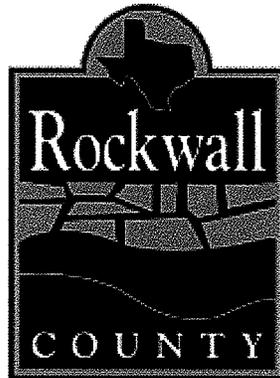


ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**For Fiscal Year
September 30, 2009**



ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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SEPTEMBER 30, 2009

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ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

ROCKWALL COUNTY, TEXAS

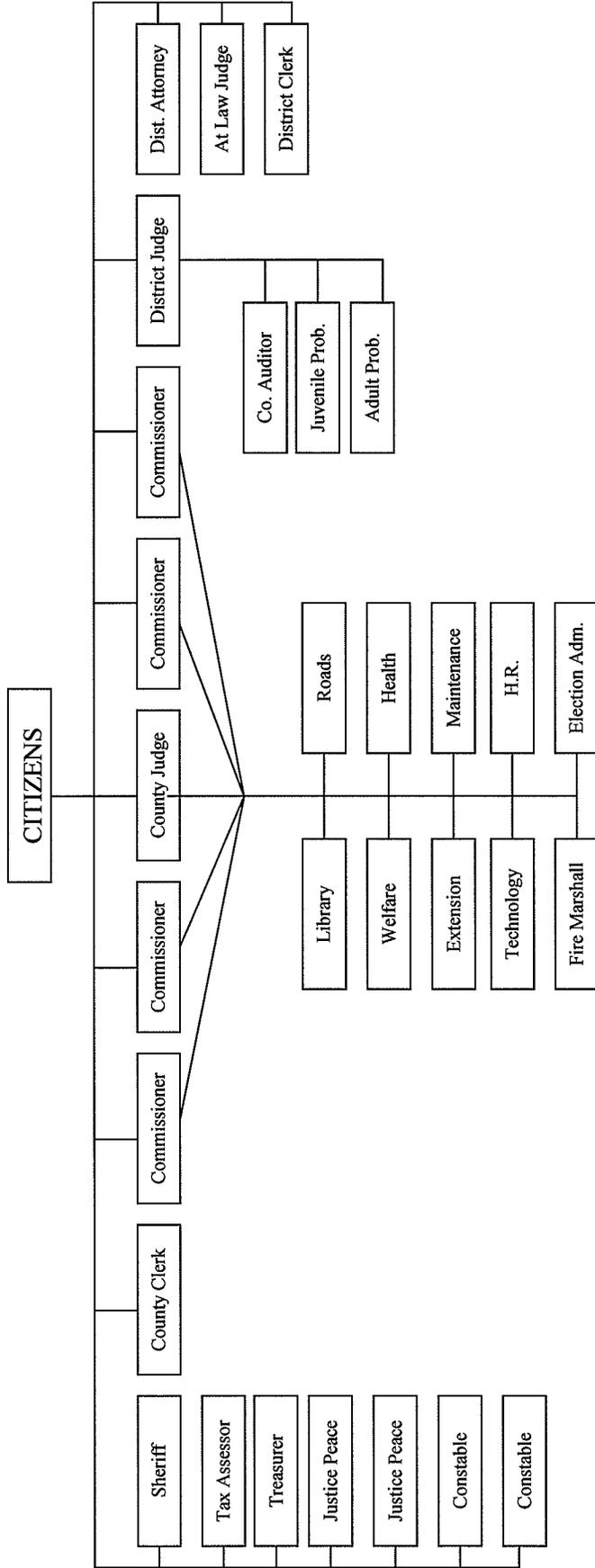
PRINCIPAL OFFICIALS

SEPTEMBER 30, 2009

<u>Name</u>	<u>Title</u>
<u>Commissioners' Court:</u>	
Chris Florance	County Judge
Jerry Wimpee	Commissioner, Precinct 1
Lorie Grinnan	Commissioner, Precinct 2
Dennis Bailey	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
Kenda Culpepper	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 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
Pat Nesmith	Road and Bridge Administrator
Luis Guzman	Maintenance Administrator
<u>Recording Officials:</u>	
Lisa Constant	County Clerk
Kay McDaniel	District Clerk



ROCKWALL COUNTY – 2009



FINANCIAL SECTION



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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rockwall County as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2010, 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 51 through 53 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.

Patillo, Brown & Hill, LLP

May 7, 2010

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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, 2009. Readers should consider the information in this section when reading the overall report, including the transmittal letter, financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

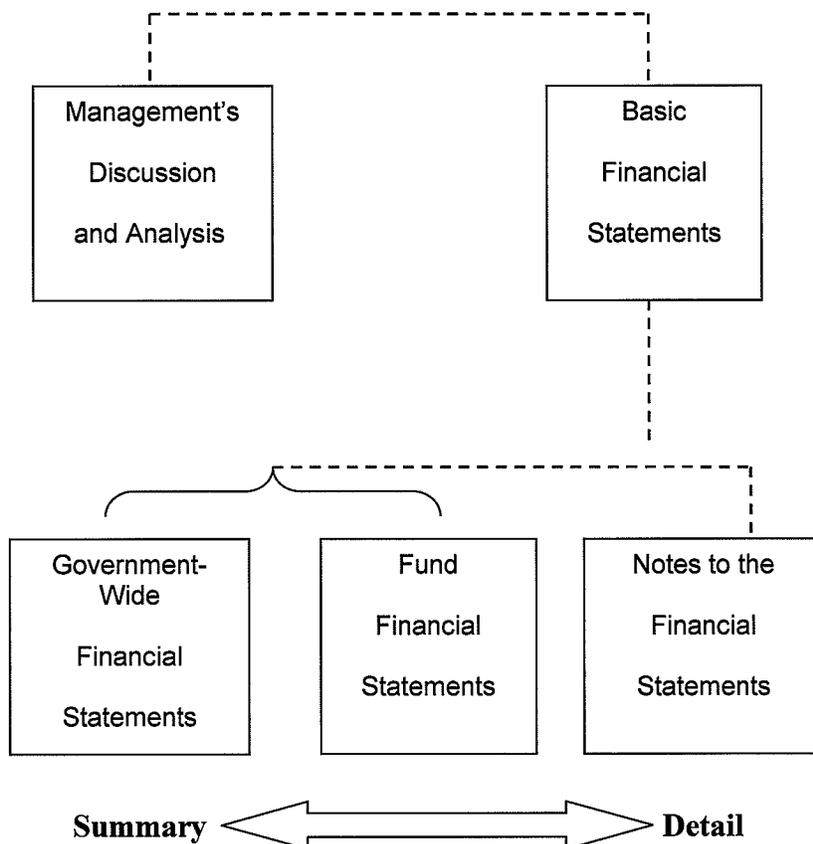
As illustrated in Figure A-1, the government-wide financial statements provide information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The assets of Rockwall County exceeded its liabilities at the close of the fiscal year by \$45,103,494 (net assets).
- The County's total net assets increased by \$5,801,207, 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 \$62,853,410, an increase of \$7,417,378, not including prior period adjustments, in comparison with the prior year. Approximately 43% of this total amount, or \$27,072,479, is available for spending of which \$6,077,690 must be spent for the purposes specified for the special purpose funds. Included in this amount is \$2,511,731 for the Road and Bridge Fund, and \$1,369,971 for the County Clerk's Record Management and Preservation Fund.
- At the end of the current fiscal year, unreserved, undesignated fund balance was \$20,994,789, or 97% of total General Fund expenditures.
- Rockwall County's total bonded debt increased by \$8,015,000 or 15% during the current fiscal year, reflecting issuance of \$10,620,000 in road bonds partially offset by amortization of existing debt.

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 50 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 51 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 54 to 66 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2009, 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	
	2009	2008
Current and other assets	\$ 70,543,156	\$ 59,815,185
Capital assets	<u>38,006,781</u>	<u>32,868,174</u>
Total assets	<u>108,549,937</u>	<u>92,683,359</u>
Long-term liabilities	60,587,137	52,500,053
Other liabilities	<u>2,859,306</u>	<u>2,881,019</u>
Total liabilities	<u>63,446,443</u>	<u>55,381,072</u>
Net assets:		
Invested in capital assets, net of related debt	13,714,108	12,633,499
Restricted	6,712,964	4,658,169
Unrestricted	<u>24,676,422</u>	<u>20,010,619</u>
Total net assets	<u>\$ 45,103,494</u>	<u>\$ 37,302,287</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 \$45,103,494 as of September 30, 2009. The County's net assets increased by \$5,801,207, excluding prior period adjustments of \$2,000,000, for the fiscal year ended September 30, 2009, [see Section IV.J in the notes for an explanation of these adjustments.] However, a large portion, 30.4% 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.

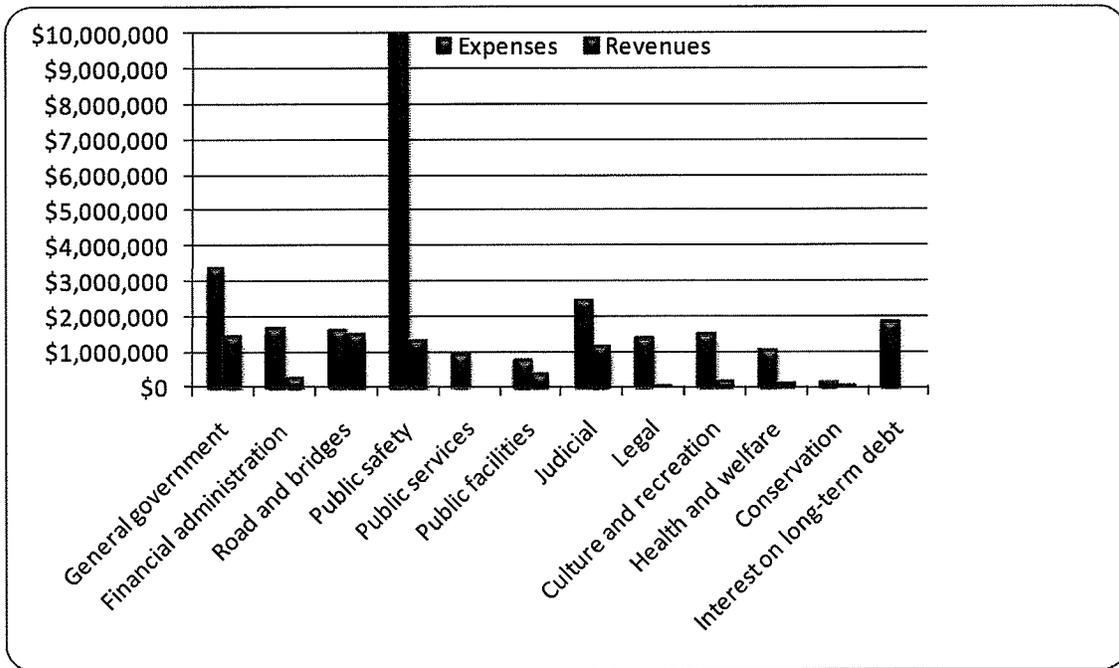
Analysis of the County's Operations – Figure A-3 provides a summary of the County's operations for the year ended September 30, 2009, and comparative data from 2008.

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

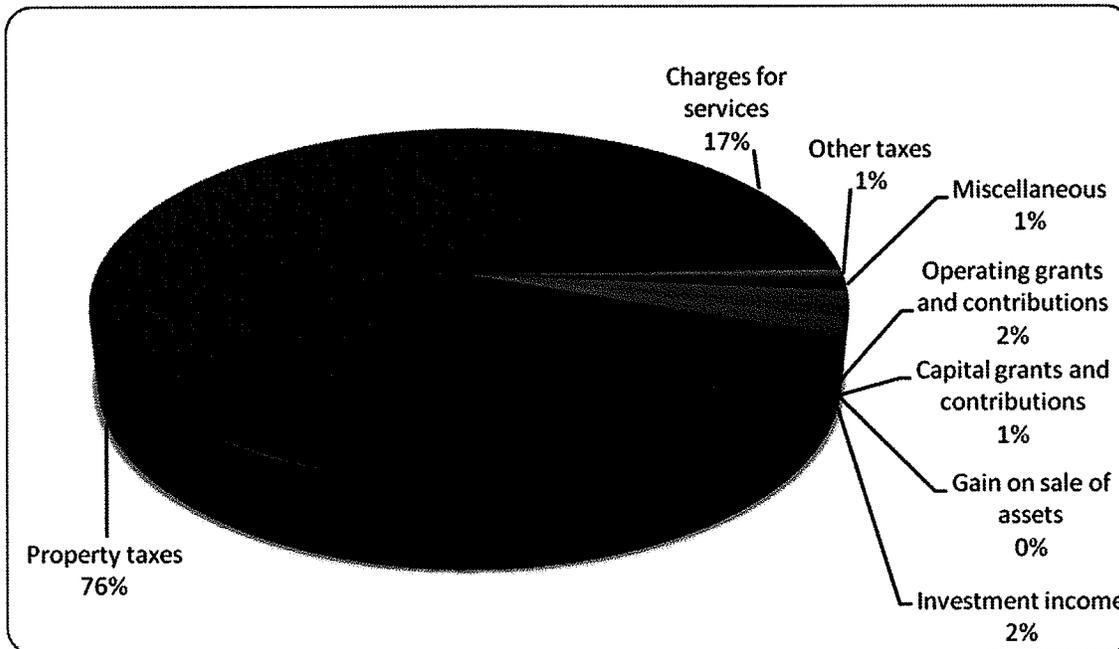
	Governmental Activities	
	2009	2008
REVENUES		
Program revenues:		
Charges for services	\$ 5,772,058	\$ 5,890,857
Operating grants and contributions	592,280	754,289
Capital grants and contributions	174,944	189,753
General revenues:		
Property taxes	25,376,377	22,540,006
Mixed drink taxes	207,816	179,886
Sales tax	234,794	272,014
Investment earnings	544,417	1,243,200
Gain on sale of assets	-	100,369
Miscellaneous	65,812	33,904
Total revenues	32,968,498	31,204,278
EXPENSES		
General government	3,430,482	4,911,158
Financial administration	1,712,324	1,437,998
Roads and bridges	1,647,367	1,692,275
Public safety	10,226,058	9,677,827
Public services	949,547	870,537
Public facilities	768,406	894,060
Judicial	2,481,227	2,371,285
Legal	1,406,330	1,289,152
Culture and recreation	1,498,637	1,316,823
Health and welfare	1,043,861	934,664
Conservation	143,294	117,413
Interest on long-term debt	1,859,758	1,184,575
Total expenditures	27,167,291	26,697,767
INCREASE IN NET ASSETS	5,801,207	4,506,511
NET ASSETS, BEGINNING	37,302,287	30,578,312
PRIOR PERIOD ADJUSTMENT	2,000,000	2,217,464
NET ASSETS, ENDING	\$ 45,103,494	\$ 37,302,287

Governmental-type Activities – Governmental-type activities increased the County's net assets \$5,801,207, 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 \$2,836,371, or 12.6%.

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 \$20,994,789. 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 97% 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
- Debt Service 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, 2009, totals \$38,006,781 (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 initiated design efforts on its new Courthouse and budgeted for the Veteran’s Memorial to be constructed adjacent to the Courthouse.

ROCKWALL COUNTY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities	
	2009	2008
Land and improvements	\$ 6,371,813	\$ 6,371,813
Machinery and equipment	6,842,732	7,074,117
Buildings	11,976,438	11,954,340
Infrastructure	5,289,180	5,289,180
Construction in progress	17,236,296	11,465,145
Less: accumulated depreciation	(9,709,678)	(9,286,421)
 Total	 <u>\$ 38,006,781</u>	 <u>\$ 32,868,174</u>

Additional information on the County's capital assets can be found in Note C on pages 37 - 38.

DEBT ADMINISTRATION

Long-term Debt – As of September 30, 2009, Rockwall County had total bonded debt outstanding of \$59,943,922.

**ROCKWALL COUNTY'S OUTSTANDING BONDS
AS OF SEPTEMBER 30, 2009**

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation and tax notes	\$ <u>52,045,000</u>	\$ <u>35,325,000</u>	\$ <u>27,310,000</u>	\$ <u>60,060,000</u>

Rockwall County's bonded debt increased by \$8,015,000 (15%) during the current fiscal year, reflecting issuance of \$10,620,000 in road bonds partially offset by amortization of existing debt.

GENERAL FUND BUDGET HIGHLIGHTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010

Governmental Activities – Total property tax revenue estimates were moderately affected by the recession, resulting in only a modest increase in the portion allocated to the General Fund due to the tax rate remaining at \$0.3750 per \$100 assessed value. Revenues from fees, fines, forfeitures and investment earnings are projected to decline. As a result, the forecast total revenue projection declines slightly to \$24,396,254 versus the results for fiscal year 2009. Budgeted expenditures of \$27,197,285 reflect a 1.04% decline from fiscal year 2009 results due to management's challenge to reduce budgets in the face of the recession. The net result (revenues less expenditures) for the fiscal year 2010 was a deficit budget of approximately \$2.8 million. At midyear, the outlook is favorable.

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.

ROCKWALL COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

ASSETS

Cash and investments	\$ 55,968,498
Receivables (net of allowance for uncollectibles)	1,696,647
Restricted assets:	
Cash and cash equivalents	10,048,113
Prepaid expense	63,292
Interest receivable	13,117
Deferred charges	718,033
Net pension asset	2,035,456
Capital assets:	
Non-depreciable	23,608,109
Depreciable (net)	<u>14,398,672</u>
Total assets	<u>108,549,937</u>

LIABILITIES

Accounts payable	1,330,888
Claims payable	183,351
Accrued liabilities	421,170
Due to others	15,502
Unearned revenue	261,611
Interest payable	646,784
Noncurrent liabilities:	
Due within one year:	
Certificates of obligation	240,000
Tax notes	2,042,556
Compensated absences	91,808
Due in more than one year:	
Certificates of obligation	2,335,000
Tax notes	55,326,366
Compensated absences	367,234
Net OPEB obligation	<u>184,173</u>
Total liabilities	<u>63,446,443</u>

NET ASSETS

Invested in capital assets, net of related debt	13,714,108
Restricted for:	
Roads and bridges	2,515,747
Debt service	631,258
Other purposes	3,565,959
Unrestricted	<u>24,676,422</u>
Total net assets	\$ <u>45,103,494</u>

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

ROCKWALL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Governmental Activities
Primary government					
Governmental activities:					
General government	\$ 3,430,482	\$ 1,279,907	\$ 91,026	\$ 76,622	\$(1,982,927)
Financial administration	1,712,324	290,981	-	-	(1,421,343)
Roads and bridges	1,647,367	1,504,285	-	-	(143,082)
Public safety	10,226,058	1,210,899	60,084	72,142	(8,882,933)
Public services	949,547	-	-	-	(949,547)
Public facilities	768,406	89,117	298,878	-	(380,411)
Judicial	2,481,227	1,127,793	45,200	-	(1,308,234)
Legal	1,406,330	21,902	36,390	-	(1,348,038)
Culture and recreation	1,498,637	154,347	11,988	26,180	(1,306,122)
Health and welfare	1,043,861	89,827	48,714	-	(905,320)
Conservation	143,294	3,000	-	-	(140,294)
Interest on long-term debt	1,859,758	-	-	-	(1,859,758)
Total governmental activities	<u>27,167,291</u>	<u>5,772,058</u>	<u>592,280</u>	<u>174,944</u>	<u>(20,628,009)</u>
Total primary government	<u>\$ 27,167,291</u>	<u>\$ 5,772,058</u>	<u>\$ 592,280</u>	<u>\$ 174,944</u>	<u>(20,628,009)</u>
General revenues:					
Taxes:					
Property					25,376,377
Beverage					207,816
Other					234,794
Investment earnings					544,417
Miscellaneous					65,812
Total general revenues					<u>26,429,216</u>
Change in net assets					5,801,207
Net assets - beginning					<u>37,302,287</u>
Prior period adjustment					<u>2,000,000</u>
Net assets - ending					<u>\$ 45,103,494</u>

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

ROCKWALL COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2009

	<u>General</u>	<u>Courthouse Construction</u>	<u>Road Improvements Bond 2008</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and investments						
Unrestricted	\$ 20,817,007	\$ 29,926,855	\$ 4,680,240	\$ -	\$ 544,396	\$ 55,968,498
Restricted	1,308,383	-	-	1,140,698	6,023,359	8,472,440
Receivables (net of allowances for uncollectibles)						
Taxes	644,529	-	-	136,912	33,712	815,153
Accounts	622,667	-	-	-	32,268	654,935
Interest	12,029	-	-	-	-	12,029
Due from other funds	40,962	-	-	932	-	41,894
Prepaid expenses	<u>63,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,292</u>
Total assets	<u>\$ 23,508,869</u>	<u>\$ 29,926,855</u>	<u>\$ 4,680,240</u>	<u>\$ 1,278,542</u>	<u>\$ 6,633,735</u>	<u>\$ 66,028,241</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 981,008	\$ 183,451	\$ 85,779	\$ 500	\$ 80,150	\$ 1,330,888
Accrued liabilities	398,627	-	-	-	22,543	421,170
Accrued interest payable	-	-	-	125,543	-	125,543
Due to others	15,502	-	-	-	-	15,502
Deferred revenue	1,118,011	-	-	117,807	4,016	1,239,834
Due to other funds	<u>932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,962</u>	<u>41,894</u>
Total liabilities	<u>2,514,080</u>	<u>183,451</u>	<u>85,779</u>	<u>243,850</u>	<u>147,671</u>	<u>3,174,831</u>
Fund balances:						
Reserved for:						
Debt service	-	-	-	1,034,692	-	1,034,692
Unreserved reported in:						
General fund	20,994,789	-	-	-	-	20,994,789
Special revenue funds	-	-	-	-	6,077,690	6,077,690
Capital projects funds	<u>-</u>	<u>29,743,404</u>	<u>4,594,461</u>	<u>-</u>	<u>408,374</u>	<u>34,746,239</u>
Total fund balances	<u>20,994,789</u>	<u>29,743,404</u>	<u>4,594,461</u>	<u>1,034,692</u>	<u>6,486,064</u>	<u>62,853,410</u>
Total liabilities and fund balances	<u>\$ 23,508,869</u>	<u>\$ 29,926,855</u>	<u>\$ 4,680,240</u>	<u>\$ 1,278,542</u>	<u>\$ 6,633,735</u>	<u>\$ 66,028,241</u>

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

ROCKWALL COUNTY, TEXAS

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

AS OF SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 62,853,410
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,006,781
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,978,223
Long-term liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, NPO, and bonds payable), are not due and payable in the current period and are therefore not reported in the funds.	(60,354,889)
Internal Service Funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>1,619,969</u>
Net assets of governmental activities in the Statement of Net Assets	<u>\$ 45,103,494</u>

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

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General	Courthouse Construction	Road Improvements Bond 2008	Debt Service	Other Governmental Funds	Total Governmental
REVENUES						
Property taxes	\$ 20,034,753	\$ -	\$ -	\$ 4,889,960	\$ 326,480	\$ 25,251,193
Beverage taxes	207,816	-	-	-	-	207,816
Fines and forfeitures	1,090,953	-	-	-	249,923	1,340,876
Other taxes	25,617	-	-	-	209,177	234,794
Fees and commissions	2,348,462	-	-	-	1,919,346	4,267,808
Intergovernmental	21,080	-	-	-	215,500	236,580
Election	-	-	-	-	59,014	59,014
Investment earnings	231,018	252,717	6,841	13,376	40,465	544,417
Grants	403,372	-	-	-	177,117	580,489
Donations	-	-	-	-	26,180	26,180
Miscellaneous	84,945	-	-	-	9,202	94,147
Total revenues	24,448,016	252,717	6,841	4,903,336	3,232,404	32,843,314
EXPENDITURES						
Current:						
General government	2,044,951	588,043	-	-	49,130	2,682,124
Financial administration	1,702,817	-	-	-	-	1,702,817
Commissioner expenses	381,276	-	-	-	-	381,276
Roads and bridges	-	-	9,500	-	1,381,412	1,390,912
Public safety	9,397,882	-	-	-	667,134	10,065,016
Public facilities	945,362	-	-	-	-	945,362
Public services	642,138	-	-	-	93,555	735,693
Judicial	2,397,850	-	-	-	20,416	2,418,266
Legal	1,375,908	-	-	-	40,597	1,416,505
Culture and recreation	1,325,414	-	-	-	181,749	1,507,163
Health and welfare	1,041,453	-	-	-	-	1,041,453
Conservation	145,075	-	-	-	-	145,075
Capital outlay	291,887	-	5,169,799	-	718,932	6,180,618
Debt service:						
Principal	-	-	-	3,155,000	-	3,155,000
Interest and fiscal charges	-	-	-	1,664,829	-	1,664,829
Bond issuance cost and fees	-	336,001	163,613	2,230	-	501,844
Total expenditures	21,692,013	924,044	5,342,912	4,822,059	3,152,925	35,933,953
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	2,756,003	(671,327)	(5,336,071)	81,277	79,479	(3,090,639)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term debt	-	24,705,000	10,620,000	-	-	35,325,000
Transfers in	-	-	-	14,465	1,154,274	1,168,739
Transfers out	(1,611,083)	(12,357)	(2,108)	(8,371)	(70,624)	(1,704,543)
Premium on issuance of bonds	-	58,132	103,605	-	-	161,737
Discount on issuance of bonds	-	(237,330)	(57,883)	-	-	(295,213)
Payment to bond refunding agent	-	(24,177,444)	-	-	-	(24,177,444)
Proceeds from sale of assets	23,209	-	-	-	6,532	29,741
Total other financing sources and uses	(1,587,874)	336,001	10,663,614	6,094	1,090,182	10,508,017
NET CHANGE IN FUND BALANCES	1,168,129	(335,326)	5,327,543	87,371	1,169,661	7,417,378
FUND BALANCES, BEGINNING	19,826,660	30,078,730	(733,082)	947,321	5,316,403	55,436,032
FUND BALANCES, ENDING	\$ 20,994,789	\$ 29,743,404	\$ 4,594,461	\$ 1,034,692	\$ 6,486,064	\$ 62,853,410

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

ROCKWALL COUNTY, TEXAS

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

AS OF SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	\$ 7,417,378
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.	5,138,607
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	123,080
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.	(7,584,821)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(148,717)
Internal service funds are used by management to charge the costs of health insurance to individual funds.	<u>855,680</u>
Change in net assets of governmental activities	<u>\$ 5,801,207</u>

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

ROCKWALL COUNTY, TEXAS
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	<u>Governmental Activities</u> <u>Internal Service</u>
ASSETS	
Current assets:	
Receivables (net of allowances for uncollectibles)	\$ 226,559
Interest receivable	1,088
Restricted assets:	
Cash and cash equivalents	<u>1,575,673</u>
Total assets	<u>1,803,320</u>
LIABILITIES	
Current liabilities:	
Claims payable	<u>183,351</u>
Total liabilities	<u>183,351</u>
NET ASSETS	
Restricted	<u>1,619,969</u>
Total net assets	<u>\$ 1,619,969</u>

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

ROCKWALL COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Governmental Activities Internal Service</u>
OPERATING REVENUES	
Charges for services	\$ 2,791,445
Total operating revenues	<u>2,791,445</u>
OPERATING EXPENSES	
Insurance claims	1,884,858
Stop-loss insurance premiums	407,268
Administrative and other	<u>190,712</u>
Total operating expenses	<u>2,482,838</u>
OPERATING INCOME	<u>308,607</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	11,269
Transfers in	750,000
Transfers out	<u>(214,196)</u>
Total nonoperating revenues (expenses)	<u>547,073</u>
NET INCOME	<u>855,680</u>
NET ASSETS, BEGINNING	764,289
NET ASSETS, ENDING	<u>\$ 1,619,969</u>

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

ROCKWALL COUNTY, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Governmental Activities</u> <u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 2,564,886
Cash paid to employees	(192,226)
Cash paid to suppliers	(2,282,821)
Net cash provided by operating activities	<u>89,839</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers	<u>535,804</u>
Net cash provided by investing activities	<u>535,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>10,181</u>
Net cash provided by investing activities	<u>10,181</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	635,824
CASH AND CASH EQUIVALENTS, BEGINNING	<u>939,849</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,575,673</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 308,607
Change in assets and liabilities:	
Decrease (increase) in receivables	(226,559)
Increase (decrease) in accounts payable	(8,753)
Increase (decrease) in claims payable	18,058
Increase (decrease) in accrued liabilities	<u>(1,514)</u>
Total adjustments	<u>(218,768)</u>
Net cash provided by operating activities	<u>\$ 89,839</u>

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

ROCKWALL COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

SEPTEMBER 30, 2009

	<u>Indigent Health Care Private-Purpose Trust</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ <u>183,796</u>	\$ <u>3,441,605</u>
Total assets	\$ <u>183,796</u>	\$ <u>3,441,605</u>
LIABILITIES		
Accounts payable	\$ 21,059	\$ -
Accrued expenses	2,624	-
Due to others	-	2,386,796
Due to other governments	<u>-</u>	<u>1,054,809</u>
Total liabilities	<u>23,683</u>	<u>3,441,605</u>
NET ASSETS		
Held in trust	<u>160,113</u>	<u>-</u>
Total net assets	\$ <u>160,113</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, 2009

	Indigent Health Care Private-Purpose Trust
ADDITIONS	
County contributions	\$ 225,000
Interest earnings	<u>2,615</u>
Total additions	<u>227,615</u>
DEDUCTIONS	
Administrative expenses	<u>319,682</u>
Total deductions	<u>319,682</u>
CHANGES IN NET ASSETS	(92,067)
NET ASSETS, BEGINNING	<u>252,180</u>
NET ASSETS, ENDING	<u>\$ 160,113</u>

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

ROCKWALL COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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, 2009. 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 ***Debt Service Fund*** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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 \$.3750 (\$.3016 for the maintenance and operations and \$.0734 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 \$(60,354,889) difference are as follows:

Certificates of obligation	\$(2,575,000)
Tax notes	(57,485,000)
Discounts on bonds	116,078
Accrued interest payable	(521,241)
Compensated absences	(459,042)
Deferred charge for bond issuance costs	718,033
Net OPEB obligation	<u>(148,717)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(60,354,889)</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 \$5,138,607 difference are as follows:

Capital outlay	\$ 6,171,934
Capital asset retirements	(48,331)
Depreciation expense	<u>(984,996)</u>
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>\$ 5,138,607</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 \$123,080 difference are as follows:

Property taxes	\$ 125,184
Adjudicated fines	<u>(2,104)</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>\$ 123,080</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 \$(7,584,821) difference are as follows:

Principal repayments	\$ 3,155,000
Interest payable	(155,649)
Limited tax notes proceeds	(35,325,000)
Bond discount/premium	133,476
Bond refunding	24,155,000
Deferred charges	473,739
Compensated absences	<u>(21,387)</u>
 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>7,584,821</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, 2009:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 4,574,425	44
MBIA Class	7,810,319	41
TexStar	1,892,999	46
LOGIC	42,630,145	56
Fannie Mae	2,000,000	485
Federal Home Loan Bank	<u>4,750,000</u>	499
Total investments	<u>\$ 63,657,888</u>	

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.

MBIA 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, 2009, \$5,547,495 of the County's \$6,768,212 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance of \$1,220,717 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 service. The County's investments as of September 30, 2009, 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
LOGIC	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>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	
Receivables:				
Taxes	\$ 839,772	\$ 157,851	\$ 35,344	\$ 1,032,967
Adjudicated fines	1,915,899	-	-	1,915,899
Accounts	330,938	-	-	330,938
Interest	<u>12,029</u>	<u>-</u>	<u>32,268</u>	<u>44,297</u>
Gross receivables	3,098,638	157,851	67,612	3,324,101
Less: allowance for uncollectibles	<u>1,819,413</u>	<u>20,939</u>	<u>1,632</u>	<u>1,841,984</u>
Net total receivables	<u>\$ 1,279,225</u>	<u>\$ 136,912</u>	<u>\$ 65,980</u>	<u>\$ 1,482,117</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	\$ 559,671	\$ -
Adjudicated fines receivable	291,729	-
Grant drawdowns prior to meeting all eligibility requirements	-	261,460
Other	<u>5,151</u>	<u>-</u>
Total general fund	<u>856,551</u>	<u>261,460</u>
Debt service:		
Delinquent property taxes receivable	<u>117,807</u>	<u>-</u>
Total debt service	<u>117,807</u>	<u>-</u>
Other governmental funds:		
Delinquent property taxes receivable	<u>4,016</u>	<u>-</u>
Total other governmental funds	<u>4,016</u>	<u>-</u>
Total governmental funds	<u>\$ 978,374</u>	<u>\$ 261,460</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, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Prior Period Adjustment	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,371,813	\$ -	\$ -	\$ -	\$ 6,371,813
Construction in progress	<u>11,465,145</u>	<u>5,771,151</u>	<u>-</u>	<u>-</u>	<u>17,236,296</u>
Total assets not being depreciated	<u>17,836,958</u>	<u>5,771,151</u>	<u>-</u>	<u>-</u>	<u>23,608,109</u>
Capital assets, being depreciated:					
Buildings and improvements	11,954,340	22,098	-	-	11,976,438
Infrastructure	5,289,180	-	-	-	5,289,180
Machinery and equipment	<u>7,074,117</u>	<u>378,685</u>	<u>(610,070)</u>	<u>-</u>	<u>6,842,732</u>
Total capital assets being depreciated	<u>24,317,637</u>	<u>400,783</u>	<u>(610,070)</u>	<u>-</u>	<u>24,108,350</u>
Less accumulated depreciation:					
Buildings and improvements	3,790,785	316,279	-	-	4,107,064
Infrastructure	1,270,670	106,030	-	-	1,376,700
Machinery and equipment	<u>4,224,966</u>	<u>562,687</u>	<u>561,739</u>	<u>-</u>	<u>5,349,392</u>
Total accumulated depreciation	<u>9,286,421</u>	<u>984,996</u>	<u>561,739</u>	<u>-</u>	<u>10,833,156</u>
Total capital assets being depreciated, net	<u>15,031,216</u>	<u>(584,213)</u>	<u>(48,331)</u>	<u>-</u>	<u>14,398,672</u>
Governmental activities capital assets, net	<u>\$ 32,868,174</u>	<u>\$ 5,186,938</u>	<u>\$ (48,331)</u>	<u>\$ -</u>	<u>\$ 38,006,781</u>

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

Governmental activities:	
General government	\$ 390,345
Financial administration	17,644
Roads and bridges	260,523
Public safety	241,702
Public facilities	5,365
Public services	35,917
Judicial	16,708
Legal	3,043
Culture and recreation	11,583
Health and welfare	<u>2,166</u>
Total depreciation expense - governmental activities	<u>\$ 984,996</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables/Payables and Transfers

The composition of interfund balances as of September 30, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 40,962
Debt service	General	932
		<u>\$ 41,894</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>
Debt service	Courthouse construction	\$ 12,357
Debt service	Road Improvements Bond 2008	2,108
Nonmajor governmental	General	861,083
Enterprise	General	750,000
Nonmajor governmental	Nonmajor governmental	70,624
Nonmajor governmental	Enterprise	214,196
Nonmajor governmental	Debt service	8,371
		<u>\$ 1,918,739</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%	\$ 2,575,000	\$ 240,000

(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, 2009, are as follows:

Fiscal Year Ending September 30,	Certificates of Obligation		
	Principal	Interest	Total
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	285,000	73,132	358,132
2015 - 2018	<u>1,270,000</u>	<u>153,917</u>	<u>1,423,917</u>
Total	<u>\$ 2,575,000</u>	<u>\$ 636,629</u>	<u>\$ 3,211,629</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%	\$ 2,795,000	\$ 175,000
\$850,000 limited tax notes Series 2003	12/02/03	2.85%	155,000	155,000
\$950,000 limited tax notes Series 2004	11/04/04	3.51%	345,000	170,000
\$550,000 limited tax notes Series 2005	11/30/05	3.85%	300,000	95,000
\$11,500,000 limited tax notes Series 2007	06/18/07	4.0% - 4.037%	10,910,000	400,000
\$1,250,000 limited tax notes Series 2007	09/18/07	3.75% - 4.03%	920,000	170,000
\$30,000,000 limited tax notes Series 2008	06/17/08	2.62%	5,000,000	-
\$2,000,000 limited tax notes Series 2008A	09/25/08	4.09%	1,735,000	260,000
\$24,705,000 tax refunding note Series 2009	02/01/09	2.00%-5.00%	24,705,000	455,000
\$10,620,000 limited tax note Series 2009	02/01/09	2.75%-5.25%	<u>10,620,000</u>	<u>185,000</u>
			<u>\$ 57,485,000</u>	<u>\$ 2,065,000</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 \$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.

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.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

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%.

The \$24,705,000 Limited Tax Refunding Bonds – Series 2009, were issued to liquidate all but \$5,000,000 of the \$30,000,000 Tax Notes Series 2008 for the purpose of extending the amortization period to 25 years instead of the shorter seven-year period associated with the \$30M Tax Notes 2008 bonds. This action had the effect of reducing the annual debt service associated with the liability and did not affect the original purpose of the funds, which is to pay for the construction of a new courthouse for the County. It is intended that the unamortized portion of the remaining \$5M will also be refunded for the same purpose.

\$10,620,000 Unlimited Tax Road Bonds – Series 2009, were issued for the purpose of funding road improvement projects authorized by the voters in the 2004 \$17.250M Road Bond Authorization and the 2008 \$100M Road Bond Authorization. The proceeds were split with \$8.120M allocated to projects authorized by the 2004 bond issue and \$2.500M was allocated to projects authorized by the 2008 bond issue.

(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, 2009, are summarized as follows:

Fiscal Year Ending September 30,	Tax Notes		
	Principal	Interest	Total
2010	\$ 2,065,000	\$ 2,558,429	\$ 4,623,429
2011	2,235,000	2,302,407	4,537,407
2012	2,140,000	2,081,588	4,221,588
2013	2,095,000	2,005,019	4,100,019
2014	2,185,000	1,921,082	4,106,082
2015-2019	14,810,000	8,423,292	23,233,292
2020-2024	10,680,000	6,298,381	16,978,381
2025-2029	10,715,000	3,858,491	14,573,491
2030-2034	10,560,000	1,393,750	11,953,750
Total	\$ 57,485,000	\$ 30,842,439	\$ 88,327,439

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, 2009:

Description	Amounts Outstanding September 30, 2008	Issued	Retired	Refunded	Amounts Outstanding September 30, 2009	Due Within One Year
Certificates of obligation	\$ 2,805,000	\$ -	\$ 230,000	\$ -	\$ 2,575,000	\$ 240,000
Tax notes	49,240,000	35,325,000	2,925,000	24,155,000	57,485,000	2,065,000
Bond premiums/discounts	17,398	(132,509)	967	-	(116,078)	(22,444)
Compensated absences	437,655	473,933	452,546	-	459,042	91,808
Net OPEB obligation	-	184,173	-	-	184,173	-
	\$ 52,500,053	\$ 35,850,597	\$ 3,608,513	\$ 24,155,000	\$ 60,587,137	\$ 2,374,364

(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 586 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 may contribute at an elected contribution rate that is higher. For the fiscal year 2009, the employer contributes at an elected rate of 9.0% verses the required rate of 6.36%.

(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 2009 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, 2009, the annual pension cost for the TCDRS plan for its employees was \$1,141,902, and the actual contributions were \$1,141,902. 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, 2007 and December 31, 2006, the basis for determining the contribution rates for calendar years 2009 and 2008. The December 31, 2008, actuarial valuation is the most recent valuation.

Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, closed
Amortization period	7.4	30	4.8
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund Value	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	5.3%	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

Fiscal year	2007	2008	2009
Annual required contribution (ARC)	\$ 876,568	\$ 1,038,716	\$ 1,141,902
Interest on net pension obligation	-	-	(160,000)
Adjustment to ARC	-	-	124,544
Annual pension cost	876,568	1,038,716	1,106,446
Contributions made	(876,568)	(3,038,716)	(1,141,902)
Net pension obligation (asset), beginning of year	-	-	(2,000,000)
Change in net pension obligation (asset)	-	(2,000,000)	(35,456)
Net pension obligation (asset), end of year	\$ -	\$(2,000,000)	\$(2,035,456)
Percentage of APC contributed	100.0%	292.5%	103.2%

(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)
2006	\$ 15,868,908	\$ 17,491,389	\$ 1,622,481	90.72%	\$ 9,681,214	16.76%
2007	19,635,206	19,403,683	(231,523)	101.19%	10,467,796	(2.21%)
2008	20,062,445	21,573,217	1,510,772	93.00%	11,896,462	12.70%

- 1) The annual covered payroll is based on the employee contributions received by TCDRS 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 \$200 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 \$36,827.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-retirement Health Care Benefits

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 221,000
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	<u>221,000</u>
Employer Contributions with Interest	(36,827)
Increase (Decrease) in Net OPEB Obligation	184,173
Net OPEB Obligation, beginning of year	<u>-</u>
Net OPEB Obligation, end of year	<u>\$ 184,173</u>

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

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

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/09	\$ 221,000	\$ 36,827	17%	\$ 184,173

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll
09/30/08	\$ -	\$ 1,593,000	\$ 1,593,000	- %	\$ -

This is the year of implementation for GASB Statement No.45 for the County. Accordingly, the two previous years of funding status and funding progress are not available.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-retirement Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the County and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and significant assumptions used are as follows:

Actuarial Valuation Date	09/30/2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Payroll Growth Rate	3%
Projected Salary Increases	4%
General Inflation Rate	3%
Healthcare cost trend rate	11%
The number of active members is assumed to remain constant in the future	

(continued)

IV. OTHER INFORMATION (Continued)

J. Prior Period Adjustments

In the government-wide financial statements an adjustment was made to correct a lump sum payment the County made to Texas County and District Retirement System (TCDRS) towards the County's unfunded actuarial accrued liability. The result of this payment should have created a net pension asset in the financial statements. As a result, this adjustment increased beginning net assets by \$2,000,000.

K. Health Care Coverage (Self-insured Plan)

During the year ended September 30, 2009, 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.

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.

(continued)

IV. OTHER INFORMATION (Continued)

N. Commitments and Contingencies (Continued)

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, 2009, 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.

**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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 20,265,013	\$ 20,265,013	\$ 20,034,753	\$(230,260)
Beverage taxes	105,000	105,000	207,816	102,816
Fines and forfeitures	1,250,000	1,250,000	1,090,953	(159,047)
Other taxes	30,000	30,000	25,617	(4,383)
Fees and commissions	2,558,916	2,558,916	2,348,462	(210,454)
Intergovernmental	20,000	20,000	21,080	1,080
Investment earnings	525,780	525,780	231,018	(294,762)
Grants	331,855	331,855	403,372	71,517
Miscellaneous	65,250	65,250	84,945	19,695
Total revenues	<u>25,151,814</u>	<u>25,151,814</u>	<u>24,448,016</u>	<u>(703,798)</u>
EXPENDITURES				
Current:				
General government:				
County judge	163,695	163,795	142,367	21,428
County clerk	869,348	869,348	746,480	122,868
Information services	422,957	422,957	391,110	31,847
Nondepartmental	2,948,015	2,926,115	657,718	2,268,397
Human resources	46,682	46,682	32,189	14,493
Commissioners' court	76,741	76,741	75,087	1,654
Total general government	<u>4,527,438</u>	<u>4,505,638</u>	<u>2,044,951</u>	<u>2,460,687</u>
Financial administration:				
Tax assessor/collector	633,929	635,429	600,448	34,981
County treasurer	350,953	350,953	332,532	18,421
County auditor	469,400	469,400	468,217	1,183
Noncapital equipment	201,267	201,267	201,267	-
Human Resources	111,672	111,672	100,353	11,319
Total financial administration	<u>1,767,221</u>	<u>1,768,721</u>	<u>1,702,817</u>	<u>65,904</u>
Commissioner expenses:				
County commissioner, precinct #1	103,866	103,866	97,473	6,393
County commissioner, precinct #2	99,654	99,654	92,902	6,752
County commissioner, precinct #3	103,466	103,466	96,047	7,419
County commissioner, precinct #4	101,608	101,608	94,854	6,754
Total commissioner expenses	<u>408,594</u>	<u>408,594</u>	<u>381,276</u>	<u>27,318</u>
Public safety:				
Sheriff's department	4,309,618	4,293,618	4,002,407	291,211
County jail	4,906,704	4,906,704	4,503,258	403,446
Other law enforcement	654,966	654,966	591,556	63,410
Constable #1	91,382	91,382	86,983	4,399
Constable #2	89,579	89,579	82,355	7,224
Fire marshal	232,994	232,994	131,323	101,671
Total public safety	<u>10,285,243</u>	<u>10,269,243</u>	<u>9,397,882</u>	<u>871,361</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Public facilities				
Maintenance and operations	\$ 1,127,594	\$ 1,123,494	\$ 945,362	\$ 178,132
Total public facilities	<u>1,127,594</u>	<u>1,123,494</u>	<u>945,362</u>	<u>178,132</u>
Public services:				
Election administrator	443,495	443,495	384,443	59,052
VINE program	18,000	18,000	17,925	75
TCEQ grant	<u>240,000</u>	<u>240,000</u>	<u>239,770</u>	<u>230</u>
Total public services	<u>701,495</u>	<u>701,495</u>	<u>642,138</u>	<u>59,357</u>
Judicial:				
District clerk	648,769	648,769	622,317	26,452
District judge	796,981	796,981	691,644	105,337
Justice of the peace, precinct #1	265,724	270,924	260,367	10,557
Justice of the peace, precinct #2	316,756	316,756	271,557	45,199
Court at law	<u>652,820</u>	<u>652,820</u>	<u>551,965</u>	<u>100,855</u>
Total judicial	<u>2,681,050</u>	<u>2,686,250</u>	<u>2,397,850</u>	<u>288,400</u>
Legal:				
District attorney	<u>1,448,864</u>	<u>1,447,864</u>	<u>1,375,908</u>	<u>71,956</u>
Total legal	<u>1,448,864</u>	<u>1,447,864</u>	<u>1,375,908</u>	<u>71,956</u>
Culture and recreation:				
County library	<u>1,458,135</u>	<u>1,458,135</u>	<u>1,325,414</u>	<u>132,721</u>
Total culture and recreation	<u>1,458,135</u>	<u>1,458,135</u>	<u>1,325,414</u>	<u>132,721</u>
Health and welfare:				
County health coordinator	148,208	148,208	139,901	8,307
Welfare	239,700	239,700	230,143	9,557
Ambulance	385,550	385,550	386,750	(1,200)
911 services	64,403	64,403	59,659	4,744
Indigent health care	<u>1,500,000</u>	<u>1,500,000</u>	<u>225,000</u>	<u>1,275,000</u>
Total health and welfare	<u>2,337,861</u>	<u>2,337,861</u>	<u>1,041,453</u>	<u>1,296,408</u>
Conservation:				
County agent	<u>154,403</u>	<u>157,603</u>	<u>145,075</u>	<u>12,528</u>
Total conservation	<u>154,403</u>	<u>157,603</u>	<u>145,075</u>	<u>12,528</u>
Total current expenditures	<u>26,897,898</u>	<u>26,864,898</u>	<u>21,400,126</u>	<u>5,464,772</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Noncurrent:				
Capital outlay:				
Capital equipment	\$ 1,434,263	\$ 1,434,263	\$ 266,881	\$ 1,167,382
Capital improvements	110,000	144,600	25,006	119,594
Total capital outlay	<u>1,544,263</u>	<u>1,578,863</u>	<u>291,887</u>	<u>1,286,976</u>
Total expenditures	<u>28,442,161</u>	<u>28,443,761</u>	<u>21,692,013</u>	<u>6,751,748</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,290,347)</u>	<u>(3,291,947)</u>	<u>2,756,003</u>	<u>6,047,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	-	(25,000)
Transfers out	(1,256,804)	(1,256,804)	(1,611,083)	(354,279)
Proceeds from sale of assets	2,500	2,500	23,209	20,709
Total other financing sources (uses)	<u>(1,229,304)</u>	<u>(1,229,304)</u>	<u>(1,587,874)</u>	<u>(358,570)</u>
NET CHANGE IN FUND BALANCE	<u>(4,519,651)</u>	<u>(4,521,251)</u>	<u>1,168,129</u>	<u>5,689,380</u>
FUND BALANCES, BEGINNING	<u>19,826,660</u>	<u>19,826,660</u>	<u>19,826,660</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 15,307,009</u>	<u>\$ 15,305,409</u>	<u>\$ 20,994,789</u>	<u>\$ 5,689,380</u>

SUPPLEMENTARY INFORMATION

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

SEPTEMBER 30, 2009

	Special Revenue		
	Emergency Management	Fire Code Enforcement	Law Library
ASSETS			
Cash and investments			
Unrestricted	\$ 133,005	\$ 75,162	\$ -
Restricted	-	-	177,763
Receivables (net of allowance for uncollectibles)			
Taxes	-	-	-
Accounts	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 133,005</u>	 <u>\$ 75,162</u>	 <u>\$ 177,763</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,536	\$ -	\$ 2,811
Accrued expenses	3,646	-	-
Deferred revenue	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,182</u>	<u>-</u>	<u>2,811</u>
 Fund balances:			
Unreserved	<u>124,823</u>	<u>75,162</u>	<u>174,952</u>
Total fund balances	<u>124,823</u>	<u>75,162</u>	<u>174,952</u>
 Total liabilities and fund balances	 <u>\$ 133,005</u>	 <u>\$ 75,162</u>	 <u>\$ 177,763</u>

Special Revenue

Justice Court Building Security	D. A. State	D. A. Forfeiture	Click it or Ticket Grant	Cities Readiness Initiative	Help America Vote Grant	Texas State Library Grant
\$ -	\$ -	\$ 5,948	\$ -	\$ -	\$ -	\$ -
27,606	2,697	72,041	-	-	17,880	2,718
-	-	-	-	-	-	-
-	15,173	193	-	4,119	155	-
<u>\$ 27,606</u>	<u>\$ 17,870</u>	<u>\$ 78,182</u>	<u>\$ -</u>	<u>\$ 4,119</u>	<u>\$ 18,035</u>	<u>\$ 2,718</u>
\$ -	\$ 1,420	\$ 1,461	\$ -	\$ 4,067	\$ -	\$ 2,620
-	-	11	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	52	-	-
-	1,420	1,472	-	4,119	-	2,620
27,606	16,450	76,710	-	-	18,035	98
<u>27,606</u>	<u>16,450</u>	<u>76,710</u>	<u>-</u>	<u>-</u>	<u>18,035</u>	<u>98</u>
<u>\$ 27,606</u>	<u>\$ 17,870</u>	<u>\$ 78,182</u>	<u>\$ -</u>	<u>\$ 4,119</u>	<u>\$ 18,035</u>	<u>\$ 2,718</u>

(continued)

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

(Continued)

SEPTEMBER 30, 2009

	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	\$ -	\$ -	\$ -	\$ 11,129	\$ -
Restricted	-	-	1,455	21,069	106,029
Receivables (net of allowance for uncollectibles)					
Taxes	-	-	-	-	-
Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,455</u>	<u>\$ 32,198</u>	<u>\$ 106,029</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	<u>-</u>	<u>39,341</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>39,341</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Unreserved	<u>-</u>	<u>(39,341)</u>	<u>1,455</u>	<u>32,198</u>	<u>106,029</u>
Total fund balances	<u>-</u>	<u>(39,341)</u>	<u>1,455</u>	<u>32,198</u>	<u>106,029</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,455</u>	<u>\$ 32,198</u>	<u>\$ 106,029</u>

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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
627,958	100	21,572	126,551	18,940	195,530	1,370,277	83,081
28,325	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 656,283</u>	<u>\$ 100</u>	<u>\$ 21,572</u>	<u>\$ 126,551</u>	<u>\$ 18,940</u>	<u>\$ 195,530</u>	<u>\$ 1,370,277</u>	<u>\$ 83,081</u>
\$ -	\$ 100	\$ 13	\$ -	\$ 7,500	\$ -	\$ 15	\$ 449
-	-	292	-	-	-	291	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>100</u>	<u>305</u>	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>306</u>	<u>449</u>
<u>656,283</u>	<u>-</u>	<u>21,267</u>	<u>126,551</u>	<u>11,440</u>	<u>195,530</u>	<u>1,369,971</u>	<u>82,632</u>
<u>656,283</u>	<u>-</u>	<u>21,267</u>	<u>126,551</u>	<u>11,440</u>	<u>195,530</u>	<u>1,369,971</u>	<u>82,632</u>
<u>\$ 656,283</u>	<u>\$ 100</u>	<u>\$ 21,572</u>	<u>\$ 126,551</u>	<u>\$ 18,940</u>	<u>\$ 195,530</u>	<u>\$ 1,370,277</u>	<u>\$ 83,081</u>

(continued)

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

(Continued)

SEPTEMBER 30, 2009

	Special Revenue				
	Courthouse Security	Election Services	Voter Registration Reimbursement	Library Building	TCEQ Local Initiative Project
ASSETS					
Cash and investments					
Unrestricted	\$ -	\$ 116,482	\$ -	\$ -	\$ 3,810
Restricted	100,864	-	2,109	73,179	-
Receivables (net of allowance for uncollectibles)					
Taxes	-	-	-	-	-
Accounts	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 100,864</u>	 <u>\$ 116,482</u>	 <u>\$ 2,114</u>	 <u>\$ 73,179</u>	 <u>\$ 3,810</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,642	\$ -	\$ -	\$ -	\$ -
Accrued expenses	2,990	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>1,569</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,632</u>	<u>-</u>	<u>1,569</u>	<u>-</u>	<u>-</u>
 Fund balances:					
Unreserved	<u>95,232</u>	<u>116,482</u>	<u>545</u>	<u>73,179</u>	<u>3,810</u>
Total fund balances	<u>95,232</u>	<u>116,482</u>	<u>545</u>	<u>73,179</u>	<u>3,810</u>
 Total liabilities and fund balances	 <u>\$ 100,864</u>	 <u>\$ 116,482</u>	 <u>\$ 2,114</u>	 <u>\$ 73,179</u>	 <u>\$ 3,810</u>

Special Revenue				Capital Projects			
<u>Sheriff</u>	<u>Library</u>	<u>D. A. Hot Check Fees</u>	<u>Road and Bridge</u>	<u>Library Construction Bond</u>	<u>Historic Courthouse</u>	<u>Library Renovation</u>	<u>Total</u>
\$ 52,616	\$ 115,565	\$ 30,679	\$ -	\$ -	\$ -	\$ -	\$ 544,396
-	-	-	2,565,566	397,953	9,873	548	6,023,359
-	-	-	5,387	-	-	-	33,712
-	-	-	<u>12,623</u>	-	-	-	<u>32,268</u>
<u>\$ 52,616</u>	<u>\$ 115,565</u>	<u>\$ 30,679</u>	<u>\$ 2,583,576</u>	<u>\$ 397,953</u>	<u>\$ 9,873</u>	<u>\$ 548</u>	<u>\$ 6,633,735</u>
\$ -	\$ -	\$ -	\$ 52,516	\$ -	\$ -	\$ -	\$ 80,150
-	-	-	15,313	-	-	-	22,543
-	-	-	4,016	-	-	-	4,016
-	-	-	-	-	-	-	40,962
-	-	-	<u>71,845</u>	-	-	-	<u>147,671</u>
<u>52,616</u>	<u>115,565</u>	<u>30,679</u>	<u>2,511,731</u>	<u>397,953</u>	<u>9,873</u>	<u>548</u>	<u>6,486,064</u>
<u>52,616</u>	<u>115,565</u>	<u>30,679</u>	<u>2,511,731</u>	<u>397,953</u>	<u>9,873</u>	<u>548</u>	<u>6,486,064</u>
<u>\$ 52,616</u>	<u>\$ 115,565</u>	<u>\$ 30,679</u>	<u>\$ 2,583,576</u>	<u>\$ 397,953</u>	<u>\$ 9,873</u>	<u>\$ 548</u>	<u>\$ 6,633,735</u>

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

GOVERNMENT FUNDS

SEPTEMBER 30, 2009

	Special Revenue		
	Emergency Management	Fire Code Enforcement	Law Library
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Other taxes	-	-	-
Fees and commissions	242,179	38,657	57,295
Intergovernmental	-	-	-
Election	-	-	-
Investment earnings	60	40	1,051
Grants	-	-	-
Donations	-	-	-
Miscellaneous	-	-	-
Total revenues	242,239	38,697	58,346
EXPENDITURES			
Current:			
General government	-	-	-
Roads and bridges	-	-	-
Public safety	152,933	-	-
Public service	-	-	-
Judicial	-	-	-
Legal	-	-	-
Culture and recreation	-	-	49,700
Capital outlay	16,976	-	-
Total expenditures	169,909	-	49,700
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	72,330	38,697	8,646
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from sale of assets	-	-	-
Total other revenues and financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	72,330	38,697	8,646
FUND BALANCES/EQUITY, BEGINNING	52,493	36,465	166,306
FUND BALANCES/EQUITY, ENDING	\$ 124,823	\$ 75,162	\$ 174,952

Special Revenue

Justice Court Building Security	D. A. State	D. A. Forfeiture	Click it or Ticket Grant	Cities Readiness Initiative	Help America Vote Grant	Texas State Library Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,956	-	-	-	-
-	-	-	-	-	-	-
6,214	-	-	-	-	-	-
-	34,434	-	-	-	-	-
-	-	-	-	-	-	-
154	234	400	-	-	-	-
-	-	-	-	41,183	-	11,988
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>6,368</u>	<u>34,668</u>	<u>2,356</u>	<u>-</u>	<u>41,183</u>	<u>-</u>	<u>11,988</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	41,183	3,087	-
833	-	-	-	-	-	-
-	34,825	2,013	-	-	-	-
-	-	-	-	-	-	11,890
-	250	-	-	-	-	-
<u>833</u>	<u>35,075</u>	<u>2,013</u>	<u>-</u>	<u>41,183</u>	<u>3,087</u>	<u>11,890</u>
<u>5,535</u>	<u>(407)</u>	<u>343</u>	<u>-</u>	<u>-</u>	<u>(3,087)</u>	<u>98</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,806	-	-	-	-
-	-	4,806	-	-	-	-
5,535	(407)	5,149	-	-	(3,087)	98
<u>22,071</u>	<u>16,857</u>	<u>71,561</u>	<u>-</u>	<u>-</u>	<u>21,122</u>	<u>-</u>
<u>\$ 27,606</u>	<u>\$ 16,450</u>	<u>\$ 76,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,035</u>	<u>\$ 98</u>

(continued)

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

GOVERNMENT FUNDS
(Continued)
SEPTEMBER 30, 2009

	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	-	-	-	1,658	9,340
Intergovernmental	-	-	-	-	-
Election	-	-	-	-	-
Investment earnings	-	50	16	181	720
Grants	-	72,142	-	-	-
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>72,192</u>	<u>16</u>	<u>1,839</u>	<u>10,060</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Roads and bridges	-	-	-	-	-
Public safety	-	72,142	-	-	-
Public service	-	-	-	-	-
Judicial	-	-	-	-	-
Legal	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>72,142</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>50</u>	<u>16</u>	<u>1,839</u>	<u>10,060</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(39,391)	(13,155)	-	-
Proceeds from sale of assets	-	-	-	-	-
Total other revenues and financing sources (uses)	<u>-</u>	<u>(39,391)</u>	<u>(13,155)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(39,341)	(13,139)	1,839	10,060
FUND BALANCES/EQUITY, BEGINNING	<u>-</u>	<u>-</u>	<u>14,594</u>	<u>30,359</u>	<u>95,969</u>
FUND BALANCES/EQUITY, ENDING	<u>\$ -</u>	<u>\$ (39,341)</u>	<u>\$ 1,455</u>	<u>\$ 32,198</u>	<u>\$ 106,029</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
209,177	-	-	-	-	-	-	-
-	-	8,520	24,555	9,340	25,943	192,572	32,790
-	-	-	-	-	-	-	-
5,269	-	24	789	86	1,305	10,305	411
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>214,446</u>	<u>-</u>	<u>8,544</u>	<u>25,344</u>	<u>9,426</u>	<u>27,248</u>	<u>202,877</u>	<u>33,201</u>
-	-	-	-	-	-	30,965	18,165
-	-	-	-	-	-	-	-
301,510	-	-	-	-	-	-	-
-	-	10,344	58	7,500	1,681	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>301,510</u>	<u>-</u>	<u>10,344</u>	<u>58</u>	<u>7,500</u>	<u>1,681</u>	<u>30,965</u>	<u>18,165</u>
(87,064)	-	(1,800)	25,286	1,926	25,567	171,912	15,036
-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	20,000
(87,064)	-	(1,800)	25,286	1,926	25,567	171,912	35,036
<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>\$ 656,283</u>	<u>\$ -</u>	<u>\$ 21,267</u>	<u>\$ 126,551</u>	<u>\$ 11,440</u>	<u>\$ 195,530</u>	<u>\$ 1,369,971</u>	<u>\$ 82,632</u>

(continued)

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
(Continued)
SEPTEMBER 30, 2009

	Special Revenue				TCEQ Local Initiative Project
	Courthouse Security	Election Services	Voter Registration Reimbursement	Library Building	
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Other taxes	-	-	-	-	-
Fees and commissions	51,893	-	-	-	-
Intergovernmental	-	11,115	13,764	-	-
Election	-	59,014	-	-	-
Investment earnings	723	87	-	152	-
Grants	-	-	-	-	51,804
Donations	-	-	-	26,180	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>52,616</u>	<u>70,216</u>	<u>13,764</u>	<u>26,332</u>	<u>51,804</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Roads and bridges	-	-	-	-	-
Public safety	122,920	-	-	-	-
Public service	-	38,032	11,253	-	-
Judicial	-	-	-	-	-
Legal	-	-	-	-	-
Culture and recreation	-	-	-	6,570	-
Capital outlay	-	555	-	62,710	99,798
Total expenditures	<u>122,920</u>	<u>38,587</u>	<u>11,253</u>	<u>69,280</u>	<u>99,798</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(70,304)</u>	<u>31,629</u>	<u>2,511</u>	<u>(42,948)</u>	<u>(47,994)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	85,000	-	-	-	51,804
Transfers out	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Total other revenues and financing sources (uses)	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,804</u>
NET CHANGE IN FUND BALANCES	14,696	31,629	2,511	(42,948)	3,810
FUND BALANCES/EQUITY, BEGINNING	<u>80,536</u>	<u>84,853</u>	<u>(1,966)</u>	<u>116,127</u>	<u>-</u>
FUND BALANCES/EQUITY, ENDING	<u>\$ 95,232</u>	<u>\$ 116,482</u>	<u>\$ 545</u>	<u>\$ 73,179</u>	<u>\$ 3,810</u>

Special Revenue				Capital Projects			Total
Sheriff	Library	D. A. Hot Check Fees	Road and Bridge	Library Construction Bond	Historic Courthouse	Library Renovation	
\$ -	\$ -	\$ -	\$ 326,480	\$ -	\$ -	\$ -	\$ 326,480
-	70,688	12,927	164,352	-	-	-	249,923
-	-	-	-	-	-	-	209,177
-	26,364	-	1,192,026	-	-	-	1,919,346
8,280	-	-	147,907	-	-	-	215,500
-	-	-	-	-	-	-	59,014
47	102	-	8,316	9,746	193	4	40,465
-	-	-	-	-	-	-	177,117
-	-	-	-	-	-	-	26,180
3,456	-	-	5,746	-	-	-	9,202
<u>11,783</u>	<u>97,154</u>	<u>12,927</u>	<u>1,844,827</u>	<u>9,746</u>	<u>193</u>	<u>4</u>	<u>3,232,404</u>
-	-	-	-	-	-	-	49,130
-	-	-	1,381,412	-	-	-	1,381,412
17,629	-	-	-	-	-	-	667,134
-	-	-	-	-	-	-	93,555
-	-	-	-	-	-	-	20,416
-	-	3,759	-	-	-	-	40,597
-	110,889	-	-	2,700	-	-	181,749
-	-	-	-	538,643	-	-	718,932
<u>17,629</u>	<u>110,889</u>	<u>3,759</u>	<u>1,381,412</u>	<u>541,343</u>	<u>-</u>	<u>-</u>	<u>3,152,925</u>
(5,846)	(13,735)	9,168	463,415	(531,597)	193	4	79,479
-	-	-	997,470	-	-	-	1,154,274
-	-	-	-	-	(14,996)	(3,082)	(70,624)
-	-	-	1,726	-	-	-	6,532
-	-	-	999,196	-	(14,996)	(3,082)	1,090,182
(5,846)	(13,735)	9,168	1,462,611	(531,597)	(14,803)	(3,078)	1,169,661
58,462	129,300	21,511	1,049,120	929,550	24,676	3,626	5,316,403
<u>\$ 52,616</u>	<u>\$ 115,565</u>	<u>\$ 30,679</u>	<u>\$ 2,511,731</u>	<u>\$ 397,953</u>	<u>\$ 9,873</u>	<u>\$ 548</u>	<u>\$ 6,486,064</u>

ROCKWALL COUNTY, TEXAS

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2009

	<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>1,054,809</u>	\$ <u>165,828</u>	\$ <u>139,290</u>	\$ <u>1,912,787</u>	\$ <u>112,891</u>	\$ <u>56,000</u>	\$ <u>3,441,605</u>
Total assets	\$ <u>1,054,809</u>	\$ <u>165,828</u>	\$ <u>139,290</u>	\$ <u>1,912,787</u>	\$ <u>112,891</u>	\$ <u>56,000</u>	\$ <u>3,441,605</u>
LIABILITIES							
Due to others	\$ -	\$ 165,828	\$ 139,290	\$ 1,912,787	\$ 112,891	\$ 56,000	\$ 2,386,796
Due to other governments	<u>1,054,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,054,809</u>
Total liabilities	\$ <u>1,054,809</u>	\$ <u>165,828</u>	\$ <u>139,290</u>	\$ <u>1,912,787</u>	\$ <u>112,891</u>	\$ <u>56,000</u>	\$ <u>3,441,605</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Paxillo, Brown & Hill, LLP

May 7, 2010

ROCKWALL COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2009

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.

Current Status: This matter has been resolved.

(continued)

ROCKWALL COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

(Continued)

YEAR ENDED SEPTEMBER 30, 2009

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

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.

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.

Current Status: This matter has been resolved.

(continued)

ROCKWALL COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

(Continued)

YEAR ENDED SEPTEMBER 30, 2009

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

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.

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.

Current Status: This matter has been resolved.

(continued)

ROCKWALL COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES
(Continued)
YEAR ENDED SEPTEMBER 30, 2009**

**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.

Current Status: This matter has been resolved.

(continued)

ROCKWALL COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

(Continued)

YEAR ENDED SEPTEMBER 30, 2009

**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.

Current Status: This matter has been resolved.