

TAYLOR COUNTY, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2008**

TAYLOR COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2008

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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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009, 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 40 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 as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular, 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

Abilene, Texas
March 30, 2009

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, 2008. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Taylor County's total combined net assets were \$98 million at September 30, 2008. This represents an increase of \$1.9 million from September 30, 2007. 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 \$1.9 million less than the \$42 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$15.9 million, all but \$363 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, road and bridge fund, and the G.O. '94 fund, all of which are considered to be major funds. Individual fund data for each of the twenty-two non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

- **Proprietary funds** — Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, Taylor County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities. The individual internal service funds are combined into a single aggregate presentation in the proprietary fund financial statements on Pages 18-20. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.
- **Fiduciary funds** — The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on Page 21. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Taylor County's combined net assets were approximately \$98 million at September 30, 2008. 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 4.7%) 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.

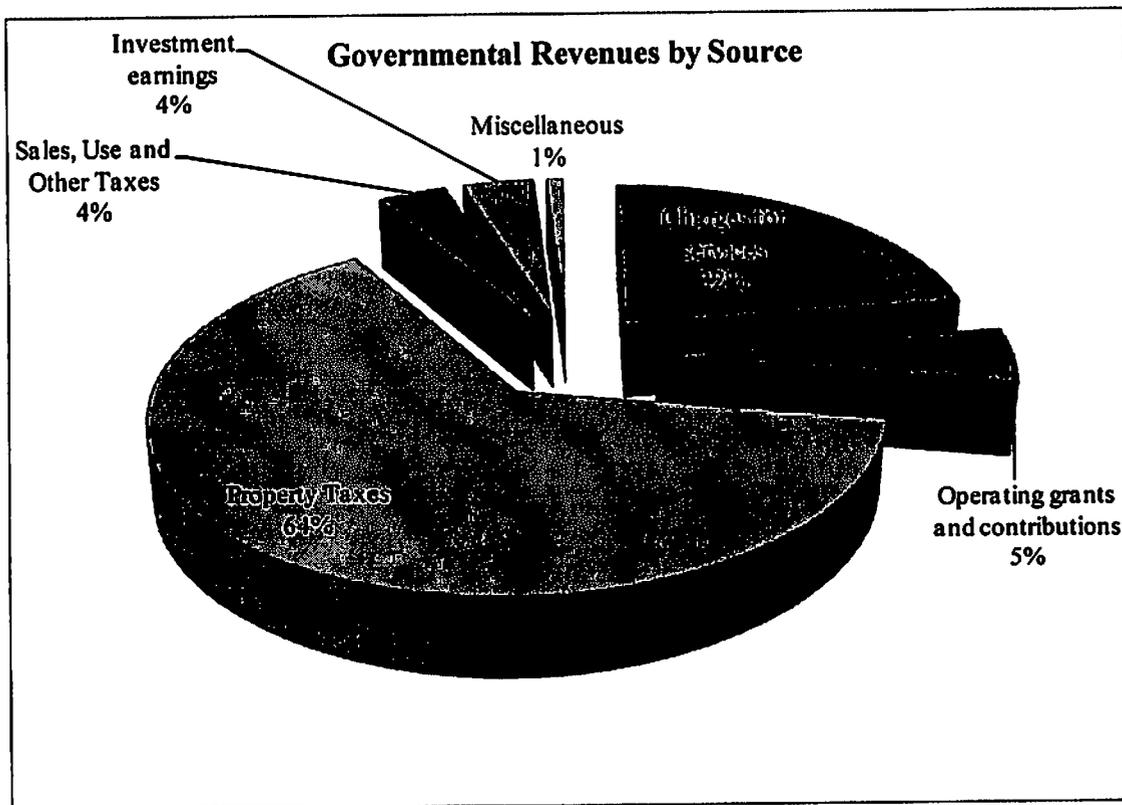
	Governmental Activities	
	September 30, 2008	September 30, 2007
Current and Other Assets	\$ 39,372,893	\$ 41,753,686
Capital and Non-Current Assets	67,688,679	66,018,866
Total Assets	107,061,572	107,772,552
Current Liabilities	1,721,587	4,403,045
Long Term Liabilities	7,297,457	7,293,640
Total Liabilities	9,019,044	11,696,685
Net Assets		
Invested in Capital Assets, net of related debt	61,403,079	57,459,968
Restricted	4,530,236	9,718,400
Unrestricted	32,109,213	28,897,499
Total Net Assets	\$ 98,042,528	\$ 96,075,867

Changes in Net Assets—Taylor County's net assets increased by approximately \$1.9 million during the current fiscal year.

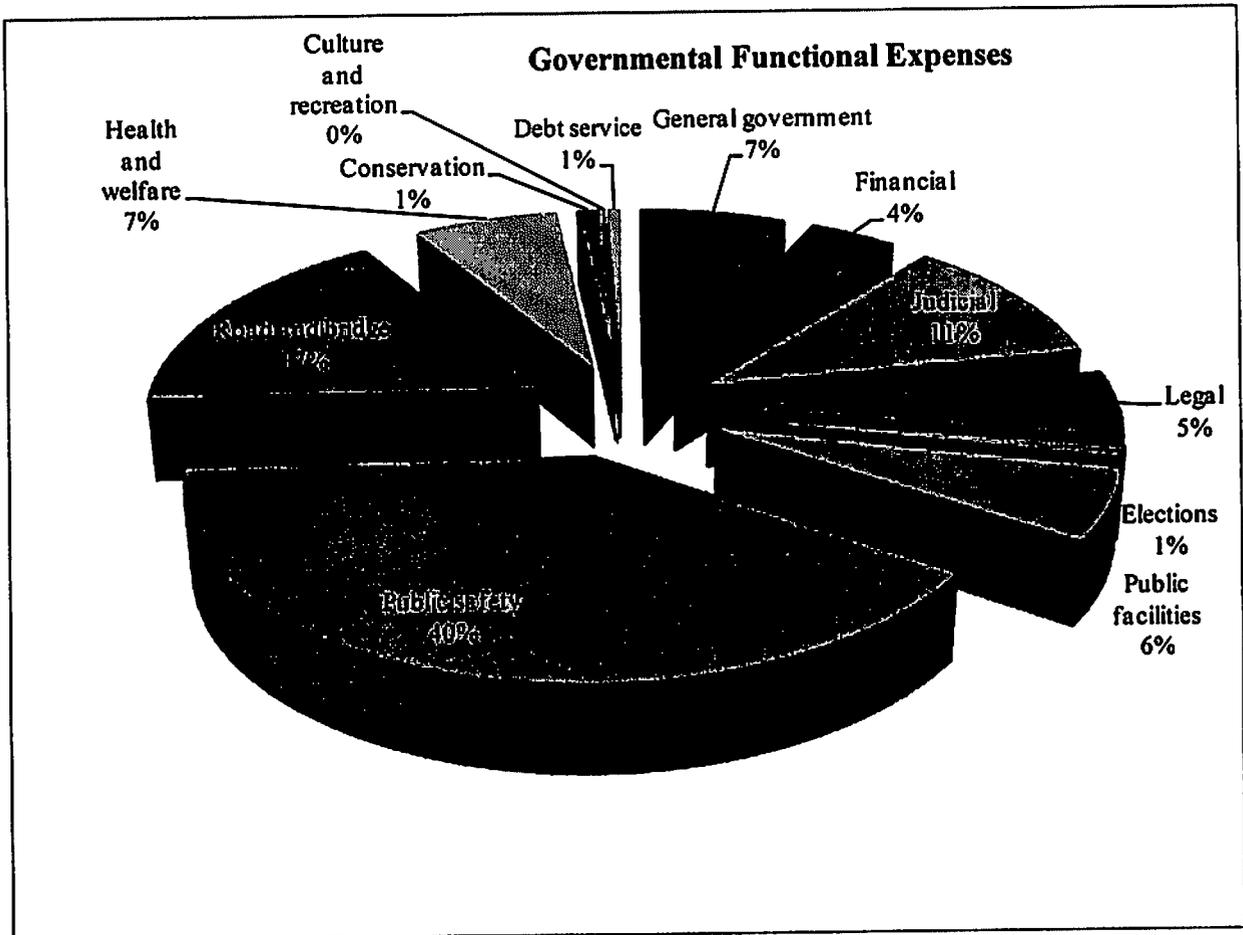
	Governmental Activities	
	Fiscal Year 2008	Fiscal Year 2007
Revenues:		
Program Revenues:		
Charges for Services	\$ 9,614,445	\$ 10,221,950
Operating Grants and Contributions	2,159,618	1,872,157
General Revenues:		
Property Taxes	27,056,378	25,818,680
Sales and Use and Other Taxes	1,572,649	1,360,545
Investment Earnings	1,617,210	2,042,508
Miscellaneous Revenue	360,589	910,491
Gain on Sale of Assets	60,446	
Total Revenues	42,441,335	42,226,331
Expenses:		
General Government	2,805,530	2,762,930
Financial Administration	1,656,023	1,542,063
Judicial	4,516,728	4,437,494
Legal	2,238,158	1,851,534
Elections	361,697	256,148
Public Facilities	2,448,034	1,428,874
Public Safety	16,124,818	15,913,494
Road and Bridge	6,860,754	7,122,866
Health and Welfare	2,741,338	2,273,300
Conservation	432,092	45,724
Culture and Recreation	44,845	433,958
Interest on long-term debt	244,657	313,402
Total Expenses	40,474,674	38,381,787
Increase in Net Assets	1,966,661	3,844,544
Beginning Net Assets	96,075,867	55,008,916
Prior Period Adjustment - Infrastructure		37,222,407
Ending Net Assets	\$ 98,042,528	\$ 96,075,867

Governmental Activities—Total revenues for the fiscal year ending September 30, 2008 were \$42 million. Approximately 67% of the County's revenue comes from taxes, with over 64% from property taxes alone. Property tax revenue increased 4.8% due to a decrease in the property tax rate coupled with an increase in the tax base.

Expenditures increased by \$2.1 million from the prior year.



The total cost for all programs and services totaled \$40,474,674 for the year ended September 30, 2008. Of this amount, the largest operating services areas were public safety which totaled \$16 million or 40% of total expenses for the year, and road and bridge services which totaled \$6.9 million, or 17% of total expenses for the year. In the prior year, these two operating areas comprised 60% 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 \$32.3 million, a decrease of \$2 million or 6% in comparison with the prior year. Approximately 86% of this total amount (\$27.7 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 (\$2.3 million), 2) retirement of bonded indebtedness (\$813 thousand), and 3) authorized construction (\$1.5 million).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$15.9 million. Approximately \$15.6 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 53% of total General Fund expenditures.

Taylor County's General Fund balance increased by \$1.9 million during the current fiscal year. A key factor in this growth was an increase in tax revenue.

General Fund Budgetary Highlights - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$2.5 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in all expenditure categories. Resources available were \$874 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, 2008, the County had invested \$146.6 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$7 million, or 5% over last year.

Major events affecting capital assets during the year were:

- 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
	2008	2007	
Land	\$ 1,934,196	\$ 1,784,057	8.42%
Construction in Progress	7,214,737	1,900,279	297.89%
Buildings and Improvements	57,403,325	56,793,386	34.19%
Furniture and Equipment	1,754,860	1,691,906	3.53%
Vehicles and Heavy Equipment	7,820,753	7,071,351	42.01%
Infrastructure	70,512,665	70,377,473	7.58%
Total	<u>146,640,536</u>	<u>139,618,452</u>	<u>5.03%</u>
Total Accumulated Depreciation	<u>(78,951,857)</u>	<u>(73,599,586)</u>	<u>7.27%</u>
Net Capital Assets	<u>\$ 67,688,679</u>	<u>\$ 66,018,866</u>	<u>2.53%</u>

Long Term Debt—At the end of the year, the County had \$7.3 million of outstanding debt. Of this amount, \$395 thousand is debt backed by the full faith and credit of the government and \$6 million represents bonds secured solely by specified revenue sources.

	Governmental Activities		Percent Change
	2008	2007	
Bonds Payable	\$ 5,955,000	\$ 8,015,000	-26%
Loan Payable	156,736	230,492	-32%
Capital Leases Payable	238,351	386,474	-38%
Compensated Absences	947,370	943,562	0%
Total Bonds, Loans and Leases Payable	\$ 7,297,457	\$ 9,575,528	-24%

During the year, Taylor County’s debt decreased by \$2.3 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 2009 budget preparation is estimated to be down \$110 million, or 2% from 2008.
- The tax rate established for 2009 is \$.4168, a decrease of \$.0539 from 2008.
- Taylor County’s unemployment rate is currently 3.8%, which is an increase from a rate of 3.5% one year ago. This compares favorably to the State’s average unemployment rate of 5.0% in December 2008.
- 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 2009 fiscal year.

Amounts available for appropriation in the General Fund budget are \$32,883,521, an increase of 4% over the 2008 budget of \$31,621,791. Property taxes (benefiting from the 2008 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 1.6% to \$51,713,825. 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 2009 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, 2008

Exhibit A-1

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 21,179,933
Investments	14,000,271
Receivables (net of allowance for uncollectibles)	
Taxes	372,032
Other	3,648,764
Due from agency funds	17,712
Prepaid expenses	89,694
Debt issuance cost	64,487
Capital Assets	
Land	1,934,196
Infrastructure, net	30,423,321
Buildings, net	25,046,482
Vehicles and heavy equipment, net	2,640,009
Furniture and equipment, net	429,934
Construction in progress	7,214,737
Total assets	107,061,572
LIABILITIES:	
Accounts payable and other current liabilities	875,564
Payroll taxes and related items	491,358
Accrued interest payable	30,760
Due to other governments	323,905
Noncurrent liabilities	
Due within one year	2,353,453
Due in more than one year	4,944,004
Total liabilities	9,019,044
NET ASSETS:	
Invested in capital assets, net of related debt	61,403,079
Restricted for:	
Debt service	812,745
Capital Projects	1,513,384
Road and Bridge	799,555
Courthouse Security	143,881
JP Technology	85,350
Enabling Legislation	1,175,321
Unrestricted	32,109,213
Total net assets	\$ 98,042,528

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

TAYLOR COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 2,805,530	\$ 2,235,177	\$ 380,347
Financial	1,656,023	812,730	
Judicial	4,516,728	1,684,358	42,183
Legal	2,238,158	807,120	108,652
Elections	361,697	38,934	32,106
Public facilities	2,448,034	176,006	
Public safety	16,124,818	2,013,574	1,100,083
Road and bridge	6,860,754	1,663,427	385,853
Health and welfare	2,741,338	132,099	110,394
Conservation	432,092	51,020	
Culture and recreation	44,845		
Interest and fees on long term debt	244,657		
	<u>40,474,674</u>	<u>9,614,445</u>	<u>2,159,618</u>
Total governmental activities	<u>40,474,674</u>	<u>9,614,445</u>	<u>2,159,618</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 40,474,674</u>	<u>\$ 9,614,445</u>	<u>\$ 2,159,618</u>

General Revenues:

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

CHANGE IN NET ASSETS

NET ASSETS AT BEGINNING OF YEAR

NET ASSETS AT END OF YEAR

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Total
\$ (190,006)	\$ (190,006)
(843,293)	(843,293)
(2,790,187)	(2,790,187)
(1,322,386)	(1,322,386)
(290,657)	(290,657)
(2,272,028)	(2,272,028)
(13,011,161)	(13,011,161)
(4,811,474)	(4,811,474)
(2,498,845)	(2,498,845)
(381,072)	(381,072)
(44,845)	(44,845)
<u>(244,657)</u>	<u>(244,657)</u>
<u>(28,700,611)</u>	<u>(28,700,611)</u>
<u>(28,700,611)</u>	<u>(28,700,611)</u>
25,100,217	25,100,217
1,956,161	1,956,161
1,572,649	1,572,649
257,467	257,467
103,122	103,122
1,617,210	1,617,210
60,446	60,446
<u>30,667,272</u>	<u>30,667,272</u>
1,966,661	1,966,661
<u>96,075,867</u>	<u>96,075,867</u>
<u>\$ 98,042,528</u>	<u>\$ 98,042,528</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS

Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Contingency Fund	Road and Bridge Fund
ASSETS			
Cash and cash equivalents	\$ 3,595,406	\$ 3,046,912	\$ 703,518
Investments	13,000,000	1,000,271	
Receivables (net of allowances for uncollectibles)			
Property taxes	345,217		
Other	465,686		50,380
Interest			
Due from other funds	70,511		
Due from agency Funds	17,712		
Prepaid items	89,694		
Total assets	\$ 17,584,226	\$ 4,047,183	\$ 753,898
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 477,263	\$ 79,625	\$ 64,267
Payroll taxes and related items	491,358		
Due to other funds			38,630
Due to other governments	323,905		
Deferred revenue	345,217		
Total liabilities	1,637,743	79,625	102,897
Fund balances:			
Reserved fund balances			
Debt service			
Capital projects			
Road and bridge			651,001
Courthouse security	143,881		
JP technology	85,350		
Prepaid items	89,694		
Enabling legislation	43,682		
Unreserved			
General fund	15,583,876		
Special revenue funds-undesignated		3,967,558	
Total fund balances	15,946,483	3,967,558	651,001
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,584,226	\$ 4,047,183	\$ 753,898

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

G.O. Bonds '94	Other Governmental Funds	Total Governmental Funds
\$ 1,480,742	\$ 10,349,388	\$ 19,175,966
		14,000,271
	26,815	372,032
	58,868	574,934
	16,792	16,792
	45,000	115,511
		17,712
		89,694
<u>\$ 1,480,742</u>	<u>\$ 10,496,863</u>	<u>\$ 34,362,912</u>
\$ 281	\$ 140,229	\$ 761,665
		491,358
	76,881	115,511
		323,905
	26,815	372,032
281	243,925	2,064,471
	812,745	812,745
1,480,461	32,923	1,513,384
	148,554	799,555
		143,881
		85,350
		89,694
	1,131,639	1,175,321
		15,583,876
	8,127,077	12,094,635
<u>1,480,461</u>	<u>10,252,938</u>	<u>32,298,441</u>
<u>\$ 1,480,742</u>	<u>\$ 10,496,863</u>	<u>\$ 34,362,912</u>

TAYLOR COUNTY, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended September 30, 2008

Exhibit A-4

Total Fund Balance-Governmental Funds	\$	32,298,441
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.</p>		
		1,965,511
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	\$ 139,618,452	
Accumulated depreciation	<u>(73,599,586)</u>	66,018,866
<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	(8,015,000)	
Leases payable	(386,474)	
Loans payable	(230,492)	
Compensated absences	(943,562)	
Accrued interest payable	(46,273)	
Debt issuance costs	<u>73,068</u>	(9,548,733)
<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	7,325,488	
Debt principal payments	<u>2,281,879</u>	9,607,367
<p>The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		(5,655,675)
<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	2,981,595	
Deferred revenue	372,032	
Bond interest payable	15,513	
Amortization of debt issuance cost	(8,581)	
Change in compensated absences payable	<u>(3,808)</u>	<u>3,356,751</u>
Net Assets of Governmental Activities-Statement of Net Assets	\$	<u>98,042,528</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, 2008

	General Fund	Contingency Fund	Road and Bridge Fund
REVENUES			
Taxes			
Property taxes	\$ 24,315,160	\$	\$ 1,012,966
Other taxes	519,743		1,052,906
License and permits	587,694		1,511,633
Intergovernmental and grants	951,802		112,393
Fines and fees	4,086,120		20,056
Rents and recoveries	122,778		
Investment earnings	745,778	127,204	21,327
Miscellaneous	1,199,328		126,840
Total revenues	<u>32,528,403</u>	<u>127,204</u>	<u>3,858,121</u>
EXPENDITURES			
Current			
General government	2,295,976		
Financial	1,573,541		
Judicial	4,512,788		
Legal	1,632,200		
Elections	281,309		
Public facilities	1,168,425		
Public safety	13,706,595		
Road and bridge	86,592		2,991,037
Health and welfare	2,467,191		
Conservation	424,156		
Culture and Recreation	44,845		
Debt Service			
Debt principal	4,802		
Debt interest and agent fees			
Capital Outlay			
Capital outlay	903,676	343,973	953,862
Total expenditures	<u>29,102,096</u>	<u>343,973</u>	<u>3,944,899</u>
Excess revenues over expenditures	3,426,307	(216,769)	(86,778)
OTHER FINANCING SOURCES			
Transfers in		1,500,000	
Transfers out	(1,550,000)		(7,500)
Total other financing sources (uses)	<u>(1,550,000)</u>	<u>1,500,000</u>	<u>(7,500)</u>
NET CHANGE IN FUND BALANCE	1,876,307	1,283,231	(94,278)
FUND BALANCE AT BEGINNING OF YEAR	<u>14,070,176</u>	<u>2,684,327</u>	<u>745,279</u>
FUND BALANCE AT END OF YEAR	<u>\$ 15,946,483</u>	<u>\$ 3,967,558</u>	<u>\$ 651,001</u>

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

G.O. Bonds '94	Other Governmental Funds	Total Governmental Funds
\$	\$ 1,976,202	\$ 27,304,328
		1,572,649
		2,099,327
	1,095,423	2,159,618
	553,916	4,660,092
	238,313	361,091
134,626	519,430	1,548,365
	1,148,661	2,474,829
<u>134,626</u>	<u>5,531,945</u>	<u>42,180,299</u>
	126,552	2,422,528
	12,272	1,585,813
		4,512,788
	595,755	2,227,955
	59,433	340,742
	25,627	1,194,052
	1,936,945	15,643,540
		3,077,629
	269,031	2,736,222
		424,156
		44,845
	2,060,000	2,064,802
	244,657	244,657
<u>5,314,458</u>	<u>136,951</u>	<u>7,652,920</u>
<u>5,314,458</u>	<u>5,467,223</u>	<u>44,172,649</u>
(5,179,832)	64,722	(1,992,350)
	89,072	1,589,072
	(81,572)	(1,639,072)
	7,500	(50,000)
(5,179,832)	72,222	(2,042,350)
<u>6,660,293</u>	<u>10,180,716</u>	<u>34,340,791</u>
<u>\$ 1,480,461</u>	<u>\$ 10,252,938</u>	<u>\$ 32,298,441</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, 2008**

Net Change in Fund Balances -Total Governmental Funds	\$	(2,042,350)
<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>		
		(137,996)
<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	\$ 7,325,488	
Debt principal payments	2,281,879	9,607,367
<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>		
		(5,655,675)
<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	182,674	
Deferred tax revenues	9,517	
Bond interest	15,513	
Amortization of debt issuance cost	(8,581)	
Compensated absences	(3,808)	195,315
Change in Net Assets of Governmental Activities-Statement of Activities	\$	<u>1,966,661</u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Statement of Net Assets
Proprietary Funds
September 30, 2008

Exhibit A-7

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,003,967
Receivables (net)	
Other	<u>75,443</u>
Total assets	<u>\$ 2,079,410</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ <u>113,899</u>
Total liabilities	<u>113,899</u>
Net Assets	
Unrestricted	<u>1,965,511</u>
Total net assets	<u>1,965,511</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,079,410</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, 2008

Exhibit A-8

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ 3,311,255
Other revenues	<u>463,760</u>
Total operating revenues	3,775,015
OPERATING EXPENSES	
Contract services	671,751
Claims	<u>3,360,105</u>
Total operating expenses	<u>4,031,856</u>
OPERATING INCOME (LOSS)	(256,841)
NONOPERATING REVENUES	
Investment earnings	<u>68,845</u>
Total nonoperating revenues	<u>68,845</u>
TRANSFERS	
Transfers in	<u>50,000</u>
Net Transfers	<u>50,000</u>
CHANGE IN NET ASSETS	(137,996)
NET ASSETS AT BEGINNING OF YEAR	<u>2,103,507</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,965,511</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, 2008

Exhibit A-9

	<u>Governmental Activities Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from participants	\$ 781,359
Cash received from recoveries and other	2,925,277
Cash payments for claims	(3,316,863)
Cash payments for insurance premiums	<u>(671,751)</u>
Net cash provided (used) by operating activities	<u>(281,978)</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	<u>68,845</u>
Net cash provided by investing activities	<u>68,845</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(163,133)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,167,100</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,003,967</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (256,841)
Net change in:	
Accounts receivable	(69,500)
Claims payable	<u>44,363</u>
Total adjustments	<u>(25,137)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (281,978)</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, 2008

Exhibit A-10

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 5,445,129
Accounts receivable	62,156
Due from other funds	<u>16,965</u>
TOTAL ASSETS	\$ <u>5,524,250</u>
LIABILITIES:	
Accounts payable	\$ 230,092
Due to other funds	34,676
Due to others	<u>5,259,482</u>
TOTAL LIABILITIES	\$ <u>5,524,250</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, 2008

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, 2008

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, 2008

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.

G.O. Bonds '94 Fund – This capital projects fund is used to account for proceeds from the GO Bond '94 issue and expenditures related to authorized construction and other capital asset acquisitions.

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, 2008

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, 2008

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, 2008

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, 2008

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, 2008

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

There were no individual fund deficits reported for the year ending September 30, 2008.

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, 2008

NOTE 3: Deposits and Investments, continued

A. Investments, continued

At September 30, 2008, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	Fair Value	Maturity	Credit Quality Rating
General Fund:			
TexPool	\$ 3,595,406	44 days - Weighted Avg.	AAAm
Federal Home Loan Bank	2,000,000	7/20/2009	AAA
Federal Home Loan Bank	2,000,000	1/29/2010	AAA
Federal Home Loan Bank	5,000,000	12/16/2009	AAA
Federal Home Loan Bank	4,000,000	5/21/2010	AAA
Special Revenue Funds:			
TexPool	13,256,274	44 days - Weighted Avg.	AAAm
Federal Home Loan Bank	1,000,271	1/14/2009	AAA
Capital Project Funds			
TexPool	1,513,665	44 days - Weighted Avg.	AAAm
Debt Service Fund			
TexPool	810,621	44 days - Weighted Avg.	AAAm
Internal Service Funds			
TexPool	2,003,967	44 days - Weighted Avg.	AAAm
	\$ 35,180,204		

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, 2008

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, 2008 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, 2008, TexPool's investment credit quality rating was AAAM (Standard & Poor's).

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2008

NOTE 4: Receivables

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

	<u>Interest</u> <u>Receivable</u>	<u>Property</u> <u>Taxes</u>	<u>Other</u> <u>Receivables</u>	<u>Due From</u> <u>Other Funds</u>	<u>Total</u> <u>Receivables</u>
Governmental Activities					
General Fund	\$	\$ 805,373	\$ 465,686	\$ 70,511	\$ 1,341,570
Road and Bridge Fund			50,380		50,380
Non-major					
Governmental Funds	<u>16,792</u>	<u>62,558</u>	<u>58,868</u>	<u>45,000</u>	<u>183,218</u>
Total-Governmental					
Activities	<u>\$ 16,792</u>	<u>\$ 867,931</u>	<u>\$ 574,934</u>	<u>\$ 115,511</u>	<u>\$ 1,575,168</u>
Amounts not scheduled for collection during the subsequent year	<u>\$</u>	<u>\$ (495,899)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (495,899)</u>

NOTE 5: Capital Assets

Capital asset activity for the period ended September 30, 2008 was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September</u> <u>30, 2008</u>
Governmental Activities				
Non-depreciable Assets				
Land	\$ 1,784,057	\$ 150,139	\$	\$ 1,934,196
Construction in Progress	<u>1,900,279</u>	<u>5,314,458</u>		<u>7,214,737</u>
Total Non-depreciable Assets	<u>3,684,336</u>	<u>5,464,597</u>		<u>9,148,933</u>
Depreciable Assets				
Buildings and				
Improvements	56,793,386	609,939		57,403,325
Furniture and Equipment	1,691,906	62,954		1,754,860
Vehicles and Heavy				
Equipment	7,071,351	1,080,069	330,667	7,820,753
Infrastructure	<u>70,377,473</u>	<u>135,192</u>		<u>70,512,665</u>
Total Depreciable Assets	<u>135,934,116</u>	<u>1,888,154</u>	<u>330,667</u>	<u>137,491,603</u>
Total at Historic Cost	<u>139,618,452</u>	<u>7,352,751</u>	<u>330,667</u>	<u>146,640,536</u>
Less Accumulated Depreciation:				
Buildings and Improvements	30,830,921	1,525,922		32,356,843
Furniture and Equipment	1,288,075	36,851		1,324,926
Vehicles and Heavy				
Equipment	4,858,385	625,763	303,404	5,180,744
Infrastructure	<u>36,622,205</u>	<u>3,467,139</u>		<u>40,089,344</u>
Total Accumulated Depreciation	<u>73,599,586</u>	<u>5,655,675</u>	<u>303,404</u>	<u>78,951,857</u>
Governmental Activities Capital Assets, Net	<u>\$ 66,018,866</u>	<u>\$ 1,697,076</u>	<u>\$ 27,263</u>	<u>\$ 67,688,679</u>

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2008

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	\$ 108,522
Financial Administration	68,925
Judicial	3,001
Legal	7,635
Elections	20,955
Public Safety	346,367
Public Facilities	3,838,467
Road and Bridge	1,252,863
Health and Welfare	5,116
Conservation	3,824
	<u>\$ 5,655,675</u>

NOTE 6: Interfund Balances and Activity

A. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2008, consisted of the following:

Due to General Fund from:	\$ 70,511
Special Revenue Funds	
Due to Special Revenue Funds from	
General Fund	45,000
Due from Other Funds	\$ 115,511
Due to General Fund from:	
Agency Funds	\$ 17,712

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, 2008, consisted of the following:

Transfers from General Fund to:	
Special Revenue Fund - Contingency Fund	\$ 1,500,000
Internal Service Funds	50,000
	\$ 1,550,000
Transfers from Non-major Special Revenue Funds to:	
Non-major Special Revenue Funds	\$ 81,572
Transfers from Road and Bridge fund to:	
Non-major Special Revenue Funds	\$ 7,500

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2008

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>
2009	\$ 156,664	\$ 11,355	\$ 168,019
2010	<u>81,687</u>	<u>2,323</u>	<u>84,010</u>
Total	\$ <u>238,351</u>	\$ <u>13,678</u>	\$ <u>252,029</u>

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, 2008

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, 2008, to maturity:

<u>Year Ending September 30</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 2,120,000	\$ 177,833	\$ 2,297,833
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
2014-2016	<u>1,795,000</u>	<u>110,100</u>	<u>1,905,100</u>
Total	<u>\$ 5,955,000</u>	<u>\$ 731,140</u>	<u>\$ 6,686,140</u>

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

A summary of the changes in bonds payable follows:

	<u>Amounts Outstanding October 1 2007</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amounts Outstanding September 30 2008</u>
Series 2003	\$ 2,820,000	\$ -	\$ 1,390,000	\$ 1,430,000
Series 2005	5,195,000	-	670,000	4,525,000
	<u>\$ 8,015,000</u>	<u>\$ -</u>	<u>\$ 2,060,000</u>	<u>\$ 5,955,000</u>

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:

<u>Year Ending September 30</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 76,789	\$ 6,426	\$ 83,215
2010	79,947	3,268	83,215
Total	<u>\$ 156,736</u>	<u>\$ 9,694</u>	<u>\$ 166,430</u>

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2008

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, 2008, 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	\$ 8,015,000	\$ -	\$ 2,060,000	\$ 5,955,000	\$ 2,120,000
Loans	230,492	-	73,756	156,736	76,789
Capital Leases	<u>386,474</u>	<u>-</u>	<u>148,123</u>	<u>238,351</u>	<u>156,664</u>
Total Bonds, Loans and Leases Payable	<u>8,631,966</u>	<u>-</u>	<u>2,281,879</u>	<u>6,350,087</u>	<u>2,353,453</u>
Other Liabilities					
Compensated Absences	<u>943,562</u>	<u>3,808</u>	<u>-</u>	<u>947,370</u>	<u>-</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 9,575,528</u>	<u>\$ 3,808</u>	<u>\$ 2,281,879</u>	<u>\$ 7,297,457</u>	<u>\$ 2,353,453</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, 2008, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$947,370.

NOTE 10: Deferred Revenue

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$ <u>345,217</u>	\$ <u>26,815</u>	\$ <u>372,032</u>

Adjustments required for government-wide Statement of Net Assets decreased deferred revenue by \$372,032.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2008

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 \$12,777, \$35,656, and \$151,708, for liability claims during the years ended September 30, 2008, 2007, and 2006, respectively. There were no unpaid claims at September 30, 2008.

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 \$3,347,328, \$2,522,505, and \$2,218,810, in health claims, and paid \$671,751, \$634,854, and \$602,350 for administrative costs, for the years ended September 30, 2008, 2007 and 2006, respectively. The County contributed \$2,529,896, \$2,515,403, and \$2,332,878, and County employees contributed \$550,134, \$497,958, and \$481,192 to the health insurance program for the years ended September 30, 2008, 2007 and 2006, respectively. Retirees and other agency contributions were \$231,225, \$173,296, and \$169,099, for the years ended September 30, 2008, 2007 and 2006, 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 \$116,585, \$153,291, and \$43,164 at September 30, 2008, 2007 and 2006, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2008, 2007 and 2006.

Year Ending Sept. 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2006	\$	\$ 2,261,974	\$ 2,218,810	\$ 43,164
2007		43,164	2,522,505	153,291
2008		153,291	3,347,328	116,585

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 \$160,119, \$37,911, and \$49,522, in worker's compensation claims for the years ended September 30, 2008, 2007 and 2006, and \$274,800 in administrative and other charges. 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 \$67,817, \$13,920, and \$9,500, at September 30, 2008, 2007 and 2006, respectively.

TAYLOR COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2008

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 \$849,203 at September 30, 2008. In the opinion of management, net assets are adequate to meet probable claim contingencies at September 30, 2008. The Employee Benefits Fund has net assets of \$1,116,308.

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 8.68% for the months of the accounting year in 2007, and 8.58% for the months of the accounting year in 2008.

The contribution rate payable by the employee members for fiscal year 2008 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, 2008

NOTE 12: Pension Plan, continued

C. Annual Pension Cost

For the County's accounting year ended September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$1,054,788; the actual contributions were \$1,054,788.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2006, and December 31, 2007, the basis for determining the contribution rates for calendar years 2007 and 2008.

The December 31, 2007 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/05	12/31/06	12/31/07
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	15	15
Asset valuation method	Long-term appreciation with adjustment	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 Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/06	\$ 1,219,632	100%	-
9/30/07	1,232,457	100%	-
9/30/08	1,054,788	100%	-

REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2008

Exhibit B-1

	<u>Budget Amounts</u>			Variance from Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property taxes	\$ 23,698,429	\$ 23,708,429	\$ 24,315,160	\$ 606,731
Other taxes	383,000	361,000	519,743	158,743
License and permits	550,000	550,000	587,694	37,694
Intergovernmental and grants	1,805,356	916,060	951,802	35,742
Fines and fees	4,063,050	4,080,250	4,086,120	5,870
Rents and recoveries	115,649	115,649	122,778	7,129
Investment earnings	805,000	805,000	745,778	(59,222)
Miscellaneous	157,000	1,117,562	1,199,328	81,766
Total revenues	31,577,484	31,653,950	32,528,403	874,453
EXPENDITURES				
Current:				
General government	3,192,010	2,957,704	2,295,976	661,728
Financial	1,798,656	1,640,697	1,573,541	67,156
Judicial	4,792,536	4,783,735	4,512,788	270,947
Legal	1,644,792	1,652,093	1,632,200	19,893
Elections	285,520	285,519	281,309	4,210
Public facilities	1,496,318	1,197,777	1,168,425	29,352
Public safety	14,311,893	14,086,759	13,706,595	380,164
Road and bridge	86,716	86,716	86,592	124
Health and welfare	3,325,419	3,418,504	2,467,191	951,313
Conservation	443,209	441,757	424,156	17,601
Culture and Recreation	200,415	46,491	44,845	1,646
Debt Service				
Debt principal		10,650	4,802	5,848
Debt interest and agent fees				
Capital Outlay				
Capital outlay		1,013,389	903,676	109,713
Total expenditures	31,577,484	31,621,791	29,102,096	2,519,695
Excess revenues over expenditures		32,159	3,426,307	3,394,148
OTHER FINANCING SOURCES				
Transfers out		(1,550,000)	(1,550,000)	
Total other financing sources (uses)		(1,550,000)	(1,550,000)	
NET CHANGE IN FUND BALANCE		(1,517,841)	1,876,307	3,394,148
FUND BALANCE AT BEGINNING OF YEAR	14,070,176	14,070,176	14,070,176	
FUND BALANCE AT END OF YEAR	\$ 14,070,176	\$ 12,552,335	\$ 15,946,483	\$ 3,394,148

TAYLOR COUNTY, TEXAS
Contingency Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2008

Exhibit B-2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES				
Investment earnings	\$ 50,000	\$ 50,000	\$ 127,204	\$ 77,204
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>127,204</u>	<u>77,204</u>
EXPENDITURES				
Capital outlay		1,000,000	343,973	656,027
Total expenditures		<u>1,000,000</u>	<u>343,973</u>	<u>656,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,000	(950,000)	(216,769)	733,231
OTHER FINANCING SOURCES				
Transfers in		1,500,000	1,500,000	
Total other financing sources		<u>1,500,000</u>	<u>1,500,000</u>	
NET CHANGE IN FUND BALANCE	50,000	550,000	1,283,231	733,231
FUND BALANCE AT BEGINNING OF YEAR	<u>2,684,327</u>	<u>2,684,327</u>	<u>2,684,327</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 2,734,327</u>	<u>\$ 3,234,327</u>	<u>\$ 3,967,558</u>	<u>\$ 733,231</u>

TAYLOR COUNTY, TEXAS
Road and Bridge
Budgetary Comparison Schedule
For the Year Ended September 30, 2008

Exhibit B-3

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property taxes	\$ 915,691	\$ 915,691	\$ 1,012,966	\$ 97,275
Other taxes		850,000	1,052,906	202,906
Licenses and permits	2,300,000	1,435,000	1,511,633	76,633
Intergovernmental and grants	154,365	108,500	112,393	3,893
Fines and fees		15,000	20,056	5,056
Investment earnings	20,000	20,000	21,327	1,327
Other revenue	6,000	121,748	126,840	5,092
Total revenues	<u>3,396,056</u>	<u>3,465,939</u>	<u>3,858,121</u>	<u>392,182</u>
EXPENDITURES				
Current				
Road and bridge	3,396,056	3,035,307	2,991,037	44,270
Capital outlay				
Capital outlay		1,285,237	953,862	331,375
Total expenditures	<u>3,396,056</u>	<u>4,320,544</u>	<u>3,944,899</u>	<u>375,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		(854,605)	(86,778)	767,827
OTHER FINANCING SOURCES (USES)				
Transfers out		(7,500)	(7,500)	
Total other financing sources (uses)		<u>(7,500)</u>	<u>(7,500)</u>	
NET CHANGE IN FUND BALANCE		(862,105)	(94,278)	767,827
FUND BALANCE AT BEGINNING OF YEAR	<u>745,279</u>	<u>745,279</u>	<u>745,279</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 745,279</u>	<u>\$ (116,826)</u>	<u>\$ 651,001</u>	<u>\$ 767,827</u>

TAYLOR COUNTY, TEXAS
G.O. Bonds '94
Budgetary Comparison Schedule
For the Year Ended September 30, 2008

Exhibit B-4

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Investment earnings	\$ 152,700	\$ 150,000	\$ 134,626	\$ (15,374)
Total revenues	152,700	150,000	134,626	(15,374)
EXPENDITURES				
Capital outlay	6,010,000	6,000,000	5,314,458	685,542
Total expenditures	6,010,000	6,000,000	5,314,458	685,542
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,857,300)</u>	<u>(5,850,000)</u>	<u>(5,179,832)</u>	<u>670,168</u>
NET CHANGE IN FUND BALANCE	(5,857,300)	(5,850,000)	(5,179,832)	670,168
FUND BALANCE AT BEGINNING OF YEAR	<u>6,660,293</u>	<u>6,660,293</u>	<u>6,660,293</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 802,993</u>	<u>\$ 810,293</u>	<u>\$ 1,480,461</u>	<u>\$ 670,168</u>

TAYLOR COUNTY, TEXAS
Required Supplementary Information
Schedule of Funding Progress, Texas County and District Retirement System
September 30, 2008

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2004	\$ 34,909,225	\$ 44,482,199	\$ 9,572,971	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	51,929,521	8,274,638	84.07%	17,884,977	46.27%

TAYLOR COUNTY, TEXAS
Notes to Required Supplementary Information
For the Year Ended September 30, 2008

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 2008 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 investment income. The final budget was \$805,000 and actual investment income received was \$745,778, a difference of \$59,222. The difference was due to the market decline during the year.
2. The G.O. bonds '94 fund had a negative budget variance in investment income. The final budget was \$150,000 and actual investment income received was \$134,626, a difference of \$15,374. The difference was due to the market decline during the year.

COMBINING STATEMENTS

TAYLOR COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2008

Exhibit C-1

	<u>Capital Projects Funds</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and cash equivalents	\$ 32,923	\$ 9,505,844	\$ 810,621	\$ 10,349,388
Interest receivable		16,792		16,792
Accounts receivable-net				
Property taxes			26,815	26,815
Other		56,744	2,124	58,868
Due from other funds		45,000		45,000
Total assets	<u>\$ 32,923</u>	<u>\$ 9,624,380</u>	<u>\$ 839,560</u>	<u>\$ 10,496,863</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$	\$ 140,229	\$	\$ 140,229
Due to other funds		76,881		76,881
Deferred revenue			26,815	26,815
Total liabilities		217,110	26,815	243,925
Fund balances				
Reserved				
Reserved for debt service			812,745	812,745
Reserved for capital projects	32,923			32,923
Reserved for road and bridge		148,554		148,554
Reserved for enabling legislation		1,131,639		1,131,639
Unreserved and undesignated				
Special revenue funds		8,127,077		8,127,077
Total fund balance	<u>32,923</u>	<u>9,407,270</u>	<u>812,745</u>	<u>10,252,938</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,923</u>	<u>\$ 9,624,380</u>	<u>\$ 839,560</u>	<u>\$ 10,496,863</u>

TAYLOR COUNTY, TEXAS
Nonmajor Governmental Funds

Exhibit C-2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2008

	<u>Capital Project Funds</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Taxes				
Property taxes	\$	\$	\$ 1,976,202	\$ 1,976,202
Other taxes				
License and permits				
Intergovernmental and grants		1,095,423		1,095,423
Fines and fees		553,916		553,916
Rents and recoveries			238,313	238,313
Investment earnings	1,479	487,414	30,537	519,430
Miscellaneous		1,148,661		1,148,661
Total revenues	1,479	3,285,414	2,245,052	5,531,945
EXPENDITURES				
Current				
General government		126,552		126,552
Financial		12,272		12,272
Legal		595,755		595,755
Elections		59,433		59,433
Public facilities	25,627			25,627
Public safety		1,936,945		1,936,945
Road and bridge				
Health and welfare		269,031		269,031
Debt Service				
Debt principal			2,060,000	2,060,000
Debt interest and agent fees			244,657	244,657
Capital outlay				
Capital outlay		136,951		136,951
Total expenditures	25,627	3,136,939	2,304,657	5,467,223
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,148)	148,475	(59,605)	64,722
OTHER FINANCING SOURCES				
Transfers in		89,072		89,072
Transfers out		(81,572)		(81,572)
Total other financing sources (uses)		7,500		7,500
NET CHANGE IN FUND BALANCES	(24,148)	155,975	(59,605)	72,222
FUND BALANCES AT BEGINNING OF YEAR	57,071	9,251,295	872,350	10,180,716
FUND BALANCES AT END OF YEAR	\$ 32,923	\$ 9,407,270	\$ 812,745	\$ 10,252,938

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2008

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
ASSETS				
Cash and cash equivalents	\$ 2,636,573	\$ 679,931	\$ 909,383	\$ 29,584
Interest receivable				
Accounts receivable (net)		166	2,467	133
Due from other funds				
Total assets	\$ 2,636,573	\$ 680,097	\$ 911,850	\$ 29,717
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 13,155	\$	\$ 7,399	\$
Due to other funds	1,858			
Total liabilities	15,013		7,399	
 Fund balance				
Reserved For:				
Road and bridge				
Enabling legislation			904,451	29,717
Unreserved:				
Special Revenue				
Funds - undesignated	2,621,560	680,097		
Total fund balance	2,621,560	680,097	904,451	29,717
 TOTAL LIABILITIES AND FUND BALANCE	\$ 2,636,573	\$ 680,097	\$ 911,850	\$ 29,717

<u>Commissioners Special NAR</u>	<u>VIT Escrow</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>
\$ 110,975	\$ 129,620 16,792 2	\$ 416,435 6,797	\$ 658,116	\$ 284,955 1,137	\$ 107,427 13,625	\$ 40,372
<u>\$ 110,975</u>	<u>\$ 146,414</u>	<u>\$ 423,232</u>	<u>\$ 658,116</u>	<u>\$ 286,092</u>	<u>\$ 121,052</u>	<u>\$ 40,372</u>
\$	\$ 387	\$ 1,261 3,092	\$ 192	\$	\$ 1,613 959	\$
	387	4,353	192		2,572	
<u>110,975</u>	<u>146,027</u>	<u>418,879</u>	<u>657,924</u>	<u>286,092</u>	<u>118,480</u>	<u>40,372</u>
<u>110,975</u>	<u>146,027</u>	<u>418,879</u>	<u>657,924</u>	<u>286,092</u>	<u>118,480</u>	<u>40,372</u>
<u>\$ 110,975</u>	<u>\$ 146,414</u>	<u>\$ 423,232</u>	<u>\$ 658,116</u>	<u>\$ 286,092</u>	<u>\$ 121,052</u>	<u>\$ 40,372</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2008

	Juvenile Probation Grants	Jail Commissary	Task Force Forfeiture	Task Force Seizure	Sheriff Forfeiture
ASSETS					
Cash and cash equivalents	\$ 922,869	\$ 282,597	\$ 1,847,081	\$ 103,391	\$ 197,981
Interest receivable					
Accounts receivable (net)	32,309		68	40	
Due from other funds	45,000	_____	_____	_____	_____
Total assets	\$ 1,000,178	\$ 282,597	\$ 1,847,149	\$ 103,431	\$ 197,981
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 85,674	\$ 8,726	\$ 21,312		\$ 510
Due to other funds	55,850	3,126	11,996	_____	_____
Total liabilities	141,524	11,852	33,308		510
Fund balance					
Reserved For:					
Road and bridge					
Enabling legislation					197,471
Unreserved:					
Special Revenue					
Funds - designated	858,654	270,745	1,813,841	103,431	_____
Total fund balance	858,654	270,745	1,813,841	103,431	197,471
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,000,178	\$ 282,597	\$ 1,847,149	\$ 103,431	\$ 197,981

<u>Lateral Roads</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 148,554	\$ 9,505,844
	16,792
	56,744
	<u>45,000</u>
<u>\$ 148,554</u>	<u>\$ 9,624,380</u>
\$	\$ 140,229
	<u>76,881</u>
	217,110
148,554	148,554
	1,131,639
	<u>8,127,077</u>
<u>148,554</u>	<u>9,407,270</u>
<u>\$ 148,554</u>	<u>\$ 9,624,380</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2008

	<u>Settlement Proceeds</u>	<u>Errors and Omissions</u>	<u>County Clerk Restricted Fees</u>	<u>Dist Clerk's Restricted Fees</u>
REVENUES				
Taxes				
Property taxes	\$	\$	\$	\$
Other taxes				
Licenses and permits				
Intergovernmental and grants				
Fines and fees			291,769	
Investment earnings	194,925	21,225	26,096	
Other revenues	<u>132,099</u>	<u>22,586</u>		<u>18,919</u>
Total revenues	327,024	43,811	317,865	18,919
EXPENDITURES				
Current:				
General government			115,280	6,772
Financial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	269,031			
Capital outlay				
Capital outlay				
Total expenditures	<u>269,031</u>		<u>115,280</u>	<u>6,772</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>57,993</u>	<u>43,811</u>	<u>202,585</u>	<u>12,147</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	57,993	43,811	202,585	12,147
FUND BALANCES AT BEGINNING OF YEAR	<u>2,563,567</u>	<u>636,286</u>	<u>701,866</u>	<u>17,570</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,621,560</u>	<u>\$ 680,097</u>	<u>\$ 904,451</u>	<u>\$ 29,717</u>

<u>Commissioners Special NAR</u>	<u>VIT Escrow</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>
\$	\$	\$	\$	\$	\$	\$
		36,192			32,106	
3,555	22,362	169,690	17,813	14,138	38,581	1,343
		14,046		619,369	3,773	945
		313				
3,555	22,362	220,241	17,813	633,507	74,460	2,288
4,500						
	12,272		524	338,997		
		256,234			59,433	
						2,741
	939		17,679		16,939	
4,500	13,211	256,234	18,203	338,997	76,372	2,741
(945)	9,151	(35,993)	(390)	294,510	(1,912)	(453)
2,745			67,365		7,500	
				(69,325)		
2,745			67,365	(69,325)	7,500	
1,800	9,151	(35,993)	66,975	225,185	5,588	(453)
109,175	136,876	454,872	590,949	60,907	112,892	40,825
<u>\$ 110,975</u>	<u>\$ 146,027</u>	<u>\$ 418,879</u>	<u>\$ 657,924</u>	<u>\$ 286,092</u>	<u>\$ 118,480</u>	<u>\$ 40,372</u>

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2008

	<u>Juvenile Probation Grants</u>	<u>Jail Commissary</u>	<u>Task Force Forfeiture</u>	<u>Task Force Seizure</u>	<u>Sheriff Forfeiture</u>
REVENUES					
Taxes					
Property taxes	\$	\$	\$	\$	\$
Other taxes					
Licenses and permits					
Intergovernmental and grants	994,983				
Fines and fees	53,552		324		
Investment earnings	26,951	10,157	122,232	3,403	713
Other revenues		140,000	8,639	14,638	191,153
Total revenues	1,075,486	150,157	131,195	18,041	191,866
EXPENDITURES					
Current:					
General government					
Financial					
Legal					
Elections					
Public safety	899,825	143,288	874,226	3,796	13,069
Road and bridge					
Health and welfare					
Capital outlay					
Capital outlay		66,192	35,202		
Total expenditures	899,825	209,480	909,428	3,796	13,069
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	175,661	(59,323)	(778,233)	14,245	178,797
OTHER FINANCING SOURCES (USES)					
Transfers in			11,462		
Transfers out				(12,247)	
Total other financing sources (uses)			11,462	(12,247)	
NET CHANGE IN FUND BALANCE	175,661	(59,323)	(766,771)	1,998	178,797
FUND BALANCES AT BEGINNING OF YEAR	682,993	330,068	2,580,612	101,433	18,674
FUND BALANCES AT END OF YEAR	\$ 858,654	\$ 270,745	\$ 1,813,841	\$ 103,431	\$ 197,471

<u>Lateral Roads</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$	\$
32,142	1,095,423
	553,916
4,682	487,414
<u> </u>	<u>1,148,661</u>
36,824	3,285,414
	126,552
	12,272
	595,755
	59,433
	1,936,945
	269,031
<u> </u>	<u>136,951</u>
<u> </u>	<u>3,136,939</u>
<u>36,824</u>	<u>148,475</u>
	89,072
<u> </u>	<u>(81,572)</u>
<u> </u>	<u>7,500</u>
36,824	155,975
<u>111,730</u>	<u>9,251,295</u>
<u>\$ 148,554</u>	<u>\$ 9,407,270</u>

TAYLOR COUNTY, TEXAS
Nonmajor Capital Projects Funds
Combining Balance Sheet
September 30, 2008

Exhibit C-5

	<u>Certificates of Obligation Plaza '99</u>	<u>Miscellaneous Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS			
Cash and cash equivalents	\$ 20,561	\$ 12,362	\$ 32,923
Total assets	<u>\$ 20,561</u>	<u>\$ 12,362</u>	<u>\$ 32,923</u>
LIABILITIES AND FUND BALANCE			
Fund Balances:			
Reserved fund balance:			
Reserved for capital projects	<u>20,561</u>	<u>12,362</u>	<u>32,923</u>
Total fund balances	<u>20,561</u>	<u>12,362</u>	<u>32,923</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 20,561</u>	<u>\$ 12,362</u>	<u>\$ 32,923</u>

TAYLOR COUNTY, TEXAS

Exhibit C-6

Nonmajor Capital Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2008

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
REVENUES			
Investment earnings	\$ 1,086	\$ 393	\$ 1,479
Total revenues	1,086	393	1,479
EXPENDITURES			
Public facilities	25,627		25,627
Capital outlay			
Total expenditures	25,627		25,627
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(24,541)	393	(24,148)
NET CHANGE IN FUND BALANCE	(24,541)	393	(24,148)
FUND BALANCES			
AT BEGINNING OF YEAR	45,102	11,969	57,071
FUND BALANCES AT END OF YEAR	\$ 20,561	\$ 12,362	\$ 32,923

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Net Assets
September 30, 2008

Exhibit C-7

	<u>Self Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Total Internal Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ 855,368	\$ 1,148,599	\$ 2,003,967
Receivables (net)			
Other	<u>1,121</u>	<u>74,322</u>	<u>75,443</u>
Total assets	<u>\$ 856,489</u>	<u>\$ 1,222,921</u>	<u>\$ 2,079,410</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	<u>\$ 7,286</u>	<u>\$ 106,613</u>	<u>\$ 113,899</u>
Total liabilities	7,286	106,613	113,899
Net assets			
Unrestricted	<u>849,203</u>	<u>1,116,308</u>	<u>1,965,511</u>
Total net assets	<u>849,203</u>	<u>1,116,308</u>	<u>1,965,511</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 856,489</u></u>	<u><u>\$ 1,222,921</u></u>	<u><u>\$ 2,079,410</u></u>

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2008

Exhibit C-8

	<u>Self Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES			
Charges for services	\$	\$ 3,311,255	\$ 3,311,255
Other revenues		463,760	463,760
Total operating revenues		3,775,015	3,775,015
OPERATING EXPENSES			
Contracted services		671,751	671,751
Claims	12,777	3,347,328	3,360,105
Total operating expenses	12,777	4,019,079	4,031,856
OPERATING INCOME (LOSS)	(12,777)	(244,064)	(256,841)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	33,721	35,124	68,845
Total nonoperating revenues	33,721	35,124	68,845
TRANSFERS			
Transfers in	50,000		50,000
Net transfers	50,000		50,000
CHANGE IN NET ASSETS	70,944	(208,940)	(137,996)
NET ASSETS AT BEGINNING OF YEAR	778,259	1,325,248	2,103,507
NET ASSETS AT END OF YEAR	\$ 849,203	\$ 1,116,308	\$ 1,965,511

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2008

Exhibit C-9

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from participants	\$	\$ 781,359	\$ 781,359
Cash received from recoveries and other		2,925,277	2,925,277
Cash payments for claims	(6,612)	(3,310,251)	(3,316,863)
Cash payments for insurance premiums		(671,751)	(671,751)
Net cash provided (used) by operating activities	<u>(6,612)</u>	<u>(275,366)</u>	<u>(281,978)</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	<u>33,721</u>	<u>35,124</u>	<u>68,845</u>
Net cash provided by investing activities	<u>33,721</u>	<u>35,124</u>	<u>68,845</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>77,109</u>	<u>(240,242)</u>	<u>(163,133)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>778,259</u>	<u>1,388,841</u>	<u>2,167,100</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 855,368</u>	<u>\$ 1,148,599</u>	<u>\$ 2,003,967</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (12,777)	\$ (244,064)	\$ (256,841)
Net change in:			
Accounts receivable	(1,121)	(68,379)	(69,500)
Claims payable	<u>7,286</u>	<u>37,077</u>	<u>44,363</u>
Total adjustments	<u>6,165</u>	<u>(31,302)</u>	<u>(25,137)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (6,612)</u>	<u>\$ (275,366)</u>	<u>\$ (281,978)</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

	<u>State Fees Funds</u>	<u>Unclaimed Property Fund</u>	<u>Bail Bond Security Fund</u>	<u>Departmental Fund</u>	<u>Appellate Judicial Fund</u>
ASSETS:					
Cash and cash equivalents	\$ 225,424	\$ 1,618	\$ 77,928	\$ 692,437	\$ 993
Accounts receivable	8,249				
Due from other funds	<u>16,965</u>				
TOTAL ASSETS	<u>\$ 250,638</u>	<u>\$ 1,618</u>	<u>\$ 77,928</u>	<u>\$ 692,437</u>	<u>\$ 993</u>
LIABILITIES:					
Accounts payable	\$ 230,092				
Due to other funds	17,711		16,965		
Due to others	<u>2,835</u>	<u>1,618</u>	<u>60,963</u>	<u>692,437</u>	<u>993</u>
TOTAL LIABILITIES	<u>\$ 250,638</u>	<u>\$ 1,618</u>	<u>\$ 77,928</u>	<u>\$ 692,437</u>	<u>\$ 993</u>

<u>Abilene Bail Bond</u>	<u>County Clerk</u>	<u>Tax Assessor Collector</u>	<u>District Clerk</u>	<u>JP Precint 1 Place 1</u>	<u>JP Precint 1 Place 2</u>	<u>Inmate Fund</u>	<u>Jail Commissary Fund</u>
\$ 51,723	\$ (53,907) 53,907	\$ 470,216	\$ 173,954	\$ 5,982	\$ 640	\$ 16,140	\$ 68,267
<u>\$ 51,723</u>	<u>\$</u>	<u>\$ 470,216</u>	<u>\$ 173,954</u>	<u>\$ 5,982</u>	<u>\$ 640</u>	<u>\$ 16,140</u>	<u>\$ 68,267</u>
\$	\$	\$	\$	\$	\$	\$	\$
<u>51,723</u>	<u></u>	<u>470,216</u>	<u>173,954</u>	<u>5,982</u>	<u>640</u>	<u>16,140</u>	<u>68,267</u>
<u>\$ 51,723</u>	<u>\$</u>	<u>\$ 470,216</u>	<u>\$ 173,954</u>	<u>\$ 5,982</u>	<u>\$ 640</u>	<u>\$ 16,140</u>	<u>\$ 68,267</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

	<u>Civil Fund</u>	<u>Social Services Fund</u>	<u>Operations Fund</u>	<u>Sweep Fund</u>	<u>Community Corrections Supervision</u>
ASSETS:					
Cash and cash equivalents	\$ 6,982	\$ 4,163	\$ 84,474	\$ 1,671	\$ 82,197
Accounts receivable					
Due from other funds					
	<u>\$ 6,982</u>	<u>\$ 4,163</u>	<u>\$ 84,474</u>	<u>\$ 1,671</u>	<u>\$ 82,197</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>6,982</u>	<u>4,163</u>	<u>84,474</u>	<u>1,671</u>	<u>82,197</u>
TOTAL LIABILITIES	<u>\$ 6,982</u>	<u>\$ 4,163</u>	<u>\$ 84,474</u>	<u>\$ 1,671</u>	<u>\$ 82,197</u>

<u>Community Corrections Fund</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 Fund</u>	<u>Domestic Relations Fund</u>
\$ 866,989	\$ 100	\$ 1,167	\$ 6,998	\$ 263	\$ 661,288	\$ 375,827	\$ 1,671
<u>\$ 866,989</u>	<u>\$ 100</u>	<u>\$ 1,167</u>	<u>\$ 6,998</u>	<u>\$ 263</u>	<u>\$ 661,288</u>	<u>\$ 375,827</u>	<u>\$ 1,671</u>
\$	\$	\$	\$	\$	\$	\$	\$
<u>866,989</u>	<u>100</u>	<u>1,167</u>	<u>6,998</u>	<u>263</u>	<u>661,288</u>	<u>375,827</u>	<u>1,671</u>
<u>\$ 866,989</u>	<u>\$ 100</u>	<u>\$ 1,167</u>	<u>\$ 6,998</u>	<u>\$ 263</u>	<u>\$ 661,288</u>	<u>\$ 375,827</u>	<u>\$ 1,671</u>

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2008

	<u>Employee Service Fund</u>	<u>County Clerk Bail Bonds</u>	<u>DA Collections Trust</u>	<u>District Clerk Bonds</u>	<u>Registry Fund</u>
ASSETS:					
Cash and cash equivalents	\$ 17,975	\$ 398,356	\$ 166,897	\$ 105,398	\$ 558,666
Accounts receivable Due from other funds					
TOTAL ASSETS	<u>\$ 17,975</u>	<u>\$ 398,356</u>	<u>\$ 166,897</u>	<u>\$ 105,398</u>	<u>\$ 558,666</u>
LIABILITIES:					
Accounts payable	\$	\$	\$	\$	\$
Due to other funds					
Due to others	<u>17,975</u>	<u>398,356</u>	<u>166,897</u>	<u>105,398</u>	<u>558,666</u>
TOTAL LIABILITIES	<u>\$ 17,975</u>	<u>\$ 398,356</u>	<u>\$ 166,897</u>	<u>\$ 105,398</u>	<u>\$ 558,666</u>

<u>District Attorney Escrow</u>	<u>Local Emergency Planning</u>	<u>Veterans War Memorial</u>	<u>County Clerk Error and Omission</u>	<u>JP 3 Fund</u>	<u>Total Agency Funds</u>
\$ 23,327	\$ 50	\$ 2,536	\$ 346,719	\$ 1,009	\$ 5,445,129 62,156 16,965
<u>\$ 23,327</u>	<u>\$ 50</u>	<u>\$ 2,536</u>	<u>\$ 346,719</u>	<u>\$ 1,009</u>	<u>\$ 5,524,250</u>
\$	\$	\$	\$	\$	\$ 230,092 34,676 5,259,482
<u>23,327</u>	<u>50</u>	<u>2,536</u>	<u>346,719</u>	<u>1,009</u>	<u>5,259,482</u>
<u>\$ 23,327</u>	<u>\$ 50</u>	<u>\$ 2,536</u>	<u>\$ 346,719</u>	<u>\$ 1,009</u>	<u>\$ 5,524,250</u>

SINGLE AUDIT 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, 2008, and have issued our report thereon dated March 30, 2009. 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

Abilene, Texas
March 30, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Taylor County, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Taylor County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Taylor County, Texas' management. Our responsibility is to express an opinion on Taylor County, Texas' compliance based on our audit.

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

In our opinion, Taylor County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be a material weakness, as defined above.

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

DAVIS KINARD & CO, PC

Abilene, Texas
March 30, 2009

TAYLOR COUNTY, TEXAS
Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

A. Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiencies	None
Material Weaknesses involving Significant Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section .510(a), OMB Circular A-133	None
<u>Major Federal Programs:</u>	
Grantor Agency:	U.S. Department of Health and Human Services passed through Texas Department of Family and Protective Services Foster Care and Juvenile Justice – Title IV-E 93.658
Program:	
CFDA No.	
Grantor Agency:	U.S Department of Homeland Security passed through the Governor's Division of Emergency Management Federal Emergency Management Agency- Disaster Grants
Program:	
CFDA No.	97.036
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee	The County was classified as a low-risk auditee in the context of OMB Circular A-133.

TAYLOR COUNTY, TEXAS
Schedule of Findings and Questioned Costs
Year Ended September 30, 2008

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

None

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

None

TAYLOR COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2008

Status of Prior Year's Finding/Noncompliance

None

TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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	\$ 2,643
Total			<u>2,643</u>
<u>Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services:</u>			
National School Lunch Program	10.553	N/A	30,879
Total			<u>30,879</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>30,879</u>
Total U.S. Department of Agriculture			<u><u>33,522</u></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	159,483
Total			<u>159,483</u>
Title IV-E-Juvenile Justice Services	93.658	N/A	134,376
Title IV-E-Foster Care Assistance	93.658	N/A	24,523
Total			<u>158,899</u>
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			<u>318,382</u>
Total U.S. Department of Health and Human Services			<u><u>318,382</u></u>
<u>U. S. Department of Justice</u>			
<u>Direct Programs:</u>			
State Criminal Alien Assistance Program	16.606	2008-AP-BX-0482	16,533
Total			<u>16,533</u>
<u>Passed Through Texas Criminal Justice Division:</u>			
Purchase of Juvenile Services	16.540	JA-06-J20-14238-07	20,804
Total Passed Through Texas Criminal Justice Division			<u>20,804</u>
<u>Passed Through Texas Attorney General Office, Crime Victim Services Division</u>			
Victim Coordinator and Liaison Grant	16.575	07-00533	36,192
Total Passed Through Texas Attorney General Office, Crime Victim Services Division			<u>36,192</u>
Total U.S. Department of Justice			<u><u>73,529</u></u>

See Independent Auditor's Report

TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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	\$ 58,236
Federal Emergency Management Agency-Disaster Grants	97.036	FEMA-TX-DR1709	<u>112,393</u>
Total Passed Through The Governor's Division of Emergency Mgmt.			<u>170,629</u>
Total U.S. Department of Homeland Security			<u>170,629</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	<u>32,255</u>
Total Passed Through the Office of the Governor, Criminal Justice Division			<u>32,255</u>
Total Expenditures of Federal Awards			<u><u>\$ 628,317</u></u>

See Independent Auditor's Report

**TAYLOR COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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>		
Direct:		
Texas VINE Program	08-00169	\$ 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	N/A	64,877
Equalization Payment	N/A	64,477
Total Texas Task Force on Indigent Defense		<u>129,354</u>
<u>Texas Juvenile Probation Commission</u>		
State Aid	N/A	953,906
Total Texas Juvenile Probation Commission		<u>953,906</u>
<u>Texas Department of Criminal Justice</u>		
Law Enforcement Officer Standards and Education Funds	N/A	14,040
Total Texas Department of Criminal Justice		<u>14,040</u>
Total Expenditures of State Awards		<u>\$ 1,127,408</u>

See Independent Auditor's Report

TAYLOR COUNTY, TEXAS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

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.