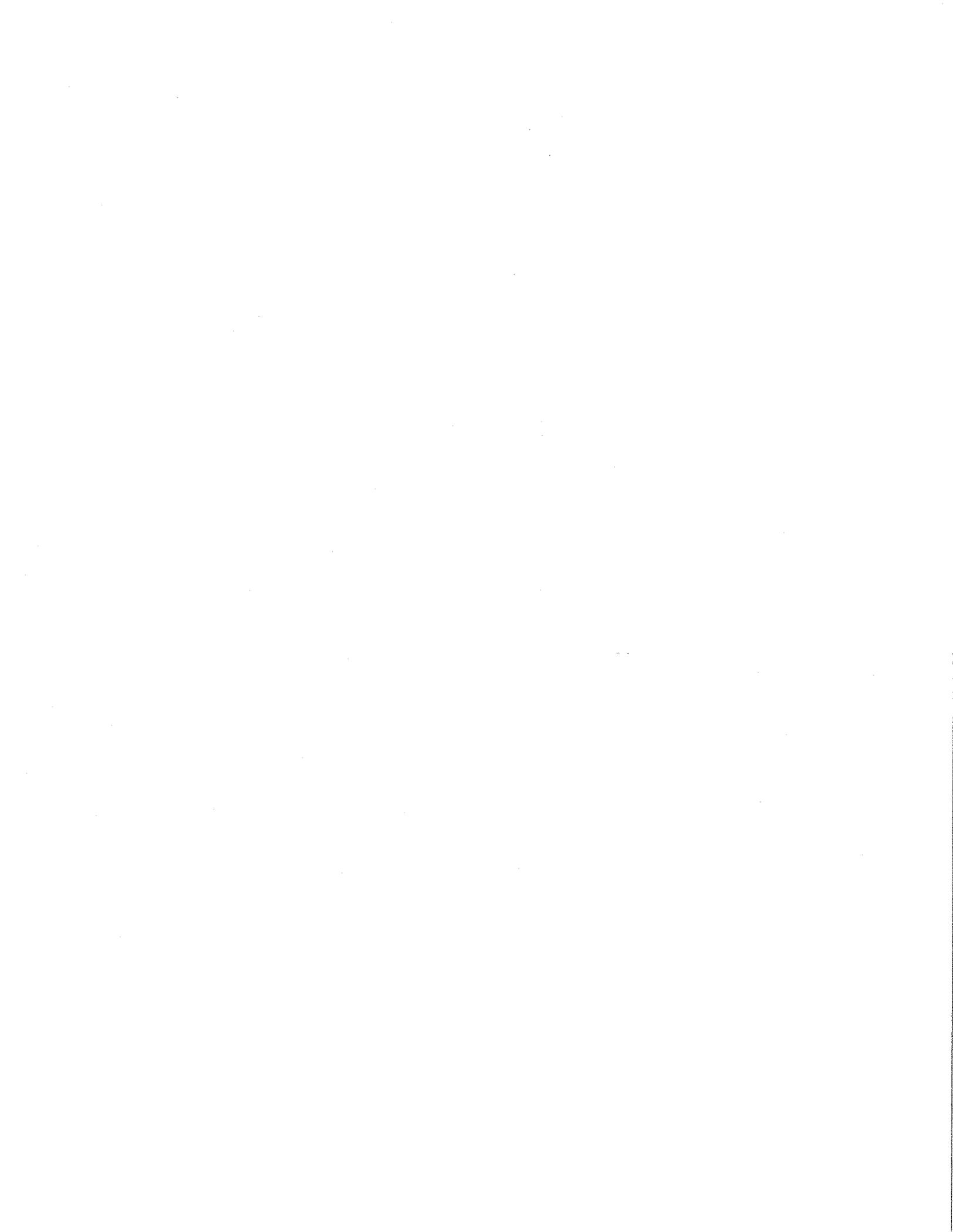


ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**For Fiscal Year
September 30, 2008**



ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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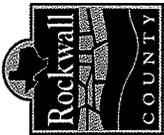
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ROCKWALL COUNTY, TEXAS

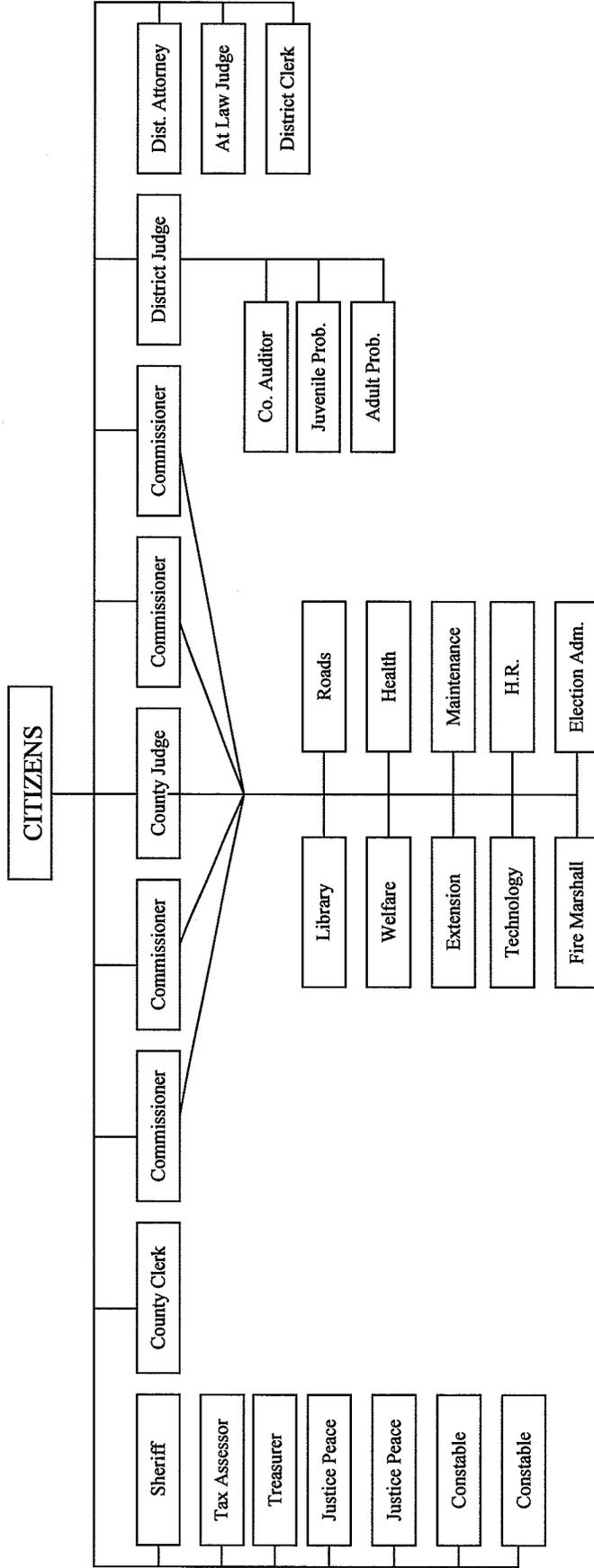
PRINCIPAL OFFICIALS

SEPTEMBER 30, 2008

<u>Name</u>	<u>Title</u>
<u>Commissioners' Court:</u>	
Chris Florance	County Judge
Jerry Wimpee	Commissioner, Precinct 1
Lori Grinnan	Commissioner, Precinct 2
Bruce Beaty	Commissioner, Precinct 3
David Magness	Commissioner, Precinct 4
<u>Board of District Judges:</u>	
Brett Hall	District Court
<u>County Judges:</u>	
David Rakow	County Court at Law
David Karr	Justice of the Peace, Precinct 1
Larry Holloway	Justice of the Peace, Precinct 2
<u>Law Enforcement:</u>	
Harold Eavenson	Sheriff
Craig Stoddart	Acting District Attorney
Angie Scalf	Director, Juvenile Probation
Brett Gilbert	Director, Adult Probation
Randy Parks	Constable, Precinct 1
John Cullins	Constable, Precinct 2
<u>Administrative Officials:</u>	
John A. Blackwood	County Auditor
Barbara Barber	Tax Assessor-Collector
Brian Crenshaw	Information Systems
William Sinclair	Treasurer
Randy Jennings	Director, Human Resources
Ron Meritt	Health Coordinator
Donna Mussotter	Director, Indigent Health
Wesley Roberts	Fire Marshal
Pat Nesmith	Road and Bridge Administrator
Luis Guzman	Maintenance Administrator
<u>Recording Officials:</u>	
Lisa Constant	County Clerk
Kay McDaniel	District Clerk



ROCKWALL COUNTY – 2008



FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockwall County, Texas (the "County"), 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 Rockwall County 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 October 22, 2009, on our consideration of Rockwall County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 50 through 52 are not a required part of the 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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Pattillo, Brown + Hill, L.L.P.

October 22, 2009

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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ROCKWALL COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the County of Rockwall, Texas' (the "County") Annual Financial Report presents a discussion and analysis of the County's financial performance during the fiscal year that ended September 30, 2008. Readers should consider the information in this section when reading the overall report, including the transmittal letter, financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

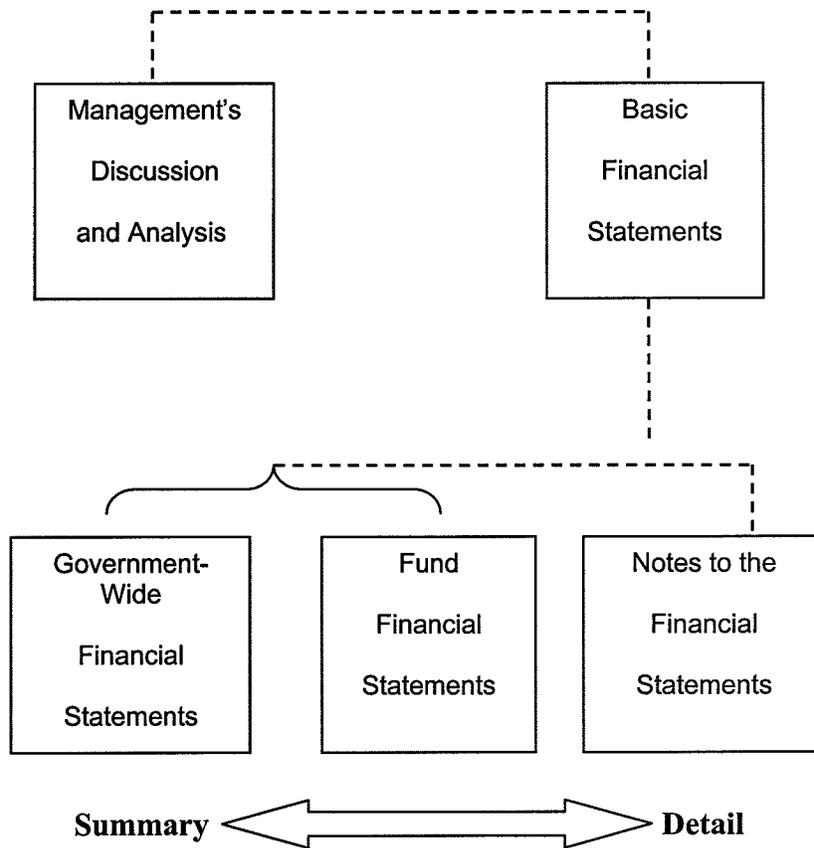
As illustrated in Figure A-1, the government-wide financial statements provide information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The assets of Rockwall County exceeded its liabilities at the close of the fiscal year by \$37,302,287 (net assets).
- The County's total net assets increased by \$4,506,511, not including prior period adjustments, due to increases in the government-type activities net assets.
- As of the close of the current fiscal year, Rockwall County's governmental funds reported combined ending fund balances of \$55,436,032, an increase of \$23,901,469, not including prior period adjustments, in comparison with the prior year. Approximately 44% of this total amount, or \$24,185,211, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance was \$19,826,660, or 83% of total General Fund expenditures.
- Rockwall County's total bonded debt increased by \$30,185,000 or 138.1% during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Rockwall County.

**Figure A-1
Required Components of
Rockwall County's Annual Financial Report**



Basic Financial Statements

The first two statements (pages 14 and 15) in the basic financial statements are the *government-wide financial statements*. They provide both short and long-term information about the County's financial status.

The next statements (pages 16 through 24) are *fund financial statements*. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. After the notes, *supplemental information* is provided to show details about the County's individual funds. Budgetary information required by the general statutes also can be found in this part of the statements.

Government-wide Financial Statements – The government-wide financial statements, which begin on page 14 of this report, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both the government-wide financial statements distinguish functions of Rockwall 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 activities). The governmental activities of the County include general government, public safety, judicial, and community services.

Fund Financial Statements – The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Rockwall, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the general statutes or the County's budget ordinance. All of the funds of the County of Rockwall, Texas can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County of Rockwall, Texas adopts an annual budget for its General Fund, as required by the general statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Commissioners' Court about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: (1) the final budget as amended by the Commissioners; 2) the actual resources, variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – are used to report the same functions presented as business-type activities in the government-wide financial statements. Rockwall County uses proprietary funds to account for its internal service activity. These funds are the same as those functions shown in the business-type activities in the in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Rockwall County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 23 and 24 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 49 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and budget to actual schedule for the General Fund. Required supplementary information can be found beginning on page 50 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 56 to 68 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2008, continue the implementation of a new standard of financial reporting for Rockwall County, and many other units of government across the United States.

Figure A-2
ROCKWALL COUNTY'S NET ASSETS

	Governmental Activities	
	2008	2007
Current and other assets	\$ 59,815,185	\$ 35,746,237
Capital assets	<u>32,868,174</u>	<u>20,191,294</u>
Total assets	<u>92,683,359</u>	<u>55,937,531</u>
Long-term liabilities	52,500,053	22,283,239
Other liabilities	<u>2,881,019</u>	<u>3,075,980</u>
Total liabilities	<u>55,381,072</u>	<u>25,359,219</u>
Net assets:		
Invested in capital assets, net of related debt	12,633,499	8,842,844
Restricted	4,658,169	14,596,117
Unrestricted	<u>20,010,619</u>	<u>7,139,351</u>
Total net assets	<u>\$ 37,302,287</u>	<u>\$ 30,578,312</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition; Figure A-2 provides a one-year comparison. The total assets of Rockwall County exceeded liabilities by \$37,302,287 as of September 30, 2008. The County's net assets increased by \$4,506,511, excluding prior period adjustments of \$2,217,464, for the fiscal year ended September 30, 2008 [see Section IV.1 in the notes for an explanation of these adjustments.] However, a large portion, 34.4% reflects the County's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. Rockwall County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rockwall County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

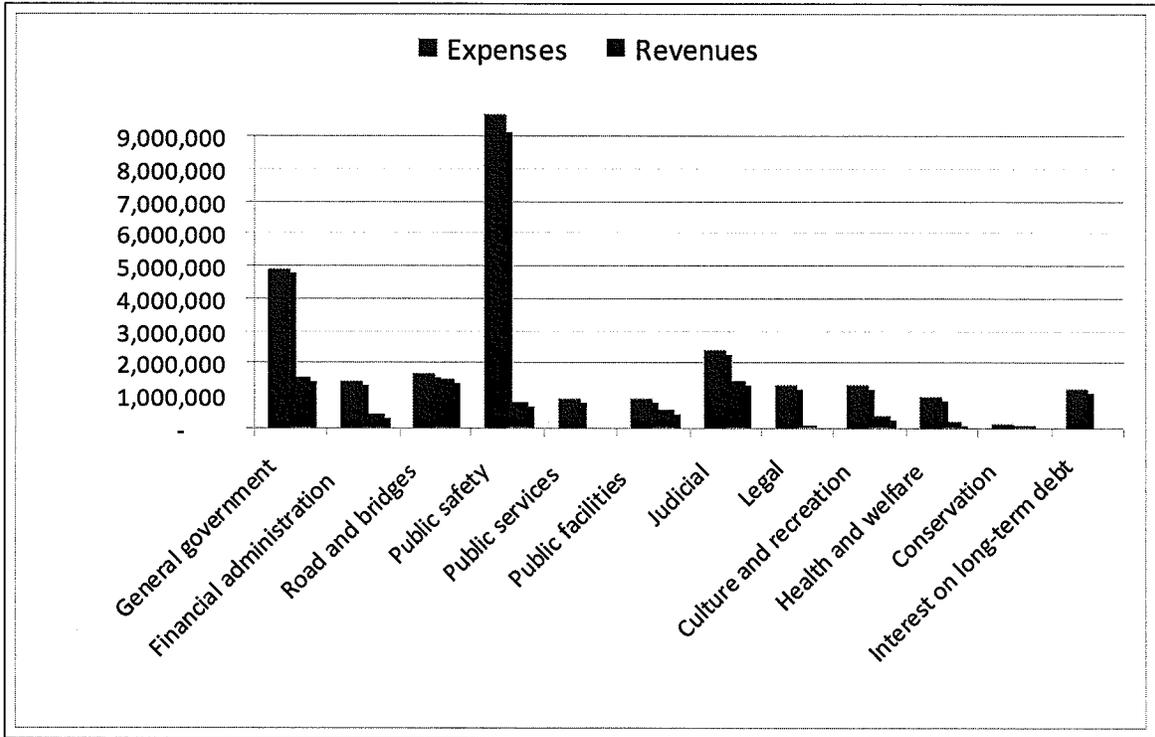
Analysis of the County's Operations – Figure A-3 provides a summary of the County's operations for the year ended September 30, 2008, and comparative data from 2007.

**Figure A-3
ROCKWALL COUNTY'S NET ASSETS**

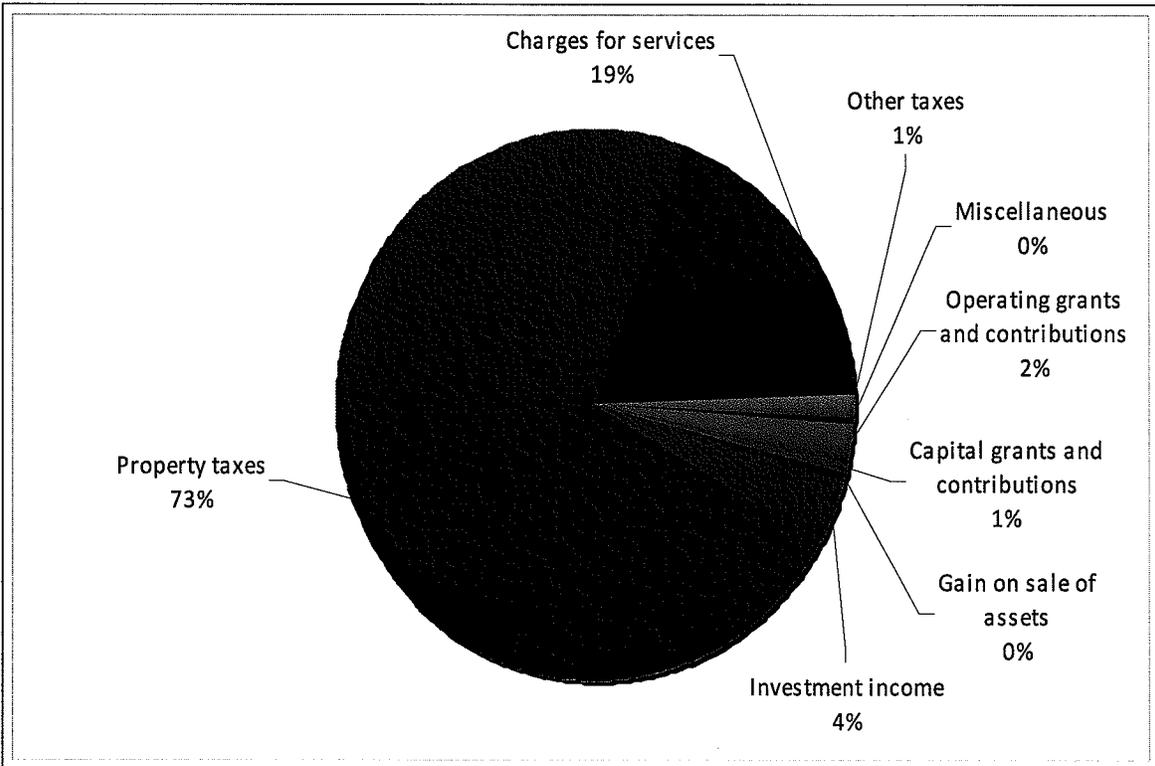
	Governmental Activities	
	2008	2007
REVENUES		
Program revenues:		
Charges for services	\$ 5,890,857	\$ 7,899,370
Operating grants and contributions	754,289	318,581
Capital grants and contributions	189,753	-
General revenues:		
Property taxes	22,540,006	19,529,973
Mixed drink taxes	179,886	161,861
Sales tax	272,014	270,597
Investment earnings	1,243,200	1,657,302
Gain on sale of assets	100,369	14,276
Miscellaneous	33,904	134,721
Total revenues	31,204,278	29,986,681
EXPENSES		
General government	4,911,158	5,607,410
Financial administration	1,437,998	1,455,287
Roads and bridges	1,692,275	1,469,238
Public safety	9,677,827	8,109,613
Public services	870,537	804,559
Public facilities	894,060	917,639
Judicial	2,371,285	2,088,514
Legal	1,289,152	1,170,020
Culture and recreation	1,316,823	703,138
Health and welfare	934,664	766,869
Conservation	117,413	125,278
Interest on long-term debt	1,184,575	585,944
Total expenditures	26,697,767	23,803,509
INCREASE IN NET ASSETS	4,506,511	6,183,172
NET ASSETS, BEGINNING	30,578,312	23,859,439
PRIOR PERIOD ADJUSTMENT	2,217,464	535,701
NET ASSETS, ENDING	\$ 37,302,287	\$ 30,578,312

Governmental-type Activities – Governmental-type activities increased the County’s net assets \$4,506,511, thereby accounting for 100% of the total growth in the net assets of the County of Rockwall. Key elements of this increase are property tax revenues, which increased by \$3,010,033, or 15.4%.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The General Fund is the chief operating fund of Rockwall County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$19,826,660. As a measure of the General Fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 83% of total General Fund expenditures.

The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the:

- General Fund
- Courthouse Construction Fund
- Road Improvement Bond 2008 Fund
- Library Construction Bond Fund

Each of these funds is considered to be a major fund. Financial results from the other government funds are combined into a single, aggregated presentation and included in the total. Individual fund data for each of these nonmajor governmental funds are provided in the combining and individual fund statements and schedules.

The County adopts an annual appropriated budget for most of its governmental funds. A budgetary comparison statement is provided for County governmental funds, where a budget is adopted, to demonstrate compliance with the approved budget. Budgetary comparison statements for major governmental funds are presented as required supplementary information in the basic financial statements.

General Fund Budgetary Highlights – During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly more than the budgeted amounts mainly in the areas of fees and sales taxes. However, expenditures were generally in line with budgeted amounts.

Proprietary Funds – Currently, the County has only one type of proprietary fund – Internal Service. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County’s various functions. The services provided benefit the various government functions they support, which is why they have been included within governmental activities in the government-wide financial statements. The County uses Internal Service funds to account for the following activities:

- Insurance Claims
- Employee Benefits Paid

Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail. Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds are provided in the combining and individual fund statements and schedules.

Fiduciary Funds – The County’s fiduciary fund consists of one trust fund and several agency funds. Agency funds are separate accounts and transactions related to money received that is collected for and remitted to another entity. For example, the County collects traffic fines; a portion of the fines belong to the state. After collection, the monies owed to the other entities are remitted to those entities on a periodic basis.

Notes to the Financial Statements – The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

Other Information – In addition to the basic financial statements accompanying notes to those financial statements, also presented in this report are certain required supplementary information schedules with additional information regarding the results of the County's financial activities.

The combining statements and individual fund schedules are presented immediately following the required supplementary information.

CAPITAL ASSETS

Rockwall County’s investment in capital assets for its governmental activities as of September 30, 2008, totals \$32,868,174 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- The County continued work on road improvements;
- The County continued construction of a new library building; and
- The County purchased a building at 915 Whitmore Drive.

ROCKWALL COUNTY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities	
	2008	2007
Land and improvements	\$ 6,371,813	\$ 5,814,371
Machinery and equipment	7,074,117	6,846,882
Buildings	11,954,340	11,349,136
Infrastructure	5,289,180	1,014,200
Construction in progress	11,465,145	2,848,540
Less: accumulated depreciation	(9,286,421)	(7,681,835)
Total	\$ 32,868,174	\$ 20,191,294

Additional information on the County's capital assets can be found in Note C on page 38.

DEBT ADMINISTRATION

Long-term Debt – As of September 30, 2008, Rockwall County had total bonded debt outstanding of \$52,045,000.

**ROCKWALL COUNTY'S OUTSTANDING BONDS
AS OF SEPTEMBER 30, 2008**

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation and tax notes	\$ <u>21,860,000</u>	\$ <u>32,000,000</u>	\$ <u>1,815,000</u>	\$ <u>52,045,000</u>

Rockwall County's bonded debt increased by \$30,185,000 (138.1%) during the past fiscal year.

BUDGET HIGHLIGHTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2009

Governmental Activities – Property tax revenues (benefiting from the economic growth) and revenues from County services are expected to increase during 2009. The County will use the current revenues in addition to any increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise 0.89% to \$27,724,365. The largest increments are in infrastructure expenditures. This increase will be covered by the excess of budget revenues over expenditures in the County's governmental activities.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning the information found in this report or requests for additional information should be directed to the Treasurer, or County Auditor, in Rockwall County, Texas.

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**BASIC
FINANCIAL STATEMENTS**

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ROCKWALL COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

ASSETS

Cash and investments	\$ 18,920,878
Receivables (net of allowance for uncollectibles)	1,379,515
Restricted assets:	
Cash and cash equivalents	39,228,948
Prepaid expense	41,550
Deferred charges	244,294
Capital assets:	
Non-depreciable	17,836,958
Depreciable (net)	<u>15,031,216</u>
Total assets	<u>92,683,359</u>

LIABILITIES

Accounts payable	1,423,034
Claims payable	165,293
Accrued liabilities	685,526
Due to others	241,186
Unearned revenue	388
Interest payable	365,592
Noncurrent liabilities:	
Due within one year:	
Certificates of obligation	230,000
Tax notes	2,925,000
Bond premiums/discounts	967
Compensated absences	87,531
Due in more than one year:	
Certificates of obligation	2,575,000
Tax notes	46,315,000
Bond premiums/discounts	16,431
Compensated absences	<u>350,124</u>
Total liabilities	<u>55,381,072</u>

NET ASSETS

Invested in capital assets, net of related debt	12,633,499
Restricted for:	
Roads and bridges	320,044
Debt service	1,028,694
Other purposes	3,309,431
Unrestricted	<u>20,010,619</u>
Total net assets	<u>\$ 37,302,287</u>

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Governmental activities:					
General government	\$ 4,911,158	\$ 1,430,604	\$ 84,540	\$ 49,515	\$(3,346,499)
Financial administration	1,437,998	437,003	-	-	(1,000,995)
Roads and bridges	1,692,275	1,494,849	-	-	(197,426)
Public safety	9,677,827	742,440	7,054	-	(8,928,333)
Public services	870,537	-	-	-	(870,537)
Public facilities	894,060	96,755	424,004	-	(373,301)
Judicial	2,371,285	1,409,810	34,979	-	(926,496)
Legal	1,289,152	36,192	16,263	-	(1,236,697)
Culture and recreation	1,316,823	102,736	130,394	140,238	(943,455)
Health and welfare	934,664	108,468	57,055	-	(769,141)
Conservation	117,413	32,000	-	-	(85,413)
Interest on long-term debt	1,184,575	-	-	-	(1,184,575)
Total governmental activities	<u>26,697,767</u>	<u>5,890,857</u>	<u>754,289</u>	<u>189,753</u>	<u>(19,862,868)</u>
Total primary government	<u>\$ 26,697,767</u>	<u>\$ 5,890,857</u>	<u>\$ 754,289</u>	<u>\$ 189,753</u>	<u>(19,862,868)</u>
General revenues:					
Taxes:					
Property					22,540,006
Beverage					179,886
Other					272,014
Investment earnings					1,243,200
Miscellaneous					33,904
Gain on sale of assets					100,369
Total general revenues					<u>24,369,379</u>
Change in net assets					4,506,511
Net assets - beginning					30,578,312
Prior period adjustment					<u>2,217,464</u>
Net assets - ending					<u>\$ 37,302,287</u>

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

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ROCKWALL COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2008

	General	Courthouse Construction	Road Improvements Bond 2008	Library Construction Bond	Other Governmental Funds	Total
ASSETS						
Cash and investments						
Unrestricted	\$ 18,517,871	\$ -	\$ -	\$ -	\$ 403,007	\$ 18,920,878
Restricted	1,595,430	30,089,295	-	1,504,771	5,099,603	38,289,099
Receivables (net of allowances for uncollectibles)						
Taxes	607,097	-	-	-	135,443	742,540
Accounts	580,249	-	-	-	56,726	636,975
Due from other funds	734,651	-	-	-	-	734,651
Prepaid expenses	41,550	-	-	-	-	41,550
Total assets	<u>\$ 22,076,848</u>	<u>\$ 30,089,295</u>	<u>\$ -</u>	<u>\$ 1,504,771</u>	<u>\$ 5,694,779</u>	<u>\$ 59,365,693</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 573,275	\$ 10,565	\$ -	\$ 575,221	\$ 255,220	\$ 1,414,281
Accrued liabilities	665,782	-	-	-	18,230	684,012
Due to others	241,186	-	-	-	-	241,186
Deferred revenue	769,945	-	-	-	85,586	855,531
Due to other funds	-	-	733,082	-	1,569	734,651
Total liabilities	<u>2,250,188</u>	<u>10,565</u>	<u>733,082</u>	<u>575,221</u>	<u>360,605</u>	<u>3,929,661</u>
Fund balances:						
Reserved for:						
Debt service	-	-	-	-	947,321	947,321
Unreserved reported in:						
General fund	19,826,660	-	-	-	-	19,826,660
Special revenue funds	-	-	-	-	4,358,551	4,358,551
Capital projects funds	-	30,078,730	(733,082)	929,550	28,302	30,303,500
Total fund balances	<u>19,826,660</u>	<u>30,078,730</u>	<u>(733,082)</u>	<u>929,550</u>	<u>5,334,174</u>	<u>55,436,032</u>
Total liabilities and fund balances	<u>\$ 22,076,848</u>	<u>\$ 30,089,295</u>	<u>\$ -</u>	<u>\$ 1,504,771</u>	<u>\$ 5,694,779</u>	<u>\$ 59,365,693</u>

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

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ROCKWALL COUNTY, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

AS OF SEPTEMBER 30, 2008

Total fund balances - governmental funds balance sheet	\$ 55,436,032
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	32,868,174
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	855,143
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(52,621,351)
Internal Service Funds are used by management to charge the costs of health insurance to individual funds.	<u>764,289</u>
Net assets of governmental activities in the Statement of Net Assets	\$ <u>37,302,287</u>

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

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ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Courthouse Construction	Road Improvements Bond 2008	Library Construction Bond	Other Governmental Funds	Total Governmental
REVENUES						
Property taxes	\$ 18,952,236	\$ -	\$ -	\$ -	\$ 3,137,197	\$ 22,089,433
Beverage taxes	179,886	-	-	-	-	179,886
Fines and forfeitures	1,242,546	-	-	-	236,915	1,479,461
Other taxes	33,930	-	-	-	238,084	272,014
Fees and commissions	2,227,346	-	-	-	1,682,100	3,909,446
Intergovernmental	26,962	-	-	-	234,525	261,487
Election	-	-	-	-	85,148	85,148
Investment earnings	670,769	194,295	-	204,213	173,923	1,243,200
Grants	346,698	-	-	-	195,561	542,259
Donations	-	-	-	-	260,238	260,238
Miscellaneous	62,303	-	-	-	5,309	67,612
Total revenues	<u>23,742,676</u>	<u>194,295</u>	<u>-</u>	<u>204,213</u>	<u>6,249,000</u>	<u>30,390,184</u>
EXPENDITURES						
Current:						
General government	3,985,599	10,565	-	-	181,579	4,177,743
Financial administration	1,451,139	-	-	-	-	1,451,139
Commissioner expenses	377,896	-	-	-	-	377,896
Roads and bridges	-	-	262,005	-	1,792,069	2,054,074
Public safety	9,437,815	-	-	-	304,507	9,742,322
Public facilities	870,644	-	-	-	-	870,644
Public services	747,347	-	-	-	86,215	833,562
Judicial	2,336,181	-	-	-	35,743	2,371,924
Legal	1,300,873	-	-	-	10,375	1,311,248
Culture and recreation	1,066,922	-	-	8,363,537	164,720	9,595,179
Health and welfare	937,942	-	-	-	-	937,942
Conservation	120,691	-	-	-	-	120,691
Capital outlay	1,311,337	-	-	-	433,935	1,745,272
Debt service:						
Principal	-	-	-	-	1,815,000	1,815,000
Interest and fiscal charges	24,963	105,000	-	-	1,086,949	1,216,912
Total expenditures	<u>23,969,349</u>	<u>115,565</u>	<u>262,005</u>	<u>8,363,537</u>	<u>5,911,092</u>	<u>38,621,548</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(226,673)</u>	<u>78,730</u>	<u>(262,005)</u>	<u>(8,159,324)</u>	<u>337,908</u>	<u>(8,231,364)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term debt	2,000,000	30,000,000	-	-	-	32,000,000
Transfers in	41,676	-	-	-	151,448	193,124
Transfers out	(151,448)	-	-	-	(41,676)	(193,124)
Proceeds from sale of assets	8,374	-	-	-	124,459	132,833
Total other financing sources and uses	<u>1,898,602</u>	<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>234,231</u>	<u>32,132,833</u>
NET CHANGE IN FUND BALANCES	1,671,929	30,078,730	(262,005)	(8,159,324)	572,139	23,901,469
FUND BALANCES, BEGINNING	18,513,756	-	(471,077)	9,446,580	4,601,058	32,090,317
PRIOR PERIOD ADJUSTMENT	(359,025)	-	-	(357,706)	160,977	(555,754)
FUND BALANCES, ENDING	<u>\$ 19,826,660</u>	<u>\$ 30,078,730</u>	<u>\$(733,082)</u>	<u>\$ 929,550</u>	<u>\$ 5,334,174</u>	<u>\$ 55,436,032</u>

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

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ROCKWALL COUNTY, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

AS OF SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds \$ 23,901,469

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 9,743,286

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 713,725

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (30,185,444)

Internal service funds are used by management to charge the costs of health insurance to individual funds. 333,475

Change in net assets of governmental activities \$ 4,506,511

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2008

	<u>Governmental Activities Internal Service</u>
ASSETS	
Restricted assets:	
Cash and cash equivalents	\$ <u>939,849</u>
Total assets	<u>939,849</u>
LIABILITIES	
Current liabilities:	
Accounts payable	8,753
Claims payable	165,293
Accrued liabilities	<u>1,514</u>
Total liabilities	<u>175,560</u>
NET ASSETS	
Restricted	<u>764,289</u>
Total net assets	<u>\$ 764,289</u>

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

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ROCKWALL COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Governmental Activities Internal Service</u>
OPERATING REVENUES	
Charges for services	\$ 2,546,723
Total operating revenues	<u>2,546,723</u>
OPERATING EXPENSES	
Insurance claims	1,800,089
Stop-loss insurance premiums	243,344
Administrative and other	<u>185,802</u>
Total operating expenses	<u>2,229,235</u>
OPERATING INCOME	<u>317,488</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>15,987</u>
Total nonoperating revenues (expenses)	<u>15,987</u>
NET INCOME	333,475
NET ASSETS, BEGINNING	<u>430,814</u>
NET ASSETS, ENDING	<u>\$ 764,289</u>

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Governmental Activities Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 2,546,723
Cash paid to employees	(9,965)
Cash paid to suppliers	(2,021,516)
Net cash provided by operating activities	<u>515,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>15,987</u>
Net cash provided by investing activities	<u>15,987</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	531,229
CASH AND CASH EQUIVALENTS, BEGINNING	<u>408,620</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 939,849</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 317,488
Change in assets and liabilities:	
Decrease (increase) in receivables	174,323
Increase (decrease) in accounts payable	8,816
Increase (decrease) in claims payable	13,101
Increase (decrease) in accrued liabilities	<u>1,514</u>
Total adjustments	<u>197,754</u>
Net cash provided by operating activities	<u>\$ 515,242</u>

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

SEPTEMBER 30, 2008

	Indigent Health Care Private-Purpose Trust	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ 272,961	\$ 3,436,371
Receivables	<u>180</u>	<u>-</u>
Total assets	<u>\$ 273,141</u>	<u>\$ 3,436,371</u>
LIABILITIES		
Accounts payable	\$ 19,000	\$ -
Accrued expenses	1,961	-
Due to others	-	2,487,448
Due to other governments	<u>-</u>	<u>948,923</u>
Total liabilities	<u>20,961</u>	<u>3,436,371</u>
NET ASSETS		
Held in trust	<u>252,180</u>	<u>-</u>
Total net assets	<u>\$ 252,180</u>	<u>\$ -</u>

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

ROCKWALL COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Indigent Health Care Private-Purpose Trust</u>
ADDITIONS	
County contributions	\$ 150,000
Interest earnings	<u>13,294</u>
Total additions	<u>163,294</u>
DEDUCTIONS	
Administrative expenses	<u>305,303</u>
Total deductions	<u>305,303</u>
CHANGES IN NET ASSETS	(142,009)
NET ASSETS, BEGINNING	<u>394,189</u>
NET ASSETS, ENDING	<u>\$ 252,180</u>

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

ROCKWALL COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Rockwall County (the "County") reflected in the accompanying financial statements conform to Generally Accepted Accounting Principles (GAAP). The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The most significant accounting and reporting policies of the County are described in the notes to the financial statements.

A. Reporting Entity

Rockwall County (the "County") was founded in 1873 and operates under the laws of the State of Texas and subsequent court orders providing the following services: public safety (law enforcement and detention facilities, contracts for fire and ambulance service), public welfare (social services, public health), highways and streets, judicial administration and records, library, public improvements, and general administrative services.

The accompanying financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. We have adopted the provisions of Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations are Component Units*, an amendment of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, as of September 30, 2008. There are no organizations that meet the requirements of GASB 39 which require inclusion in the basic financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The County has no business-type activities.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide, proprietary, and fiduciary fund financial statements are reported using 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 related cash flows. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The primary revenue sources susceptible to accrual are property taxes, which are recognized as deferred revenue until cash is received, and grant income, which is accrued when the legal and contractual requirements of the individual programs are met. Expenditures are recorded when incurred. However, expenditures for principal and interest on general long-term debt, compensated absences, and claims and judgments are recorded when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The County reports the following major governmental funds:

The ***General Fund*** is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The ***Courthouse Construction Fund*** accounts for the design, construction and equipping of the new Rockwall County Justice Center. Tax notes were issued to finance this project.

The ***Road Improvements Bond 2008 Fund*** accounts for the planning, engineering and construction of roads within Rockwall County. Bonds will be issued to finance this project.

The ***Library Construction Bond Fund*** accounts for the financial resources to be used for the construction of a new library facility.

Additionally, the County reports the following fund types:

Internal Service Funds account for the County's self-insurance program and employees benefit fund.

The ***Private-purpose Trust Fund*** is used to account for resources legally held in trust by a not-for-profit organization devoted to providing indigent health care. All resources of the fund may be used for the organization's activities.

Agency Funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program* revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund types, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at fair value, and the changes in the fair value of investments are recognized as investment revenue.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." The effect of interfund activity has been eliminated from the government-wide financial statements. All trade and property tax receivables are shown net of an allowance for uncollectibles.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are recorded at estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements which extend asset lives are capitalized and depreciated over the useful lives of the related assets, as applicable. Capital assets are capitalized if they have an original cost of \$5,000 or more and an expected useful life of over one year. When property or equipment is retired from service or otherwise disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reported in the statement of activities.

Infrastructure capital assets, such as streets, built and/or acquired since fiscal year 1960 are included.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 - 40
Buildings	10 - 40
Improvements	5 - 40
Equipment	5 - 10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Bond Issuance Costs

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period in the fund financial statements. Bond proceeds are reported as an "other financing source." Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide financial statements, issuance cost are reported as deferred charges and amortized over the life of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

A liability for unused paid time off and compensatory time for all fulltime employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences: a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences (Continued)

County employees earn annual leave up to a maximum of 20 days per year based on months of service. Fulltime regular employees earn 10 days of sick leave per year. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. Employees who have been employed for a year or more are eligible to be paid for all unused annual leave at their regular rate of pay upon termination of employment. Vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Reserves of Fund Equity

In the fund financial statements, governmental funds report reservations for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates

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

Property Taxes

Property subject to taxation is real property and certain personal property situated in the County. Certain properties of religious, educational and charitable organizations are exempt from taxation. In addition, other special exemptions are allowed by the Commissioners' Court of the County.

The County's ad valorem taxes are levied and become a legal enforceable claim, on October 1 on 100% of assessed valuation at a rate of \$0.3500 (\$0.2995 for the maintenance and operations and \$0.0505 for interest and sinking fund) per \$100 valuation as of the preceding January 1. These taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes paid after February 1 of each year are subject to interest and penalty charges.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes (Continued)

The County's taxes on real property are a lien (as of the date of levy) against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property.

Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years from the time such taxes became delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid.

Net Assets

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County Judge serves as the budget officer for the Commissioners' Court and submits the annual budget for approval where the legal level of control is by category. Amendments to the budget and additional appropriations must be approved by Commissioners' Court. Following is a summary of the budget calendar:

- The proposed budget is filed with the County Clerk and made available for public inspection.
- The Commissioners' Court holds a public hearing on the proposed budget and subsequently makes changes and approves the budget including the adoption of a property tax levy which is effective on October 1 preceding the beginning of the fiscal year.

(continued)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

- The approved budget is filed with the County Clerk.
- During the course of the budget year, it may be necessary to amend the budget. The Commissioners' Court may, by order, authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonable diligent thought and attention. The Commissioners' Court may issue an order to amend the budget by transferring an amount budgeted for one line item to another budgeted line item without authorizing an emergency expenditure.

To provide for a more meaningful budgetary comparison, the County's financial schedules of revenue and expenditures (budget versus actual) recognizes only the actual lease payments made on new capital leases, rather than recognizing the full acquisition price of the capital lease as both an expenditure and as an other financing source.

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.” The details of this \$(52,609,319) difference are as follows:

Certificates of obligation	\$(2,805,000)
Tax notes	(49,240,000)
Discounts on bonds	(17,398)
Accrued interest payable	(365,592)
Compensated absences	(437,655)
Deferred charge for bond issuance costs	<u>244,294</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(52,621,351)</u>

(continued)

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

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$9,743,286 difference are as follows:

Capital outlay	\$ 10,913,604
Capital asset retirements	(32,464)
Depreciation expense	(1,137,854)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>9,743,286</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$713,725 difference are as follows:

Property taxes	\$ 450,573
Adjudicated fines	<u>263,152</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>713,725</u>

(continued)

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(30,173,412) difference are as follows:

Principal repayments	\$ 1,815,000
Interest payable	(90,602)
Limited tax notes proceeds	(32,000,000)
Bond discount/premium	967
Bond issuance fees	121,972
Compensated absences	(32,781)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(30,185,444)</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (b) secured by obligations that are described by (1) – (4); (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third party selected or approved the County, and placed through a primary government securities dealer.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Following are the County's investments at September 30, 2008:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 4,700,489	45
MBIA Class	16,582,588	31
TexStar	<u>33,380,767</u>	34
Total investments	<u>\$ 54,663,844</u>	44

Investment pools are not categorized as to investment risk since specific securities relating to the government cannot be identified. Investments in 2a7-like pools are valued based upon the value of pool shares. No investments are reported at amortized cost. The County currently invests in three 2a7-like pools, the Texas Local Government Investment Pool (TexPool), Texas Short Term Asset Reserve Program (TexStar), and the Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS).

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

Texas CLASS was created under the Texas Government Code Ch. 2256. Municipal Investors Service Corporation (MBIA) is the plan administrator. The Custodian and the Board of Trustees shall conduct the trust's activities. The Board of Trustees shall be made up of all the Trustees elected by the participants. The fair value of the County's position in these pools is the same as the value of the pool shares.

J. P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

Interest Rate Risk. As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities not exceed two years for all investment types.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2008, \$7,413,167 of the County's \$7,925,826 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance of \$512,659 was covered by FDIC insurance.

Credit Risk. State law and county policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating by at least one nationally recognized rating service. The County's investments as of September 30, 2008, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAm	Standard & Poor's
MBIA Class	AAA/V1+	Fitch
TexStar	AAAm	Standard & Poor's

B. Receivables and Deferred Revenues

Receivables as of year-end for the County's individual major funds and nonmajor funds including the applicable allowances for uncollectible accounts, as follows:

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 789,375	\$ 154,769	\$ 944,144
Adjudicated fines	1,905,274	-	1,905,274
Accounts	<u>286,416</u>	<u>56,726</u>	<u>343,142</u>
Gross receivables	2,981,065	211,495	3,192,560
Less: allowance for uncollectibles	<u>(1,793,719)</u>	<u>(19,326)</u>	<u>(1,813,045)</u>
Net total receivables	<u>\$ 1,187,346</u>	<u>\$ 192,169</u>	<u>\$ 1,379,515</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables and Deferred Revenues (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Delinquent property taxes receivable	\$ 475,931	\$ -
Adjudicated fines receivable	293,833	-
Other	<u>-</u>	<u>181</u>
Total general fund	<u>769,764</u>	<u>181</u>
Other governmental funds:		
Delinquent property taxes receivable	85,379	-
Other	<u>-</u>	<u>207</u>
Total other governmental funds	<u>85,379</u>	<u>207</u>
 Total governmental funds	 <u>\$ 855,143</u>	 <u>\$ 388</u>

C. Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are valued in two ways: either actual historical cost where the amount can be determined from existing records or using current cost deflated to the year of construction. Once the historical cost is determined, regardless of how it is determined, the asset is then depreciated over its useful life.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Prior Period Adjustment</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,814,371	\$ 557,442	\$ -	\$ -	\$ 6,371,813
Construction in progress	<u>2,848,540</u>	<u>8,616,605</u>	<u>-</u>	<u>-</u>	<u>11,465,145</u>
Total assets not being depreciated	<u>8,662,911</u>	<u>9,174,047</u>	<u>-</u>	<u>-</u>	<u>17,836,958</u>
Capital assets, being depreciated:					
Buildings and improvements	11,349,136	623,283	-	(18,079)	11,954,340
Infrastructure	1,014,200	-	-	4,274,980	5,289,180
Machinery and equipment	<u>6,846,882</u>	<u>1,116,274</u>	<u>(498,808)</u>	<u>(390,231)</u>	<u>7,074,117</u>
Total capital assets being depreciated	<u>19,210,218</u>	<u>1,739,557</u>	<u>(498,808)</u>	<u>3,866,670</u>	<u>24,317,637</u>
Less accumulated depreciation:					
Buildings and improvements	3,481,296	315,175	-	(5,686)	3,790,785
Infrastructure	34,288	106,030	-	1,130,352	1,270,670
Machinery and equipment	<u>4,166,251</u>	<u>716,650</u>	<u>(466,344)</u>	<u>(191,591)</u>	<u>4,224,966</u>
Total accumulated depreciation	<u>7,681,835</u>	<u>1,137,855</u>	<u>(466,344)</u>	<u>933,075</u>	<u>9,286,421</u>
Total capital assets being depreciated, net	<u>11,528,383</u>	<u>601,702</u>	<u>(32,464)</u>	<u>2,933,595</u>	<u>15,031,216</u>
Governmental activities capital assets, net	<u>\$ 20,191,294</u>	<u>\$ 9,775,749</u>	<u>\$ (32,464)</u>	<u>\$ 2,933,595</u>	<u>\$ 32,868,174</u>

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

Governmental activities:	
General government	\$ 511,131
Financial administration	17,644
Roads and bridges	271,371
Public safety	262,630
Public facilities	5,365
Public services	36,447
Judicial	18,641
Legal	3,043
Culture and recreation	<u>11,583</u>
Total depreciation expense - governmental activities	<u>\$ 1,137,855</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables/Payables and Transfers

The composition of interfund balances as of September 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road Improvements Bond 2008	\$ 733,082
General	Nonmajor governmental	<u>1,569</u>
		<u>\$ 734,651</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made; and unsettled overdrafts of pooled cash which will be removed by rebalancing the funds' share of pooled cash and investments.

The following schedule briefly summarizes the County's transfer activity:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 41,676
Nonmajor governmental	General	<u>151,448</u>
		<u>\$ 193,124</u>

Transfers are used to: 1) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and 2) move unrestricted revenues collected in Special Revenue Funds to the General Fund.

E. Long-term Liabilities

The County issues general obligation bonds and tax notes to finance major capital projects. General obligations debt, certificates of obligation and contractual obligations are generally payable from property tax revenues. All other obligations, including capital leases and compensated absences, are payable from revenues of the General Fund.

Certificates of Obligation

The County periodically sells issues of certificates of obligation. Detailed information on outstanding certificates of obligation follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Due Within One Year</u>
\$4,500,000 Certificates of Obligation, Series 1998	01/15/98	3.8% - 4.6%	\$ 2,805,000	\$ 230,000

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Certificates of Obligation, Series 1998, in the amount of \$4,500,000 were issued for the purpose of constructing, improving, renovating, expanding, and equipping county jail facilities. Principal maturities will occur annually in August of each year. Interest payments occur semi-annually in February and August ranging from 4% - 4.75%. The final principal and interest payment is due on August 15, 2018.

The requirements to amortize all certificates of obligation outstanding, as of September 30, 2008, are as follows:

Fiscal Year Ending September 30,	Certificates of Obligation		
	Principal	Interest	Total
2009	\$ 230,000	\$ 128,692	\$ 358,692
2010	240,000	118,803	358,803
2011	250,000	108,242	358,242
2012	260,000	97,118	357,118
2013	270,000	85,417	355,417
2014-2018	<u>1,555,000</u>	<u>227,050</u>	<u>1,782,050</u>
Total	<u>\$ 2,805,000</u>	<u>\$ 765,322</u>	<u>\$ 3,570,322</u>

Tax Notes

	Date of Issue	Interest Rate	Principal Balance	Due Within One Year
\$3,900,000 permanent improvements limited tax notes, Series 2001	05/01/01	4.8%	\$ 2,965,000	\$ 170,000
\$1,500,000 limited tax notes Series 2002	04/01/02	3.7% - 4.2%	330,000	330,000
\$2,000,000 limited tax notes Series 2002A	10/23/02	3%	360,000	360,000
\$850,000 limited tax notes Series 2003	12/02/03	2.85%	305,000	150,000
\$950,000 limited tax notes Series 2004	11/04/04	3.51%	510,000	165,000
\$550,000 limited tax notes Series 2005	11/30/05	3.85%	390,000	90,000
\$11,500,000 limited tax notes Series 2007	06/18/07	4.0% - 4.037%	11,295,000	385,000
\$1,250,000 limited tax notes Series 2007	09/18/07	3.75% - 4.03%	1,085,000	165,000
\$30,000,000 limited tax notes Series 2008	06/17/08	2.62%	30,000,000	845,000
\$2,000,000 limited tax notes Series 2008A	09/25/08	4.09%	<u>2,000,000</u>	<u>265,000</u>
			<u>\$ 49,240,000</u>	<u>\$ 2,925,000</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The \$3,900,000 Limited Tax Notes, Series 2001, were issued for the purpose of acquiring land for a building to house the courts and expansion of the Criminal Justice and Detention Center and the purchase of land for a new library and library improvements. Principal maturities will occur annually beginning August 2002. Interest payments occur semi-annually in February and August ranging from 4.5% to 5.0%. The final principal and interest payment is due August 2021.

The \$1,500,000 Limited Tax Notes, Series 2002, were issued for the purpose of remodeling, expanding and equipping County Courthouse facilities, and to pay costs associated with the issuance of the notes. Principal maturities will occur annually beginning February 2004. Interest payments occur semi-annually in February and August at 3.0%. The final principal and interest payment is due February 2009.

The \$2,000,000 Limited Tax Notes, Series 2002A, were issued for the purpose of (1) to acquire computer equipment, copying and mail processing equipment, and data communications equipment, (2) construction of a storage building, and (3) pay costs associated with the issuance of the Note. Principal maturities will occur annually beginning February 2004. Interest payments occur semi-annually in February and August at 3.0%. The final principal and interest payment is due February 2009.

The \$850,000 Limited Tax Notes, Series 2003, were issued for the purpose of purchasing equipment for "general county purposes" consisting principally of filing cabinets, shelving, and other storage equipment. Principal maturities will occur annually beginning in February 2005. Interest payments occur semi-annually in February and August at 2.85%. the final principal and interest payment is due February 2010.

The \$950,000 Limited Tax Notes, Series 2004, were issued for the purpose of purchasing five public safety vehicles, a vehicle for the County Health Department, equipment for Road and Bridge, expansion of the County jail, and other capital equipment purchases for general County purposes. Principal maturities will occur annually beginning February 2006. Interest payments occur semi-annually in February and August at 3.51%. The final principal and interest payment is due February 2011.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The \$550,000 Limited Tax Notes, Series 2005, were issued for the purpose of (a) acquisition of (1) book binding machine, computer equipment and software, courtroom equipment and software, information systems, storage equipment and facilities and furniture and furnishing several offices, (2) GPS navigation system for 911 Coordinator, (3) vehicles and cleaning equipment for maintenance and operations, (4) vehicles for Sheriff's Department and Jail, and (5) trucks for road and bridge; (b) construction improvements to County Clerk's office courtrooms, and indigent health care offices and to pay the costs of issuance fees of the Notes. Principal maturities will occur annually beginning in February 2007. Interest payments will occur semi-annually in February and August at 3.85%. The final principal and interest payment is due February 2012.

The \$11,500,000 Permanent Improvement Limited Tax Notes, Series 2007, were issued for the purpose of designing constructing and equipping of a new 52,000 square foot library. Principal maturities will occur annually beginning in February 2008. Interest payments will occur semi-annually in February and August with a range of 4.0% - 4.375%. The final principal and interest payment is due February 2027.

The \$1,250,000 Limited Tax Notes, Series 2007, were issued for the purpose of purchasing computer equipment and software, audio/video equipment, security equipment, information systems, courtroom equipment, technology upgrades, office equipment, furniture and furnishing for County offices, voter election management system, voting registration card imaging, vehicles for Public Safety Departments, vehicles and equipment for road and bridge, construction of holding cells for County Court at Law and District Court, and acquisition of land and improvements for expansion for the jail and other county facilities. Principal maturities will occur annually beginning in February 2008. Interest payments will occur semi-annually in February and August with a range of 3.75% - 4.03%. The final principal and interest payment is due February 2014.

The \$30,000,000 Limited Tax Notes, Series 2008, were issued for the purpose of paying contractual obligations to be incurred in connection with designing, constructing, and equipping a County Justice Center including the payment of the costs of issuance of the notes. The notes shall mature annually on June 1 beginning in the year 2009 and ending in the year 2015. Interest payments will occur annually on June 1 beginning in the year 2009 and ending in the year 2015 based on a variable rate currently estimated to be 2.99% over a three-year average.

The \$2,000,000 Limited Tax Notes, Series 2008A, were issued for the purpose of paying contractual obligations to be incurred in connection with acquiring, remodeling, improving, and equipping the Rockwall County Services Building located at 915 Whitmore Drive in Rockwall, Texas including the payment of the costs of issuance of the notes. The notes shall mature annually on February 1 beginning in the year 2009 and ending in the year 2015. Interest payments will occur semi-annually on February 1 and August 1 beginning in the year 2009 and ending February 1, 2015, at an annual rate of 4.09%.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The requirements to amortize all tax notes outstanding, as of September 30, 2008, are summarized as follows:

Fiscal Year Ending September 30,	Tax Notes		
	Principal	Interest	Total
2009	\$ 2,925,000	\$ 1,536,135	\$ 4,461,135
2010	5,975,000	714,027	6,689,027
2011	5,995,000	707,794	6,702,794
2012	5,995,000	684,833	6,679,833
2013	6,060,000	659,809	6,719,809
2014 - 2018	14,905,000	3,105,788	18,010,788
2019-2023	4,175,000	2,714,011	6,889,011
2024-2027	<u>3,210,000</u>	<u>1,562,884</u>	<u>4,772,884</u>
Total	\$ <u>49,240,000</u>	\$ <u>11,685,281</u>	\$ <u>60,925,281</u>

F. Changes in Long-term Debt

The following is a summary of long-term debt transactions of the County for the fiscal year ended September 30, 2008:

Description	Amounts Outstanding September 30, 2007	Issued	Retired	Amounts Outstanding September 30, 2008	Due Within One Year
Certificates of obligation	\$ 3,025,000	\$ -	\$ 220,000	\$ 2,805,000	\$ 230,000
Tax notes	18,835,000	32,000,000	1,595,000	49,240,000	2,925,000
Bond premiums	18,365	-	967	17,398	967
Compensated absences	<u>404,874</u>	<u>52,501</u>	<u>19,720</u>	<u>437,655</u>	<u>87,531</u>
	\$ <u>22,283,239</u>	\$ <u>32,052,501</u>	\$ <u>1,835,687</u>	\$ <u>52,500,053</u>	\$ <u>3,243,498</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans

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

Plan Description

Rockwall County provides retirement, disability, and death benefits for all of its regular fulltime and part-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer retirement system consisting of 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and county-financed monetary credits. The level of these credits is adopted by the Commissioners' Court 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 County'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 county-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the required contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.99% for the months of the accounting year in 2007 and 9.00% for the months in accounting year 2008. The County also elected to make a lump sum payment of \$2,000,000 into the plan in November 2007.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans (Continued)

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

Plan Description (Continued)

The deposit rate payable by the employee members for calendar year 2008 is the rate of 7% as adopted by the Commissioners' Court of the County. The employee deposit rate and the employer deposit rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ended September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$1,038,716, and the actual contributions were \$1,038,716. 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, 2005, the basis for determining the contribution rates for calendar years 2008 and 2007. The December 31, 2007, actuarial valuation is the most recent valuation.

Actuarial Liabilities and Funding Progress

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, open	level percentage of payroll, open
Amortization period	20	7.4	30
Asset valuation method	long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information for the Retirement Plan for the Employees of Rockwall County

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/06	\$ 805,029	100%	\$ -
09/30/07	876,568	100%	-
09/30/08	1,038,716	100%	-

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans (Continued)

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

Annual Pension Cost (Continued)

**Schedule of Funding Progress for the Retirement Plan
For the Employees of Rockwall County**

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2005	\$ 13,003,283	\$ 1,595,039	\$ 2,947,116	815.23%	\$ 8,945,757	32.94%
2006	15,868,908	17,491,389	1,622,481	90.72%	9,681,214	16.76%
2007	19,635,206	19,255,541	(379,665)	101.97%	10,467,796	(3.63%)

- 1) The annual covered payroll is based on the employee contributions received by TCERS for the year ended with the valuation date.
- 2) Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

H. Other Post-retirement Health Care Benefits

The County provides certain health care and life insurance benefits, under county policy, for all active employees upon retirement that meet one of the following requirements: age 60 with 8 or more years of service, at least 30 years of service at any age, or a combined age plus service of at least 75.

A retiree may choose to receive health care coverage through the County’s self-insured plan if retiring prior to age 65 or the retiree may choose to obtain coverage through the CountyChoice Silver plan offered by Texas Association of Counties if retiring at age 65 or older. As noted, it is the retiree’s option to choose either based upon age and other qualifying requirements when retirement occurs. The retiree is free to choose an independent plan for coverage. To offset the cost of health care coverage, the County provides a \$150 monthly stipend to qualified retirees. Spouses are not eligible for the stipend unless they are also qualified County retirees. The stipend applies to both pre-65 and post-65 retirees. The stipend benefit is subject to approval by the Commissioners’ Court on an annual basis. The stipend benefit has been offered to qualified retirees since 2002, although amounts have changed over time.

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the year, post-retirement health care benefits paid by the County were \$22,848.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Post-retirement Health Care Benefits (Continued)

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. GASB 45 requires employer governments to account for and report the annual cost of other postemployment benefits in the same manner as they do pensions. This statement is effective for the County's financial statements for the fiscal year ending September 30, 2009.

The County contracted with an actuarial firm to value the postemployment medical plan. Results of the valuations are as follows:

Actuarial Accrued Liability (AAL)	\$ 1,204,000
Annual Required Contribution (ARC)	181,000
Amortization Period	30 years

The most recent actuarial evaluation of the plan was made as of October 1, 2007. The projected unit credit actuarial cost method has been used to calculate the annual required contributions for this plan. The actuarial calculations assumed a discount rate of 5% and a projected increase in active member payroll of 4.0% per year.

The County's annual employer contributions each year will continue to equal the benefits that are paid on behalf of the retirees and the stipends paid directly to retirees. The County will reflect proper treatment and note disclosure of Health Care Benefits for Retired Employees in accordance with GASB Statement No. 45 beginning with the fiscal year ending September 30, 2009.

I. Prior Period Adjustments

In the governmental funds financial statements, an adjustment was made to correct revenues that were incorrectly recorded in the General Fund in the prior year. These revenues should have been recorded in the Road and Bridge Fund. This adjustment decreased beginning fund balance in the General Fund and increased beginning fund balance in the Road and Bridge Fund by \$285,231.

In the governmental funds financial statements, an adjustment was made to correct expenditures that were incorrectly recorded in the General Fund in the prior year. These expenditures should have been recorded in the Library Construction Fund. This adjustment increased beginning fund balance in the General Fund and decreased beginning fund balance in the Library Construction Fund by \$357,706.

In prior years, the County had not recorded deferred revenue for property taxes receivable and adjudicated fines receivable in the governmental funds financial statements. The effect of this adjustment was a decrease of \$854,899 to beginning net assets in the General Fund and a decrease of \$70,087 in nonmajor governmental funds.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Prior Period Adjustments (Continued)

In the governmental funds financial statements, an adjustment was made to correct misstatements of court costs and fees payable in the prior year. This adjustment increased beginning fund balance in the General Fund by \$297,773.

In the governmental funds financial statements, an adjustment was made to correct misstatements of cash in the prior year. This adjustment increased beginning fund balance in the General Fund by \$125,626.

In the governmental funds financial statements, an adjustment was made to correct various misstatements in the prior year. The net effect of these adjustments was a decrease to beginning fund balance in nonmajor governmental funds of \$54,167.

In the government-wide financial statements, there was an adjustment made to increase the beginning net assets in governmental activities by \$2,933,594 to retroactively report infrastructure assets and their accumulated depreciation in accordance with GASB Statement 34. In addition, an adjustment was made to decrease beginning net assets in governmental activities by \$160,376 to correctly state accrued interest payable in the prior year.

The net effect of all these adjustments to beginning net assets in the government-wide financial statements is an increase of \$2,217,464.

J. Subsequent Events

In June 2009, the County issued \$24,600,000 of Limited Tax Refunding Bonds associated with the planned Rockwall County Courthouse and \$10,700,000 Unlimited Tax Road Bonds, Series 2009, for the pre-planning and preparation for road improvements within the County authorized by 2004 and 2008 bond elections.

K. Health Care Coverage (Self-insured Plan)

During the year ended September 30, 2008, employees of the County were covered by a health insurance plan (the "Plan"). The County contributed \$10,030 per year per employee. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid into the County's Insurance Trust Fund. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

L. Self-insurance Coverage

The County is exposed to various risks of loss in its normal daily operations. These risks include tort claims, theft/damage of county assets, errors and omissions, and natural disasters. The County has established a separate self-insurance fund (Internal Service) to account for these operations.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

M. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage. The County currently provides health benefits for its employees.

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage in any of the previous three years.

N. Commitments and Contingencies

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and, accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2008, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

ROCKWALL COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 18,734,398	\$ 18,734,398	\$ 18,952,236	\$ 217,838
Beverage taxes	105,000	105,000	179,886	74,886
Fines and forfeitures	1,300,000	1,300,000	1,242,546	(57,454)
Other taxes	30,000	30,000	33,930	3,930
Fees and commissions	2,475,500	2,475,500	2,227,346	(248,154)
Intergovernmental	15,000	15,000	26,962	11,962
Investment earnings	853,000	853,000	670,769	(182,231)
Grants	90,000	90,000	346,698	256,698
Miscellaneous	30,500	30,500	62,303	31,803
Total revenues	23,633,398	23,633,398	23,742,676	109,278
EXPENDITURES				
Current:				
General government:				
County judge	144,740	144,740	136,346	8,394
County clerk	829,591	829,591	731,407	98,184
Information services	347,221	347,221	296,290	50,931
Nondepartmental	3,989,000	3,646,252	2,749,511	896,741
Commissioners' court	74,321	74,321	72,045	2,276
Total general government	5,384,873	5,042,125	3,985,599	1,056,526
Financial administration:				
Tax assessor/collector	572,971	572,971	525,350	47,621
County treasurer	272,346	305,361	284,041	21,320
County auditor	441,200	441,200	422,508	18,692
Noncapital equipment	163,500	163,500	160,567	2,933
Human Resources	55,056	63,989	58,673	5,316
Total financial administration	1,505,073	1,547,021	1,451,139	95,882
Commissioner expenses:				
County commissioner, precinct #1	98,275	98,275	94,271	4,004
County commissioner, precinct #2	95,125	95,125	92,572	2,553
County commissioner, precinct #3	97,875	97,875	95,940	1,935
County commissioner, precinct #4	96,125	96,125	95,113	1,012
Total commissioner expenses	387,400	387,400	377,896	9,504
Public safety:				
Sheriff's department	4,210,074	4,210,074	3,922,450	287,624
County jail	4,552,259	4,552,259	4,316,088	236,171
Other law enforcement	941,726	949,626	921,223	28,403
Constable #1	83,610	87,110	85,056	2,054
Constable #2	82,220	85,320	82,294	3,026
Fire marshal	119,945	119,545	110,704	8,841
Total public safety	9,989,834	10,003,934	9,437,815	566,119

(continued)

ROCKWALL COUNTY, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Public facilities				
Maintenance and operations	\$ 1,044,059	\$ 999,959	\$ 870,644	\$ 129,315
Total public facilities	<u>1,044,059</u>	<u>999,959</u>	<u>870,644</u>	<u>129,315</u>
Public services:				
Election administrator	511,390	550,790	508,510	42,280
VINE program	15,000	18,000	17,925	75
TCEQ grant	<u>35,000</u>	<u>221,000</u>	<u>220,912</u>	<u>88</u>
Total public services	<u>561,390</u>	<u>789,790</u>	<u>747,347</u>	<u>42,443</u>
Judicial:				
District clerk	632,976	632,976	562,989	69,987
District judge	762,448	762,448	701,255	61,193
Justice of the peace, precinct #1	258,566	258,666	247,871	10,795
Justice of the peace, precinct #2	301,484	301,484	280,087	21,397
Court at law	<u>644,954</u>	<u>644,954</u>	<u>543,979</u>	<u>100,975</u>
Total judicial	<u>2,600,428</u>	<u>2,600,528</u>	<u>2,336,181</u>	<u>264,347</u>
Legal:				
District attorney	<u>1,440,793</u>	<u>1,440,793</u>	<u>1,300,873</u>	<u>139,920</u>
Total legal	<u>1,440,793</u>	<u>1,440,793</u>	<u>1,300,873</u>	<u>139,920</u>
Culture and recreation:				
County library	<u>1,093,267</u>	<u>1,125,267</u>	<u>1,066,922</u>	<u>58,345</u>
Total culture and recreation	<u>1,093,267</u>	<u>1,125,267</u>	<u>1,066,922</u>	<u>58,345</u>
Health and welfare:				
County health coordinator	170,565	170,565	165,791	4,774
Welfare	248,600	248,600	234,437	14,163
Ambulance	329,988	329,988	331,188	(1,200)
911 services	<u>77,327</u>	<u>77,327</u>	<u>56,526</u>	<u>20,801</u>
Indigent health care	<u>1,500,000</u>	<u>1,500,000</u>	<u>150,000</u>	<u>1,350,000</u>
Total health and welfare	<u>2,326,480</u>	<u>2,326,480</u>	<u>937,942</u>	<u>1,388,538</u>
Conservation:				
County agent	<u>152,019</u>	<u>152,019</u>	<u>120,691</u>	<u>31,328</u>
Total conservation	<u>152,019</u>	<u>152,019</u>	<u>120,691</u>	<u>31,328</u>
Total current expenditures	<u>26,485,616</u>	<u>26,415,316</u>	<u>22,633,049</u>	<u>3,782,267</u>

(continued)

ROCKWALL COUNTY, TEXAS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Noncurrent:				
Capital outlay:				
Capital equipment	\$ 965,263	\$ 959,263	\$ 80,446	\$ 878,817
Capital improvements	220,000	2,557,300	1,230,891	1,326,409
Total capital outlay	<u>1,185,263</u>	<u>3,516,563</u>	<u>1,311,337</u>	<u>2,205,226</u>
Debt service:				
Interest and fiscal charges	-	39,000	24,963	14,037
Total debt service	<u>-</u>	<u>39,000</u>	<u>24,963</u>	<u>14,037</u>
Total expenditures	<u>27,670,879</u>	<u>29,970,879</u>	<u>23,969,349</u>	<u>6,001,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,037,481)</u>	<u>(6,337,481)</u>	<u>(226,673)</u>	<u>6,110,808</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	-	2,000,000	2,000,000	-
Transfers in	-	-	41,676	41,676
Transfers out	(601,370)	(601,370)	(151,448)	449,922
Proceeds from sale of assets	-	-	8,374	8,374
Total other financing sources (uses)	<u>(601,370)</u>	<u>1,398,630</u>	<u>1,898,602</u>	<u>499,972</u>
NET CHANGE IN FUND BALANCE	<u>(4,638,851)</u>	<u>(4,938,851)</u>	<u>1,671,929</u>	<u>6,610,780</u>
FUND BALANCES, BEGINNING	<u>18,513,756</u>	<u>18,513,756</u>	<u>18,513,756</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>(359,025)</u>	<u>(359,025)</u>
FUND BALANCES, ENDING	<u>\$ 13,874,905</u>	<u>\$ 13,574,905</u>	<u>\$ 19,826,660</u>	<u>\$ 6,251,755</u>

SUPPLEMENTARY INFORMATION

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**BUDGETARY
COMPARISON SCHEDULES**

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ROCKWALL COUNTY, TEXAS

COURTHOUSE CONSTRUCTION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Difference
	Original	Final		
REVENUES				
Investment earnings	\$ -	\$ -	\$ 194,295	\$ 194,295
Total revenues	-	-	194,295	194,295
EXPENDITURES				
Current:				
General government	-	-	10,565	(10,565)
Debt service:				
Interest and fiscal charges	-	105,000	105,000	-
Total current expenditures	-	105,000	115,565	(10,565)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(105,000)	78,730	183,730
OTHER REVENUES AND FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	-	30,000,000	30,000,000	-
Total other financing sources (uses)	-	30,000,000	30,000,000	-
NET CHANGE IN FUND BALANCE	-	29,895,000	30,078,730	183,730
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ 29,895,000	\$ 30,078,730	\$ 183,730

ROCKWALL COUNTY, TEXAS

ROAD IMPROVEMENTS BOND 2008

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Difference</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
EXPENDITURES				
Current:				
Roads and bridges	<u>-</u>	<u>-</u>	<u>262,005</u>	<u>(262,005)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>262,005</u>	<u>(262,005)</u>
NET CHANGE IN FUND BALANCE	-	-	(262,005)	(262,005)
FUND BALANCES, BEGINNING	<u>(471,077)</u>	<u>(471,077)</u>	<u>(471,077)</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(471,077)</u>	<u>\$(471,077)</u>	<u>\$(733,082)</u>	<u>\$(262,005)</u>

ROCKWALL COUNTY, TEXAS

LIBRARY CONSTRUCTION BOND FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Difference
	Original	Final		
REVENUES				
Investment earnings	\$ 185,000	\$ 185,000	\$ 204,213	\$ 19,213
Total revenues	185,000	185,000	204,213	19,213
EXPENDITURES				
Current:				
Construction costs	10,243,927	10,243,927	8,363,537	1,880,390
Total current expenditures	10,243,927	10,243,927	8,363,537	1,880,390
NET CHANGE IN FUND BALANCE	(10,058,927)	(10,058,927)	(8,159,324)	1,899,603
FUND BALANCES, BEGINNING	9,446,580	9,446,580	9,446,580	-
PRIOR PERIOD ADJUSTMENTS	-	-	(357,706)	(357,706)
FUND BALANCES, ENDING	\$(612,347)	\$(612,347)	\$ 929,550	\$ 1,541,897

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**COMBINING FUND
FINANCIAL STATEMENTS**

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

SEPTEMBER 30, 2008

		Special Revenue		
	Debt Service	Emergency Management	Fire Code Enforcement	Law Library
ASSETS				
Cash and investments				
Unrestricted	\$ -	\$ 58,561	\$ 36,465	\$ -
Restricted	933,911	-	-	168,877
Receivables (net of allowance for uncollectibles)				
Taxes	95,283	-	-	-
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,029,194</u>	<u>\$ 58,561</u>	<u>\$ 36,465</u>	<u>\$ 168,877</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 500	\$ 2,245	\$ -	\$ 2,245
Accrued expenses	-	3,823	-	326
Deferred revenue	81,373	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>81,873</u>	<u>6,068</u>	<u>-</u>	<u>2,571</u>
Fund balances:				
Reserved	947,321	-	-	-
Unreserved	<u>-</u>	<u>52,493</u>	<u>36,465</u>	<u>166,306</u>
Total fund balances	<u>947,321</u>	<u>52,493</u>	<u>36,465</u>	<u>166,306</u>
Total liabilities and fund balances	<u>\$ 1,029,194</u>	<u>\$ 58,561</u>	<u>\$ 36,465</u>	<u>\$ 168,877</u>

Special Revenue

<u>Justice Court Bid Security</u>	<u>D. A. State</u>	<u>D. A. Forfeiture</u>	<u>Click it or Ticket Grant</u>	<u>Cities Readiness Initiative</u>	<u>Help America Vote Grant</u>	<u>Texas State Library Grant</u>
\$ - 22,071	\$ - 5,047	\$ 34,583 36,978	\$ - -	\$ - 116	\$ - 21,122	\$ - -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>11,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 22,071</u>	<u>\$ 16,897</u>	<u>\$ 71,561</u>	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 21,122</u>	<u>\$ -</u>
\$ -	\$ 40	\$ -	\$ -	\$ 116	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>116</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
<u>22,071</u>	<u>16,857</u>	<u>71,561</u>	<u>-</u>	<u>-</u>	<u>21,122</u>	<u>-</u>
<u>22,071</u>	<u>16,857</u>	<u>71,561</u>	<u>-</u>	<u>-</u>	<u>21,122</u>	<u>-</u>
<u>\$ 22,071</u>	<u>\$ 16,897</u>	<u>\$ 71,561</u>	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ 21,122</u>	<u>\$ -</u>

(continued)

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

(Continued)

SEPTEMBER 30, 2008

	Special Revenue				
	COPS Fast Grant	Emergency Management Federal Grant	Task Force Grant	Sheriff's Abandoned Property	Errors and Omissions Insurance
ASSETS					
Cash and investments					
Unrestricted	\$ -	\$ -	\$ -	\$ 9,461	\$ -
Restricted	-	14,148	14,594	20,898	95,969
Receivables (net of allowance for uncollectibles)					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
	-	-	-	-	-
Total assets	\$ -	\$ 14,148	\$ 14,594	\$ 30,359	\$ 95,969
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 14,148	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
	-	-	-	-	-
Total liabilities	-	14,148	-	-	-
Fund balances:					
Reserved	-	-	-	-	-
Unreserved	-	-	14,594	30,359	95,969
	-	-	14,594	30,359	95,969
Total fund balances	-	-	14,594	30,359	95,969
Total liabilities and fund balances	\$ -	\$ 14,148	\$ 14,594	\$ 30,359	\$ 95,969

Special Revenue

<u>Public Safety Sales Tax</u>	<u>Child Abuse Prevention</u>	<u>District Clerk Records Management</u>	<u>Court Reporter Service</u>	<u>Appellate Justice System</u>	<u>Justice Court Technology</u>	<u>CC Records Management and Preservation</u>	<u>Records Management and Preservation</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
707,892	-	23,306	101,265	17,014	169,963	1,324,754	48,525
35,455	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 743,347</u>	<u>\$ -</u>	<u>\$ 23,306</u>	<u>\$ 101,265</u>	<u>\$ 17,014</u>	<u>\$ 169,963</u>	<u>\$ 1,324,754</u>	<u>\$ 48,525</u>
\$ -	\$ -	\$ 17	\$ -	\$ 7,500	\$ -	\$ 126,757	\$ 929
-	-	222	-	-	-	(62)	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	239	-	7,500	-	126,695	929
<u>-</u>	<u>-</u>	<u>239</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>126,695</u>	<u>929</u>
-	-	-	-	-	-	-	-
<u>743,347</u>	<u>-</u>	<u>23,067</u>	<u>101,265</u>	<u>9,514</u>	<u>169,963</u>	<u>1,198,059</u>	<u>47,596</u>
<u>743,347</u>	<u>-</u>	<u>23,067</u>	<u>101,265</u>	<u>9,514</u>	<u>169,963</u>	<u>1,198,059</u>	<u>47,596</u>
<u>\$ 743,347</u>	<u>\$ -</u>	<u>\$ 23,306</u>	<u>\$ 101,265</u>	<u>\$ 17,014</u>	<u>\$ 169,963</u>	<u>\$ 1,324,754</u>	<u>\$ 48,525</u>

(continued)

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

(Continued)

SEPTEMBER 30, 2008

	Special Revenue				
	Courthouse Security	Election Services	Voter Registration Reimbursement	Library Building	JPD Local
ASSETS					
Cash and investments					
Unrestricted	\$ -	\$ 54,664	\$ -	\$ -	\$ -
Restricted	83,980	-	-	171,509	-
Receivables (net of allowance for uncollectibles)					
Taxes	-	-	-	-	-
Accounts	-	30,189	2,114	-	-
	-	30,189	2,114	-	-
Total assets	\$ 83,980	\$ 84,853	\$ 2,114	\$ 171,509	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 940	\$ -	\$ 595	\$ 55,382	\$ -
Accrued expenses	2,504	-	1,916	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	1,569	-	-
Total liabilities	3,444	-	4,080	55,382	-
Fund balances:					
Reserved	-	-	-	-	-
Unreserved	80,536	84,853	(1,966)	116,127	-
Total fund balances	80,536	84,853	(1,966)	116,127	-
Total liabilities and fund balances	\$ 83,980	\$ 84,853	\$ 2,114	\$ 171,509	\$ -

Special Revenue					Capital Projects		
JPD Probation Fees	Sheriff	Library	D. A. Hot Check Fees	Road and Bridge	Historic Courthouse	Library Renovation	Total
\$ -	\$ 58,462	\$ 129,300	\$ 21,511	\$ -	\$ -	\$ -	\$ 403,007
-	-	-	-	1,087,152	26,886	3,626	5,099,603
-	-	-	-	4,705	-	-	135,443
-	-	-	-	12,573	-	-	56,726
<u>\$ -</u>	<u>\$ 58,462</u>	<u>\$ 129,300</u>	<u>\$ 21,511</u>	<u>\$ 1,104,430</u>	<u>\$ 26,886</u>	<u>\$ 3,626</u>	<u>\$ 5,694,779</u>
\$ -	\$ -	\$ -	\$ -	\$ 41,596	\$ 2,210	\$ -	\$ 255,220
-	-	-	-	9,501	-	-	18,230
-	-	-	-	4,213	-	-	85,586
-	-	-	-	-	-	-	1,569
-	-	-	-	55,310	2,210	-	360,605
-	-	-	-	-	-	-	947,321
-	58,462	129,300	21,511	1,049,120	24,676	3,626	4,386,853
-	58,462	129,300	21,511	1,049,120	24,676	3,626	5,334,174
<u>\$ -</u>	<u>\$ 58,462</u>	<u>\$ 129,300</u>	<u>\$ 21,511</u>	<u>\$ 1,104,430</u>	<u>\$ 26,886</u>	<u>\$ 3,626</u>	<u>\$ 5,694,779</u>

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
SEPTEMBER 30, 2008

	Special Revenue			
	Debt Service	Emergency Management	Fire Code Enforcement	Law Library
REVENUES				
Property taxes	\$ 2,979,420	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Other taxes	-	-	-	-
Fees and commissions	-	96,370	36,378	56,140
Intergovernmental	-	-	-	-
Election	-	-	-	-
Investment earnings	43,578	2,565	87	4,762
Grants	-	-	-	-
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	3,022,998	98,935	36,465	60,902
EXPENDITURES				
Current:				
General government	-	-	-	-
Roads and bridges	-	-	-	-
Public safety	-	174,512	-	-
Public service	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Culture and recreation	-	-	-	44,083
Capital outlay	-	1,500	-	-
Debt service:				
Principal	1,815,000	-	-	-
Interest and fiscal charges	1,086,949	-	-	-
Total expenditures	2,901,949	176,012	-	44,083
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	121,049	(77,077)	36,465	16,819
OTHER FINANCING SOURCES (USES)				
Transfers in	-	96,370	-	-
Transfers out	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Total other revenues and financing sources (uses)	-	96,370	-	-
NET CHANGE IN FUND BALANCES	121,049	19,293	36,465	16,819
FUND BALANCES/EQUITY, BEGINNING	893,244	33,200	-	149,487
PRIOR PERIOD ADJUSTMENT	(66,972)	-	-	-
FUND BALANCES/EQUITY, ENDING	\$ 947,321	\$ 52,493	\$ 36,465	\$ 166,306

Special Revenue

Justice Court Bid Security	D. A. State	D. A. Forfeiture	Click it or Ticket Grant	Cities Readiness Initiative	Help America Vote Grant	Texas State Library Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	16,263	-	-	-	-
-	-	-	-	-	-	-
6,957	-	-	-	-	-	-
-	-	-	-	-	-	-
513	66	2,016	-	-	6,751	-
-	-	-	-	43,685	-	10,394
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,470</u>	<u>66</u>	<u>18,279</u>	<u>-</u>	<u>43,685</u>	<u>6,751</u>	<u>10,394</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	24,564	1,907	-
-	1,825	945	-	-	-	-
-	-	-	-	-	-	10,394
-	-	-	-	19,121	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1,825</u>	<u>945</u>	<u>-</u>	<u>43,685</u>	<u>1,907</u>	<u>10,394</u>
<u>7,470</u>	<u>(1,759)</u>	<u>17,334</u>	<u>-</u>	<u>-</u>	<u>4,844</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	(2,255)	(732)	-	(173)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,255)</u>	<u>(732)</u>	<u>-</u>	<u>(173)</u>
7,470	(1,759)	17,334	(2,255)	(732)	4,844	(173)
14,601	-	54,227	2,255	732	16,278	173
-	18,616	-	-	-	-	-
<u>\$ 22,071</u>	<u>\$ 16,857</u>	<u>\$ 71,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,122</u>	<u>\$ -</u>

(continued)

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENT FUNDS
(Continued)
SEPTEMBER 30, 2008

	Special Revenue				
	COPS Fast Grant	Emergency Management Federal Grant	Task Force Grant	Sheriff's Abandoned Property	Errors and Omissions Insurance
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Other taxes	-	-	-	-	-
Fees and commissions	-	-	-	3,573	8,375
Intergovernmental	-	-	-	-	-
Election	-	-	-	-	-
Investment earnings	-	-	366	850	2,741
Grants	-	141,482	-	-	-
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>141,482</u>	<u>366</u>	<u>4,423</u>	<u>11,116</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Roads and bridges	-	-	-	-	-
Public safety	-	-	-	-	-
Public service	-	-	-	-	-
Judicial	-	-	-	-	-
Legal	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	141,482	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>141,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>366</u>	<u>4,423</u>	<u>11,116</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	78	-	-	-	-
Transfers out	-	(36,664)	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Total other revenues and financing sources (uses)	<u>78</u>	<u>(36,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	78	(36,664)	366	4,423	11,116
FUND BALANCES/EQUITY, BEGINNING	(78)	36,664	14,228	25,936	84,853
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-
FUND BALANCES/EQUITY, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,594</u>	<u>\$ 30,359</u>	<u>\$ 95,969</u>

Special Revenue

Public Safety Sales Tax	Child Abuse Prevention	District Clerk Records Management	Court Reporter Service	Appellate Justice System	Justice Court Technology	CC Records Management and Preservation	Records Management and Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
238,084	-	-	-	-	-	-	-
-	-	7,417	24,060	8,685	29,270	223,680	27,594
-	-	-	-	-	-	-	-
17,096	-	658	2,818	551	4,785	38,536	1,075
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>255,180</u>	<u>-</u>	<u>8,075</u>	<u>26,878</u>	<u>9,236</u>	<u>34,055</u>	<u>262,216</u>	<u>28,669</u>
-	-	-	-	-	-	163,217	18,362
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	10,112	10,050	15,581	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	15,720	23,775	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>10,112</u>	<u>10,050</u>	<u>15,581</u>	<u>15,720</u>	<u>186,992</u>	<u>18,362</u>
<u>255,180</u>	<u>-</u>	<u>(2,037)</u>	<u>16,828</u>	<u>(6,345)</u>	<u>18,335</u>	<u>75,224</u>	<u>10,307</u>
-	-	-	-	-	-	-	20,000
-	(1,852)	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(1,852)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
255,180	(1,852)	(2,037)	16,828	(6,345)	18,335	75,224	30,307
456,537	1,852	25,104	84,437	15,859	151,628	1,122,835	17,289
31,630	-	-	-	-	-	-	-
<u>\$ 743,347</u>	<u>\$ -</u>	<u>\$ 23,067</u>	<u>\$ 101,265</u>	<u>\$ 9,514</u>	<u>\$ 169,963</u>	<u>\$ 1,198,059</u>	<u>\$ 47,596</u>

(continued)

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENT FUNDS
(Continued)
SEPTEMBER 30, 2008

	Special Revenue				
	Courthouse Security	Election Services	Voter Registration Reimbursement	Library Building	JPD Local Fund
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Other taxes	-	-	-	-	-
Fees and commissions	56,886	-	-	-	-
Intergovernmental	-	-	11,078	-	-
Election	-	85,148	-	-	-
Investment earnings	3,604	1,315	3	7,298	-
Grants	-	-	-	-	-
Donations	-	-	-	140,238	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>60,490</u>	<u>86,463</u>	<u>11,081</u>	<u>147,536</u>	<u>-</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Roads and bridges	-	-	-	-	-
Public safety	111,073	-	-	-	-
Public service	-	48,777	10,967	-	-
Judicial	-	-	-	-	-
Legal	-	-	-	-	-
Culture and recreation	-	-	-	21,947	-
Capital outlay	388	7,787	2,615	207,910	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>111,461</u>	<u>56,564</u>	<u>13,582</u>	<u>229,857</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(50,971)</u>	<u>29,899</u>	<u>(2,501)</u>	<u>(82,321)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	35,000	-	-	-	-
Transfers out	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Total other revenues and financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(15,971)</u>	<u>29,899</u>	<u>(2,501)</u>	<u>(82,321)</u>	<u>-</u>
FUND BALANCES/EQUITY, BEGINNING	96,507	54,954	535	198,448	98,358
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(98,358)
FUND BALANCES/EQUITY, ENDING	<u>\$ 80,536</u>	<u>\$ 84,853</u>	<u>\$(1,966)</u>	<u>\$ 116,127</u>	<u>\$ -</u>

Special Revenue					Capital Projects		
JPD Probation Fees	Sheriff	Library	D. A. Hot Check Fees	Road and Bridge	Historic Courthouse	Library Renovation	Total
\$ -	\$ -	\$ -	\$ -	\$ 157,777	\$ -	\$ -	\$ 3,137,197
-	-	30,289	11,064	179,299	-	-	236,915
-	-	-	-	-	-	-	238,084
-	-	16,307	-	1,080,408	-	-	1,682,100
-	7,054	-	-	216,393	-	-	234,525
-	-	-	-	-	-	-	85,148
-	1,442	1,465	-	27,768	1,123	91	173,923
-	-	-	-	-	-	-	195,561
-	-	120,000	-	-	-	-	260,238
-	1,095	-	-	4,214	-	-	5,309
<u>-</u>	<u>9,591</u>	<u>168,061</u>	<u>11,064</u>	<u>1,665,859</u>	<u>1,123</u>	<u>91</u>	<u>6,249,000</u>
-	-	-	-	-	-	-	181,579
-	-	-	-	1,792,069	-	-	1,792,069
-	18,922	-	-	-	-	-	304,507
-	-	-	-	-	-	-	86,215
-	-	-	-	-	-	-	35,743
-	-	-	7,605	-	-	-	10,375
-	-	88,296	-	-	-	-	164,720
-	-	-	-	-	13,637	-	433,935
-	-	-	-	-	-	-	1,815,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,086,949</u>
<u>-</u>	<u>18,922</u>	<u>88,296</u>	<u>7,605</u>	<u>1,792,069</u>	<u>13,637</u>	<u>-</u>	<u>5,911,092</u>
<u>-</u>	<u>(9,331)</u>	<u>79,765</u>	<u>3,459</u>	<u>(126,210)</u>	<u>(12,514)</u>	<u>91</u>	<u>337,908</u>
-	-	-	-	-	-	-	151,448
-	-	-	-	-	-	-	(41,676)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,459</u>	<u>-</u>	<u>-</u>	<u>124,459</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,459</u>	<u>-</u>	<u>-</u>	<u>234,231</u>
-	(9,331)	79,765	3,459	(1,751)	(12,514)	91	572,139
11,126	92,076	35,666	2,567	768,755	37,190	3,535	4,601,058
<u>(11,126)</u>	<u>(24,283)</u>	<u>13,869</u>	<u>15,485</u>	<u>282,116</u>	<u>-</u>	<u>-</u>	<u>160,977</u>
<u>\$ -</u>	<u>\$ 58,462</u>	<u>\$ 129,300</u>	<u>\$ 21,511</u>	<u>\$ 1,049,120</u>	<u>\$ 24,676</u>	<u>\$ 3,626</u>	<u>\$ 5,334,174</u>

ROCKWALL COUNTY, TEXAS

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2008

	<u>Tax Assessor/ Collector</u>	<u>County Clerk</u>	<u>District Attorney</u>	<u>District Clerk</u>	<u>Sheriff</u>	<u>Bail Bond Board</u>	<u>Totals</u>
ASSETS							
Cash and investments	\$ <u>948,923</u>	\$ <u>113,370</u>	\$ <u>104,677</u>	\$ <u>2,124,933</u>	\$ <u>87,927</u>	\$ <u>56,541</u>	\$ <u>3,436,371</u>
Total assets	\$ <u>948,923</u>	\$ <u>113,370</u>	\$ <u>104,677</u>	\$ <u>2,124,933</u>	\$ <u>87,927</u>	\$ <u>56,541</u>	\$ <u>3,436,371</u>
LIABILITIES							
Due to others	\$ -	\$ 113,370	\$ 104,677	\$ 2,124,933	\$ 87,927	\$ 56,541	\$ 2,487,448
Due to other governments	<u>948,923</u>	-	-	-	-	-	<u>948,923</u>
Total liabilities	\$ <u>948,923</u>	\$ <u>113,370</u>	\$ <u>104,677</u>	\$ <u>2,124,933</u>	\$ <u>87,927</u>	\$ <u>56,541</u>	\$ <u>3,436,371</u>



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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***

To the Honorable County Judge and
Commissioners Court of
Rockwall County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockwall County, Texas, as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 22, 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 Rockwall County, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rockwall County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rockwall County, Texas' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Rockwall County, Texas' 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 Rockwall County, Texas' financial statements that is more than inconsequential will not be prevented or detected by Rockwall County, Texas' internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as item 2008-1 through 2008-5 to be significant deficiencies in internal control over financial reporting.

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 Rockwall County, Texas' 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 through 2008-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockwall 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*.

Rockwall County, Texas' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Rockwall County, Texas' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Commissioners' Court, 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.

Pattillo, Brown + Hill, L.L.P.

October 22, 2009

ROCKWALL COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2008

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

Finding 2008-1:

Condition: The County's main bank account reconciliations were not up to date as of the end of the fiscal year. A material net unreconciled difference still existed at the time of the audit.

Effect: Cash and beginning fund balance were materially misstated.

Cause: Recent turnover in the Treasurer's office and insufficient resources caused the bank reconciliations to be delayed.

Recommendation: All bank accounts at the County need to be reconciled on a timely basis. These reconciliations make it possible to accurately state cash at all times during the year as well as identify errors involving cash.

Management's Response: The Commissioners' Court authorized an increase in personnel funding for the fiscal year 2009 Budget. This action allowed the Treasurer's office to assign an analyst to focus on researching historical cash transactions to determine the root cause or causes of bank reconciliation variances. The reference (2) memo transmitted the amended reconciled bank balance and the actual book balance. The reference (3) email to the Pattillo, Brown & Hill [PBH] auditor requested that the audit firm include an adjusting journal entry to the main cash General Fund account to resolve the variance with the understanding that our research would result in transfers among the funds in the main account to correctly distribute the variance. PBH included the reference (3) requested adjustments in the set of journal entries to be made to close fiscal year 2008 books.

We have concluded our analysis of the variance and will document the required transfers among the funds of the main account required to complete the close of fiscal year 2009.

(continued)

ROCKWALL COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
YEAR ENDED SEPTEMBER 30, 2008**

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

Finding 2008-1: (Continued)

Management's Response: Reconciliations for the months of October 2008 through March 2009 were completed during the month of April 2009. All subsequent bank reconciliations have been completed on a timely basis during the month following receipt of the applicable bank statement. *As a result, we have agreed with PBH to initiate the FY 2009 audit in January 2010.*

Contact Person Responsible
for Corrective Action:

County Treasurer, Bill Sinclair

Anticipated Completion
Date:

Bank reconciliations are now completed without delay and without unreconciled variances. This portion of the corrective action was completed in May 2009. The final action relates to journal entries to redistribute the fiscal year 2008 adjustment among the main account funds as of September 30, 2009. This action will be completed prior to the end of calendar year 2009 with delivery of the FY 2009 Trial Balance to PBH to commence the audit in January 2010.

Finding 2008-2:

Condition:

Several of the County's bank accounts are not included in the computerized accounting system. While the bank reconciliations and controls over cash are being audited throughout the year by the County Auditor's office, material journal entries had to be posted to include these cash accounts and their activity in the County's report. These bank accounts are included in the County's report as three Special Revenue Funds and as part of the General Fund.

Effect:

Cash, revenues, expenditures and beginning fund balance were materially misstated.

(continued)

ROCKWALL COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

(Continued)

YEAR ENDED SEPTEMBER 30, 2008

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

Finding 2008-2: (Continued)

Cause: The County was unaware of the need to include the activity of these bank accounts in the County's computerized accounting system for financial reporting purposes.

Recommendation: All bank accounts of the County and their activity need to be included in the computerized accounting system.

Management's Response: All non-operating bank account activity is audited more often than required by Government Code and all funds are subjected to the same internal controls regardless of how the fund is reported. This is not an internal control issue. Computerizing these accounts may be a reporting issue – but it is not an internal control issue.

Nevertheless, we will be pleased to include these accounts in the computerized accounting system.

Contact Person Responsible
for Corrective Action:

County Auditor

Anticipated Completion

Date:

December 31, 2009

Finding 2008-3:

Condition: Generally Accepted Accounting Principles direct that governmental funds recognize revenues in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues that are unavailable should be deferred in the fund financial statements. We identified certain revenues, including property taxes and adjudicated fines, which should not have been recognized in the current or prior years.

(continued)

ROCKWALL COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
YEAR ENDED SEPTEMBER 30, 2008**

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

Finding 2008-3: (Continued)

Effect: Deferred revenue and beginning fund balance were materially misstated.

Cause: County personnel were unaware of the applicable revenue recognition principles.

Recommendation: The County should properly design controls over the recognition of revenues so that revenues are recorded when they have been earned and become both measurable and available to finance expenditures of the fiscal period.

Management's Response: For the past 12 years, the County's outside auditor has made these entries on our behalf. Apparently, the need for a procedural change has been stimulated by some change in the regulatory environment, perhaps a new requirement from GASB or some other source. Regardless, we are pleased to comply with this request going forward. Also, we will identify whether additional training may be required to facilitate proper recognition.

Contact Person Responsible
for Corrective Action: County Auditor

Anticipated Completion
Date: December 31, 2009

(continued)

ROCKWALL COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

(Continued)

YEAR ENDED SEPTEMBER 30, 2008

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

Finding 2008-4:

Condition: Federal and state grant compliance requirements state that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the grantor. The County requested reimbursement from North Central Texas Council of Governments for the Emergency Management grant when the expenditures were incurred, not after the expenditures were paid several months later.

Effect: Expenditures reimbursed with grant funds that do not meet all applicable grant compliance requirements, could be categorized as unallowable costs by the granting agency. The County could be required to pay back these funds.

Cause: County personnel were unaware of the applicable grant compliance requirements.

Recommendation: The County should properly design controls over grant programs to ensure that all applicable grant compliance requirements are being met.

Management's Response: The Emergency Management Coordinator submitted the wrong supporting documentation and, consequently, failed to submit the proper information. We will design a control procedure to arrest this type of error. Also, we will identify whether additional training may be required to facilitate compliance with grant requirements.

Contact Person Responsible
for Corrective Action: County Auditor

Anticipated Completion
Date: December 31, 2009

(continued)

ROCKWALL COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
(Continued)
YEAR ENDED SEPTEMBER 30, 2008**

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards (Continued)**

Finding 2008-5:

Condition: Several year-end adjustments were not calculated and posted by the County prior to audit field work. These include adjustments to property taxes, adjudicated fines, and sales tax. In addition, the County incurred but not reported health claims payable was incorrectly calculated at year-end.

Effect: Several balance sheet accounts, revenue, expenses and beginning fund balance were materially misstated.

Cause: The County was unaware of the proper method for calculating and posting these year-end adjustments.

Recommendation: County personnel should receive the training necessary to ensure that all year-end adjustments are made in a timely basis and that balance sheet accounts are properly stated at year-end.

Management's Response: As in finding 2008-3, the current practice has been in place for the last 12 years with no previous exceptions noted by outside auditors. Regardless, we are pleased to comply with this request going forward.

Contact Person Responsible
for Corrective Action: County Auditor

Anticipated Completion
Date: December 31, 2009