

TAYLOR COUNTY, TEXAS

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

TAYLOR COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2010

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Year Ended September 30, 2010

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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, 2010, 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, 2010, 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 14, 2011, 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.

Management's discussion and analysis and the other required supplementary information on pages 3 through 11 and 41 through 45, are not a required part of basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively compromise Taylor County, Texas' basic financial statements. The accompanying schedules of expenditures of federal and 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 basic financial statements. The schedules of expenditures of federal and state awards and the combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Davis Kinard & Co., PC

DAVIS KINARD & CO, PC

Abilene, Texas
March 14, 2011

TAYLOR COUNTY 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, 2010. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Taylor County's total combined net assets were \$93.5 million at September 30, 2010. This represents an decrease of \$1.6 million from September 30, 2009. Of this amount, \$33.4 million (unrestricted net assets) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$1.6 million more than the \$43 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$20.3 million, all but \$5,910 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 12) 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 13) 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 15 and 17 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 18-20. 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 21. 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 \$93.5 million at September 30, 2010. The largest portion of the County's net assets (61.2%) 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 (3.1%) 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.

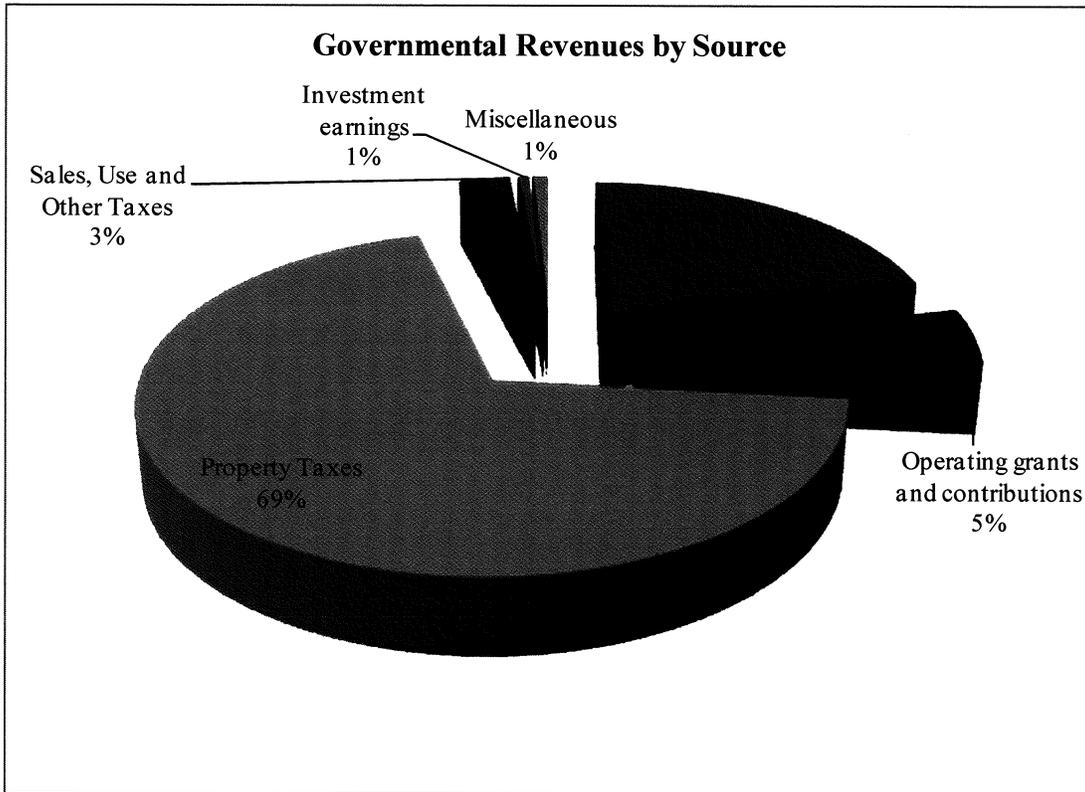
	Governmental	
	Activities	
	September 30,	September 30,
	2010	2009
Current and Other Assets	\$ 40,073,070	\$ 38,513,135
Capital Assets	60,525,394	64,443,346
Total Assets	100,598,464	102,956,481
Current Liabilities	2,450,552	2,727,393
Long Term Liabilities	4,666,143	5,099,345
Total Liabilities	7,116,695	7,826,738
Net Assets		
Invested in Capital Assets, net of related debt	57,212,719	60,502,627
Restricted	2,861,716	2,932,588
Unrestricted	33,407,334	31,694,528
Total Net Assets	\$ 93,481,769	\$ 95,129,743

Changes in Net Assets—Taylor County's net assets decreased by approximately \$1.6 million during the current fiscal year.

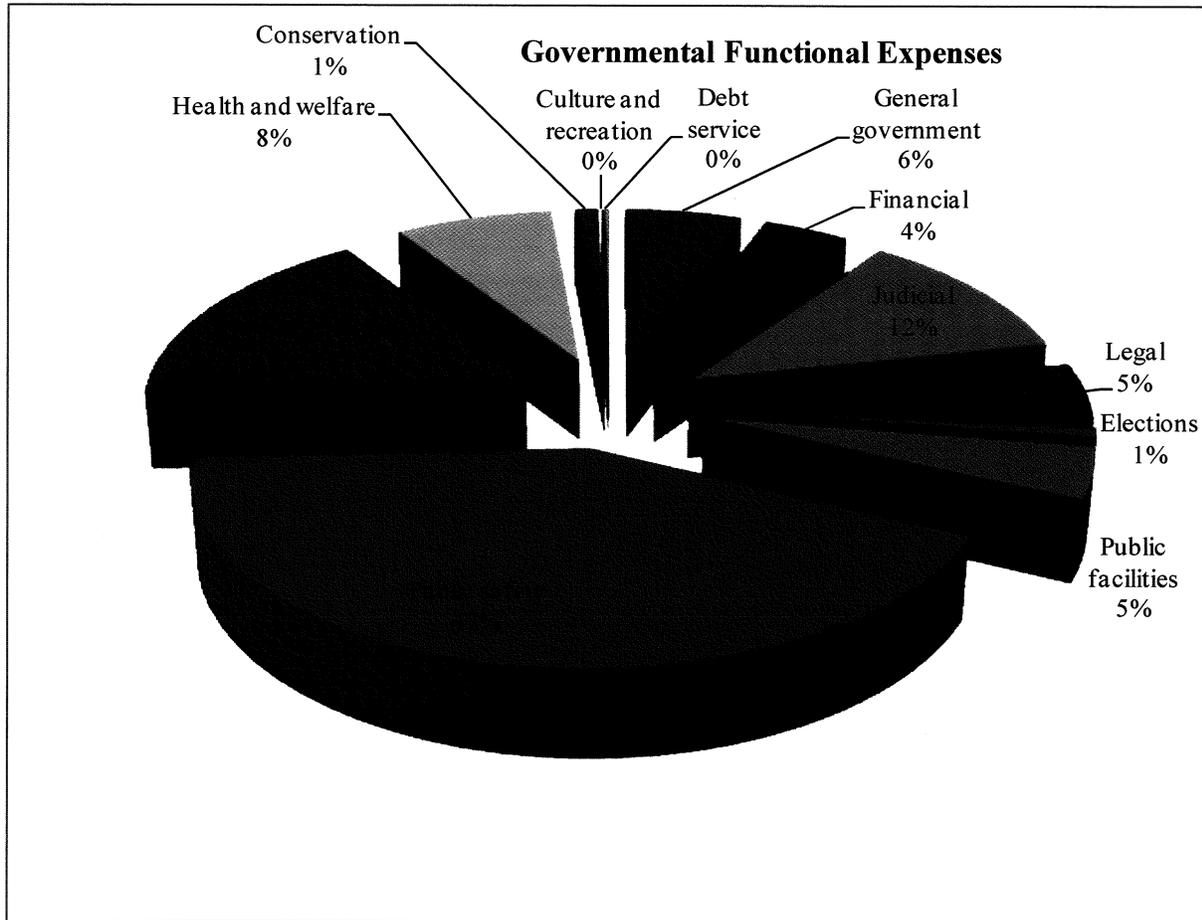
	Governmental	
	Activities	
	Fiscal Year 2010	Fiscal Year 2009
Revenues:		
Program Revenues:		
Charges for Services	\$ 9,103,004	\$ 8,176,057
Operating Grants and Contributions	2,297,410	1,821,328
General Revenues:		
Property Taxes	29,758,282	29,033,187
Sales and Use and Other Taxes	1,182,315	1,437,478
Investment Earnings	264,394	507,190
Miscellaneous Revenue	317,800	323,293
Gain on Sale of Assets	48,536	73,395
Total Revenues	<u>42,971,741</u>	<u>41,371,928</u>
Expenses:		
General Government	2,509,321	3,231,395
Financial Administration	1,865,057	1,805,469
Judicial	5,244,049	4,745,107
Legal	2,223,032	2,237,437
Elections	394,015	322,406
Public Facilities	2,026,081	2,801,549
Public Safety	18,922,552	17,559,635
Road and Bridge	7,346,803	6,958,327
Health and Welfare	3,411,055	3,577,458
Conservation	520,158	483,234
Culture and Recreation	18,424	37,614
Interest on long-term debt	139,168	525,082
Total Expenses	<u>44,619,715</u>	<u>44,284,713</u>
Change in Net Assets	(1,647,974)	(2,912,785)
Beginning Net Assets	95,129,743	98,042,528
Ending Net Assets	<u>\$ 93,481,769</u>	<u>\$ 95,129,743</u>

Governmental Activities—Total revenues for the fiscal year ending September 30, 2010 were \$43 million. Approximately 72% of the County’s revenue comes from taxes, with over 69% from property taxes alone. Property tax revenue increased 2.5% due to an increase in the tax base.

Expenditures increased by \$335 thousand from the prior year.



The total cost for all programs and services totaled \$44.6 million for the year ended September 30, 2010. Of this amount, the largest operating services areas were public safety which totaled \$18.9 million or 42% of total expenses for the year, and road and bridge services which totaled \$7.3 million, or 16% of total expenses for the year. In the prior year, these two operating areas comprised 56% of total expenses. Costs related to general government (6%) 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 \$32.9 million, an increase of \$1 million or 3.3% in comparison with the prior year. Approximately 92.2% of this total amount (\$30.4 million) is unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved, 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 (\$1.8 million), 2) retirement of bonded indebtedness (\$751 thousand), and 3) authorized construction (\$28 thousand).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$20.3 million. Approximately \$20.3 million is unreserved. As a measure of the fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 62% of total General Fund expenditures.

Taylor County's General Fund balance increased by \$2.6 million during the current fiscal year. A key factor in this growth was an increase in tax revenue.

General Fund Budgetary Highlights - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$2.2 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$702 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, 2010, the County had invested \$151.1 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$2.1 million, or 1.4% over last year.

Major events affecting capital assets during the year were:

- Various equipment purchases.
- Ongoing construction project at the courthouse.

More detailed information about the County's capital assets can be found in Note 5 on Page 33 of this report.

	Governmental Activities		Percent Change
	2010	2009	
Land	\$ 1,975,105	\$ 1,975,105	0.00%
Construction in Progress	1,017,400	19,950	5000.75%
Buildings and Improvements	66,663,574	66,430,902	13.04%
Furniture and Equipment	2,534,474	2,085,553	25.16%
Vehicles and Heavy Equipment	8,479,558	8,041,799	24.54%
Infrastructure	70,512,665	70,512,665	0.00%
Total	<u>151,182,776</u>	<u>149,065,974</u>	<u>1.42%</u>
Total Accumulated Depreciation	<u>(90,657,382)</u>	<u>(84,622,628)</u>	<u>7.13%</u>
Net Capital Assets	<u>\$ 60,525,394</u>	<u>\$ 64,443,346</u>	<u>-6.08%</u>

Long Term Debt—At the end of the year, the County had \$4.6 million of long-term obligations. \$3.3 million represents bonds secured solely by specified revenue sources.

	Governmental Activities		Percent Change
	2010	2009	
Bonds Payable	\$ 3,360,000	\$ 3,835,000	-12%
Loan Payable	-	79,938	-100%
Capital Leases Payable	-	81,687	-100%
Compensated Absences	1,306,143	1,102,720	18%
Total	\$ <u>4,666,143</u>	\$ <u>5,099,345</u>	<u>-8%</u>

During the year, Taylor County’s long-term obligations decreased by \$433 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 Page 36 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The appraised value used for the 2011 budget preparation is estimated to be down \$56 million, or 1% from 2010.
- The combined tax rate established for 2011 is \$.4722, an increase of \$.0047 from 2010.
- Taylor County’s unemployment rate is currently 6.1%, compared to 5.8% in 2009. The State unemployment rate in 2010 was 8.2%.
- 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 2011 fiscal year.

Amounts available for appropriation in the General Fund budget are \$35,702,441, an increase of 2.7% over the 2010 budget of \$34,748,512. Property taxes (benefiting from the 2010 increases in assessed valuations) and State and federal revenue (with anticipated increases in these areas) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 2.2% to \$35,702,441. The largest increments are increases in salaries of 3%. The County has added no major new programs or initiatives to the 2011 budget.

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, 2010

Exhibit A-1

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 18,189,372
Investments	18,000,000
Receivables (net of allowance for uncollectibles)	
Taxes	361,840
Other	3,453,014
Due from agency funds	15,609
Prepaid expenses	2,510
Inventory	3,400
Debt issuance cost	47,325
Capital Assets	
Land	1,975,105
Infrastructure, net	23,480,775
Buildings, net	30,712,317
Vehicles and heavy equipment, net	2,532,300
Furniture and equipment, net	807,497
Construction in progress	<u>1,017,400</u>
Total assets	100,598,464
LIABILITIES:	
Accounts payable and other current liabilities	1,022,297
Payroll taxes and related items	704,320
Accrued interest payable	8,223
Due to other governments	715,712
Noncurrent liabilities	
Due within one year	500,000
Due in more than one year	<u>4,166,143</u>
Total liabilities	7,116,695
NET ASSETS:	
Invested in capital assets, net of related debt	57,212,719
Restricted for:	
Debt Service	751,210
Capital Projects	28,445
Road and Bridge	536,353
JP Technology	121,667
JP Security	185,609
Enabling Legislation	1,238,432
Unrestricted	<u>33,407,334</u>
Total net assets	<u>\$ 93,481,769</u>

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

TAYLOR COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 2,509,321	\$ 2,142,518	\$ 539,911
Financial	1,865,057	545,412	
Judicial	5,244,049	1,948,344	
Legal	2,223,032	799,869	121,828
Elections	394,015	61,596	8,404
Public facilities	2,026,081	351,008	
Public safety	18,922,552	1,496,949	1,453,738
Road and bridge	7,346,803	1,642,498	128,340
Health and welfare	3,411,055	73,220	45,189
Conservation	520,158	41,590	
Culture and recreation	18,424		
Interest and fees on long term debt	139,168		
Total governmental activities	<u>44,619,715</u>	<u>9,103,004</u>	<u>2,297,410</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 44,619,715</u>	<u>\$ 9,103,004</u>	<u>\$ 2,297,410</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

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
\$ 173,108	\$ 173,108
(1,319,645)	(1,319,645)
(3,295,705)	(3,295,705)
(1,301,335)	(1,301,335)
(324,015)	(324,015)
(1,675,073)	(1,675,073)
(15,971,865)	(15,971,865)
(5,575,965)	(5,575,965)
(3,292,646)	(3,292,646)
(478,568)	(478,568)
(18,424)	(18,424)
(139,168)	(139,168)
<u>(33,219,301)</u>	<u>(33,219,301)</u>
<u>(33,219,301)</u>	<u>(33,219,301)</u>
29,031,948	29,031,948
726,334	726,334
1,182,315	1,182,315
272,031	272,031
45,769	45,769
264,394	264,394
48,536	48,536
<u>31,571,327</u>	<u>31,571,327</u>
(1,647,974)	(1,647,974)
<u>95,129,743</u>	<u>95,129,743</u>
<u>\$ 93,481,769</u>	<u>\$ 93,481,769</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS

Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Contingency Fund	Road and Bridge Fund
ASSETS			
Cash and cash equivalents	\$ 4,616,973	\$ 2,754,124	\$ 574,476
Investments	17,000,000		
Receivables (net of allowances for uncollectibles)			
Property taxes	328,666		13,114
Other	378,886		30,931
Interest			
Due from other funds	348,282		90,084
Due from agency funds	15,609		
Inventories	3,400		
Prepaid items	2,510		
	<u>22,694,326</u>	<u>2,754,124</u>	<u>708,605</u>
Total assets	\$ <u>22,694,326</u>	\$ <u>2,754,124</u>	\$ <u>708,605</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 608,789	\$ 47,138	\$ 188,302
Payroll taxes and related items	704,320		
Due to other funds			55,534
Due to other governments	715,712		
Deferred revenue	328,666		13,114
	<u>2,357,487</u>	<u>47,138</u>	<u>256,950</u>
Total liabilities	2,357,487	47,138	256,950
Fund balances:			
Reserved fund balances			
Debt service			
Capital projects			
Road and bridge			451,655
JP technology			
JP security			
Prepaid items/inventory	5,910		
Enabling legislation			
Unreserved			
General fund	20,330,929		
Special revenue funds-undesignated		2,706,986	
	<u>20,336,839</u>	<u>2,706,986</u>	<u>451,655</u>
Total fund balances	20,336,839	2,706,986	451,655
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>22,694,326</u>	\$ <u>2,754,124</u>	\$ <u>708,605</u>

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

	Other Governmental Funds		Total Governmental Funds
\$	8,632,122	\$	16,577,695
	1,000,000		18,000,000
	20,060		361,840
	44,730		454,547
	1,250		1,250
	145,000		583,366
			15,609
			3,400
			2,510
\$	<u>9,843,162</u>	\$	<u>36,000,217</u>
\$	113,428	\$	957,657
			704,320
	277,832		333,366
			715,712
	20,061		361,841
	411,321		3,072,896
	751,210		751,210
	28,445		28,445
	84,698		536,353
	121,667		121,667
	185,609		185,609
			5,910
	1,238,432		1,238,432
			20,330,929
	7,021,780		9,728,766
	<u>9,431,841</u>		<u>32,927,321</u>
\$	<u>9,843,162</u>	\$	<u>36,000,217</u>

TAYLOR COUNTY, TEXAS
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 For the Year Ended September 30, 2010

Exhibit A-4

Total Fund Balance-Governmental Funds	\$	32,927,321
<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>		
		1,316,316
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	\$ 151,182,776	
Accumulated depreciation	<u>(90,657,382)</u>	60,525,394
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	(3,360,000)	
Compensated absences	(1,306,143)	
Accrued interest payable	(8,223)	
Debt issuance costs	<u>47,325</u>	(4,627,041)
<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	2,977,939	
Deferred revenue - property taxes	<u>361,840</u>	<u>3,339,779</u>
Net Assets of Governmental Activities-Statement of Net Assets	\$	<u>93,481,769</u>

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, 2010

	General Fund	Contingency Fund	Road and Bridge Fund
REVENUES			
Taxes			
Property taxes	\$ 28,317,796	\$	\$ 992,701
Other taxes	398,874		783,441
License and permits	555,989		1,492,436
Intergovernmental and grants	1,833,302		
Fines and fees	3,916,617		18,476
Rents and recoveries	323,984		
Investment earnings	188,604	14,577	1,455
Miscellaneous	(84,983)		71,538
Total revenues	<u>35,450,183</u>	<u>14,577</u>	<u>3,360,047</u>
EXPENDITURES			
Current			
General government	2,136,279		
Financial	1,790,302		
Judicial	5,223,544		
Legal	1,830,620		
Elections	301,979		
Public facilities	1,171,701		
Public safety	15,559,897		
Road and bridge	87,601		3,309,903
Health and welfare	3,148,653		
Conservation	517,885		
Culture and Recreation	18,424		
Debt Service			
Debt principal	7,167		
Debt interest and agent fees			
Capital Outlay			
Capital outlay	959,920	997,450	346,721
Total expenditures	<u>32,753,972</u>	<u>997,450</u>	<u>3,656,624</u>
Excess revenues over expenditures	2,696,211	(982,873)	(296,577)
OTHER FINANCING SOURCES			
Transfers in			3,500
Transfers out	(53,500)		
Total other financing sources (uses)	<u>(53,500)</u>		<u>3,500</u>
NET CHANGE IN FUND BALANCE	2,642,711	(982,873)	(293,077)
FUND BALANCE AT BEGINNING OF YEAR	<u>17,694,128</u>	<u>3,689,859</u>	<u>744,732</u>
FUND BALANCE AT END OF YEAR	<u>\$ 20,336,839</u>	<u>\$ 2,706,986</u>	<u>\$ 451,655</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 726,713	\$ 30,037,210
	1,182,315
	2,048,425
1,440,560	3,273,862
496,575	4,431,668
	323,984
52,009	256,645
992,566	979,121
<u>3,708,423</u>	<u>42,533,230</u>
185,140	2,321,419
15,830	1,806,132
	5,223,544
351,405	2,182,025
43,472	345,451
	1,171,701
2,173,316	17,733,213
103,346	3,500,850
269,474	3,418,127
	517,885
	18,424
475,000	482,167
142,019	142,019
<u>278,058</u>	<u>2,582,149</u>
<u>4,037,060</u>	<u>41,445,106</u>
(328,637)	1,088,124
383,704	387,204
<u>(384,254)</u>	<u>(437,754)</u>
<u>(550)</u>	<u>(50,550)</u>
(329,187)	1,037,574
<u>9,761,028</u>	<u>31,889,747</u>
<u>\$ 9,431,841</u>	<u>\$ 32,927,321</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, 2010

Net Change in Fund Balances -Total Governmental Funds	\$	1,037,574
<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 increase net assets.</p>		
		325,206
<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	\$ 2,396,084	
Debt principal payments	636,625	3,032,709
<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>		
		(6,265,071)
<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	486,623	
Deferred tax revenues	(6,897)	
Decrease in bond interest payable	2,851	
Amortization of debt issuance cost	(8,581)	
Net book value of assets retired	(48,965)	
Increase in compensated absences	(203,423)	221,608
Change in Net Assets of Governmental Activities-Statement of Activities	\$	(1,647,974)

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, 2010

Exhibit A-7

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,611,678
Receivables (net)	<u>19,278</u>
Total current assets	<u>\$ 1,630,956</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 64,640
Due to other funds	<u>250,000</u>
Total current liabilities	<u>314,640</u>
Net Assets	
Unrestricted	<u>1,316,316</u>
Total net assets	<u>1,316,316</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,630,956</u></u>

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, 2010

Exhibit A-8

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 4,222,582
Other revenues	<u>1,600</u>
Total operating revenues	4,224,182
OPERATING EXPENSES	
Contract services	742,069
Claims	<u>3,215,207</u>
Total operating expenses	<u>3,957,276</u>
OPERATING INCOME (LOSS)	266,906
NONOPERATING REVENUES	
Investment earnings	<u>7,750</u>
Income before transfers	<u>274,656</u>
TRANSFERS	
Transfers in	<u>50,550</u>
Net Transfers	<u>50,550</u>
CHANGE IN NET ASSETS	325,206
NET ASSETS AT BEGINNING OF YEAR	<u>991,110</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,316,316</u>

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, 2010

Exhibit A-9

	<u>Governmental Activities</u> Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from participants	\$ 916,207
Other operating receipts	1,600
Cash received from interfund services provided	3,567,056
Cash payments for claims	(3,390,319)
Cash payments for insurance premiums	<u>(742,069)</u>
Net cash provided by operating activities	<u>352,475</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	<u>50,550</u>
Net cash provided by non-capital financing activities	<u>50,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	7,751
Maturity of investments	<u>500,000</u>
Net cash provided by investing activities	<u>507,751</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	910,776
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>700,902</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,611,678</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 266,906
Net change in:	
Accounts receivable	10,681
Due to other funds	250,000
Claims payable	<u>(175,112)</u>
Total adjustments	<u>85,569</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 352,475</u></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, 2010

Exhibit A-10

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 4,869,668
Accounts receivable	41,390
Due from other funds	<u>19,226</u>
TOTAL ASSETS	\$ <u>4,930,284</u>
LIABILITIES:	
Accounts payable	\$ 229,248
Due to other funds	35,741
Due to others	<u>4,665,295</u>
TOTAL LIABILITIES	\$ <u>4,930,284</u>

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

NOTES TO THE FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

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 GASB, Statement No. 14, The Financial Reporting Entity. 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 froms 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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 1: Summary of Significant Accounting Policies, continued

B. Government-wide and Fund Financial Statements, continued

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.

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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 1: Summary of Significant Accounting Policies, continued

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

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. The County applies all GASB pronouncements as well as the Financial Accounting Standards. FASB pronouncements issued on or before November 30, 1989, are adopted unless these pronouncements conflict or contradict GASB pronouncements. 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.

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 special revenue 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 legally restricted 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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 1: Summary of Significant Accounting Policies, continued

D. Fund Accounting, continued

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.

- 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, 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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 1: Summary of Significant Accounting Policies, continued

- Property Taxes, continued

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.

- 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 a reservation of 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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 1: Summary of Significant Accounting Policies, continued

- Capital Assets, continued

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 Payable 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)

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 are the only accrued compensation liabilities recorded.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 1: Summary of Significant Accounting Policies – continued

- 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. Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

- 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.

- Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties of use for a specific purpose. Fund reservations include encumbrances, debt service, inventories and prepaids.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

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.

B. Deficit Fund Equity

No fund deficits existed at September 30, 2010.

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 Basic Financial Statements
September 30, 2010

NOTE 3: Deposits and Investments, continued

A. Investments, continued

At September 30, 2010, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Quality Rating</u>
General Fund:			
TexPool	\$ 3,731,007	34 days - Weighted Avg.	AAAm
Special Revenue Funds:			
TexPool	79,938		AAAm
Capital Project Funds			
TexPool	28,445	34 days - Weighted Avg.	AAAm
Debt Service Fund			
TexPool	751,054	34 days - Weighted Avg.	AAAm
Internal Service Funds			
TexPool	1,611,678	34 days - Weighted Avg.	AAAm
 Total Cash in JP Morgan Chase	 460,155		
Total Certificates of Deposit	18,000,000		
	 <u>\$ 24,662,277</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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 3: Deposits and Investments-continued

A. Investments, continued

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

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 a 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, 2010 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.

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. As of September 30, 2010, TexPool's investment credit quality rating was AAAM (Standard & Poor's).

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

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 Activities					
General Fund	\$ -	\$ 787,987	\$ 378,886	\$ 348,282	\$ 1,515,155
Road and Bridge Fund		13,114	30,931	90,084	134,129
Non-major					
Governmental Funds	<u>1,250</u>	<u>20,060</u>	<u>44,730</u>	<u>145,000</u>	<u>211,040</u>
Total-Governmental					
Activities	<u>\$ 1,250</u>	<u>\$ 821,161</u>	<u>\$ 454,547</u>	<u>\$ 583,366</u>	<u>\$ 1,860,324</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ (459,321)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (459,321)</u>

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 5: Capital Assets

Capital asset activity for the period ended September 30, 2010 was as follows:

	Balance October 1, 2009	Additions	Retirements	Balance September 30, 2010
Governmental Activities				
Non-depreciable Assets				
Land	\$ 1,975,105	\$	\$	\$ 1,975,105
Construction in Progress	19,950	997,450		1,017,400
Total Non-depreciable Assets	<u>1,995,055</u>	<u>997,450</u>		<u>2,992,505</u>
Depreciable Assets				
Buildings and Improvements	66,430,902	232,672		66,663,574
Furniture and Equipment	2,085,553	448,921		2,534,474
Vehicles and Heavy Equipment	8,041,799	717,041	279,282	8,479,558
Infrastructure	70,512,665			70,512,665
Total Depreciable Assets	<u>147,070,919</u>	<u>1,398,634</u>	<u>279,282</u>	<u>148,190,271</u>
Total at Historic Cost	<u>149,065,974</u>	<u>2,396,084</u>	<u>279,282</u>	<u>151,182,776</u>
Less Accumulated Depreciation:				
Buildings and Improvements	34,125,661	1,825,596		35,951,257
Furniture and Equipment	1,497,299	229,678		1,726,977
Vehicles and Heavy Equipment	5,437,777	739,798	230,317	5,947,258
Infrastructure	43,561,891	3,469,999		47,031,890
Total Accumulated Depreciation	<u>84,622,628</u>	<u>6,265,071</u>	<u>230,317</u>	<u>90,657,382</u>
Governmental Activities Capital Assets, Net	<u>\$ 64,443,346</u>	<u>\$ (3,868,987)</u>	<u>\$ 48,965</u>	<u>\$ 60,525,394</u>

Depreciation was charged to functions as follows:

General Administration	\$ 63,215
Financial Administration	22,350
Judicial	1,813
Legal	7,635
Elections	14,501
Public Safety	1,343,451
Public Facilities	857,076
Road and Bridge	3,946,430
Health and Welfare	1,389
Conservation	7,211
	<u>\$ 6,265,071</u>

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 6: Interfund Balances and Activity

A. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2010, consisted of the following:

Due to General Fund from:	
Special Revenue Funds	\$ 348,282
Due to Road and Bridge Fund from:	
Special Revenue Funds	90,084
Due to Special Revenue Funds from	
Special Revenue Funds	<u>145,000</u>
Due from Other Funds	<u><u>583,366</u></u>
Due to General Fund from:	
Agency Funds	\$ <u><u>15,609</u></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, 2010, consisted of the following:

Transfers from General Fund to:	
Non-major Special Revenue Funds	\$ 2,950
Internal Service Funds	<u>50,550</u>
	<u><u>\$ 53,500</u></u>
Transfers from Non-major Special Revenue Funds to:	
Non-major Special Revenue Funds	\$ <u><u>79,938</u></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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 7: Long-Term Obligations

The County's long-term debt consists of permanent improvement bonds issued to finance the construction of a new County jail facility; general obligation bonds issued to finance the renovation of the County courthouse facility, and capital lease agreements used to finance the purchase of heavy road equipment, energy saving equipment, and data processing software. 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, 2010, to maturity:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2011	\$ 500,000	\$ 121,112	\$ 621,112
2012	520,000	101,988	621,988
2013	545,000	82,019	627,019
2014	570,000	79,938	649,938
2015	595,000	37,100	632,100
Thereafter	630,000	12,600	642,600
Total	\$ <u>3,360,000</u>	\$ <u>434,757</u>	\$ <u>3,794,757</u>

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

A summary of the changes in bonds payable follows:

	Amounts Outstanding October 1, 2009	Issued Current Year	Retired Current Year	Amounts Outstanding September 30, 2010
Series 2005	\$ <u>3,835,000</u>	\$ <u>-</u>	\$ <u>475,000</u>	\$ <u>3,360,000</u>

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 7: Long-Term Obligations, continued

A. Bonds, continued

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.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2010, 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	\$ 3,835,000	\$ -	\$ 475,000	\$ 3,360,000	\$ 500,000
Loans	79,938	-	79,938	-	-
Capital Leases	81,687	-	81,687	-	-
	<u>3,996,625</u>	<u>-</u>	<u>636,625</u>	<u>3,360,000</u>	<u>500,000</u>
Total Bonds, Loans and Leases Payable					
Other Liabilities					
Compensated Absences	1,102,720	203,423	-	1,306,143	-
	<u>1,102,720</u>	<u>203,423</u>	<u>-</u>	<u>1,306,143</u>	<u>-</u>
Total Governmental Activities Long-term Liabilities					
	<u>\$ 5,099,345</u>	<u>\$ 203,423</u>	<u>\$ 636,625</u>	<u>\$ 4,666,143</u>	<u>\$ 500,000</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, 2010, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$1,306,143.

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>328,666</u>	\$ <u>13,114</u>	\$ <u>20,061</u>	\$ <u>361,841</u>

Adjustments required for government-wide Statement of Net Assets decreased deferred revenue by \$361,841.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

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 \$26,283, \$21,915, and \$12,777, for liability claims during the years ended September 30, 2010, 2009, and 2008, respectively. There were no unpaid claims at September 30, 2010.

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.

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 \$3,188,924, \$3,914,885, and \$3,347,328, in health claims, and paid \$742,069, \$705,046, and \$671,751, for administrative costs, for the years ended September 30, 2010, 2009, and 2008, respectively. The County contributed \$3,306,375, \$2,791,278, and \$2,529,896, and County employees contributed \$652,943, \$563,985, and \$550,134, to the health insurance program for the years ended September 30, 2010, 2009 and 2008, respectively. Retirees and other agency contributions were \$263,265, \$247,775, and 231,225, for the years ended September 30, 2010, 2009 and 2008, 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 \$125,326, \$66,771, and \$116,585, at September 30, 2010, 2009 and 2008, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2010, 2009 and 2008.

Year Ending Sept. 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2008	\$ 153,291	\$ 3,310,622	\$ 3,347,328	\$ 116,585
2008	116,585	3,914,885	3,964,699	66,771
2010	66,771	3,188,924	3,130,369	125,326

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 10: Risk Management, continued

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 \$98,730, \$58,766, and \$160,119, in worker's compensation claims for the years ended September 30, 2010, 2008 and 2007. Estimated liability for claims that have been incurred but not reported are accrued at year-end. The estimated liability for worker's compensation claims was \$ 83,262, \$16,550, and \$67,817, at September 30, 2010, 2009 and 2008, respectively.

Summary

The Self-Insurance Fund has net assets reserved for the purpose of funding all self-insurance programs, other than health, in the amount of \$918,667 at September 30, 2010. In the opinion of management, net assets are adequate to meet probable claim contingencies at September 30, 2010. The Employee Benefits Fund has net assets of \$397,649.

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 602 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.

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.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2010

NOTE 11: Pension Plan, continued

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% for the months of the accounting year in 2009 and 9.25% for the months of the accounting year in 2010.

The deposit rate payable by the employee members for calendar year 2010 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, 2010, the annual pension cost for the TCDRS plan for its employees was \$1,575,023; the actual contributions were \$1,575,023.

The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009 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, 2009 was 14.5 years.

D. Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 80.97% funded. The actuarial accrued liability for benefits was \$59,597,200, and the actuarial value of assets was \$48,257,984, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,339,216. The covered payroll (annual payroll of active employees covered by the plan) was \$20,284,194, and the ratio of UAAL to the covered payroll was 55.90%.

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 Basic Financial Statements
September 30, 2010

NOTE 12: Subsequent Pronouncements

In March 2009 the Governmental Accounting Standards Board issued GASB No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balance for all prior periods presented.

REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR COUNTY, TEXAS
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended September 30, 2010

Exhibit B-1

	Budget Amounts			Variance from Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes				
Property taxes	\$ 27,437,266	\$ 27,437,266	\$ 28,317,796	\$ 880,530
Other taxes	381,000	381,000	398,874	17,874
License and permits	521,500	521,500	555,989	34,489
Intergovernmental and grants	1,713,279	1,775,385	1,833,302	57,917
Fines and fees	3,627,400	3,627,400	3,916,617	289,217
Rents and recoveries	353,961	353,961	323,984	(29,977)
Investment earnings	505,000	505,000	188,604	(316,396)
Miscellaneous	147,000	147,000	(84,983)	(231,983)
Total revenues	34,686,406	34,748,512	35,450,183	701,671
EXPENDITURES				
Current				
General government	2,829,887	2,572,007	2,136,279	435,728
Financial	1,991,577	1,997,112	1,790,302	206,810
Judicial	5,122,581	5,366,865	5,223,544	143,321
Legal	1,861,811	1,877,827	1,830,620	47,207
Elections	314,013	314,013	301,979	12,034
Public facilities	1,698,625	1,698,625	1,171,701	526,924
Public safety	17,130,956	17,196,579	15,559,897	1,636,682
Road and bridge	86,716	87,602	87,601	1
Health and welfare	3,031,795	3,031,795	3,148,653	(116,858)
Conservation	537,697	538,761	517,885	20,876
Culture and Recreation	258,050	261,902	18,424	243,478
Debt Service				
Debt principal			7,167	(7,167)
Capital Outlay				
Capital outlay			959,920	(959,920)
Total expenditures	34,863,708	34,943,088	32,753,972	2,189,116
Excess revenues over expenditures	(177,302)	(194,576)	2,696,211	2,890,787
OTHER FINANCING SOURCES				
Transfers (out) in	177,302		(53,500)	(53,500)
Total other financing sources (uses)	177,302		(53,500)	(53,500)
NET CHANGE IN FUND BALANCE		(194,576)	2,642,711	2,837,287
FUND BALANCE AT BEGINNING OF YEAR	17,694,128	17,694,128	17,694,128	
FUND BALANCE AT END OF YEAR	\$ 17,694,128	\$ 17,499,552	\$ 20,336,839	\$ 2,837,287

TAYLOR COUNTY, TEXAS
 Contingency Fund
 Budgetary Comparison Schedule
 For the Year Ended September 30, 2010

Exhibit B-2

	<u>Budgeted Amounts</u>			Variance from Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Investment earnings	\$ 75,000	\$ 75,000	\$ 14,577	\$ (60,423)
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>14,577</u>	<u>(60,423)</u>
EXPENDITURES				
Capital outlay	<u>2,000,000</u>	<u>2,000,000</u>	<u>997,450</u>	<u>1,002,550</u>
Total expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>997,450</u>	<u>1,002,550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,925,000)	(1,925,000)	(982,873)	942,127
OTHER FINANCING SOURCES (USES)				
Transfers out	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCE	(1,925,000)	(1,925,000)	(982,873)	942,127
FUND BALANCE AT BEGINNING OF YEAR	<u>3,689,859</u>	<u>3,689,859</u>	<u>3,689,859</u>	<u> </u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,764,859</u>	<u>\$ 1,764,859</u>	<u>\$ 2,706,986</u>	<u>\$ 942,127</u>

TAYLOR COUNTY, TEXAS
Road and Bridge
Budgetary Comparison Schedule
For the Year Ended September 30, 2010

Exhibit B-3

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property taxes	\$ 940,000	\$ 940,000	\$ 992,701	\$ 52,701
Other taxes	1,000,000	1,000,000	783,441	(216,559)
Licenses and permits	1,460,000	1,460,000	1,492,436	32,436
Intergovernmental and grants	267,221	267,221		(267,221)
Fines and fees			18,476	18,476
Investment earnings	7,500	7,500	1,455	(6,045)
Other revenue	1,000	46,776	71,538	24,762
Total revenues	<u>3,675,721</u>	<u>3,721,497</u>	<u>3,360,047</u>	<u>(361,450)</u>
EXPENDITURES				
Current				
Road and bridge	2,944,411	3,355,437	3,309,903	45,534
Capital outlay				
Capital outlay	<u>877,342</u>	<u>877,342</u>	<u>346,721</u>	<u>530,621</u>
Total expenditures	<u>3,821,753</u>	<u>4,232,779</u>	<u>3,656,624</u>	<u>576,155</u>
Excess revenues over expenditures	(146,032)	(511,282)	(296,577)	(214,705)
OTHER FINANCING SOURCES				
Transfers in	<u>146,032</u>		<u>3,500</u>	<u>(3,500)</u>
Total other financing sources (uses)	<u>146,032</u>		<u>3,500</u>	<u>(3,500)</u>
NET CHANGE IN FUND BALANCE		(511,282)	(293,077)	(218,205)
FUND BALANCE AT BEGINNING OF YEAR	<u>744,732</u>	<u>744,732</u>	<u>744,732</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 744,732</u>	<u>\$ 233,450</u>	<u>\$ 451,655</u>	<u>\$ (218,205)</u>

TAYLOR COUNTY, TEXAS
 Required Supplementary Information
 Schedule of Funding Progress, Texas County and District Retirement System
 September 30, 2010

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
12/31/2007	\$ 43,654,883	\$ 51,930,017	\$ 8,275,134	84.06%	\$ 17,884,977	46.27%
12/31/2008	42,879,427	54,604,655	11,725,228	78.53%	18,586,511	63.08%
12/31/2009	48,257,984	59,597,200	11,339,216	80.97%	20,284,194	55.90%

TAYLOR COUNTY, TEXAS
Notes to Required Supplementary Information
For the Year Ended September 30, 2010

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 2010 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 funds:

1. The General fund had a negative budget variance in health and welfare and debt principal. The final budget for the above mentioned functions was \$3,031,795 and actual expenditures were \$3,155,820, a difference of \$124,025.

COMBINING STATEMENTS

TAYLOR COUNTY, TEXAS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2010

Exhibit C-1

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 28,445	\$ 7,852,623	\$ 751,054	\$ 8,632,122
Investments		1,000,000		1,000,000
Interest receivable		1,250		1,250
Accounts receivable-net				
Property taxes			20,060	20,060
Other		44,573	157	44,730
Due from other funds		145,000		145,000
	<u>28,445</u>	<u>9,043,446</u>	<u>771,271</u>	<u>9,843,162</u>
Total assets	<u>\$ 28,445</u>	<u>\$ 9,043,446</u>	<u>\$ 771,271</u>	<u>\$ 9,843,162</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$ 113,428	\$	\$ 113,428
Due to other funds		277,832		277,832
Deferred revenue			20,061	20,061
		<u>391,260</u>	<u>20,061</u>	<u>411,321</u>
Total liabilities		391,260	20,061	411,321
Fund balances				
Reserved For:				
Debt service			751,210	751,210
Capital projects	28,445			28,445
Road and bridge		84,698		84,698
JP Technology		121,667		121,667
JP Security		185,609		185,609
Enabling legislation		1,238,432		1,238,432
Unreserved and undesignated				
Special revenue funds		7,021,780		7,021,780
	<u>28,445</u>	<u>8,652,186</u>	<u>751,210</u>	<u>9,431,841</u>
Total fund balance	<u>28,445</u>	<u>8,652,186</u>	<u>751,210</u>	<u>9,431,841</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,445</u>	<u>\$ 9,043,446</u>	<u>\$ 771,271</u>	<u>\$ 9,843,162</u>

TAYLOR COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2010

Exhibit C-2

	<u>Capital Project Funds</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Taxes				
Property taxes	\$	\$	\$ 726,713	\$ 726,713
Other taxes				
License and permits				
Intergovernmental and grants		1,440,560		1,440,560
Fines and fees		496,575		496,575
Rents and recoveries				
Investment earnings	60	50,673	1,276	52,009
Miscellaneous		992,566		992,566
	<u>60</u>	<u>2,980,374</u>	<u>727,989</u>	<u>3,708,423</u>
Total revenues				
EXPENDITURES				
Current				
General government		185,140		185,140
Financial		15,830		15,830
Legal		351,405		351,405
Elections		43,472		43,472
Public facilities				
Public safety		2,173,316		2,173,316
Road and bridge		103,346		103,346
Health and welfare		269,474		269,474
Debt Service				
Debt principal			475,000	475,000
Debt interest and agent fees			142,019	142,019
Capital outlay				
Capital outlay	4,807	273,251		278,058
	<u>4,807</u>	<u>3,415,234</u>	<u>617,019</u>	<u>4,037,060</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,747)	(434,860)	110,970	(328,637)
OTHER FINANCING SOURCES				
Transfers in		383,704		383,704
Transfers out		(384,254)		(384,254)
		<u>(550)</u>		<u>(550)</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	(4,747)	(435,410)	110,970	(329,187)
FUND BALANCES AT BEGINNING OF YEAR				
	<u>33,192</u>	<u>9,087,596</u>	<u>640,240</u>	<u>9,761,028</u>
FUND BALANCES AT END OF YEAR	\$ <u>28,445</u>	\$ <u>8,652,186</u>	\$ <u>751,210</u>	\$ <u>9,431,841</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2010

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
ASSETS				
Cash and cash equivalents	\$ 1,321,284	\$ 734,635	\$ 1,103,716	\$ 68,232
Investments	1,000,000			
Interest receivable				
Accounts receivable (net)		463	5,501	896
Due from other funds				
Total assets	\$ 2,321,284	\$ 735,098	\$ 1,109,217	\$ 69,128
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 610		\$ 9,788	\$ 3,432
Due to other funds	2,357			
Total liabilities	2,967		9,788	3,432
Fund balance				
Reserved For:				
Road and bridge				
JP Technology				
JP Security				
Enabling legislation			1,099,429	65,696
Unreserved:				
Special Revenue				
Funds - undesignated	2,318,317	735,098		
Total fund balance	2,318,317	735,098	1,099,429	65,696
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,321,284	\$ 735,098	\$ 1,109,217	\$ 69,128

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$ 124,882	\$ 120,086	\$ 306,607	\$ 299,892	\$ 794,051	\$ 223,652	\$ 179,189	\$ 37,211
	581	669	2,314				
<u>\$ 124,882</u>	<u>\$ 120,667</u>	<u>\$ 307,276</u>	<u>\$ 302,206</u>	<u>\$ 794,051</u>	<u>\$ 223,652</u>	<u>\$ 179,189</u>	<u>\$ 37,211</u>
\$ 12,750	\$ 300	\$	\$ 604	\$	\$ 261	\$ 27,082	\$ 61
			3,750				916
12,750	300		4,354		261	27,082	977
		121,667					
		185,609					
<u>112,132</u>	<u>120,367</u>		<u>297,852</u>	<u>794,051</u>	<u>223,391</u>	<u>152,107</u>	<u>36,234</u>
<u>112,132</u>	<u>120,367</u>	<u>307,276</u>	<u>297,852</u>	<u>794,051</u>	<u>223,391</u>	<u>152,107</u>	<u>36,234</u>
<u>\$ 124,882</u>	<u>\$ 120,667</u>	<u>\$ 307,276</u>	<u>\$ 302,206</u>	<u>\$ 794,051</u>	<u>\$ 223,652</u>	<u>\$ 179,189</u>	<u>\$ 37,211</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2010

	<u>Juvenile Probation Grants</u>	<u>Juvenile Local</u>	<u>Jail Commissary</u>	<u>Task Force Forfeiture</u>
ASSETS				
Cash and cash equivalents	\$ 297,722	\$ 840,372	\$ 101,244	\$ 397,366
Investments				
Interest receivable				
Accounts receivable (net)	26,436	5,813		10
Due from other funds		<u>145,000</u>		
Total assets	<u>\$ 324,158</u>	<u>\$ 991,185</u>	<u>\$ 101,244</u>	<u>\$ 397,376</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 11,384	\$ 547	\$ 6,234	\$ 40,375
Due to other funds	<u>161,126</u>		<u>4,253</u>	<u>15,346</u>
Total liabilities	172,510	547	10,487	55,721
Fund balance				
Reserved For:				
Road and bridge				
JP Technology				
JP Security				
Enabling legislation				
Unreserved:				
Special Revenue				
Funds - undesignated	<u>151,648</u>	<u>990,638</u>	<u>90,757</u>	<u>341,655</u>
Total fund balance	<u>151,648</u>	<u>990,638</u>	<u>90,757</u>	<u>341,655</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 324,158</u>	<u>\$ 991,185</u>	<u>\$ 101,244</u>	<u>\$ 397,376</u>

Task Force Seizure	Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 657,533	\$ 70,167	\$ 174,782	\$ 7,852,623
			1,000,000
			1,250
	3,140		44,573
			145,000
<u>\$ 657,533</u>	<u>\$ 73,307</u>	<u>\$ 174,782</u>	<u>\$ 9,043,446</u>
\$	\$	\$	\$ 113,428
		90,084	277,832
		90,084	391,260
		84,698	84,698
			121,667
			185,609
	73,307		1,238,432
<u>657,533</u>			<u>7,021,780</u>
<u>657,533</u>	<u>73,307</u>	<u>84,698</u>	<u>8,652,186</u>
<u>\$ 657,533</u>	<u>\$ 73,307</u>	<u>\$ 174,782</u>	<u>\$ 9,043,446</u>

TAYLOR COUNTY, TEXAS
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended September 30, 2010

	<u>Settlement Proceeds</u>	<u>Errors and Omissions</u>	<u>County Clerk Restricted Fees</u>	<u>Dist Clerk's Restricted Fees</u>
REVENUES				
Intergovernmental and grants	\$	\$	\$	\$
Fines and fees			238,999	10,209
Investment earnings	24,454	5,343	7,434	
Other revenues	<u>73,220</u>	<u>22,095</u>	<u> </u>	<u>23,593</u>
Total revenues	97,674	27,438	246,433	33,802
EXPENDITURES				
Current:				
General government		152	125,685	9,303
Financial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	269,474			
Capital outlay				
Capital outlay	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>269,474</u>	<u>152</u>	<u>125,685</u>	<u>9,303</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(171,800)</u>	<u>27,286</u>	<u>120,748</u>	<u>24,499</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCE	(171,800)	27,286	120,748	24,499
FUND BALANCES AT BEGINNING OF YEAR	<u>2,490,117</u>	<u>707,812</u>	<u>978,681</u>	<u>41,197</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,318,317</u>	<u>\$ 735,098</u>	<u>\$ 1,099,429</u>	<u>\$ 65,696</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
\$	\$	\$	\$ 37,241	\$	\$	\$ 8,404	\$
		21,032	137,266			61,397	
262	837	19,760	685	1,521	482	281	76
					68,540		158
262	837	40,792	175,192	1,521	69,022	70,082	234
50,000							
	15,830		267,423	4,179	79,803		
						43,472	
							4,808
	1,936						
50,000	17,766		267,423	4,179	79,803	43,472	4,808
(49,738)	(16,929)	40,792	(92,231)	(2,658)	(10,781)	26,610	(4,574)
45,025				90,235	(34,978)		
45,025				90,235	(34,978)		
(4,713)	(16,929)	40,792	(92,231)	87,577	(45,759)	26,610	(4,574)
116,845	137,296	266,484	390,083	706,474	269,150	125,497	40,808
\$ 112,132	\$ 120,367	\$ 307,276	\$ 297,852	\$ 794,051	\$ 223,391	\$ 152,107	\$ 36,234

TAYLOR COUNTY, TEXAS
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended September 30, 2010

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Forfeiture
REVENUES				
Intergovernmental and grants	\$ 1,262,825	\$ 97,897	\$	\$
Fines and fees		27,352		320
Investment earnings	603	1,574	324	5,454
Other revenues			160,000	27,633
Total revenues	1,263,428	126,823	160,324	33,407
EXPENDITURES				
Current:				
General government				
Financial				
Legal				
Elections				
Public safety	1,092,955	42,882	174,613	842,922
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay			156,015	113,362
Total expenditures	1,092,955	42,882	330,628	956,284
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>170,473</u>	<u>83,941</u>	<u>(170,304)</u>	<u>(922,877)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	193			245,901
Transfers out		(193)		
Total other financing sources (uses)	<u>193</u>	<u>(193)</u>		<u>245,901</u>
NET CHANGE IN FUND BALANCE	170,666	83,748	(170,304)	(676,976)
FUND BALANCES AT BEGINNING OF YEAR	<u>(19,018)</u>	<u>906,890</u>	<u>261,061</u>	<u>1,018,631</u>
FUND BALANCES AT END OF YEAR	<u>\$ 151,648</u>	<u>\$ 990,638</u>	<u>\$ 90,757</u>	<u>\$ 341,655</u>

<u>Task Force Seizure</u>	<u>Sheriff Forfeiture</u>	<u>Lateral Roads</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$	\$ 2,000	\$ 32,193	\$ 1,440,560
			496,575
852	134	357	50,673
<u>586,105</u>	<u>11,462</u>	<u></u>	<u>992,566</u>
586,957	13,596	32,550	2,980,374
			185,140
			15,830
			351,405
			43,472
1,867	13,269		2,173,316
		103,346	103,346
			269,474
	<u>1,938</u>	<u></u>	<u>273,251</u>
<u>1,867</u>	<u>15,207</u>	<u>103,346</u>	<u>3,415,234</u>
<u>585,090</u>	<u>(1,611)</u>	<u>(70,796)</u>	<u>(434,860)</u>
	2,350		383,704
<u>(349,083)</u>	<u></u>	<u></u>	<u>(384,254)</u>
<u>(349,083)</u>	<u>2,350</u>	<u></u>	<u>(550)</u>
236,007	739	(70,796)	(435,410)
<u>421,526</u>	<u>72,568</u>	<u>155,494</u>	<u>9,087,596</u>
<u>\$ 657,533</u>	<u>\$ 73,307</u>	<u>\$ 84,698</u>	<u>\$ 8,652,186</u>

TAYLOR COUNTY, TEXAS
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 September 30, 2010

Exhibit C-5

	<u>Certificates of Obligation Plaza '99</u>	<u>Miscellaneous Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS			
Cash and cash equivalents	\$ 15,958	\$ 12,487	\$ 28,445
Total assets	<u>\$ 15,958</u>	<u>\$ 12,487</u>	<u>\$ 28,445</u>
LIABILITIES AND FUND BALANCE			
Fund Balances:			
Reserved fund balance:			
Reserved for capital projects	<u>15,958</u>	<u>12,487</u>	<u>28,445</u>
Total fund balances	<u>15,958</u>	<u>12,487</u>	<u>28,445</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 15,958</u>	<u>\$ 12,487</u>	<u>\$ 28,445</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, 2010

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
REVENUES			
Investment earnings	\$ 36	\$ 24	\$ 60
Total revenues	36	24	60
EXPENDITURES			
Capital outlay	4,807		4,807
Total expenditures	4,807		4,807
Excess (deficit) of revenues over expenditures	(4,771)	24	(4,747)
OTHER FINANCING SOURCES			
Transfers in			
Total other financing sources			
NET CHANGE IN FUND BALANCE	(4,771)	24	(4,747)
FUND BALANCES			
AT BEGINNING OF YEAR	20,729	12,463	33,192
FUND BALANCES AT END OF YEAR	\$ 15,958	\$ 12,487	\$ 28,445

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Net Assets
September 30, 2010

Exhibit C-7

	<u>Self Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Total Internal Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ 919,973	\$ 691,705	\$ 1,611,678
Receivables (net)		<u>19,278</u>	<u>19,278</u>
Total assets	<u>\$ 919,973</u>	<u>\$ 710,983</u>	<u>\$ 1,630,956</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 1,306	\$ 63,334	\$ 64,640
Due to other funds		<u>250,000</u>	<u>250,000</u>
Total liabilities	1,306	313,334	314,640
Net assets			
Unrestricted	<u>918,667</u>	<u>397,649</u>	<u>1,316,316</u>
Total net assets	<u>918,667</u>	<u>397,649</u>	<u>1,316,316</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 919,973</u>	<u>\$ 710,983</u>	<u>\$ 1,630,956</u>

TAYLOR COUNTY, TEXAS

Exhibit C-8

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2010

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$	\$ 4,222,582	\$ 4,222,582
Other revenues	1,600		1,600
Total operating revenues	1,600	4,222,582	4,224,182
OPERATING EXPENSES			
Contracted services		742,069	742,069
Claims	26,283	3,188,924	3,215,207
Total operating expenses	26,283	3,930,993	3,957,276
OPERATING INCOME (LOSS)	(24,683)	291,589	266,906
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	7,018	732	7,750
Income before transfers	(17,665)	292,321	274,656
TRANSFERS			
Transfers in	50,550		50,550
Net transfers	50,550		50,550
CHANGE IN NET ASSETS	32,885	292,321	325,206
NET ASSETS AT BEGINNING OF YEAR	885,782	105,328	991,110
NET ASSETS AT END OF YEAR	\$ 918,667	\$ 397,649	\$ 1,316,316

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2010

Exhibit C-9

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from participants	\$	\$ 916,207	\$ 916,207
Other operating receipts	1,600		1,600
Cash received from interfund services provided		3,567,056	3,567,056
Cash payments for claims	(31,894)	(3,358,425)	(3,390,319)
Cash payments for insurance premiums		(742,069)	(742,069)
Net cash (used) provided by operating activities	<u>(30,294)</u>	<u>382,769</u>	<u>352,475</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	<u>50,550</u>	<u>-</u>	<u>50,550</u>
Net cash provided by non-capital financing activities	<u>50,550</u>	<u>-</u>	<u>50,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	7,019	732	7,751
Maturity of investments	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Net cash provided by investing activities	<u>507,019</u>	<u>732</u>	<u>507,751</u>
CHANGE IN CASH AND CASH EQUIVALENTS	527,275	383,501	910,776
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>392,698</u>	<u>308,204</u>	<u>700,902</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 919,973</u>	<u>\$ 691,705</u>	<u>\$ 1,611,678</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (24,683)	\$ 291,589	\$ 266,906
Net change in:			
Accounts receivable	-	10,681	10,681
Due to other funds	-	250,000	250,000
Claims payable	<u>(5,611)</u>	<u>(169,501)</u>	<u>(175,112)</u>
Total adjustments	<u>(5,611)</u>	<u>91,180</u>	<u>85,569</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (30,294)</u>	<u>\$ 382,769</u>	<u>\$ 352,475</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2010

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Departmental Fund	Appellate Judicial Fund
ASSETS:					
Cash and cash equivalents	\$ 203,740	\$ 4,974	\$ 83,369	\$ 669,624	\$ 896
Accounts receivable	19,684		134		
Due from other funds	19,226				
TOTAL ASSETS	\$ 242,650	\$ 4,974	\$ 83,503	\$ 669,624	\$ 896
LIABILITIES:					
Accounts payable	\$ 226,795	\$ 2,453	\$	\$	\$
Due to other funds	15,640	886	19,215		
Due to others	215	1,635	64,288	669,624	896
TOTAL LIABILITIES	\$ 242,650	\$ 4,974	\$ 83,503	\$ 669,624	\$ 896

<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>
\$ (21,572) 21,572	\$ 489,271	\$ 126,616	\$ 7,452	\$ 3,484	\$ 14,409	\$ 40,012
<u>\$ -</u>	<u>\$ 489,271</u>	<u>\$ 126,616</u>	<u>\$ 7,452</u>	<u>\$ 3,484</u>	<u>\$ 14,409</u>	<u>\$ 40,012</u>
\$ -	\$ 489,271	\$ 126,616	\$ 7,452	\$ 3,484	\$ 14,409	\$ 40,012
<u>\$ -</u>	<u>\$ 489,271</u>	<u>\$ 126,616</u>	<u>\$ 7,452</u>	<u>\$ 3,484</u>	<u>\$ 14,409</u>	<u>\$ 40,012</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2010

	<u>Civil Fund</u>	<u>Social Services Fund</u>	<u>Sweep Fund</u>	<u>Community Corrections Supervision</u>	<u>Community Corrections Fund</u>
ASSETS:					
Cash and cash equivalents	\$ 4,483	\$ 5,468	\$ 101	\$ 66,852	\$ 879,195
Accounts receivable					
Due from other funds					
	<u>4,483</u>	<u>5,468</u>	<u>101</u>	<u>66,852</u>	<u>879,195</u>
	<u><u>4,483</u></u>	<u><u>5,468</u></u>	<u><u>101</u></u>	<u><u>66,852</u></u>	<u><u>879,195</u></u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>4,483</u>	<u>5,468</u>	<u>101</u>	<u>66,852</u>	<u>879,195</u>
TOTAL LIABILITIES	<u><u>4,483</u></u>	<u><u>5,468</u></u>	<u><u>101</u></u>	<u><u>66,852</u></u>	<u><u>879,195</u></u>

<u>Community Corrections Tax</u>	<u>Community Corrections Christmas</u>	<u>Rest Center Fund</u>	<u>Tax Assessor Sales Tax</u>	<u>Tax Assessor Escrow</u>	<u>Tax Assessor Escrow-Texpool</u>	<u>Tax Assessor Fund</u>	<u>Domestic Relations Fund</u>
\$ 100	\$ 291	\$ 33,502	\$ 260	\$ 532	\$ 464,255	\$ 366,820	\$ 101
<u>\$ 100</u>	<u>\$ 291</u>	<u>\$ 33,502</u>	<u>\$ 260</u>	<u>\$ 532</u>	<u>\$ 464,255</u>	<u>\$ 366,820</u>	<u>\$ 101</u>
\$	\$	\$	\$	\$	\$	\$	\$
<u>100</u>	<u>291</u>	<u>33,502</u>	<u>260</u>	<u>532</u>	<u>464,255</u>	<u>366,820</u>	<u>101</u>
<u>\$ 100</u>	<u>\$ 291</u>	<u>\$ 33,502</u>	<u>\$ 260</u>	<u>\$ 532</u>	<u>\$ 464,255</u>	<u>\$ 366,820</u>	<u>\$ 101</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2010

	Employee Service Fund	County Clerk Bail Bonds	DA Collections Trust	District Clerk Bonds	Registry Fund
ASSETS:					
Cash and cash equivalents	\$ 22,754	\$ 418,350	\$ 164,285	\$ 84,198	\$ 591,572
Accounts receivable					
Due from other funds					
TOTAL ASSETS	<u>\$ 22,754</u>	<u>\$ 418,350</u>	<u>\$ 164,285</u>	<u>\$ 84,198</u>	<u>\$ 591,572</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>22,754</u>	<u>418,350</u>	<u>164,285</u>	<u>84,198</u>	<u>591,572</u>
TOTAL LIABILITIES	<u>\$ 22,754</u>	<u>\$ 418,350</u>	<u>\$ 164,285</u>	<u>\$ 84,198</u>	<u>\$ 591,572</u>

<u>District Attorney Escrow</u>	<u>Local Emergency Planning</u>	<u>Veterans War Memorial</u>	<u>County Clerk Error and Omission</u>	<u>Online Vehicle Registration</u>	<u>JP 2 Fund</u>	<u>JP 3 Fund</u>	<u>Total Agency Funds</u>
\$ 27,817	\$ 556	\$ 2,686	\$ 112,436	\$ 513	\$ 231	\$ 35	\$ 4,869,668
							41,390
							19,226
<u>\$ 27,817</u>	<u>\$ 556</u>	<u>\$ 2,686</u>	<u>\$ 112,436</u>	<u>\$ 513</u>	<u>\$ 231</u>	<u>\$ 35</u>	<u>\$ 4,930,284</u>
\$	\$	\$	\$	\$	\$	\$	\$ 229,248
							35,741
<u>27,817</u>	<u>556</u>	<u>2,686</u>	<u>112,436</u>	<u>513</u>	<u>231</u>	<u>35</u>	<u>4,665,295</u>
<u>\$ 27,817</u>	<u>\$ 556</u>	<u>\$ 2,686</u>	<u>\$ 112,436</u>	<u>\$ 513</u>	<u>\$ 231</u>	<u>\$ 35</u>	<u>\$ 4,930,284</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, 2010, and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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.

Davis Kinard & Co, PC
DAVIS KINARD & CO, PC

Abilene, Texas
March 14, 2011

TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Exhibit D-1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through or Grant Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
<u>Direct:</u>			
Commodity Supplemental Food Program	10.565	N/A	\$ 2,145
Total			<u>2,145</u>
<u>Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services:</u>			
School Breakfast Program	10.553	N/A	43,029
Total			<u>43,029</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>43,029</u>
Total U.S. Department of Agriculture			<u>45,174</u>
<u>U. S. Department of Health and Human Services</u>			
<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	246,592
Total			<u>246,592</u>
Title IV-E-Juvenile Justice Services	93.658	N/A	88,229
Title IV-E-Foster Care Assistance	93.658	N/A	7,652
Total			<u>95,881</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>342,473</u>
Total U.S. Department of Health and Human Services			<u>342,473</u>
<u>U. S. Department of Justice</u>			
<u>Direct Programs:</u>			
State Criminal Alien Assistance Program	16.606	2009-AP-BX-0340	14,235
Total			<u>14,235</u>
<u>Passed Through Texas Criminal Justice Division:</u>			
Purchase of Juvenile Services	16.540	JA-09-J20-14238-11	27,385
Total Passed Through Texas Criminal Justice Division			<u>27,385</u>
<u>Passed Through Texas Attorney General Office, Crime Victim Services Division</u>			
Victim Coordinator and Liaison Grant	16.575	10-14513	37,241
Total Passed Through Texas Attorney General Office, Crime Victim Services Division			<u>37,241</u>
Total U.S. Department of Justice			<u>78,861</u>

See Independent Auditor's Report

TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Exhibit D-1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying or Grant Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<u>Passed Through the Office of the Governor, Criminal Justice Division:</u>			
Safe and Drug Free Schools and Communities	84.186A	ED-09-J21-18442-04	<u>20,018</u>
Total Passed Through the Office of the Governor, Criminal Justice Division			<u>20,018</u>
Total Expenditures of Federal Awards			<u>\$ 486,526</u>

See Independent Auditor's Report

TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Pass-Through Entity Identifying or Grant Number	State Expenditures
<u>Office of Texas Attorney General, Crime Victim Services Division</u>		
Texas VINE Program	10-12889	\$ 30,108
Total Office of Attorney General, Crime Victim Services Division		<u>30,108</u>
<u>Texas Task Force on Indigent Defense</u>		
Indigent Defense Grant	212-10-221	62,160
Equalization Payment	N/A	19,540
Total Texas Task Force on Indigent Defense		<u>81,700</u>
<u>Texas Juvenile Probation Commission</u>		
State Aid	2009-221	850,137
Total Texas Juvenile Probation Commission		<u>850,137</u>
<u>Texas Department of Criminal Justice</u>		
Law Enforcement Officer Standards and Education Funds	N/A	13,170
Total Texas Department of Criminal Justice		<u>13,170</u>
Total Expenditures of State Awards		\$ <u>975,115</u>

See Independent Auditor's Report

TAYLOR COUNTY, TEXAS
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2010

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.