</u>	<u>981,159</u>	<u>495,943</u>
	<u>3,857,704</u>	<u>4,840,328</u>	<u>4,242,857</u>	<u>597,471</u>
Excess revenues over expenditures	(578,192)	(1,554,814)	(616,439)	938,375
<b>OTHER FINANCING SOURCES</b>				
Transfers in	578,192		87,000	87,000
Sale of property		<u>278,418</u>	<u>279,073</u>	<u>655</u>
	<u>578,192</u>	<u>278,418.00</u>	<u>366,073</u>	<u>87,655</u>
NET CHANGE IN FUND BALANCE		(1,276,396)	(250,366)	1,026,030
FUND BALANCE AT BEGINNING OF YEAR	<u>272,494</u>	<u>272,494</u>	<u>272,494</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 272,494</u>	<u>\$ (1,003,902)</u>	<u>\$ 22,128</u>	<u>\$ 1,026,030</u>

TAYLOR COUNTY, TEXAS  
 Required Supplementary Information  
 Schedule of Funding Progress, Texas County and District Retirement System  
 September 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	\$ 48,257,984	\$ 59,597,200	\$ 11,339,216	80.97%	\$ 20,284,194	55.90%
12/31/2010	51,281,133	63,539,780	12,258,647	80.71%	20,686,358	59.26%
12/31/2011	51,068,512	64,402,269	13,333,757	79.30%	21,000,084	63.49%

## BUDGETARY INFORMATION

The County follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.
2. Commissioners Court holds budget sessions with each department head.
3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.
7. Annual budgets are legally adopted for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.
8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2012 budget were approved by the Commissioners Court as provided by law.
9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

The County had negative budget to actual variances in the following fund:

The General Fund had a negative budget variance in capital outlay. Capital outlay shows a budget variance of \$1,029,790 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

**COMBINING STATEMENTS**

TAYLOR COUNTY, TEXAS  
Nonmajor Governmental Funds  
Combining Balance Sheet  
September 30, 2012

Exhibit C-1

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,687	\$ 7,052,751	\$ 601,674	\$ 7,676,112
Investments		1,000,849		1,000,849
Interest receivable		820		820
Accounts receivable-net				
Property taxes			12,831	12,831
Other		38,246		38,246
Due from other funds		159,308		159,308
	<u>21,687</u>	<u>8,251,974</u>	<u>614,505</u>	<u>8,888,166</u>
Total assets	<u>\$ 21,687</u>	<u>\$ 8,251,974</u>	<u>\$ 614,505</u>	<u>\$ 8,888,166</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$	\$ 53,007	\$	\$ 53,007
Due to other funds		197,962		197,962
Deferred revenue			12,831	12,831
		<u>250,969</u>	<u>12,831</u>	<u>263,800</u>
Total liabilities		250,969	12,831	263,800
<b>Fund balances</b>				
<b>Restricted for</b>				
Debt service			601,674	601,674
Capital projects	21,687			21,687
JP Technology		158,987		158,987
JP Security		205,476		205,476
Enabling legislation		1,520,689		1,520,689
<b>Assigned for</b>				
Road and bridge		26,728		26,728
Other purposes		6,089,125		6,089,125
Unassigned				
	<u>21,687</u>	<u>8,001,005</u>	<u>601,674</u>	<u>8,624,366</u>
Total fund balance	<u>21,687</u>	<u>8,001,005</u>	<u>601,674</u>	<u>8,624,366</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 21,687</u>	<u>\$ 8,251,974</u>	<u>\$ 614,505</u>	<u>\$ 8,888,166</u>

TAYLOR COUNTY, TEXAS  
Nonmajor Governmental Funds

Exhibit C-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2012

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
<b>REVENUES</b>				
Taxes				
Property taxes	\$	\$	\$ 551,695	\$ 551,695
Other taxes				
Intergovernmental and grants		1,431,929		1,431,929
Fines and fees		432,658		432,658
Investment earnings	25	14,855	753	15,633
Miscellaneous		624,702		624,702
		<u>        </u>	<u>        </u>	<u>        </u>
Total revenues	25	2,504,144	552,448	3,056,617
<b>EXPENDITURES</b>				
Current				
General government		182,412		182,412
Financial		13,293		13,293
Legal		331,960		331,960
Elections		57,829		57,829
Public safety		1,473,068		1,473,068
Road and bridge		54,129		54,129
Health and welfare		69,412		69,412
Debt Service				
Debt principal			520,000	520,000
Debt interest and agent fees			105,919	105,919
Capital outlay				
Capital outlay	600	121,399		121,999
		<u>        </u>	<u>        </u>	<u>        </u>
Total expenditures	600	2,303,502	625,919	2,930,021
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(575)	200,642	(73,471)	126,596
<b>OTHER FINANCING SOURCES</b>				
Transfers in		147,816		147,816
Transfers out		(48,819)		(48,819)
Sale of property		15,000		15,000
		<u>        </u>	<u>        </u>	<u>        </u>
Total other financing sources (uses)	-	113,997	-	113,997
<b>NET CHANGE IN FUND BALANCES</b>	(575)	314,639	(73,471)	240,593
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	22,262	7,686,366	675,145	8,383,773
<b>FUND BALANCES AT END OF YEAR</b>	\$ 21,687	\$ 8,001,005	\$ 601,674	\$ 8,624,366

TAYLOR COUNTY, TEXAS  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 September 30, 2012

	<u>Settlement Proceeds</u>	<u>Errors and Omissions</u>	<u>County Clerk Restricted Fees</u>	<u>Dist Clerk's Restricted Fees</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,362,053	\$ 780,615	\$ 1,326,189	\$ 133,015
Investments	1,000,849			
Interest receivable				
Accounts receivable (net)		518	5,907	1,101
Due from other funds				
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 2,362,902</u>	<u>\$ 781,133</u>	<u>\$ 1,332,096</u>	<u>\$ 134,116</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 13,500	\$	\$ 366	\$
Due to other funds			391	
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	13,500	-	757	-
 Fund balance				
Restricted for				
JP Technology				
JP Security				
Enabling legislation			1,331,339	134,116
Assigned for				
Road and bridge				
Other purposes	2,349,402	781,133		
Unassigned				
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	<u>2,349,402</u>	<u>781,133</u>	<u>1,331,339</u>	<u>134,116</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <u>\$ 2,362,902</u>	 <u>\$ 781,133</u>	 <u>\$ 1,332,096</u>	 <u>\$ 134,116</u>

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$ 92,187	\$ 90,728	\$ 389,503	\$ 162,203	\$ 838,537	\$ 156,551	\$ 139,222	\$ 40,536
		820					15
			12,960				
<u>\$ 92,187</u>	<u>\$ 90,728</u>	<u>\$ 390,323</u>	<u>\$ 175,163</u>	<u>\$ 838,537</u>	<u>\$ 156,551</u>	<u>\$ 139,222</u>	<u>\$ 40,551</u>
\$ 10,250	\$	\$	\$ 971	\$	\$ 270	\$	\$ 4,571
		12,626	3,773			32	
10,250	-	12,626	4,744	-	270	32	4,571
		158,987					
		205,476					
81,937	90,728	13,234	170,419	838,537	156,281	139,190	35,980
<u>81,937</u>	<u>90,728</u>	<u>377,697</u>	<u>170,419</u>	<u>838,537</u>	<u>156,281</u>	<u>139,190</u>	<u>35,980</u>
<u>\$ 92,187</u>	<u>\$ 90,728</u>	<u>\$ 390,323</u>	<u>\$ 175,163</u>	<u>\$ 838,537</u>	<u>\$ 156,551</u>	<u>\$ 139,222</u>	<u>\$ 40,551</u>

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
September 30, 2012

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Forfeiture
<b>ASSETS</b>				
Cash and cash equivalents	\$ 317,902	\$ 957,779	\$ 105,634	\$
Investments				
Interest receivable				
Accounts receivable (net)	19,407	9,863		
Due from other funds	1,348	145,000		
	<u>1,348</u>	<u>145,000</u>		
Total assets	<u>\$ 338,657</u>	<u>\$ 1,112,642</u>	<u>\$ 105,634</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,040	\$ 1,800	\$ 7,682	\$
Due to other funds	160,616		435	
	<u>160,616</u>		<u>435</u>	
Total liabilities	162,656	1,800	8,117	-
<b>Fund balance</b>				
<b>Restricted for</b>				
JP Technology				
JP Security				
Enabling legislation				
<b>Assigned for</b>				
Road and bridge				
Other purposes	176,001	1,110,842	97,517	
Unassigned				
	<u>176,001</u>	<u>1,110,842</u>	<u>97,517</u>	
Total fund balance	<u>176,001</u>	<u>1,110,842</u>	<u>97,517</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 338,657</u>	<u>\$ 1,112,642</u>	<u>\$ 105,634</u>	<u>\$ -</u>

Task Force Seizure	Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 47,924	\$ 56,380	\$ 55,793	\$ 7,052,751
			1,000,849
			820
	1,435		38,246
			159,308
<u>\$ 47,924</u>	<u>\$ 57,815</u>	<u>\$ 55,793</u>	<u>\$ 8,251,974</u>
\$	\$ 2,581	\$ 8,976	\$ 53,007
		20,089	197,962
-	2,581	29,065	250,969
			158,987
			205,476
	55,234		1,520,689
		26,728	26,728
47,924			6,089,125
<u>47,924</u>	<u>55,234</u>	<u>26,728</u>	<u>8,001,005</u>
<u>\$ 47,924</u>	<u>\$ 57,815</u>	<u>\$ 55,793</u>	<u>\$ 8,251,974</u>

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2012

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
<b>REVENUES</b>				
Intergovernmental and grants	\$	\$	\$	\$
Fines and fees			255,253	14,026
Investment earnings	8,646	877	1,584	
Other revenues	<u>86,873</u>	<u>21,167</u>	<u>          </u>	<u>26,279</u>
Total revenues	95,519	22,044	256,837	40,305
<b>EXPENDITURES</b>				
Current				
General government			129,180	7,232
Financial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	69,412			
Capital outlay				
Capital outlay	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>69,412</u>	<u>-</u>	<u>129,180</u>	<u>7,232</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>26,107</u>	<u>22,044</u>	<u>127,657</u>	<u>33,073</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Transfers out				
Sale of property	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	26,107	22,044	127,657	33,073
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>2,323,295</u>	<u>759,089</u>	<u>1,203,682</u>	<u>101,043</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 2,349,402</u>	<u>\$ 781,133</u>	<u>\$ 1,331,339</u>	<u>\$ 134,116</u>

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$	\$	\$	\$ 31,136	\$	\$	\$ 19,355	\$
		26,319	95,992			7,477	
125	110		227	983	200	176	45
		19,695	895		106,473		257
125	110	46,014	128,250	983	106,673	27,008	302
46,000							
	13,293						
		15,755	197,819	61,101	57,285		
						57,829	51
	5,526	4,213		18,676		23,329	
46,000	18,819	19,968	197,819	79,777	57,285	81,158	51
(45,875)	(18,709)	26,046	(69,569)	(78,794)	49,388	(54,150)	251
3,146				28,528		9,500	
					(39,357)		
3,146	-	-	-	28,528	(39,357)	9,500	-
(42,729)	(18,709)	26,046	(69,569)	(50,266)	10,031	(44,650)	251
124,666	109,437	351,651	239,988	888,803	146,250	183,840	35,729
\$ 81,937	\$ 90,728	\$ 377,697	\$ 170,419	\$ 838,537	\$ 156,281	\$ 139,190	\$ 35,980

TAYLOR COUNTY, TEXAS  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2012

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Forfeiture
<b>REVENUES</b>				
Intergovernmental and grants	\$ 1,290,744	\$ 58,608	\$	\$
Fines and fees		33,509		82
Investment earnings	506	1,048	45	47
Other revenues			220,000	123,412
Total revenues	1,291,250	93,165	220,045	123,541
<b>EXPENDITURES</b>				
Current				
General government				
Financial				
Legal				
Elections				
Public safety	1,139,241	40,794	148,626	124,052
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay				
Total expenditures	1,139,241	40,794	148,626	124,052
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	152,009	52,371	71,419	(511)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in			20,119	76,913
Transfers out				
Sale of property				
Total other financing sources (uses)	-	-	20,119	76,913
<b>NET CHANGE IN FUND BALANCE</b>	152,009	52,371	91,538	76,402
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	23,992	1,058,471	5,979	(76,402)
<b>FUND BALANCES AT END OF YEAR</b>	\$ 176,001	\$ 1,110,842	\$ 97,517	\$ -

<u>Task Force Seizure</u>	<u>Sheriff Forfeiture</u>	<u>Lateral Roads</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$	\$	\$ 32,086	\$ 1,431,929
			432,658
58	89	89	14,855
	<u>19,651</u>		<u>624,702</u>
58	19,740	32,175	2,504,144
			182,412
			13,293
			331,960
			57,829
1,746	18,558		1,473,068
		54,129	54,129
			69,412
	<u>69,655</u>		<u>121,399</u>
<u>1,746</u>	<u>88,213</u>	<u>54,129</u>	<u>2,303,502</u>
<u>(1,688)</u>	<u>(68,473)</u>	<u>(21,954)</u>	<u>200,642</u>
	9,610		147,816
(9,462)			(48,819)
	<u>15,000</u>		<u>15,000</u>
<u>(9,462)</u>	<u>24,610</u>	<u>-</u>	<u>113,997</u>
(11,150)	(43,863)	(21,954)	314,639
<u>59,074</u>	<u>99,097</u>	<u>48,682</u>	<u>7,686,366</u>
<u>\$ 47,924</u>	<u>\$ 55,234</u>	<u>\$ 26,728</u>	<u>\$ 8,001,005</u>

TAYLOR COUNTY, TEXAS  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 September 30, 2012

Exhibit C-5

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>9,170</u>	\$ <u>12,517</u>	\$ <u>21,687</u>
Total assets	\$ <u><u>9,170</u></u>	\$ <u><u>12,517</u></u>	\$ <u><u>21,687</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
Fund Balances:			
Restricted for:			
Capital projects	\$ <u>9,170</u>	\$ <u>12,517</u>	\$ <u>21,687</u>
Total fund balances	<u>9,170</u>	<u>12,517</u>	<u>21,687</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$ <u><u>9,170</u></u>	\$ <u><u>12,517</u></u>	\$ <u><u>21,687</u></u>

## TAYLOR COUNTY, TEXAS

Exhibit C-6

## Nonmajor Capital Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2012

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
<b>REVENUES</b>			
Investment earnings	\$ 11	\$ 14	\$ 25
Total revenues	11	14	25
<b>EXPENDITURES</b>			
Capital outlay	600		600
Total expenditures	600	-	600
Excess (deficit) of revenues over expenditures	(589)	14	(575)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(589)</b>	<b>14</b>	<b>(575)</b>
<b>FUND BALANCES</b>			
AT BEGINNING OF YEAR	9,759	12,503	22,262
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 9,170</b>	<b>\$ 12,517</b>	<b>\$ 21,687</b>

TAYLOR COUNTY, TEXAS  
Internal Service Funds  
Combining Statement of Net Assets  
September 30, 2012

Exhibit C-7

	<u>Self Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 835,359	\$ 471,998	\$ 1,307,357
Total assets	<u>\$ 835,359</u>	<u>\$ 471,998</u>	<u>\$ 1,307,357</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable	\$	\$ 209,560	\$ 209,560
Total liabilities	-	209,560	209,560
Net assets			
Unrestricted	<u>835,359</u>	<u>262,438</u>	<u>1,097,797</u>
Total net assets	<u>835,359</u>	<u>262,438</u>	<u>1,097,797</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 835,359</u>	<u>\$ 471,998</u>	<u>\$ 1,307,357</u>

## Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended September 30, 2012

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$	\$ 4,442,233	\$ 4,442,233
Other revenues	278,333	567	278,900
Total operating revenues	278,333	4,442,800	4,721,133
<b>OPERATING EXPENSES</b>			
Contracted services		1,009,928	1,009,928
Claims	53,436	3,696,367	3,749,803
Repair and maintenance	640,417		640,417
Total operating expenses	693,853	4,706,295	5,400,148
OPERATING INCOME (LOSS)	(415,520)	(263,495)	(679,015)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	921	719	1,640
Income before transfers	(414,599)	(262,776)	(677,375)
<b>TRANSFERS</b>			
Transfers in	50,000		50,000
Net transfers	50,000	-	50,000
CHANGE IN NET ASSETS	(364,599)	(262,776)	(627,375)
NET ASSETS AT BEGINNING OF YEAR	1,199,958	525,214	1,725,172
NET ASSETS AT END OF YEAR	\$ 835,359	\$ 262,438	\$ 1,097,797

TAYLOR COUNTY, TEXAS  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended September 30, 2012

Exhibit C-9

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Other operating receipts	\$ 278,333	\$ 567	\$ 278,900
Cash received from interfund services provided		4,442,561	4,442,561
Cash payments for claims	(57,166)	(3,906,792)	(3,963,958)
Cash payments for insurance premiums		(1,009,928)	(1,009,928)
Cash payments for repair and maintenance	(640,417)		(640,417)
Net cash used by operating activities	<u>(419,250)</u>	<u>(473,592)</u>	<u>(892,842)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	50,000	-	50,000
Net cash provided by non-capital financing activities	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	921	719	1,640
Net cash provided by investing activities	<u>921</u>	<u>719</u>	<u>1,640</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(368,329)	(472,873)	(841,202)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,203,688</u>	<u>944,871</u>	<u>2,148,559</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 835,359</u>	<u>\$ 471,998</u>	<u>\$ 1,307,357</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (415,520)	\$ (263,495)	\$ (679,015)
Net change in:			
Accounts receivable	-	328	328
Claims payable	(3,730)	(210,425)	(214,155)
Total adjustments	<u>(3,730)</u>	<u>(210,097)</u>	<u>(213,827)</u>
Net cash used by operating activities	<u>\$ (419,250)</u>	<u>\$ (473,592)</u>	<u>\$ (892,842)</u>

TAYLOR COUNTY, TEXAS  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2012

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Abilene Bail Bond Fund	Appellate Judicial Fund
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 202,281	\$ 7,309	\$ 82,794	\$ 12,518	\$ 709
Due from other funds	16,395				
Accounts receivable	21,779				
<b>TOTAL ASSETS</b>	<b><u>\$ 240,455</u></b>	<b><u>\$ 7,309</u></b>	<b><u>\$ 82,794</u></b>	<b><u>\$ 12,518</u></b>	<b><u>\$ 709</u></b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 224,446				
Due to other funds	16,009		16,395		
Due to others		7,309	66,399	12,518	709
<b>TOTAL LIABILITIES</b>	<b><u>\$ 240,455</u></b>	<b><u>\$ 7,309</u></b>	<b><u>\$ 82,794</u></b>	<b><u>\$ 12,518</u></b>	<b><u>\$ 709</u></b>

<u>County Clerk</u>	<u>Tax Assessor Collector</u>	<u>District Clerk</u>	<u>JP Precinct 1 Place 1</u>	<u>JP Precinct 1 Place 2</u>	<u>Inmate Fund</u>	<u>Jail Commissary Fund</u>
\$ 124,524	\$ 1,186,893	\$ 286,870	\$ 5,745	\$ 8,889	\$ 16,912	\$ 23,895
<u>\$ 124,524</u>	<u>\$ 1,186,893</u>	<u>\$ 286,870</u>	<u>\$ 5,745</u>	<u>\$ 8,889</u>	<u>\$ 16,912</u>	<u>\$ 23,895</u>
\$	\$	\$	\$	\$	\$	\$
<u>124,524</u>	<u>1,186,893</u>	<u>286,870</u>	<u>5,745</u>	<u>8,889</u>	<u>16,912</u>	<u>23,895</u>
<u>\$ 124,524</u>	<u>\$ 1,186,893</u>	<u>\$ 286,870</u>	<u>\$ 5,745</u>	<u>\$ 8,889</u>	<u>\$ 16,912</u>	<u>\$ 23,895</u>

TAYLOR COUNTY, TEXAS  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2012

	<u>Civil Fund</u>	<u>Social Services Fund</u>	<u>Online Vehicle Registration</u>	<u>Community Corrections Fund</u>	<u>Community Corrections Tax</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 370	\$ 4,289	\$ 772	\$ 1,560,710	\$ 100
Due from other funds					
Accounts receivable					
	<u>\$ 370</u>	<u>\$ 4,289</u>	<u>\$ 772</u>	<u>\$ 1,560,710</u>	<u>\$ 100</u>
<b>LIABILITIES:</b>					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>370</u>	<u>4,289</u>	<u>772</u>	<u>1,560,710</u>	<u>100</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 370</u>	<u>\$ 4,289</u>	<u>\$ 772</u>	<u>\$ 1,560,710</u>	<u>\$ 100</u>

Community Corrections Christmas	Rest Center Fund	Tax Assessor Sales Tax	Tax Assessor Escrow	Tax Assessor Escrow-Texpool	Domestic Relations Fund	Employee Service Fund
\$ 3,838	\$ 6,037	\$ 263	\$ 170,695	\$ 364,261	\$ 100	\$ 17,375
<u>\$ 3,838</u>	<u>\$ 6,037</u>	<u>\$ 263</u>	<u>\$ 170,695</u>	<u>\$ 364,261</u>	<u>\$ 100</u>	<u>\$ 17,375</u>
\$	\$	\$	\$	\$	\$	\$
<u>3,838</u>	<u>6,037</u>	<u>263</u>	<u>170,695</u>	<u>364,261</u>	<u>100</u>	<u>17,375</u>
<u>\$ 3,838</u>	<u>\$ 6,037</u>	<u>\$ 263</u>	<u>\$ 170,695</u>	<u>\$ 364,261</u>	<u>\$ 100</u>	<u>\$ 17,375</u>

TAYLOR COUNTY, TEXAS  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2012

	County Clerk Bail Bonds	DA Collections Trust	District Clerk Bonds	Registry Fund	District Attorney Escrow
ASSETS:					
Cash and cash equivalents	\$ 440,392	\$ 46,451	\$ 82,599	\$ 665,198	\$ 28,569
Due from other funds					
Accounts receivable					
TOTAL ASSETS	<u>\$ 440,392</u>	<u>\$ 46,451</u>	<u>\$ 82,599</u>	<u>\$ 665,198</u>	<u>\$ 28,569</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>440,392</u>	<u>46,451</u>	<u>82,599</u>	<u>665,198</u>	<u>28,569</u>
TOTAL LIABILITIES	<u>\$ 440,392</u>	<u>\$ 46,451</u>	<u>\$ 82,599</u>	<u>\$ 665,198</u>	<u>\$ 28,569</u>

<u>Local Emergency Planning</u>	<u>Veterans War Memorial</u>	<u>County Clerk Error and Omission</u>	<u>Pre 89 Restitution</u>	<u>JP 2 Fund</u>	<u>JP 3 Fund</u>	<u>District Attorney Collections Trust II</u>
\$ 602	\$ 2,785	\$ 402,344	\$ (2,069)	\$ 4,694	\$ 3,479	\$ 25,139
<u>\$ 602</u>	<u>\$ 2,785</u>	<u>\$ 402,344</u>	<u>\$ (2,069)</u>	<u>\$ 4,694</u>	<u>\$ 3,479</u>	<u>\$ 25,139</u>
\$	\$	\$	\$	\$	\$	\$
<u>602</u>	<u>2,785</u>	<u>402,344</u>	<u>(2,069)</u>	<u>4,694</u>	<u>3,479</u>	<u>25,139</u>
<u>\$ 602</u>	<u>\$ 2,785</u>	<u>\$ 402,344</u>	<u>\$ (2,069)</u>	<u>\$ 4,694</u>	<u>\$ 3,479</u>	<u>\$ 25,139</u>

TAYLOR COUNTY, TEXAS  
Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
September 30, 2012

	District Attorney Collections Trust III		Total Agency Funds
	<u>          </u>		<u>          </u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 34,274	\$	5,763,193
Due from other funds			16,395
Accounts receivable			<u>21,779</u>
<b>TOTAL ASSETS</b>	<u>\$ 34,274</u>	<u>\$</u>	<u>5,801,367</u>
<b>LIABILITIES:</b>			
Accounts payable	\$	\$	224,446
Due to other funds			32,404
Due to others	<u>34,274</u>		<u>5,544,517</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 34,274</u>	<u>\$</u>	<u>5,801,367</u>

**GOVERNMENTAL REPORTING SECTION**

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

The Honorable Judge  
Members of the Commissioners Court  
Taylor County, Texas:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of and for the year ended September 30, 2012, and have issued our report thereon dated March 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

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

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

Certified Public Accountants

Abilene, Texas  
March 19, 2013

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

The Honorable Judge  
Members of the Commissioner's Court  
Taylor County, Texas:

*Compliance*

We have audited Taylor County, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Taylor County, Texas' major federal programs for the year ended September 30, 2012. Taylor County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Taylor County, Texas' management. Our responsibility is to express an opinion on Taylor County, Texas' compliance based on our audit.

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

In our opinion, Taylor County, Texas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

*Internal Control Over Compliance*

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

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

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

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

Certified Public Accountants

Abilene, Texas  
March 19, 2013

TAYLOR COUNTY, TEXAS  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2012

A. Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiencies over Financial Reporting	None
Material Weaknesses involving Significant Deficiencies	None
Noncompliance Material to the Financial Statements	None
Significant Deficiencies Relating to Compliance	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section .510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee	No

Major Federal Programs:

Grantor Agency:	Department of Health and Human Services
Pass through Agency:	Texas Department of Family and Protective Services and the Texas Department of State Health Services

Program:	Child Support Enforcement
Grant No.	N/A
CFDA No.	93.563

Grantor Agency:	Department of Homeland Security
Pass through Agency:	Texas Division of Emergency Management

Program:	State Homeland Security Program
Grant No.	09-SR-48441-01 10-SR-48441-01
CFDA No.	97.073

B. Findings Required to be Reported in Accordance with *Government Auditing Standards*

None

C. Findings and Questioned Costs for Federal Awards Required to be Reported Under OMB Circular A-133

None

TAYLOR COUNTY, TEXAS  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2012

Status of Prior Year's Finding/Noncompliance

None

TAYLOR COUNTY, TEXAS  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2012

Exhibit D-1

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE</b>	Federal CFDA Number	Pass-Through or Grant Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>			
<u>Direct:</u>			
School Breakfast Program - noncash assistance	10.553	N/A	\$ 2,185
Total			<u>2,185</u>
<u>Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services:</u>			
School Breakfast Program - cash assistance	10.553	N/A	33,457
Total			<u>33,457</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>33,457</u>
Total U.S. Department of Agriculture			<u>35,642</u>
<b><u>U. S. Department of Health and Human Services</u></b>			
<u>Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services:</u>			
Child Support Enforcement	93.563	N/A	184,156
Total			<u>184,156</u>
Title IV-E-Juvenile Justice Services	93.658	N/A	46,108
Title IV-E-Foster Care Assistance	93.658	N/A	24,908
Total			<u>71,016</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>255,172</u>
Total U.S. Department of Health and Human Services			<u>255,172</u>
<b><u>U. S. Department of Justice</u></b>			
<u>Direct Program:</u>			
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0040	14,924
Total			<u>14,924</u>
<u>Passed Through Texas Criminal Justice Division:</u>			
Purchase of Juvenile Services	16.540	JA-14238-13	24,500
Total Passed Through Texas Criminal Justice Division			<u>24,500</u>
<u>Passed Through Texas Attorney General Office, Crime Victim Services Division</u>			
Victim Coordinator and Liaison Grant	16.575	1227057	31,348
Total Passed Through Texas Attorney General Office, Crime Victim Services Division			<u>31,348</u>
Total U.S. Department of Justice			<u>70,772</u>

TAYLOR COUNTY, TEXAS  
Schedule of Expenditures of Federal Awards, continued  
For the Year Ended September 30, 2012

Exhibit D-1

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE</b>	Federal CFDA Number	Pass-Through Entity Identifying or Grant Number	Federal Expenditures
<b><u>U.S. Department of Homeland Security</u></b>			
<u>Passed Through the Texas Division of Emergency Management:</u>			
State Homeland Security Program	97.073	09-SR-48441-01	75,725
State Homeland Security Program	97.073	10-SR-48441-01	<u>67,942</u>
Total Passed Through the Texas Division of Emergency Management			<u>143,667</u>
Total U.S. Department of Homeland Security			<u>143,667</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 505,253</u></u>

TAYLOR COUNTY, TEXAS  
 Schedule of Expenditures of State Awards  
 For the Year Ended September 30, 2012

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Pass-Through Entity Identifying or Grant Number	State Expenditures
<b><u>Office of Texas Attorney General, Crime Victim Services Division</u></b>		
Texas VINE Program	12-25200	\$ 30,710
Total Office of Attorney General, Crime Victim Services Division		<u>30,710</u>
<b><u>Texas Task Force on Indigent Defense</u></b>		
Indigent Defense Video Teleconference Program	212-11-D06	39,662
Indigent Defense Grant	212-12-221	61,106
Equalization Payment	N/A	46,081
Total Texas Task Force on Indigent Defense		<u>146,849</u>
<b><u>Texas Juvenile Probation Commission</u></b>		
State Aid	2012-221	897,471
Total Texas Juvenile Probation Commission		<u>897,471</u>
<b>Total Expenditures of State Awards</b>		<b>\$ <u>1,075,030</u></b>

TAYLOR COUNTY, TEXAS  
Notes to Financial Statements  
September 30, 2012

**Note 1: Summary of Accounting Policies**

For all State and Federal programs, the County uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. State and Federal financial assistance generally is accounted for in the Special Revenue Fund.

In the fund financial statements, all governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental funds in the fund financial statements are accounted for using the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal and State grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as deferred revenues until earned. The period of availability for federal grant funds, for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, is in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.

Amounts reported in the Schedule of Expenditures of Federal Awards may not agree with the amounts reported in the related federal financial reports filed with grantor agencies because of accruals which would be included in the next report filed with the agencies.

**Note 2: Probation Funds**

Texas Juvenile Probation Commission funds are not considered to be state awards as defined in the State of Texas Single Audit Circular and Uniform Grant Management Standards.