

TAYLOR COUNTY, TEXAS

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

TAYLOR COUNTY, TEXAS
 Annual Financial Report
 Year Ended September 30, 2009

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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, 2009, 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, 2009, 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 February 8, 2010, 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 read in conjunction with this report in considering 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 comprise Taylor County, Texas' basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are also 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
February 8, 2010

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, 2009. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Taylor County's total combined net assets were \$95 million at September 30, 2009. This represents an decrease of \$2.9 million from September 30, 2008. Of this amount, \$32 million (unrestricted net assets) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$2.9 million more than the \$41 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$17.7 million, all but \$150 thousand 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 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.

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-six 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-five 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 \$95 million at September 30, 2009. The largest portion of the County’s net assets 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 (approximately 2.8%) 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.

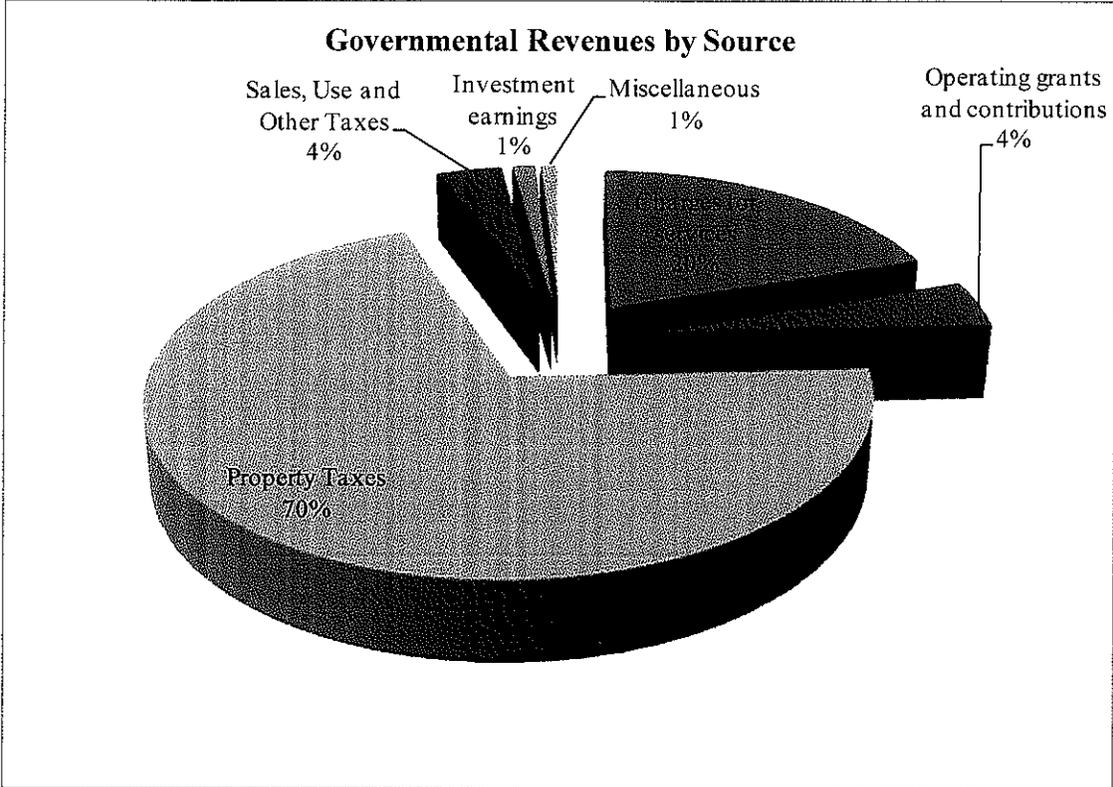
	Governmental Activities	
	September 30, 2009	September 30, 2008
Current and Other Assets	\$ 38,513,135	\$ 39,372,893
Capital and Non-Current Assets	64,443,346	67,688,679
Total Assets	102,956,481	107,061,572
Current Liabilities	2,727,393	1,721,587
Long Term Liabilities	5,099,345	7,297,457
Total Liabilities	7,826,738	9,019,044
Net Assets		
Invested in Capital Assets, net of related debt	60,502,627	61,403,079
Restricted	2,932,588	4,530,236
Unrestricted	31,694,528	32,109,213
Total Net Assets	\$ 95,129,743	\$ 98,042,528

Changes in Net Assets—Taylor County’s net assets decreased by approximately \$2.9 million during the current fiscal year.

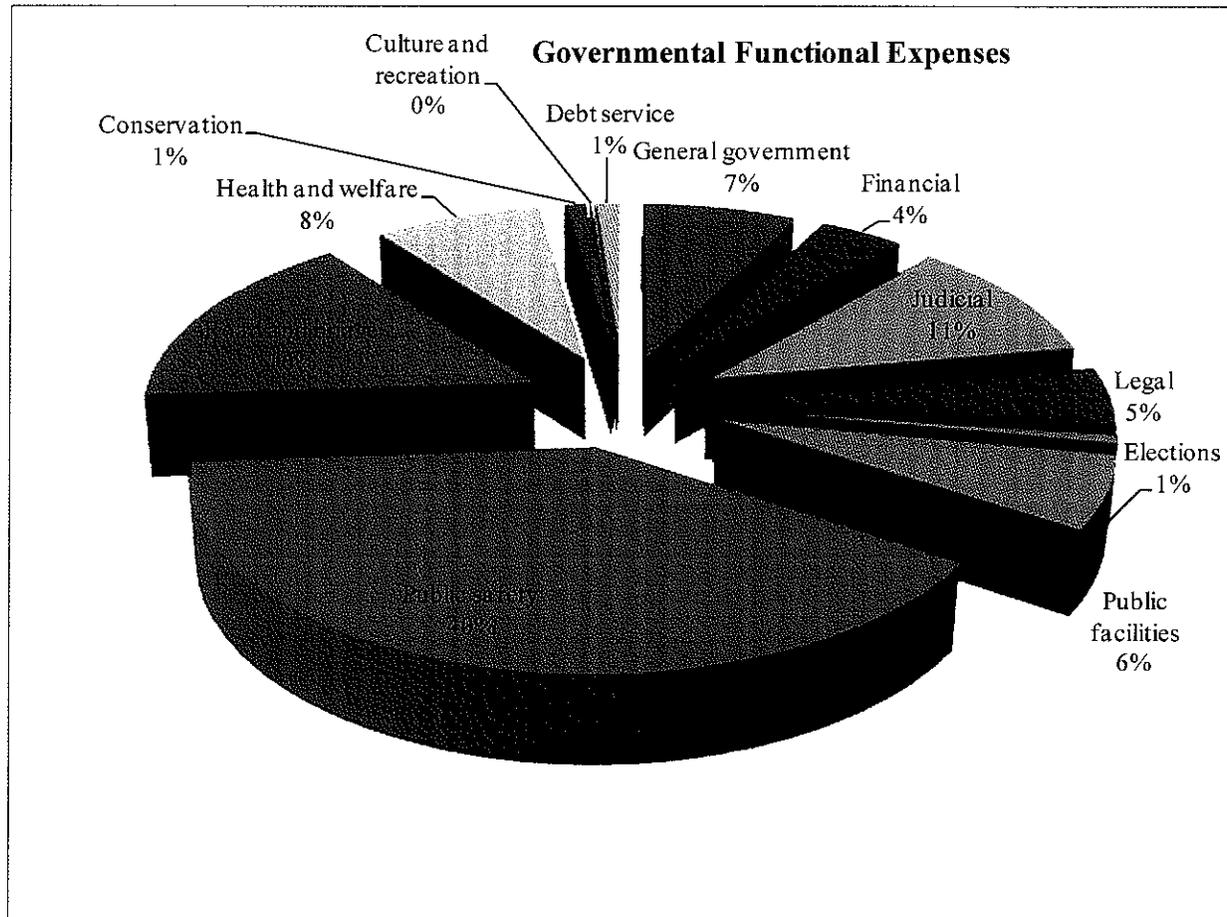
	Governmental	
	Activities	
	Fiscal Year 2009	Fiscal Year 2008
Revenues:		
Program Revenues:		
Charges for Services	\$ 8,176,057	\$ 9,614,445
Operating Grants and Contributions	1,821,328	2,159,618
General Revenues:		
Property Taxes	29,033,187	27,056,378
Sales and Use and Other Taxes	1,437,478	1,572,649
Investment Earnings	507,190	1,617,210
Miscellaneous Revenue	323,293	360,589
Gain on Sale of Assets	73,395	60,446
Total Revenues	<u>41,371,928</u>	<u>42,441,335</u>
Expenses:		
General Government	3,231,395	2,805,530
Financial Administration	1,805,469	1,656,023
Judicial	4,745,107	4,516,728
Legal	2,237,437	2,238,158
Elections	322,406	361,697
Public Facilities	2,801,549	2,448,034
Public Safety	17,559,635	16,124,818
Road and Bridge	6,958,327	6,860,754
Health and Welfare	3,577,458	2,741,338
Conservation	483,234	432,092
Culture and Recreation	37,614	44,845
Interest on long-term debt	525,082	244,657
Total Expenses	<u>44,284,713</u>	<u>40,474,674</u>
Change in Net Assets	(2,912,785)	1,966,661
Beginning Net Assets	98,042,528	96,075,867
Ending Net Assets	<u>\$ 95,129,743</u>	<u>\$ 98,042,528</u>

Governmental Activities—Total revenues for the fiscal year ending September 30, 2009 were \$41 million. Approximately 74% of the County’s revenue comes from taxes, with over 70% from property taxes alone. Property tax revenue increased 7.3% due to a increase in the property tax rate coupled with an increase in the tax base.

Expenditures increased by \$3.8 million from the prior year.



The total cost for all programs and services totaled \$44.3 million for the year ended September 30, 2009. Of this amount, the largest operating services areas were public safety which totaled \$17 million or 40% of total expenses for the year, and road and bridge services which totaled \$6.9 million, or 16% of total expenses for the year. In the prior year, these two operating areas comprised 57% of total expenses. Costs related to general government (7%) 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 \$31.8 million, a decrease of \$409 thousand or 1.3% in comparison with the prior year. Approximately 91% of this total amount (\$29 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 (\$2.4 million), 2) retirement of bonded indebtedness (\$371 thousand), and 3) authorized construction (\$33 thousand).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$17.7 million. Approximately \$17.5 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 57% of total General Fund expenditures.

Taylor County's General Fund balance increased by \$1.7 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 \$1.8 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$229 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, 2009, the County had invested \$149 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net decrease (including additions, retirements and adjustments) of \$3.2 million, or 4.8% over last year.

Major events affecting capital assets during the year were:

- Completion of major construction and renovations of the jail.

More detailed information about the County's capital assets can be found in Note 5 on Page 32 of this report.

	Governmental Activities		Percent Change
	2009	2008	
Land	\$ 1,975,105	\$ 1,934,196	2.29%
Construction in Progress	19,950	7,214,737	-403.28%
Buildings and Improvements	66,430,902	57,403,325	506.01%
Furniture and Equipment	2,085,553	1,754,860	18.54%
Vehicles and Heavy Equipment	8,041,799	7,820,753	12.39%
Infrastructure	70,512,665	70,512,665	0.00%
Total	<u>149,065,974</u>	<u>146,640,536</u>	<u>1.65%</u>
Total Accumulated Depreciation	<u>(84,622,628)</u>	<u>(78,951,857)</u>	<u>7.18%</u>
Net Capital Assets	<u>\$ 64,443,346</u>	<u>\$ 67,688,679</u>	<u>-4.79%</u>

Long Term Debt—At the end of the year, the County had \$5 million of outstanding debt. Of this amount, \$161 thousand is debt backed by the full faith and credit of the government and \$4 million represents bonds secured solely by specified revenue sources.

	Governmental Activities		Percent Change
	2009	2008	
Bonds Payable	\$ 3,835,000	\$ 5,955,000	-36%
Loan Payable	79,938	156,736	-49%
Capital Leases Payable	81,687	238,351	-66%
Compensated Absences	1,102,720	947,370	16%
Total Bonds, Loans and Leases Payable	\$ 5,099,345	\$ 7,297,457	-30%

During the year, Taylor County’s debt decreased by \$2.2 million. The County’s Series 2003 General Obligation Refunding Bonds presently carry “A-1” 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 \$1.3 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 8 on Page 36 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The appraised value used for the 2010 budget preparation is estimated to be down \$428 million, or 6.9% from 2009.
- The tax rate established for 2010 is \$.4675, an increase of \$.0507 from 2009.
- Taylor County’s unemployment rate is currently 5.8%, which is an increase from a rate of 3.8% one year ago. This compares favorably to the State’s average unemployment rate of 8.0% in December 2009.
- 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 2010 fiscal year.

Amounts available for appropriation in the General Fund budget are \$34,868,406, an increase of 5.3% over the 2009 budget of \$32,954,066. Property taxes (benefiting from the 2009 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 5.9% to \$34,863,708. The largest increments are increases in the areas of public safety and corrections. The County has added no major new programs or initiatives to the 2010 budget.

If these estimates are realized, the County’s General Fund balance is expected to decrease.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

GOVERNMENT WIDE FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Statement of Net Assets
September 30, 2009

Exhibit A-1

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 19,993,105
Investments	15,000,271
Receivables (net of allowance for uncollectibles)	
Taxes	368,738
Other	2,927,536
Due from agency funds	17,219
Prepaid expenses	150,360
Debt issuance cost	55,906
Capital Assets	
Land	1,975,105
Infrastructure, net	26,677,884
Buildings, net	32,578,131
Vehicles and heavy equipment, net	2,604,022
Furniture and equipment, net	588,254
Construction in progress	19,950
 Total assets	 102,956,481
LIABILITIES:	
Accounts payable and other current liabilities	1,647,239
Payroll taxes and related items	581,652
Accrued interest payable	11,074
Due to other governments	487,428
Noncurrent liabilities	
Due within one year	636,625
Due in more than one year	4,462,720
 Total liabilities	 7,826,738
NET ASSETS:	
Invested in capital assets, net of related debt	60,502,627
Restricted for:	
Debt service	640,240
Capital Projects	33,192
Road and Bridge	900,226
JP Technology	100,635
JP Security	165,849
Enabling Legislation	1,092,446
Unrestricted	31,694,528
 Total net assets	 \$ 95,129,743

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

TAYLOR COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2009

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 3,231,395	\$ 2,178,606	\$ 495,614
Financial	1,805,469	785,356	
Judicial	4,745,107	805,057	
Legal	2,237,437	754,998	107,873
Elections	322,406	28,214	4,438
Public facilities	2,801,549	166,162	
Public safety	17,559,635	1,689,097	1,024,384
Road and bridge	6,958,327	1,601,283	149,408
Health and welfare	3,577,458	128,209	39,611
Conservation	483,234	39,075	
Culture and recreation	37,614		
Interest and fees on long term debt	525,082		
	<u>44,284,713</u>	<u>8,176,057</u>	<u>1,821,328</u>
Total governmental activities			
	<u>44,284,713</u>	<u>8,176,057</u>	<u>1,821,328</u>
TOTAL PRIMARY GOVERNMENT	\$ 44,284,713	\$ 8,176,057	\$ 1,821,328

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
\$ (557,175)	\$ (557,175)
(1,020,113)	(1,020,113)
(3,940,050)	(3,940,050)
(1,374,566)	(1,374,566)
(289,754)	(289,754)
(2,635,387)	(2,635,387)
(14,846,154)	(14,846,154)
(5,207,636)	(5,207,636)
(3,409,638)	(3,409,638)
(444,159)	(444,159)
(37,614)	(37,614)
(525,082)	(525,082)
<u>(34,287,328)</u>	<u>(34,287,328)</u>
<u>(34,287,328)</u>	<u>(34,287,328)</u>
26,806,342	26,806,342
2,226,845	2,226,845
1,437,478	1,437,478
273,368	273,368
49,925	49,925
507,190	507,190
73,395	73,395
<u>31,374,543</u>	<u>31,374,543</u>
(2,912,785)	(2,912,785)
<u>98,042,528</u>	<u>98,042,528</u>
<u>\$ 95,129,743</u>	<u>\$ 95,129,743</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS

Balance Sheet
Governmental Funds
September 30, 2009

	General Fund	Contingency Fund	Road and Bridge Fund
ASSETS			
Cash and cash equivalents	\$ 9,141,616	\$ 2,703,667	\$ 905,687
Investments	10,000,000	1,000,271	
Receivables (net of allowances for uncollectibles)			
Property taxes	328,391		12,105
Other	332,093		52,161
Interest			
Due from other funds	134,315		19,883
Due from agency funds			
Prepaid items	150,270		90
Total assets	\$ 20,086,685	\$ 3,703,938	\$ 989,926
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 995,086	\$ 14,079	\$ 189,419
Payroll taxes and related items	581,652		
Due to other funds			43,670
Due to other governments	487,428		
Deferred revenue	328,391		12,105
Total liabilities	2,392,557	14,079	245,194
Fund balances:			
Reserved fund balances			
Debt service			
Capital projects			
Road and bridge			744,732
JP technology			
JP security			
Prepaid items	150,270		
Enabling legislation			
Unreserved			
General fund	17,543,858		
Special revenue funds-undesignated		3,689,859	
Total fund balances	17,694,128	3,689,859	744,732
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,086,685	\$ 3,703,938	\$ 989,926

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

Other Governmental Funds	Total Governmental Funds
\$ 6,541,233	\$ 19,292,203
3,500,000	14,500,271
28,242	368,738
17,582	401,836
4,425	4,425
45,000	199,198
	150,360
\$ 10,136,482	\$ 34,917,031
\$ 208,903	\$ 1,407,487
	581,652
138,309	181,979
	487,428
28,242	368,738
375,454	3,027,284
640,240	640,240
33,192	33,192
155,494	900,226
100,635	100,635
165,849	165,849
	150,270
1,092,446	1,092,446
	17,543,858
7,573,172	11,263,031
9,761,028	31,889,747
\$ 10,136,482	\$ 34,917,031

TAYLOR COUNTY, TEXAS
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 For the Year Ended September 30, 2009

Exhibit A-4

Total Fund Balance-Governmental Funds	\$	31,889,747
<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>		
		991,110
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	\$ 146,640,536	
Accumulated depreciation	<u>(78,951,857)</u>	67,688,679
<p>Long-term liabilities, including bonds payable and bond issuance cost are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	(5,955,000)	
Leases payable	(238,351)	
Loans payable	(156,736)	
Compensated absences	(947,370)	
Accrued interest payable	(30,760)	
Debt issuance costs	<u>64,487</u>	(7,263,730)
<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	2,859,220	
Debt principal payments	<u>2,353,462</u>	5,212,682
<p>The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(6,085,722)
<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	2,491,316	
Deferred revenue	368,737	
Bond interest payable	19,686	
Amortization of debt issuance cost	(8,581)	
Loss on disposal of assets	(18,831)	
Change in compensated absences payable	<u>(155,350)</u>	<u>2,696,977</u>
Net Assets of Governmental Activities-Statement of Net Assets	\$	<u>95,129,743</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, 2009

	General Fund	Contingency Fund	Road and Bridge Fund
REVENUES			
Taxes			
Property taxes	\$ 26,102,828	\$	\$ 962,178
Other taxes	420,161		1,017,317
License and permits	556,608		1,503,397
Intergovernmental and grants	1,862,443		
Fines and fees	3,690,075		19,080
Rents and recoveries	113,164		
Investment earnings	361,656	35,938	5,722
Miscellaneous	76,566		90,666
	<u>33,183,501</u>	<u>35,938</u>	<u>3,598,360</u>
Total revenues			
EXPENDITURES			
Current			
General government	2,592,946		
Financial	1,672,085		
Judicial	4,618,058		
Legal	1,735,606		
Elections	270,249		
Public facilities	1,217,979		
Public safety	14,453,089		
Road and bridge	86,769		3,027,941
Health and welfare	3,265,413		
Conservation	460,139		
Culture and Recreation	37,614		
Debt Service			
Debt principal	11,773		
Debt interest and agent fees			
Other Debt service costs			
Capital Outlay			
Capital outlay	734,905	44,845	476,688
	<u>31,156,625</u>	<u>44,845</u>	<u>3,504,629</u>
Total expenditures			
Excess revenues over expenditures	2,026,876	(8,907)	93,731
OTHER FINANCING SOURCES			
Transfers in			
Transfers out	(279,231)	(268,792)	
	<u>(279,231)</u>	<u>(268,792)</u>	
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	1,747,645	(277,699)	93,731
FUND BALANCE AT BEGINNING OF YEAR	15,946,483	3,967,558	651,001
FUND BALANCE AT END OF YEAR	<u>\$ 17,694,128</u>	<u>\$ 3,689,859</u>	<u>\$ 744,732</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,244,844	\$ 29,309,850
	1,437,478
	2,060,005
994,713	2,857,156
536,951	4,246,106
238,313	351,477
90,668	493,984
<u>947,839</u>	<u>1,115,071</u>
<u>5,053,328</u>	<u>41,871,127</u>
186,684	2,779,630
11,573	1,683,658
	4,618,058
423,638	2,159,244
26,486	296,735
	1,217,979
2,010,267	16,463,356
26,755	3,141,465
277,764	3,543,177
	460,139
	37,614
2,120,000	2,131,773
184,842	184,842
359,926	359,926
<u>1,895,787</u>	<u>3,152,225</u>
<u>7,523,722</u>	<u>42,229,821</u>
(2,470,394)	(358,694)
589,410	589,410
<u>(91,387)</u>	<u>(639,410)</u>
<u>498,023</u>	<u>(50,000)</u>
(1,972,371)	(408,694)
<u>11,733,399</u>	<u>32,298,441</u>
<u>\$ 9,761,028</u>	<u>\$ 31,889,747</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, 2009

Net Change in Fund Balances -Total Governmental Funds		\$ (408,694)
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The change in net assets of these internal service funds are reported with governmental funds. The net effect of this consolidation is to decrease net assets.</p>		
		(974,401)
<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	\$ 2,859,220	
Debt principal payments	<u>2,353,462</u>	5,212,682
<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>		
		(6,085,722)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Office fines and fees revenue	(490,279)	
Deferred tax revenues	(3,295)	
Bond interest	19,686	
Amortization of debt issuance cost	(8,581)	
Loss on disposal of assets	(18,831)	
Compensated absences	<u>(155,350)</u>	<u>(656,650)</u>
Change in Net Assets of Governmental Activities-Statement of Activities		<u>\$ (2,912,785)</u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS

Exhibit A-7

Statement of Net Assets

Proprietary Funds

September 30, 2009

	Governmental Activities <u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 700,902
Investments	500,000
Receivables (net)	
Other	<u>29,959</u>
Total current assets	<u>\$ 1,230,861</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ <u>239,751</u>
Total current liabilities	<u>239,751</u>
Net Assets	
Unrestricted	<u>991,110</u>
Total net assets	<u>991,110</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,230,861</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, 2009

Exhibit A-8

	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 3,603,039
Other revenues	<u>1,200</u>
Total operating revenues	3,604,239
OPERATING EXPENSES	
Contract services	705,046
Claims	<u>3,936,800</u>
Total operating expenses	<u>4,641,846</u>
OPERATING INCOME (LOSS)	(1,037,607)
NONOPERATING REVENUES	
Investment earnings	<u>13,206</u>
Total nonoperating revenues	<u>13,206</u>
TRANSFERS	
Transfers in	<u>50,000</u>
Net Transfers	<u>50,000</u>
CHANGE IN NET ASSETS	(974,401)
NET ASSETS AT BEGINNING OF YEAR	<u>1,965,511</u>
NET ASSETS AT END OF YEAR	<u>\$ 991,110</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, 2009

Exhibit A-9

	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from participants	\$ 811,760
Cash received from interfund services provided	2,836,841
Cash payments for claims	(3,809,826)
Cash payments for insurance premiums	<u>(705,046)</u>
Net cash used by operating activities	<u>(866,271)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	<u>50,000</u>
Net cash provided by non-capital financing activities	<u>50,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends	13,206
Purchase of investments	<u>(500,000)</u>
Net cash used by investing activities	<u>(486,794)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,303,065)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,003,967</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 700,902</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (1,037,607)
Net change in:	
Accounts receivable	45,484
Claims payable	<u>125,852</u>
Total adjustments	<u>171,336</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (866,271)</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, 2009

Exhibit A-10

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 4,885,825
Accounts receivable	37,559
Due from other funds	<u>17,871</u>
TOTAL ASSETS	\$ <u>4,941,255</u>
LIABILITIES:	
Accounts payable	\$ 239,409
Due to other funds	35,089
Due to others	<u>4,666,757</u>
TOTAL LIABILITIES	\$ <u>4,941,255</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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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

The only fund deficit reported for the year ending September 30, 2009 was in the Juvenile Probation Grants fund with a balance of \$19,018. The combined Juvenile Probation Grant and Juvenile Local fund balance is a surplus of \$887,872.

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, 2009

NOTE 3: Deposits and Investments, continued

A. Investments, continued

At September 30, 2009, 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	\$ 1,927,104	44 days - Weighted Avg.	AAAm
Special Revenue Funds:			
TexPool	9,479,427	44 days - Weighted Avg.	AAAm
Capital Project Funds			
TexPool	33,192	44 days - Weighted Avg.	AAAm
Debt Service Fund			
TexPool	637,968	44 days - Weighted Avg.	AAAm
Internal Service Funds			
TexPool	700,902	44 days - Weighted Avg.	AAAm
 Total Cash in JP Morgan Chase	 7,214,512		
Total Certificates of Deposit	15,000,271		
	 <u>\$ 34,993,376</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, 2009

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 Peat Marwick, 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, 2009 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, 2009, TexPool's investment credit quality rating was AAAM (Standard & Poor's).

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 4: Receivables

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

	<u>Interest</u>	<u>Property</u>	<u>Other</u>	<u>Due From</u>	<u>Total</u>
	<u>Receivable</u>	<u>Taxes</u>	<u>Receivables</u>	<u>Other Funds</u>	<u>Receivables</u>
Governmental Activities					
General Fund	\$	\$ 808,606	\$ 332,093	\$ 134,315	\$ 1,275,014
Road and Bridge Fund		12,105	52,161	19,883	84,149
Non-major					
Governmental Funds	<u>4,425</u>	<u>28,242</u>	<u>17,582</u>	<u>45,000</u>	<u>95,249</u>
Total-Governmental					
Activities	<u>\$ 4,425</u>	<u>\$ 848,953</u>	<u>\$ 401,836</u>	<u>\$ 199,198</u>	<u>\$ 1,454,412</u>
Amounts not scheduled					
for collection during					
the subsequent year	<u>\$</u>	<u>\$ (480,215)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (480,215)</u>

NOTE 5: Capital Assets

Capital asset activity for the period ended September 30, 2009 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>October 1,</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30,</u>
	<u>2008</u>			<u>2009</u>
Governmental Activities				
Non-depreciable Assets				
Land	\$ 1,934,196	\$ 40,909	\$	\$ 1,975,105
Construction in Progress	7,214,737	19,950	7,214,737	19,950
Total Non-depreciable Assets	<u>9,148,933</u>	<u>60,859</u>	<u>7,214,737</u>	<u>1,995,055</u>
Depreciable Assets				
Buildings and				
Improvements	57,403,325	9,027,577		66,430,902
Furniture and Equipment	1,754,860	363,960	33,267	2,085,553
Vehicles and Heavy				
Equipment	7,820,753	630,958	409,912	8,041,799
Infrastructure	<u>70,512,665</u>			<u>70,512,665</u>
Total Depreciable Assets	<u>137,491,603</u>	<u>10,022,495</u>	<u>443,179</u>	<u>147,070,919</u>
Total at Historic Cost	<u>146,640,536</u>	<u>10,083,354</u>	<u>7,657,916</u>	<u>149,065,974</u>
Less Accumulated Depreciation:				
Buildings and Improvements	32,356,843	1,495,928		33,852,771
Furniture and Equipment	1,324,926	197,799	25,426	1,497,299
Vehicles and Heavy				
Equipment	5,180,744	646,558	389,525	5,437,777
Infrastructure	<u>40,089,344</u>	<u>3,745,437</u>		<u>43,834,781</u>
Total Accumulated Depreciation	<u>78,951,857</u>	<u>6,085,722</u>	<u>414,951</u>	<u>84,622,628</u>
Governmental Activities Capital				
Assets, Net	<u>\$ 67,688,679</u>	<u>\$ 3,997,632</u>	<u>\$ 7,242,965</u>	<u>\$ 64,443,346</u>

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 5: Capital Assets, continued

Amortization expense on assets under capital lease is included in depreciation expense.

Depreciation was charged to functions as follows:

General Administration	\$ 153,737
Financial Administration	69,619
Judicial	3,001
Legal	7,635
Elections	17,889
Public Safety	387,693
Public Facilities	1,550,505
Road and Bridge	3,890,430
Health and Welfare	1,389
Conservation	3,824
	\$ 6,085,722

NOTE 6: Interfund Balances and Activity

A. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2009, consisted of the following:

Due to General Fund from:	
Special Revenue Funds	\$ 117,096
Due to Special Revenue Funds from	
Special Revenue Funds	64,883
Due from Other Funds	\$ 181,979
Due to General Fund from:	
Agency Funds	\$ 17,219

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, 2009, consisted of the following:

Transfers from General Fund to:	
Non-major Special Revenue Funds	\$ 229,231
Internal Service Funds	50,000
	\$ 279,231
Transfers from Contingency Fund to:	
Non-major Special Revenue Funds	\$ 268,792
Transfers from Non-major Special Revenue Funds to:	
Non-major Special Revenue Funds	\$ 91,387

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 6: Interfund Balances and Activity, continued

A. Transfers To and From Other Funds, continued

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

NOTE 7: Capital Leases

During September 1999, the County entered into a lease agreement with Crestar Leasing Corporation for energy management equipment. The lease agreement meets the criteria of a capital lease, and \$1,277,055 has been recorded as capital assets in the government-wide financial statements to record the new asset acquired. Commitments under the capital lease agreement require annual payments of \$168,019, including interest at approximately 5.69% through 2010.

Debt service requirements are as follows:

<u>Year Ending</u> <u>30-Sep</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u> <u>Requirements</u>
2010	\$ 81,687	\$ 2,323	\$ 84,010

NOTE 8: 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 County issued \$8,100,000 in General Obligation Refunding Bonds, Series 2003, during the year ended September 30, 2003. The proceeds of the bond issue were used to pay off the remaining balance of General Obligation Bonds, Series 1994. Interest is due semi-annually at rates ranging from 2.5% to 3%. The bonds mature serially through 2009.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 8: Long-Term Obligations, continued

A. Bonds, continued

The following table summarizes the annual debt service requirements of the outstanding bond issues at September 30, 2009, to maturity:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2010	475,000	138,088	613,088
2011	500,000	121,112	621,112
2012	520,000	101,988	621,988
2013	545,000	82,019	627,019
2014	570,000	60,400	630,400
2015-2016	1,225,000	49,700	1,274,700
Total	\$ 3,835,000	\$ 553,307	\$ 4,388,307

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, 2008	Issued Current Year	Retired Current Year	Amounts Outstanding September 30, 2009
Series 2003	\$ 1,430,000	\$ -	\$ 1,430,000	-
Series 2005	4,525,000	-	690,000	3,835,000
	\$ 5,955,000	\$ -	\$ 2,120,000	\$ 3,835,000

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.

B. Loans Payable

The County has a loan agreement with the Texas Department of Transportation to fund road improvements. Commitments under the loan agreement require annual payments of principal and interest of \$83,215 through July 2010. The interest rate is 4.10%. The road improvement value of \$557,960 has been recorded as an addition to Capital Assets.

Debt service requirements are as follows:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2010	\$ 79,938	\$ 3,277	\$ 83,215

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 8: Long-Term Obligations, continued

C. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2009, 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	\$ 5,955,000	\$ -	\$ 2,120,000	\$ 3,835,000	\$ 475,000
Loans	156,736	-	76,798	79,938	79,938
Capital Leases	<u>238,351</u>	<u>-</u>	<u>156,664</u>	<u>81,687</u>	<u>81,687</u>
Total Bonds, Loans and Leases Payable	<u>6,350,087</u>	<u>-</u>	<u>2,353,462</u>	<u>3,996,625</u>	<u>636,625</u>
Other Liabilities					
Compensated Absences	<u>947,370</u>	<u>155,350</u>	<u>-</u>	<u>1,102,720</u>	<u>-</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 7,297,457</u>	<u>\$ 155,350</u>	<u>\$ 2,353,462</u>	<u>\$ 5,099,345</u>	<u>\$ 636,625</u>

NOTE 9: 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, 2009, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$1,102,720.

NOTE 10: Deferred Revenue

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ <u>328,391</u>	\$ <u>12,105</u>	\$ <u>28,242</u>	\$ <u>368,738</u>

Adjustments required for government-wide Statement of Net Assets decreased deferred revenue by \$368,738.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 11: 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 \$21,915, \$12,777, and \$35,656, for liability claims during the years ended September 30, 2009, 2008, and 2007, respectively. There were no unpaid claims at September 30, 2009.

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 \$3,914,885, \$3,347,328, and \$2,522,505, in health claims, and paid \$705,046, \$671,751, and \$634,854 for administrative costs, for the years ended September 30, 2009, 2008 and 2007, respectively. The County contributed \$2,791,278, \$2,529,896, and \$2,515,403, and County employees contributed \$563,985, \$550,134, and \$497,958 to the health insurance program for the years ended September 30, 2009, 2008 and 2007, respectively. Retirees and other agency contributions were \$247,775, 231,225, and \$173,296, for the years ended September 30, 2009, 2008 and 2007, 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 \$66,771, \$116,585, and \$153,291 at September 30, 2009, 2008 and 2007, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2009, 2008 and 2007.

Year Ending Sept. 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2007	\$ 43,164	\$ 2,632,632	\$ 2,522,505	\$ 153,291
2008	153,291	3,310,622	3,347,328	116,585
2009	116,585	3,914,885	3,964,699	66,771

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 \$58,766, \$160,119, and \$37,911, in worker's compensation claims for the years ended September 30, 2009, 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 \$16,550, \$67,817, and \$13,920, at September 30, 2009, 2008 and 2007, respectively.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 11: Risk Management, continued

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 \$885,782 at September 30, 2009. In the opinion of management, net assets are adequate to meet probable claim contingencies at September 30, 2009. The Employee Benefits Fund has net assets of \$105,328.

NOTE 12: 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 574 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 10 or more years of service, with 25 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

B. Funding Policy

The County has elected the annually determined contribution rate (Variable-rate) plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 8.58% for the months of the accounting year in 2008, and 9% for the months of the accounting year in 2009.

The contribution rate payable by the employee members for fiscal year 2009 is the rate of 7.00% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 12: Pension Plan, continued

C. Annual Pension Cost

For the County's accounting year ended September 30, 2009, the annual pension cost for the TCDRS plan for its employees was \$1,418,208; the actual contributions were \$1,418,208.

The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.3 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, 2008 was 20 years.

The December 31, 2008 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/06	12/31/07	12/31/08
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	15	12.3	20
Asset valuation method	SAF: 10 year smooth value ESF: Fund value	SAF: 10 year smooth value ESF: Fund value	SAF: 10 year smooth value ESF: Fund value

Actuarial Assumptions:

Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.30%	5.30%	5.30%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

*Includes inflation at the stated rate

Trend Information
for the Retirement Plan for the Employees of
Taylor County, Texas

<u>Fiscal</u> <u>Year Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
9/30/07	\$ 1,232,457	100%	-
9/30/08	1,054,788	100%	-
9/30/09	1,418,208	100%	-

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2009

NOTE 12: Pension Plan, continued

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was 78.53% funded. The actuarial accrued liability for benefits was \$54,604,655, and the actuarial value of assets was \$42,879,427, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,725,228. The covered payroll (annual payroll of active employees covered by the plan) was \$18,586,511, and the ratio of UAAL to the covered payroll was 63.08%.

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.

NOTE 13: 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, 2009

Exhibit B-1

	Budget Amounts			Variance from Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes				
Property taxes	\$ 25,303,681	\$ 25,291,681	\$ 26,102,828	\$ 811,147
Other taxes	371,000	371,000	420,161	49,161
License and permits	553,000	553,000	556,608	3,608
Intergovernmental and grants	1,821,141	1,967,033	1,862,443	(104,590)
Fines and fees	4,010,550	4,027,750	3,690,075	(337,675)
Rents and recoveries	115,649	115,649	113,164	(2,485)
Investment earnings	570,000	570,000	361,656	(208,344)
Miscellaneous	138,500	57,953	76,566	18,613
Total revenues	32,883,521	32,954,066	33,183,501	229,435
EXPENDITURES				
Current				
General government	3,191,832	3,023,775	2,592,946	430,829
Financial	1,887,921	1,712,292	1,672,085	40,207
Judicial	5,012,137	4,978,611	4,618,058	360,553
Legal	1,770,009	1,767,958	1,735,606	32,352
Elections	286,016	284,913	270,249	14,664
Public facilities	1,392,322	1,292,216	1,217,979	74,237
Public safety	15,449,808	15,153,773	14,453,089	700,684
Road and bridge	86,716	86,716	86,769	(53)
Health and welfare	3,129,477	3,248,288	3,265,413	(17,125)
Conservation	487,463	485,571	460,139	25,432
Culture and Recreation	189,820	41,466	37,614	3,852
Debt Service				
Debt principal		12,850	11,773	1,077
Debt interest and agent fees				
Capital Outlay				
Capital outlay		831,023	734,905	96,118
Total expenditures	32,883,521	32,919,452	31,156,625	1,762,827
Excess revenues over expenditures		34,614	2,026,876	1,992,262
OTHER FINANCING SOURCES				
Transfers out		(280,000)	(279,231)	769
Total other financing sources (uses)		(280,000)	(279,231)	769
NET CHANGE IN FUND BALANCE		(245,386)	1,747,645	1,993,031
FUND BALANCE AT BEGINNING OF YEAR	15,946,483	15,946,483	15,946,483	
FUND BALANCE AT END OF YEAR	\$ 15,946,483	\$ 15,701,097	\$ 17,694,128	\$ 1,993,031

TAYLOR COUNTY, TEXAS
 Contingency Fund
 Budgetary Comparison Schedule
 For the Year Ended September 30, 2009

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	\$ 35,938	\$ (39,062)
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>35,938</u>	<u>(39,062)</u>
EXPENDITURES				
Capital outlay	<u>2,000,000</u>	<u>2,000,000</u>	<u>44,845</u>	<u>1,955,155</u>
Total expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>44,845</u>	<u>1,955,155</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,925,000)	(1,925,000)	(8,907)	1,916,093
OTHER FINANCING SOURCES (USES)				
Transfers out	<u> </u>	<u> </u>	<u>(268,792)</u>	<u>(268,792)</u>
Total other financing sources (uses)	<u> </u>	<u> </u>	<u>(268,792)</u>	<u>(268,792)</u>
NET CHANGE IN FUND BALANCE	(1,925,000)	(1,925,000)	(277,699)	1,608,239
FUND BALANCE AT BEGINNING OF YEAR	<u>3,967,558</u>	<u>3,967,558</u>	<u>3,967,558</u>	<u> </u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,042,558</u>	<u>\$ 2,042,558</u>	<u>\$ 3,689,859</u>	<u>\$ 1,608,239</u>

TAYLOR COUNTY, TEXAS
Road and Bridge
Budgetary Comparison Schedule
For the Year Ended September 30, 2009

Exhibit B-3

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes				
Property taxes	\$ 938,988	\$ 938,988	\$ 962,178	\$ 23,190
Other taxes		850,000	1,017,317	167,317
Licenses and permits	2,300,000	1,435,000	1,503,397	68,397
Intergovernmental and grants	313,218			
Fines and fees		15,000	19,080	4,080
Investment earnings	20,000	20,000	5,722	(14,278)
Other revenue	1,000	64,665	90,666	26,001
Total revenues	<u>3,573,206</u>	<u>3,323,653</u>	<u>3,598,360</u>	<u>274,707</u>
EXPENDITURES				
Current				
Road and bridge	3,573,206	3,072,024	3,027,941	44,083
Capital outlay				
Capital outlay		861,756	476,688	385,068
Total expenditures	<u>3,573,206</u>	<u>3,933,780</u>	<u>3,504,629</u>	<u>429,151</u>
NET CHANGE IN FUND BALANCE		(610,127)	93,731	703,858
FUND BALANCE AT BEGINNING OF YEAR	<u>651,001</u>	<u>651,001</u>	<u>651,001</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 651,001</u>	<u>\$ 40,874</u>	<u>\$ 744,732</u>	<u>\$ 703,858</u>

TAYLOR COUNTY, TEXAS
 Required Supplementary Information
 Schedule of Funding Progress, Texas County and District Retirement System
 September 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2004	\$ 34,909,225	\$ 44,482,199	\$ 9,572,974	78.48%	\$ 15,638,453	61.21%
12/31/2005	37,132,159	46,750,373	9,618,214	79.43%	16,350,299	58.83%
12/31/2006	41,508,913	49,849,053	8,340,140	83.27%	17,229,554	48.41%
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%

TAYLOR COUNTY, TEXAS
Notes to Required Supplementary Information
For the Year Ended September 30, 2009

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 2009 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 intergovernmental and grants, fines and fees, rents and recoveries, and investment income. The final budget for the above mentioned revenue functions was \$6,680,432 and actual income received was \$6,027,338, a difference of \$653,094. The difference was due to the County not receiving the same grants as in the prior year, difficulty collecting fees and fines due to the economy, and the market decline during the year.
2. The Contingency fund had a negative budget variance in investment income. The final budget was \$75,000 and actual investment income received was \$35,938, a difference of \$39,062. The difference was due to the market decline during the year.
3. The Road and Bridge fund had a negative budget variance in investment income. The final budget was \$20,000 and actual investment income received was \$5,722, a difference of \$14,278. The difference was due to the market decline during the year.

COMBINING STATEMENTS

TAYLOR COUNTY, TEXAS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2009

Exhibit C-1

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 33,192	\$ 5,870,073	\$ 637,968	\$ 6,541,233
Investments		3,500,000		3,500,000
Interest receivable		4,425		4,425
Accounts receivable-net				
Property taxes			28,242	28,242
Other		15,310	2,272	17,582
Due from other funds		45,000		45,000
	<u>33,192</u>	<u>9,434,808</u>	<u>668,482</u>	<u>10,136,482</u>
Total assets	\$ <u>33,192</u>	\$ <u>9,434,808</u>	\$ <u>668,482</u>	\$ <u>10,136,482</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$ 208,903	\$	\$ 208,903
Due to other funds		138,309		138,309
Deferred revenue			28,242	28,242
		<u>347,212</u>	<u>28,242</u>	<u>375,454</u>
Total liabilities		347,212	28,242	375,454
Fund balances				
Reserved For:				
Debt service			640,240	640,240
Capital projects	33,192			33,192
Road and bridge		155,494		155,494
JP Technology		100,635		100,635
JP Security		165,849		165,849
Enabling legislation		1,092,446		1,092,446
Unreserved and undesignated				
Special revenue funds		7,573,172		7,573,172
	<u>33,192</u>	<u>9,087,596</u>	<u>640,240</u>	<u>9,761,028</u>
Total fund balance	33,192	9,087,596	640,240	9,761,028
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>33,192</u>	\$ <u>9,434,808</u>	\$ <u>668,482</u>	\$ <u>10,136,482</u>

TAYLOR COUNTY, TEXAS

Exhibit C-2

Nonmajor Governmental Funds

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

For the Year Ended September 30, 2009

	Capital Project Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
REVENUES				
Taxes				
Property taxes	\$	\$	\$ 2,244,844	\$ 2,244,844
Other taxes				
License and permits				
Intergovernmental and grants		994,713		994,713
Fines and fees		536,951		536,951
Rents and recoveries			238,313	238,313
Investment earnings	4,889	76,673	9,106	90,668
Miscellaneous		947,839		947,839
	<u>4,889</u>	<u>2,556,176</u>	<u>2,492,263</u>	<u>5,053,328</u>
Total revenues				
EXPENDITURES				
Current				
General government		186,684		186,684
Financial		11,573		11,573
Legal		423,638		423,638
Elections		26,486		26,486
Public facilities				
Public safety		2,010,267		2,010,267
Road and bridge		26,755		26,755
Health and welfare		277,764		277,764
Debt Service				
Debt principal			2,120,000	2,120,000
Debt interest and agent fees			184,842	184,842
Other debt service costs			359,926	359,926
Capital outlay				
Capital outlay	1,753,873	141,914		1,895,787
	<u>1,753,873</u>	<u>3,105,081</u>	<u>2,664,768</u>	<u>7,523,722</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,748,984)	(548,905)	(172,505)	(2,470,394)
OTHER FINANCING SOURCES				
Transfers in	268,792	320,618		589,410
Transfers out		(91,387)		(91,387)
	<u>268,792</u>	<u>229,231</u>		<u>498,023</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	(1,480,192)	(319,674)	(172,505)	(1,972,371)
FUND BALANCES AT BEGINNING OF YEAR				
	1,513,384	9,407,270	812,745	11,733,399
FUND BALANCES AT END OF YEAR	<u>\$ 33,192</u>	<u>\$ 9,087,596</u>	<u>\$ 640,240</u>	<u>\$ 9,761,028</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2009

	<u>Settlement</u>	<u>Errors and</u>	<u>County Clerk</u>	<u>Dist Clerk's</u>
	<u>Proceeds</u>	<u>Omissions</u>	<u>Restricted</u>	<u>Restricted</u>
			<u>Fees</u>	<u>Fees</u>
ASSETS				
Cash and cash equivalents	\$ 492,481	\$ 207,455	\$ 541,769	\$ 40,818
Investments	2,000,000	500,000	500,000	
Interest receivable				
Accounts receivable (net)		357	3,676	379
Due from other funds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,492,481</u>	<u>\$ 707,812</u>	<u>\$ 1,045,445</u>	<u>\$ 41,197</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 536		\$ 66,764	
Due to other funds	<u>1,828</u>			
	<u> </u>		<u> </u>	
Total liabilities	2,364		66,764	
 Fund balance				
Reserved For:				
Road and bridge				
JP Technology				
JP Security				
Enabling legislation			978,681	41,197
Unreserved:				
Special Revenue				
Funds - undesignated	<u>2,490,117</u>	<u>707,812</u>		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>2,490,117</u>	<u>707,812</u>	<u>978,681</u>	<u>41,197</u>
 TOTAL LIABILITIES				
AND FUND BALANCE				
	<u>\$ 2,492,481</u>	<u>\$ 707,812</u>	<u>\$ 1,045,445</u>	<u>\$ 41,197</u>

<u>Commissioners Special NAR</u>	<u>VIT Escrow</u>	<u>Restricted Fees</u>	<u>District Attorney Special</u>	<u>D.A. Narcotic Forfeiture</u>	<u>D.A. Narcotic Seizure</u>	<u>Election Service Contract</u>	<u>Juvenile Jury Fund</u>
\$ 117,970	\$ 133,281	\$ 266,074	\$ 392,950	\$ 706,474	\$ 269,150	\$ 125,723	\$ 40,808
	4,015	410	1,088				
<u>\$ 117,970</u>	<u>\$ 137,296</u>	<u>\$ 266,484</u>	<u>\$ 394,038</u>	<u>\$ 706,474</u>	<u>\$ 269,150</u>	<u>\$ 125,723</u>	<u>\$ 40,808</u>
\$ 1,125	\$	\$	\$ 1,143	\$	\$	\$ 226	\$
			2,812				
<u>1,125</u>			<u>3,955</u>			<u>226</u>	
		100,635					
		165,849					
<u>116,845</u>	<u>137,296</u>		<u>390,083</u>	<u>706,474</u>	<u>269,150</u>	<u>125,497</u>	<u>40,808</u>
<u>116,845</u>	<u>137,296</u>	<u>266,484</u>	<u>390,083</u>	<u>706,474</u>	<u>269,150</u>	<u>125,497</u>	<u>40,808</u>
<u>\$ 117,970</u>	<u>\$ 137,296</u>	<u>\$ 266,484</u>	<u>\$ 394,038</u>	<u>\$ 706,474</u>	<u>\$ 269,150</u>	<u>\$ 125,723</u>	<u>\$ 40,808</u>

TAYLOR COUNTY, TEXAS
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 September 30, 2009

	<u>Juvenile Probation Grants</u>	<u>Juvenile Local</u>	<u>Jail Commissary</u>	<u>Task Force Forfeiture</u>
ASSETS				
Cash and cash equivalents	\$ 164,359	\$ 852,713	\$ 271,762	\$ 551,165
Investments				500,000
Interest receivable				
Accounts receivable (net)		9,807		3
Due from other funds		45,000		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 164,359</u>	<u>\$ 907,520</u>	<u>\$ 271,762</u>	<u>\$ 1,051,168</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 85,049	\$ 630	\$ 8,173	\$ 19,607
Due to other funds	<u>98,328</u>	<u> </u>	<u>2,528</u>	<u>12,930</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	183,377	630	10,701	32,537
 Fund balance				
Reserved For:				
Road and bridge				
JP Technology				
JP Security				
Enabling legislation				
Unreserved:				
Special Revenue				
Funds - designated	<u>(19,018)</u>	<u>906,890</u>	<u>261,061</u>	<u>1,018,631</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>(19,018)</u>	<u>906,890</u>	<u>261,061</u>	<u>1,018,631</u>
 TOTAL LIABILITIES AND FUND BALANCE				
	<u>\$ 164,359</u>	<u>\$ 907,520</u>	<u>\$ 271,762</u>	<u>\$ 1,051,168</u>

Task Force Seizure	Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 421,526	\$ 98,218	\$ 175,377	\$ 5,870,073
			3,500,000
			4,425
			15,310
			45,000
<u>\$ 421,526</u>	<u>\$ 98,218</u>	<u>\$ 175,377</u>	<u>\$ 9,434,808</u>
\$	\$ 25,650	\$	\$ 208,903
		19,883	138,309
	25,650	19,883	347,212
		155,494	155,494
			100,635
	72,568		165,849
			1,092,446
<u>421,526</u>			<u>7,573,172</u>
<u>421,526</u>	<u>72,568</u>	<u>155,494</u>	<u>9,087,596</u>
<u>\$ 421,526</u>	<u>\$ 98,218</u>	<u>\$ 175,377</u>	<u>\$ 9,434,808</u>

TAYLOR COUNTY, TEXAS
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended September 30, 2009

	<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			249,129	
Investment earnings	18,112	4,907	7,285	
Other revenues	<u>128,209</u>	<u>22,808</u>		<u>11,480</u>
Total revenues	146,321	27,715	256,414	11,480
EXPENDITURES				
Current:				
General government			182,184	
Financial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	277,764			
Capital outlay				
Capital outlay				
Total expenditures	<u>277,764</u>		<u>182,184</u>	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(131,443)</u>	<u>27,715</u>	<u>74,230</u>	<u>11,480</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	(131,443)	27,715	74,230	11,480
FUND BALANCES AT BEGINNING OF YEAR	<u>2,621,560</u>	<u>680,097</u>	<u>904,451</u>	<u>29,717</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,490,117</u>	<u>\$ 707,812</u>	<u>\$ 978,681</u>	<u>\$ 41,197</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
\$	\$	\$	\$	\$	\$	\$	\$
		22,461	31,949 183,592			4,438 28,123	
918	5,179	22,280	3,276	7,419	2,409	942	329
					190,021		493
918	5,179	44,741	218,817	7,419	192,430	33,503	822
4,500							
	11,573	2,285	247,613	60	173,680		
						26,486	386
	2,337	5,203					
4,500	13,910	7,488	247,613	60	173,680	26,486	386
(3,582)	(8,731)	37,253	(28,796)	7,359	18,750	7,017	436
9,452		229,231		41,191			
					(35,692)		
9,452		229,231		41,191	(35,692)		
5,870	(8,731)	266,484	(28,796)	48,550	(16,942)	7,017	436
110,975	146,027		418,879	657,924	286,092	118,480	40,372
\$ 116,845	\$ 137,296	\$ 266,484	\$ 390,083	\$ 706,474	\$ 269,150	\$ 125,497	\$ 40,808

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2009

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Forfeiture
REVENUES				
Intergovernmental and grants	\$ 799,685	\$ 120,382	\$	\$
Fines and fees		53,264		382
Investment earnings	1,836	6,011	1,970	12,414
Other revenues			200,000	
Total revenues	801,521	179,657	201,970	12,796
EXPENDITURES				
Current:				
General government				
Financial				
Legal				
Elections				
Public safety	901,776	50,184	197,540	846,748
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay			14,114	
Total expenditures	901,776	50,184	211,654	846,748
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(100,255)	129,473	(9,684)	(833,952)
OTHER FINANCING SOURCES (USES)				
Transfers in	643			38,742
Transfers out		(643)		
Total other financing sources (uses)	643	(643)		38,742
NET CHANGE IN FUND BALANCE	(99,612)	128,830	(9,684)	(795,210)
FUND BALANCES AT BEGINNING OF YEAR	80,594	778,060	270,745	1,813,841
FUND BALANCES AT END OF YEAR	\$ (19,018)	\$ 906,890	\$ 261,061	\$ 1,018,631

Task Force Seizure	Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
\$	\$ 6,000	\$ 32,259	\$ 994,713
			536,951
877	1,353	1,436	76,673
<u>372,548</u>			<u>947,839</u>
373,425	7,353	33,695	2,556,176
			186,684
			11,573
			423,638
			26,486
278	13,355		2,010,267
		26,755	26,755
			277,764
	<u>120,260</u>		<u>141,914</u>
<u>278</u>	<u>133,615</u>	<u>26,755</u>	<u>3,105,081</u>
<u>373,147</u>	<u>(126,262)</u>	<u>6,940</u>	<u>(548,905)</u>
	1,359		320,618
<u>(55,052)</u>			<u>(91,387)</u>
<u>(55,052)</u>	<u>1,359</u>		<u>229,231</u>
318,095	(124,903)	6,940	(319,674)
<u>103,431</u>	<u>197,471</u>	<u>148,554</u>	<u>9,407,270</u>
<u>\$ 421,526</u>	<u>\$ 72,568</u>	<u>\$ 155,494</u>	<u>\$ 9,087,596</u>

TAYLOR COUNTY, TEXAS
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 September 30, 2009

Exhibit C-5

	G.O. Bonds 94	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
ASSETS				
Cash and cash equivalents	\$ _____	\$ 20,729	\$ 12,463	\$ 33,192
Total assets	\$ -	\$ 20,729	\$ 12,463	\$ 33,192
LIABILITIES AND FUND BALANCE				
Fund Balances:				
Reserved fund balance:				
Reserved for capital projects	_____	20,729	12,463	33,192
Total fund balances	-	20,729	12,463	33,192
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 20,729	\$ 12,463	\$ 33,192

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, 2009

	G.O. Bonds 94	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
REVENUES				
Investment earnings	\$ 4,620	\$ 168	\$ 101	\$ 4,889
Total revenues	4,620	168	101	4,889
EXPENDITURES				
Capital outlay	1,753,873			1,753,873
Total expenditures	1,753,873			1,753,873
Excess (deficit) of revenues over expenditures	(1,749,253)	168	101	(1,748,984)
OTHER FINANCING SOURCES				
Transfers in	268,792			268,792
Total other financing sources	268,792			268,792
NET CHANGE IN FUND BALANCE	(1,480,461)	168	101	(1,480,192)
FUND BALANCES				
AT BEGINNING OF YEAR	1,480,461	20,561	12,362	1,513,384
FUND BALANCES AT END OF YEAR	\$ -	\$ 20,729	\$ 12,463	\$ 33,192

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Net Assets
September 30, 2009

Exhibit C-7

	<u>Self Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Total Internal Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ 392,698	\$ 308,204	\$ 700,902
Investments	500,000		500,000
Receivables (net)			
Other		29,959	29,959
Total assets	<u>\$ 892,698</u>	<u>\$ 338,163</u>	<u>\$ 1,230,861</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 6,916	\$ 232,835	\$ 239,751
Total liabilities	6,916	232,835	239,751
Net assets			
Unrestricted	<u>885,782</u>	<u>105,328</u>	<u>991,110</u>
Total net assets	<u>885,782</u>	<u>105,328</u>	<u>991,110</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 892,698</u>	<u>\$ 338,163</u>	<u>\$ 1,230,861</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, 2009

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$	\$ 3,603,039	\$ 3,603,039
Other revenues		1,200	1,200
Total operating revenues		3,604,239	3,604,239
OPERATING EXPENSES			
Contracted services		705,046	705,046
Claims	21,914	3,914,886	3,936,800
Total operating expenses	21,914	4,619,932	4,641,846
OPERATING INCOME (LOSS)	(21,914)	(1,015,693)	(1,037,607)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	8,493	4,713	13,206
Total nonoperating revenues	8,493	4,713	13,206
TRANSFERS			
Transfers in	50,000		50,000
Net transfers	50,000		50,000
CHANGE IN NET ASSETS	36,579	(1,010,980)	(974,401)
NET ASSETS AT BEGINNING OF YEAR	849,203	1,116,308	1,965,511
NET ASSETS AT END OF YEAR	\$ 885,782	\$ 105,328	\$ 991,110

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2009

Exhibit C-9

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from participants	\$	\$ 811,760	\$ 811,760
Cash received from interfund services provided		2,836,841	2,836,841
Cash payments for claims	(21,163)	(3,788,663)	(3,809,826)
Cash payments for insurance premiums		(705,046)	(705,046)
Net cash used by operating activities	<u>(21,163)</u>	<u>(845,108)</u>	<u>(866,271)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	<u>50,000</u>		<u>50,000</u>
Net cash provided by non-capital financing activities	<u>50,000</u>		<u>50,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends	8,493	4,713	13,206
Purchase of investments	<u>(500,000)</u>		<u>(500,000)</u>
Net cash (used) provided by investing activities	<u>(491,507)</u>	<u>4,713</u>	<u>(486,794)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(462,670)	(840,395)	(1,303,065)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>855,368</u>	<u>1,148,599</u>	<u>2,003,967</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 392,698</u>	<u>\$ 308,204</u>	<u>\$ 700,902</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (21,914)	\$ (1,015,693)	\$ (1,037,607)
Net change in:			
Accounts receivable	1,121	44,363	45,484
Claims payable	<u>(370)</u>	<u>126,222</u>	<u>125,852</u>
Total adjustments	<u>751</u>	<u>170,585</u>	<u>171,336</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (21,163)</u>	<u>\$ (845,108)</u>	<u>\$ (866,271)</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2009

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Departmental Fund	Appellate Judicial Fund
ASSETS:					
Cash and cash equivalents	\$ 225,139	\$ 6,062	\$ 77,039	\$ 669,624	\$ 896
Accounts receivable	13,738		2,249		
Due from other funds	17,871				
TOTAL ASSETS	<u>\$ 256,748</u>	<u>\$ 6,062</u>	<u>\$ 79,288</u>	<u>\$ 669,624</u>	<u>\$ 896</u>
LIABILITIES:					
Accounts payable	\$ 239,409				
Due to other funds	17,239		17,850		
Due to others	100	6,062	61,438	669,624	896
TOTAL LIABILITIES	<u>\$ 256,748</u>	<u>\$ 6,062</u>	<u>\$ 79,288</u>	<u>\$ 669,624</u>	<u>\$ 896</u>

<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, 2009

	<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>
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>\$ 4,483</u>	<u>\$ 5,468</u>	<u>\$ 101</u>	<u>\$ 66,852</u>	<u>\$ 879,195</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>
\$	\$	\$	\$	\$	\$	\$	\$
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>

TAYLOR COUNTY, TEXAS
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 September 30, 2009

	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>

District Attorney Escrow	Local Emergency Planning	Veterans War Memorial	County Clerk Error and Omission	Online Vehicle Registration	JP 2 Fund	JP 3 Fund	Total Agency Funds
\$ 27,817	\$ 556	\$ 2,686	\$ 112,436	\$ 513	\$ 231	\$ 35	\$ 4,885,825
							37,559
							17,871
<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>\$ 4,941,255</u>
\$	\$	\$	\$	\$	\$	\$	\$ 239,409
							35,089
<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>4,666,757</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>\$ 4,941,255</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, 2009, and have issued our report thereon dated February 8, 2010. 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 Taylor County, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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
February 8, 2010

TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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	\$ 2,741
Total			<u>2,741</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	39,249
Total			<u>39,249</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>39,249</u>
Total U.S. Department of Agriculture			<u>41,990</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	195,492
Total			<u>195,492</u>
Title IV-E-Juvenile Justice Services	93.658	N/A	81,577
Title IV-E-Foster Care Assistance	93.658	N/A	14,996
Total			<u>96,573</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>292,065</u>
Total U.S. Department of Health and Human Services			<u>292,065</u>
<u>U. S. Department of Justice</u>			
<u>Direct Programs:</u>			
State Criminal Alien Assistance Program	16.606	2008-AP-BX-0482	13,454
Total			<u>13,454</u>
<u>Passed Through Texas Criminal Justice Division:</u>			
Purchase of Juvenile Services	16.540	JA-06-J20-14238-07	23,615
Total Passed Through Texas Criminal Justice Division			<u>23,615</u>
<u>Passed Through Texas Attorney General Office, Crime Victim Services Division</u>			
Victim Coordinator and Liaison Grant	16.575	07-00533	31,949
Total Passed Through Texas Attorney General Office, Crime Victim Services Division			<u>31,949</u>
Total U.S. Department of Justice			<u>69,018</u>

See Independent Auditor's Report

TAYLOR COUNTY, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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 Homeland Security</u>			
<u>Passed Through The Governor's Division of Emergency Management</u>			
State Homeland Security Grant Program	97.073	2007-GE-T6-0068	\$ 50,863
Total Passed Through The Governor's Division of Emergency Mgmt.			<u>50,863</u>
Total U.S. Department of Homeland Security			<u>50,863</u>
<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-07-J21-18442-02	24,120
Total Passed Through the Office of the Governor, Criminal Justice Division			<u>24,120</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 478,056</u></u>

See Independent Auditor's Report

**TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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>		
<u>Direct:</u>		
Texas VINE Program	09-08673	\$ 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	212-09-221	62,740
Equalization Payment	N/A	112,094
Total Texas Task Force on Indigent Defense		<u>174,834</u>
<u>Texas Juvenile Probation Commission</u>		
State Aid	2009-221	811,633
Total Texas Juvenile Probation Commission		<u>811,633</u>
<u>Texas Department of Criminal Justice</u>		
Law Enforcement Officer Standards and Education Funds	N/A	13,538
Total Texas Department of Criminal Justice		<u>13,538</u>
Total Expenditures of State Awards		<u>\$ 1,030,113</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, 2009

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.