TAYLOR COUNTY, TEXAS

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

TAYLOR COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2011

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TAYLOR COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2011

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Davis Kinard & Co, PC
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners Court
Taylor County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012, on our consideration of Taylor County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 3 through 11 and 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Taylor County, Texas' financial statements as a whole. The accompanying schedule of expenditures of state awards and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of state awards, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Davis Kinard & Co, PC
Certified Public Accountants

Abilene, Texas
March 26, 2012

TAYLOR COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Taylor County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2011. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Taylor County's total combined net assets were $87.7 million at September 30, 2011. This represents an decrease of 4 million from September 30, 2010. Of this amount, $34.7 million (unrestricted net assets) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were $4 million more than the $43.1 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of $21.9 million, all but $6,176 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Taylor County, Texas basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Taylor County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (Page 12) presents information on all of Taylor County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether Taylor County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 13) presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Net assets- the difference between the County's assets and liabilities- is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

Both of these government-wide financial statements are designed to distinguish functions of Taylor County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, highways and streets, sanitation, economic development, culture and recreation. These activities are financed primarily by property taxes and grants. The County does not have any business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Taylor County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Taylor County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has three types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both, the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Pages 15 and 17 of the basic financial statements section.

  The County maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, contingency fund, and the road and bridge fund, all of which are considered to be major funds. Individual fund data for each of the twenty-two non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

- **Proprietary funds** — Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, Taylor County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities. The individual internal service funds are combined into a single aggregate presentation in the proprietary fund financial statements on Pages 18-20. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary funds** — The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on Page 21. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Taylor County's combined net assets were approximately $87.7 million at September 30, 2011. The largest portion of the County's net assets (57.7%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net assets (3.1%) represent resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

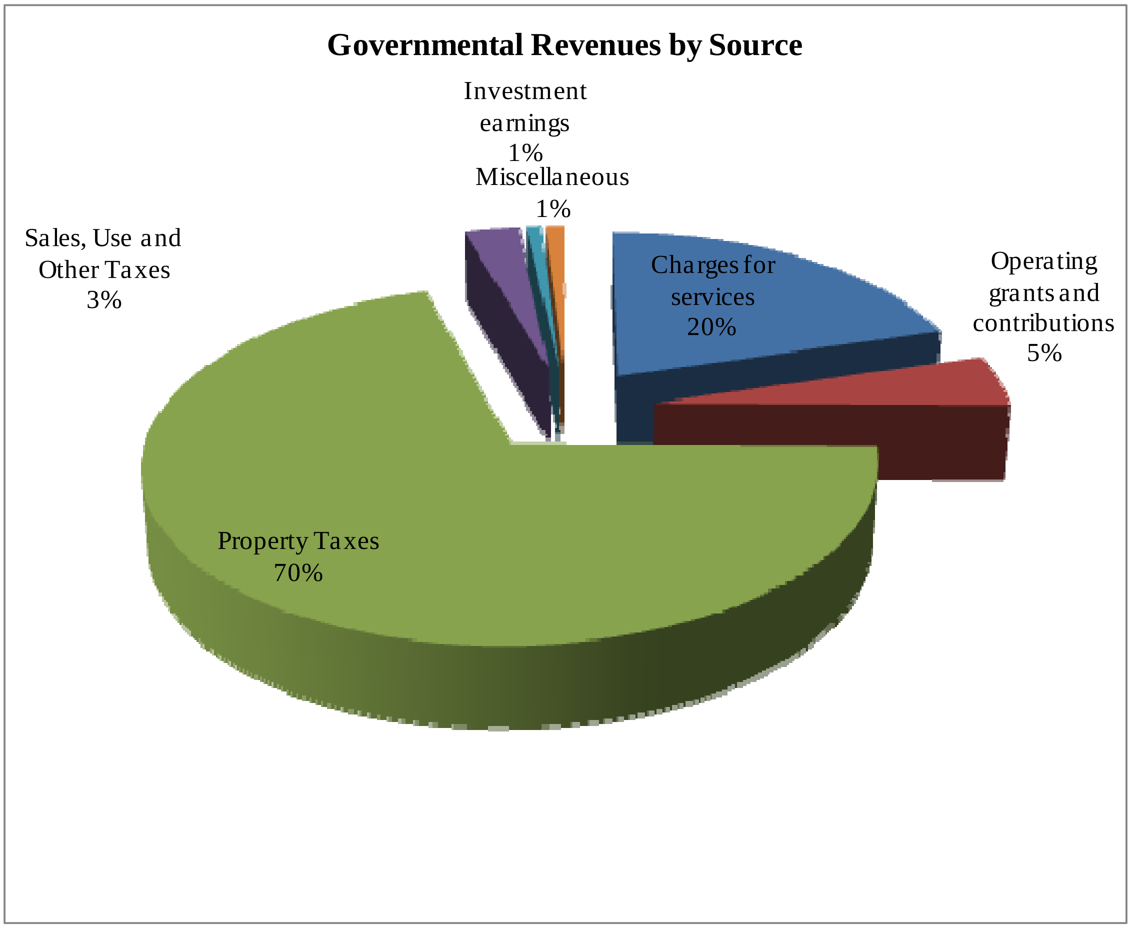
	Governmental Activities	
	September 30, 2011	September 30, 2010 (as restated)
Current and Other Assets	$ 41,351,869	$ 40,073,058
Capital Assets	53,374,152	58,760,847
Total Assets	94,726,021	98,833,905
Current Liabilities	2,780,998	2,450,552
Long Term Liabilities	4,273,295	4,666,143
Total Liabilities	7,054,293	7,116,695
Net Assets		
Invested in Capital Assets, net of related debt	50,552,896	55,448,160
Restricted	2,408,505	2,861,716
Unrestricted	34,710,327	33,407,334
Total Net Assets	$ 87,671,728	$ 91,717,210

Changes in Net Assets—Taylor County's net assets decreased by approximately $4 million during the current fiscal year.

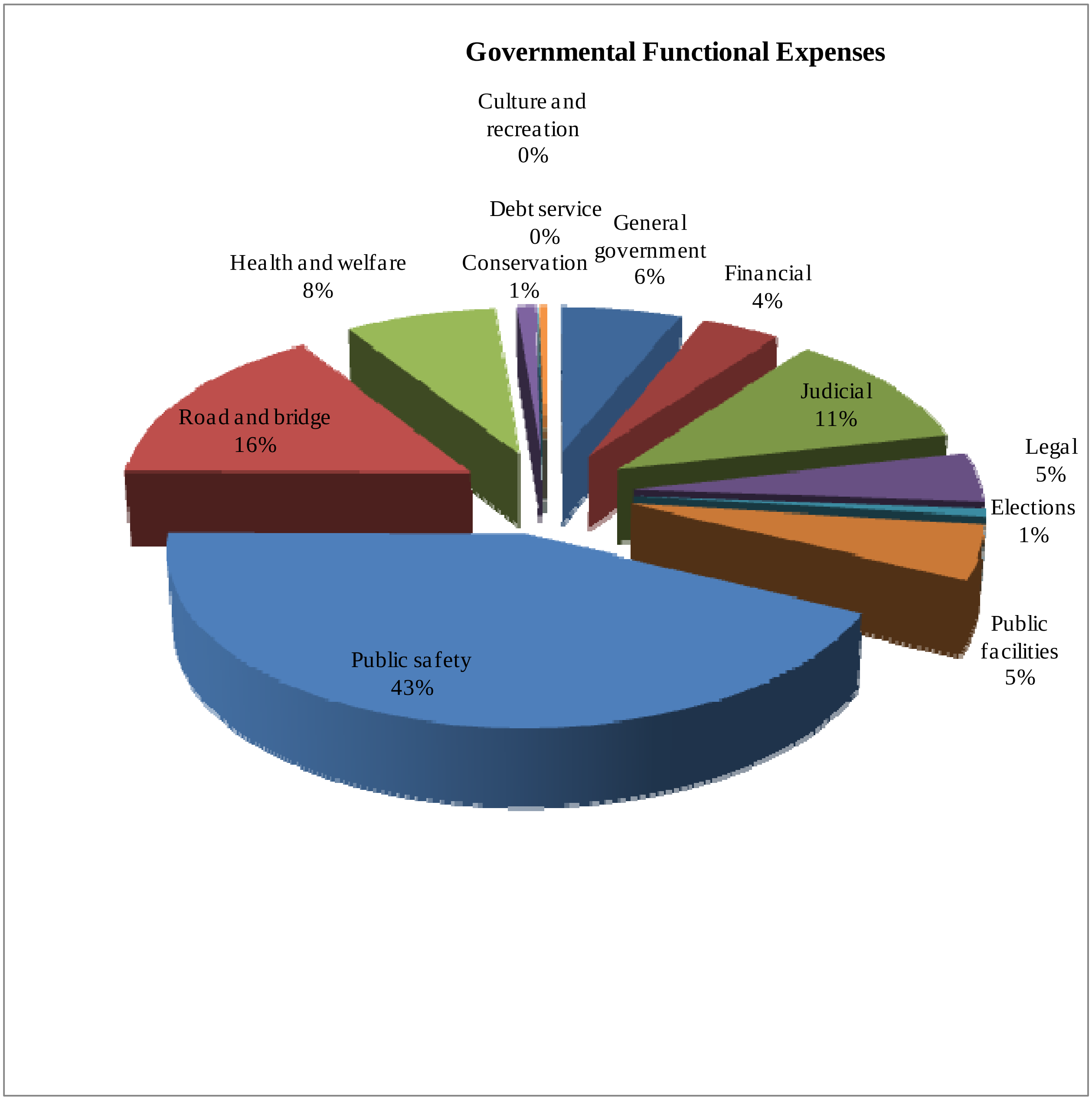
	Governmental Activities Fiscal Year 2011	Governmental Activities Fiscal Year 2010
Revenues:		
Program Revenues:		
Charges for Services	$ 8,789,607	$ 9,103,004
Operating Grants and Contributions	2,077,820	2,297,410
General Revenues:		
Property Taxes	30,355,960	29,758,282
Sales and Use and Other Taxes	1,209,627	1,182,315
Investment Earnings	309,917	264,394
Miscellaneous Revenue	327,867	317,800
Gain on Sale of Assets	73,726	48,536
Total Revenues	43,144,524	42,971,741
Expenses:		
General Government	2,916,226	2,509,321
Financial Administration	1,906,366	1,865,057
Judicial	5,299,492	5,244,049
Legal	2,256,339	2,223,032
Elections	314,290	394,015
Public Facilities	2,444,108	2,026,081
Public Safety	20,324,815	18,922,552
Road and Bridge	7,425,213	7,346,803
Health and Welfare	3,688,435	3,411,055
Conservation	470,065	520,158
Culture and Recreation	20,795	18,424
Interest on Long-Term Debt	123,862	139,168
Total Expenses	47,190,006	44,619,715
Change in Net Assets	(4,045,482)	(1,647,974)
Beginning Net Assets	91,717,210	95,129,731
Prior Period Adjustment		(1,764,547)
Ending Net Assets	$ 87,671,728	$ 91,717,210

Governmental Activities—Total revenues for the fiscal year ending September 30, 2011 were $43.1 million. Approximately 73% of the County's revenue comes from taxes, with over 70% from property taxes alone. Property tax revenue increased 2% due to an increase in the tax base.

Expenditures increased by $2.6 million from the prior year, mostly in Public Safety due to increased personnel costs relating to new personnel in the Sheriff's Department and increased cost of medical care provided to inmates.



The total cost for all programs and services totaled $47.2 million for the year ended September 30, 2011. Of this amount, the largest operating services areas were public safety which totaled $20.3 million or 43% of total expenses for the year, and road and bridge services which totaled $7.4 million, or 16% of total expenses for the year. In the prior year, these two operating areas comprised 59% of total expenses. Costs related to general government (6%) continued to absorb a significant percentage of the County's total expenses for the current year.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Taylor County's governmental funds reported a combined fund balance of $32.9 million, an increase of $31,904 or less than 1% in comparison with the prior year. Approximately 66.5% of this total amount ($21.9 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or assigned, to indicate that it is not available for new spending because it has already been committed to: 1) special purposes by virtue of special revenue funds ($10.3 million), 2) retirement of bonded indebtedness ($675 thousand), and 3) authorized construction ($22 thousand).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was $21.9 million. Approximately $21.9 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 63% of total General Fund expenditures.

Taylor County's General Fund balance increased by $1.6 million during the current fiscal year. A key factor in this growth was an increase in tax revenue.

General Fund Budgetary Highlights - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were $1.4 million below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were $1.4 million greater than the final budgeted amount. The revenue increases were primarily from increased tax revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2011, the County had invested $152.1 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of $979 thousand, or .6% over last year.

Major events affecting capital assets during the year were:

- Various equipment purchases.
- A completed construction project at the courthouse.

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

	Governmental Activities		Percent
	2011	2010 (as restated)	Change
Land	$ 1,975,105	$ 1,975,105	0.00%
Construction in Progress	-	1,017,400	-100.00%
Buildings and Improvements	68,306,499	66,663,574	2.46%
Furniture and Equipment	2,717,218	2,534,474	7.21%
Vehicles and Heavy Equipment	8,649,920	8,479,558	2.01%
Infrastructure	70,512,665	70,512,665	0.00%
Total	152,161,407	151,182,776	0.65%
Total Accumulated Depreciation	(98,787,255)	(92,421,929)	6.89%
Net Capital Assets	$ 53,374,152	$ 58,760,847	-9.17%

Long Term Debt—At the end of the year, the County had $4.3 million of long-term obligations. $2.9 million represents bonds secured solely by specified revenue sources.

	Governmental Activities 2011	Governmental Activities 2010	Percent Change
Bonds Payable	$ 2,860,000	$ 3,360,000	-15%
Compensated Absences	1,413,295	1,306,143	8%
Total	$ 4,273,295	$ 4,666,143	-8%

During the year, Taylor County's long-term obligations decreased by $393 thousand. The County's Series 2005 Advanced General Obligation Refunding Bonds presently carry "Aa2" ratings from Moody's and "AA+" ratings by Standard & Poors.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is $1.6 billion, which is significantly higher than the County's outstanding general obligation debt.

More detailed information about the County's long-term liabilities can be found in Note 7 on Page 36 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The net taxable appraised value used for the 2012 budget preparation is estimated to be down $5.8 million, or less than 1% from 2011. Total values for Taylor County, without adjustments, were up 1%.
- The combined tax rate established for 2012 is $.4726, an increase of $.0004 from 2011.
- Taylor County's unemployment rate is currently 5.8%, compared to 6.1% in 2010. The State unemployment rate in December 2011 was 7.2%.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2012 fiscal year.

Amounts available for appropriation in the General Fund budget are $36,855,211, an increase of 3.2% over the 2011 budget of $35,702,441. Property taxes and State and federal revenue (with anticipated increases in these areas) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 3.2% to $36,855,211. The largest increments are increases in salaries of 3%. The County has added no major new programs or initiatives to the 2012 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

GOVERNMENT WIDE FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Statement of Net Assets
September 30, 2011

Exhibit A-1

		Governmental Activities
ASSETS:		
Cash and cash equivalents	$	18,977,258
Investments		18,091,938
Receivables (net of allowance for uncollectibles)		
Taxes		354,807
Other		3,865,643
Due from agency funds		16,918
Prepaid expenses		4,390
Inventory		2,171
Debt issuance cost		38,744
Capital Assets		
Land		1,975,105
Infrastructure, net		20,010,776
Buildings and improvements, net		28,448,391
Vehicles and heavy equipment, net		2,214,275
Furniture and equipment, net		725,605
Total assets		94,726,021
LIABILITIES:		
Accounts payable and other current liabilities		1,261,953
Payroll liabilities		1,231,526
Accrued interest payable		7,041
Due to other governments		280,478
Noncurrent liabilities		
Due within one year		520,000
Due in more than one year		3,753,295
Total liabilities		7,054,293
NET ASSETS:		
Invested in capital assets, net of related debt		50,552,896
Restricted for		
Debt service		675,146
Capital projects		22,261
JP technology		121,667
JP security		185,609
Enabling legislation		1,403,822
Unrestricted		34,710,327
Total net assets	$	87,671,728

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

TAYLOR COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2011

		Program Revenues	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General government	$ 2,916,226	$ 2,261,088	$ 620,199
Financial	1,906,366	576,620	
Judicial	5,299,492	1,972,982	
Legal	2,256,339	252,202	124,749
Elections	314,290	47,529	5,582
Public facilities	2,444,108	323,568	
Public safety	20,324,815	1,623,921	1,141,962
Road and bridge	7,425,213	1,625,937	146,424
Health and welfare	3,688,435	68,410	38,904
Conservation	470,065	37,350	
Culture and recreation	20,795		
Interest and fees on long term debt	123,862		
Total governmental activities	47,190,006	8,789,607	2,077,820
TOTAL PRIMARY GOVERNMENT	$ 47,190,006	$ 8,789,607	$ 2,077,820

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

Change in net assets

Net assets at beginning of year
Prior period adjustment
Net assets - beginning, restated

Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Total
$ (34,939)	$ (34,939)
(1,329,746)	(1,329,746)
(3,326,510)	(3,326,510)
(1,879,388)	(1,879,388)
(261,179)	(261,179)
(2,120,540)	(2,120,540)
(17,558,932)	(17,558,932)
(5,652,852)	(5,652,852)
(3,581,121)	(3,581,121)
(432,715)	(432,715)
(20,795)	(20,795)
(123,862)	(123,862)
(36,322,579)	(36,322,579)
(36,322,579)	(36,322,579)
29,808,295	29,808,295
547,665	547,665
1,209,627	1,209,627
272,067	272,067
55,800	55,800
309,917	309,917
73,726	73,726
32,277,097	32,277,097
(4,045,482)	(4,045,482)
93,481,757	93,481,757
(1,764,547)	(1,764,547)
91,717,210	91,717,210
$ 87,671,728	$ 87,671,728

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Contingency Fund	Road and Bridge Fund
ASSETS			
Cash and cash equivalents	$ 6,566,808	$ 2,389,898	$ 303,237
Investments	17,090,664		
Receivables (net of allowances for uncollectibles)			
Property taxes	325,890		13,112
Other	303,524		37,933
Interest			
Due from other funds	192,897		16,802
Due from agency funds	16,918		
Inventories	2,171		
Prepaid items	4,005		385
Total assets	$ 24,502,877	$ 2,389,898	$ 371,469
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	$ 751,922	$	$ 25,394
Payroll liabilities	1,231,527		
Due to other funds			60,469
Due to other governments	280,478		
Deferred revenue	325,890		13,112
Total liabilities	2,589,817		98,975
Fund balances:			
Nonspendable			
Prepaid items	4,005		385
Inventory	2,171		
Restricted for			
Debt service			
Capital projects			
JP Technology			
JP Security			
Enabling legislation			
Assigned for			
Road and bridge			272,109
Contingencies		2,389,898	
Other purposes			
Unassigned	21,906,884		
Total fund balances	21,913,060	2,389,898	272,494
Total liabilities and fund balances	$ 24,502,877	$ 2,389,898	$ 371,469

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

Other Governmental Funds		Total Governmental Funds
$ 7,568,756	$	16,828,699
1,001,274		18,091,938
15,805		354,807
22,158		363,615
1,736		1,736
145,000		354,699
		16,918
		2,171
		4,390
$ 8,754,729	$	36,018,973
$ 60,922	$	838,238
		1,231,527
294,229		354,698
		280,478
15,805		354,807
370,956		3,059,748
		4,390
		2,171
675,146		675,146
22,261		22,261
121,667		121,667
185,609		185,609
1,403,822		1,403,822
48,682		320,791
		2,389,898
6,002,988		6,002,988
(76,402)		21,830,482
8,383,773		32,959,225
$ 8,754,729	$	36,018,973

TAYLOR COUNTY, TEXAS Exhibit A-4

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2011

Total Fund Balance-Governmental Funds		$	32,959,225
The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.			1,725,172
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.			
Governmental capital assets	$ 152,161,407		
Accumulated depreciation	(98,787,255)		53,374,152
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(2,860,000)		
Compensated absences	(1,413,295)		
Accrued interest payable	(7,041)		
Debt issuance costs	38,744		(4,241,592)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.			
Office fees receivable	3,499,964		
Deferred revenue - property taxes	354,807		3,854,771
Net Assets of Governmental Activities-Statement of Net Assets		$	87,671,728

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

TAYLOR COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011

	General Fund	Contingency Fund	Road and Bridge Fund
REVENUES			
Taxes			
Property taxes	$ 29,049,634	$	$ 1,037,427
Other taxes	411,331		798,296
License and permits	582,724		1,516,579
Intergovernmental and grants	1,972,683		
Fines and fees	3,977,303		20,512
Rents and recoveries	291,790		
Investment earnings	277,790	3,187	547
Miscellaneous	16,258		9,652
Total revenues	36,579,513	3,187	3,383,013
EXPENDITURES			
Current			
General government	2,534,780		
Financial	1,884,072		
Judicial	5,287,753		
Legal	1,907,396		
Elections	287,698		
Public facilities	1,246,303		
Public safety	16,731,554		
Road and bridge	3,093		3,382,498
Health and welfare	3,623,007		
Conservation	472,405		
Culture and Recreation	20,795		
Debt Service			
Debt principal			
Debt interest and agent fees			
Capital Outlay			
Capital outlay	952,436	320,275	181,676
Total expenditures	34,951,292	320,275	3,564,174
Excess revenues over expenditures	1,628,221	(317,088)	(181,161)
OTHER FINANCING SOURCES			
Transfers in			2,000
Transfers out	(52,000)		
Total other financing sources (uses)	(52,000)		2,000
NET CHANGE IN FUND BALANCE	1,576,221	(317,088)	(179,161)
FUND BALANCE AT BEGINNING OF YEAR	20,336,839	2,706,986	451,655
FUND BALANCE AT END OF YEAR	$ 21,913,060	$ 2,389,898	$ 272,494

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

Other Governmental Funds	Total Governmental Funds
$ 547,987	$ 30,635,048
	1,209,627
	2,099,303
1,140,965	3,113,648
473,498	4,471,313
	291,790
26,308	307,832
475,386	501,296
2,664,144	42,629,857
181,412	2,716,192
11,599	1,895,671
	5,287,753
409,658	2,317,054
21,543	309,241
	1,246,303
2,224,346	18,955,900
68,330	3,453,921
80,414	3,703,421
	472,405
	20,795
500,000	500,000
125,044	125,044
89,866	1,544,253
3,712,212	42,547,953
(1,048,068)	81,904
624,652	626,652
(624,652)	(676,652)
	(50,000)
(1,048,068)	31,904
9,431,841	32,927,321
$ 8,383,773	$ 32,959,225

TAYLOR COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

Net Change in Fund Balances -Total Governmental Funds		$	31,904
The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The change in net assets of these internal service funds are reported with governmental funds. The net effect of this consolidation is to increase net assets.			408,856
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.			
Capital outlay	$ 1,246,951		
Debt principal payments	500,000		1,746,951
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.			(6,631,224)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.			
Increase in office fines and fees receivable	522,025		
Deferred tax revenues	(7,021)		
Decrease in bond interest payable	1,182		
Amortization of debt issuance cost	(8,581)		
Net book value of assets retired	(2,422)		
Increase in compensated absences	(107,152)		398,031
Change in Net Assets of Governmental Activities-Statement of Activities		$	(4,045,482)

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

PROPRIETARY FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS

Exhibit A-7

Statement of Net Assets
Proprietary Funds
September 30, 2011

	Governmental Activities Internal Service Funds
ASSETS	
Current assets	
Cash and cash equivalents	$ 2,148,559
Receivables (net)	328
Total current assets	$ 2,148,887
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 423,715
Total current liabilities	423,715
Net Assets	
Unrestricted	1,725,172
Total net assets	1,725,172
TOTAL LIABILITIES AND NET ASSETS	$ 2,148,887

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

TAYLOR COUNTY, TEXAS
Statement of Revenues,
Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2011

		Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for services	$	4,336,468
Other revenues		548,304
Total operating revenues		4,884,772
OPERATING EXPENSES		
Contract services		1,008,940
Claims		3,519,061
Total operating expenses		4,528,001
OPERATING INCOME (LOSS)		356,771
NONOPERATING REVENUES		
Investment earnings		2,085
Income before transfers		358,856
TRANSFERS		
Transfers in		50,000
CHANGE IN NET ASSETS		408,856
NET ASSETS AT BEGINNING OF YEAR		1,316,316
NET ASSETS AT END OF YEAR	$	1,725,172

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

TAYLOR COUNTY, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2011

Exhibit A-9

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Other operating receipts	$ 548,304
Cash received from interfund services provided	4,355,418
Cash payments for claims	(3,409,986)
Cash payments for insurance premiums	(1,008,940)
Net cash provided by operating activities	484,796
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	50,000
Net cash provided by non-capital financing activities	50,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	2,085
Net cash provided by investing activities	2,085
NET CHANGE IN CASH AND CASH EQUIVALENTS	536,881
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,611,678
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,148,559
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	$ 356,771
Net change in:	
Accounts receivable	18,950
Due to other funds	(250,000)
Claims payable	359,075
Total adjustments	128,025
Net cash provided by operating activities	$ 484,796

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

FIDUCIARY FUND FINANCIAL STATEMENTS

TAYLOR COUNTY, TEXAS
Statement of Fiduciary Net Assets - Fiduciary Funds
September 30, 2011

Exhibit A-10

		Agency Funds
ASSETS:		
Cash and cash equivalents	$	5,262,169
Accounts receivable		14,927
TOTAL ASSETS	$	5,277,096
LIABILITIES:		
Accounts payable	$	245,506
Due to other funds		16,918
Due to others		5,014,672
TOTAL LIABILITIES	$	5,277,096

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Taylor County (the "County") operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles ("GAAP") applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units.*

The Commissioners' Court has governance responsibilities over all activities related to Taylor County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by GASB, Statement No. 14, The Financial Reporting Entity. There are no component units included within the reporting entity.

The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (roads and bridges), health and welfare (pauper care, health clinic facilities, meals for the elderly, and indigent health care), culture and recreation facilities, conservation, public facilities, judicial and legal, election functions, and general and financial administrative services.

B. *Government-wide and Fund Financial Statements*

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Taylor County nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from agency funds on the government-wide Statement of Net Assets.

NOTE 1: Summary of Significant Accounting Policies, continued

B. *Government-wide and Fund Financial Statements, continued*

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

NOTE 1: Summary of Significant Accounting Policies, continued

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

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards. FASB pronouncements issued on or before November 30, 1989, are adopted unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The County reports the following major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Contingency Fund – The Contingency Fund is a capital projects fund that is used to account for monies for renovation projects within the Courthouse, the courthouse security, and unforeseen, unbudgeted major repairs or replacements.

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Additionally, the County reports the following non-major fund types:

<u>Governmental Funds</u>:

Non-Major Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – The County uses these funds to account for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

NOTE 1: Summary of Significant Accounting Policies, continued

D. Fund Accounting, continued

Debt Service Fund – The County uses this fund to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds:

Internal Service Funds – The County uses these funds to account for the financing of goods or services provided by one department or other departments of the County, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

E. Assets, Liabilities, and Net Assets or Equity

- Cash and Cash Equivalents

  Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

- Property Taxes

  Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

  Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation in January, 1980.

  As of October 1, 1981, the appraisal of property within the County was the responsibility of the Central Appraisal District (the "Appraisal District") of Taylor County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

NOTE 1: Summary of Significant Accounting Policies, continued

- Property Taxes, continued

Through a contractual arrangement with the County, the Central Appraisal District of Taylor County is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to $0.80 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

The County has adopted a policy to record all delinquent taxes in the General Fund at year end. The County's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes, after the current year funding requirements have been satisfied, will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the County's General Fund after the County has met the annual requirements for the payment of the bonds.

- Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In the fund financial statements, they are offset by a reservation of fund balance which indicates they do not represent "available spendable resources."

- Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of $5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

NOTE 1: Summary of Significant Accounting Policies, continued

- Capital Assets, continued

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-10
Infrastructure	20-35

- Deferred Charges on Bonds Payable

Deferred charges consist of issuance costs of the bonds. Such costs are amortized on a straight-line basis over the term of the bonds.

- Receivables and Payable Balances

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been meet.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue.

- Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on specific event (such as illness)

Per GASB Interpretation No. 6 liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee that has completed six months of employment shall be entitled to payment for total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours has been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues at a rate of 10 hours per month or 120 hours per year up to a maximum of 480 hours, but compensation is paid only for an illness-related absences. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time are the only accrued compensation liabilities recorded.

NOTE 1: Summary of Significant Accounting Policies – continued

- Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

- Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

- Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- Deferred Revenues

The County reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in current period. Deferred revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

- Fund Equity

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

NOTE 2: Stewardship, Compliance and Accountability

A. Budgetary Information

The County Judge and the County Auditor submit an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. In August, the Commissioners Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

B. Deficit Fund Equity

The Task Force Forfeiture Fund has a fund balance deficit of $76,402 at September 30, 2011.

NOTE 3: Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

NOTE 3: Deposits and Investments, continued

A. Investments, continued

At September 30, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

		Fair Value	Maturity	Credit Quality Rating
General Fund				
TexPool	$	5,000,000	48 days - Weighted Avg.	AAAm
Special Revenue Funds				
TexPool		2,389,899	48 days - Weighted Avg.	AAAm
Capital Project Funds				
TexPool		22,263	48 days - Weighted Avg.	AAAm
Debt Service Fund				
TexPool		677,711	48 days - Weighted Avg.	AAAm
Internal Service Funds				
TexPool		2,148,559	48 days - Weighted Avg.	AAAm
Total Cash in First Financial Bank		9,056,774		
Total Certificates of Deposit		18,091,938		
	$	37,387,144		

The County has a financial arrangement with its bank and TexPool whereby TexPool will transfer funds to the bank to cover any shortfalls in the operating account.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is approximately the same as the value of the shares in each pool.

NOTE 3: Deposits and Investments-continued

A. Investments, continued

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

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

B. Investment Accounting Policy

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide a minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2011 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAm money market mutual funds registered with the SEC. As of September 30, 2011, TexPool's investment credit quality rating was AAAm (Standard & Poor's).

NOTE 4: Receivables

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

	Interest Receivable	Property Taxes	Other Receivables	Due From Other Funds	Total Receivables
Governmental Funds					
General Fund	$ -	$ 325,890	$ 303,524	$ 192,897	$ 822,311
Road and Bridge Fund	-	13,112	37,933	16,802	67,847
Non-major Governmental Funds	1,736	15,805	22,158	145,000	184,699
Total-Governmental Funds	$ 1,736	$ 354,807	$ 363,615	$ 354,699	$ 1,074,857
Amounts not scheduled for collection during the subsequent year	$ -	$ (354,807)	$ -	$ -	$ (354,807)

Additionally, the County has estimated fines receivable of $3,499,964 accrued in the Statement of Net Assets.

NOTE 5: Capital Assets

Capital asset activity for the period ended September 30, 2011 was as follows:

	Balance October 1, 2010 (as restated)	Additions	Retirements	Balance September 30, 2011
Governmental Activities				
Non-depreciable Assets				
Land	$ 1,975,105	$	$	$ 1,975,105
Construction in Progress	1,017,400		1,017,400	-
Total Non-depreciable Assets	2,992,505		1,017,400	1,975,105
Depreciable Assets				
Buildings and Improvements	66,663,574	1,642,925		68,306,499
Furniture and Equipment	2,534,474	182,744		2,717,218
Vehicles and Heavy Equipment	8,479,558	438,682	268,320	8,649,920
Infrastructure	70,512,665			70,512,665
Total Depreciable Assets	148,190,271	2,264,351	268,320	150,186,302
Total at Historic Cost	151,182,776	2,264,351	1,285,720	152,161,407
Less Accumulated Depreciation:				
Buildings and Improvements	37,715,804	2,142,304		39,858,108
Furniture and Equipment	1,726,977	264,636		1,991,613
Vehicles and Heavy Equipment	5,947,258	754,285	265,898	6,435,645
Infrastructure	47,031,890	3,469,999		50,501,889
Total Accumulated Depreciation	92,421,929	6,631,224	265,898	98,787,255
Governmental Activities Capital Assets, Net	$ 58,760,847	$ (4,366,873)	$ 1,019,822	$ 53,374,152

NOTE 5: Capital Assets-continued

Depreciation was charged to functions as follows:

General Administration	$	96,572
Financial Administration		22,350
Judicial		15,198
Legal		5,844
Elections		14,501
Public Safety		1,411,419
Public Facilities		1,128,763
Road and Bridge		3,927,976
Health and Welfare		1,389
Conservation		7,212
	$	6,631,224

NOTE 6: Interfund Balances and Activity

A. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2011, consisted of the following:

Due to General Fund from:		
Nonmajor Special Revenue Funds	$	132,427
Road and Bridge Fund		60,469
Due to Road and Bridge Fund from:		
Nonmajor Special Revenue Funds		16,802
Due to Nonmajor Special Revenue Funds from		
Nonmajor Special Revenue Funds		145,000
Due from Other Funds	$	354,698
Due to General Fund from:		
Agency Funds	$	16,918

Due to and due from other funds are interfund receivables and payables that reflect either short term borrowing or payroll clearing accounts between funds.

NOTE 6: Interfund Balances and Activity-continued

B. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2011, consisted of the following:

Transfers from General Fund to:		
Nonmajor Special Revenue Funds	$	2,000
Internal Service Funds		50,000
	$	52,000
Transfers from Nonmajor Special Revenue Funds to:		
Nonmajor Special Revenue Funds	$	624,652

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

NOTE 7: Long-Term Obligations

The County's long-term debt consists of permanent improvement bonds issued to finance the construction of a new County jail facility; general obligation bonds issued to finance the renovation of the County courthouse facility, and capital lease agreements used to finance the purchase of heavy road equipment, energy saving equipment, and data processing software. Other long-term debt consists of the accrued liability for employee vested compensated absences.

A. Bonds

On May 24, 2005, the County issued $5,895,000 in Advanced General Obligation Refunding Bonds, Series 2005, to refund $5,725,000 of the Series 1996 and Series 1999 bond issues. Interest is due semi-annually at rates ranging from 3% to 4%. The bonds mature serially through 2016.

The following table summarizes the annual debt service requirements of the outstanding bond issues at September 30, 2011, to maturity:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2012	$ 520,000	$ 101,988	$ 621,988
2013	545,000	82,019	627,019
2014	570,000	60,400	630,400
2015	595,000	37,100	632,100
2016	630,000	12,600	642,600
Total	$ 2,860,000	$ 294,107	$ 3,154,107

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

NOTE 7: Long-Term Obligations-continued

Taylor County, Texas has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Taylor County, Texas.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2011, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Loans and Leases Payable					
General Obligation Bonds	$ 3,360,000	$	$ 500,000	$ 2,860,000	$ 520,000
Other Liabilities					
Compensated Absences	1,306,143	107,152		1,413,295	-
Total Governmental Activities Long-term Liabilities	$ 4,666,143	$ 107,152	$ 500,000	$ 4,273,295	$ 520,000

NOTE 8: Compensated Absences

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide financial statements. At September 30, 2011, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to $1,413,295.

NOTE 9: Deferred Revenue

	General Fund	Road and Bridge Fund	Debt Service Fund	Total
Net Tax Revenue	$ 325,890	$ 13,112	$ 15,805	$ 354,807

Adjustments required for government-wide Statement of Net Assets decreased deferred revenue by $354,807.

NOTE 10: Risk Management

The County has established a Self-Insurance Fund and an Employee Benefits Fund to separately report the activities of the County's general law enforcement professional liability, health, life and property insurance and worker's compensation plans.

General Liability

The County's liability insurance is a self-insured plan. The County informally budgets for current claims based on historical data. The County incurred $68,739, $26,283, and $21,915, for liability claims during the years ended September 30, 2011, 2010, and 2009, respectively. There were no unpaid claims at September 30, 2011.

Health Insurance

The County's health insurance program is a "self-insured" minimum premium cash flow plan. The County and each covered employee make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the County reimburses the insurance company for the amount of each claim paid. The insurance company charges the County a fee for each claim processed.

The County informally budgets for current claims based on actuarial valuations and current health care statistics. Funding covers both the cost of claims and administrative expenses. The County paid $3,450,322, $3,188,924, and $3,914,885, in health claims, and paid $746,102, $742,069, and $705,046, for administrative costs, for the years ended September 30, 2011, 2010, and 2009, respectively. The County contributed $3,450,322, $3,306,375, and $2,791,278, and County employees contributed $648,963, $652,943, and $563,985, to the health insurance program for the years ended September 30, 2011, 2010 and 2009, respectively. Retirees and other agency contributions were $219,195, $263,265, and $247,775, for the years ended September 30, 2011, 2010 and 2009, respectively. Previous years' funds were utilized in funding the health insurance program.

Estimated health claims that have been incurred but not reported are accrued at year-end. The estimated liability for health claims was $419,985, $125,326, and $66,771, at September 30, 2011, 2010 and 2009, respectively. The following is a walk-forward of the activity in the estimated liability account for the years ended September 30, 2011, 2010 and 2009.

Year Ending Sept. 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2009	$ 116,585	$ 3,914,885	$ 3,964,699	$ 66,771
2010	66,771	3,188,924	3,130,369	125,326
2011	125,326	3,754,325	3,459,666	419,985

Worker's Compensation

The County's worker's compensation plan is administered by the Texas Association of Counties ("TAC"), a joint insurance fund, in which the County is a member. TAC reviews and processes all worker's compensation claims. The County informally budgets for current claims based on actuarial valuations and historical data. The County incurred $43,835, $98,730, and $58,766, in worker's compensation claims for the years ended September 30, 2011, 2010 and 2009. Estimated liability for claims that have been incurred but not reported are accrued at year-end. The estimated liability for worker's compensation claims was $12,805, $83,262, and $16,550, at September 30, 2011, 2010 and 2009, respectively.

NOTE 10: Risk Management, continued

Summary

The Self-Insurance Fund has net assets reserved for the purpose of funding all self-insurance programs, other than health, in the amount of $1,199,407 at September 30, 2011. In the opinion of management, net assets are adequate to meet probable claim contingencies at September 30, 2011. The Employee Benefits Fund has net assets of $641,759.

NOTE 11: Pension Plan

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 602 nontraditional defined benefit plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

B. Funding Policy

The County has elected the annually determined contribution rate (Variable Rate) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.25% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2011 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

If a plan has had adverse experience, the TCDRS Act has provisions that allow the employer to contribute a fixed supplemental contribution rate determined by the System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

NOTE 11: Pension Plan, continued

C. Annual Pension Cost

For the County's accounting year ended September 30, 2011, the annual pension cost for the TCDRS plan for its employees was $1,410,746; the actual contributions were $1,410,746.

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 16.4 years.

D. Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 80.71% funded. The actuarial accrued liability for benefits was $63,539,780, and the actuarial value of assets was $51,281,133, resulting in an unfunded actuarial accrued liability (UAAL) of $12,258,647. The covered payroll (annual payroll of active employees covered by the plan) was $20,686,358, and the ratio of UAAL to the covered payroll was 59.26%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12: Fund Balance

The County classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2011, the County had $2,171 and $4,390 in nonspendable fund balance for inventory and prepaid items, respectively.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Debt service fund balance restricted for the retirement of funded indebtedness totaled $675,146 as of September 30, 2011. Fund balance restricted for capital projects totaled $22,261 as of September 31, 2011. Special revenue fund balance restricted for specific programs included JP technology, JP security, and enabling legislation and totaled $121,667, $185,609, and $1,403,822, respectively, as of September 30, 2011.

Committed fund balance is established and modified by a resolution from the Commissioners Court and can be used only for the specified purposes determined by the Court's resolution. At September 30, 2011, the County had no committed fund balance.

NOTE 12: Fund Balance, continued

Assigned fund balance is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. Fund balance can be assigned by the Commissioners Court or by a Court designee. At September 30, 2011, the County had $320,791 in fund balance assigned for road and bridge, $2,389,898 assigned for contingencies and $6,002,988 for other purposes.

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balance are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

The County aims to maintain the following minimum fund balances:

General fund: Unassigned fund balance of approximately 20-30% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

Debt service funds: Restricted fund balances of approximately 25-50% of the following years debt service requirements, to be used for debt service.

NOTE 13: Prior Period Adjustment

The County determined that depreciation expense was not correctly recorded for certain capital assets in prior years. As a result, net assets were decreased by $1,764,547 at September 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1

TAYLOR COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2011

	Budget Amounts			
	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Taxes				
Property taxes	$ 27,800,000	$ 27,800,000	$ 29,049,634	$ 1,249,634
Other taxes	381,200	381,200	411,331	30,131
License and permits	487,400	487,400	582,724	95,324
Intergovernmental and grants	1,800,178	1,858,823	1,972,683	113,860
Fines and fees	3,835,750	3,835,750	3,977,303	141,553
Rents and recoveries	305,449	305,449	291,790	(13,659)
Investment earnings	350,500	350,500	277,790	(72,710)
Miscellaneous	155,000	159,202	16,258	(142,944)
Total revenues	35,115,477	35,178,324	36,579,513	1,401,189
EXPENDITURES				
Current				
General government	3,128,745	2,816,911	2,534,780	282,131
Financial	2,062,063	2,062,770	1,884,072	178,698
Judicial	5,244,881	5,438,574	5,287,753	150,821
Legal	1,962,413	2,065,765	1,907,396	158,369
Elections	313,192	313,192	287,698	25,494
Public facilities	1,107,009	1,274,916	1,246,303	28,613
Public safety	17,964,940	18,140,985	16,731,554	1,409,431
Road and bridge	4,500	4,500	3,093	1,407
Health and welfare	3,179,846	3,450,646	3,623,007	(172,361)
Conservation	503,827	507,408	472,405	35,003
Culture and recreation	231,025	288,536	20,795	267,741
Debt Service				
Debt principal				
Capital Outlay				
Capital outlay			952,436	(952,436)
Total expenditures	35,702,441	36,364,203	34,951,292	1,412,911
Excess revenues over expenditures	(586,964)	(1,185,879)	1,628,221	2,814,100
OTHER FINANCING SOURCES				
Transfers (out) in	586,964		(52,000)	(52,000)
Total other financing sources (uses)	586,964		(52,000)	(52,000)
NET CHANGE IN FUND BALANCE		(1,185,879)	1,576,221	2,762,100
FUND BALANCE AT BEGINNING OF YEAR	20,336,839	20,336,839	20,336,839	
FUND BALANCE AT END OF YEAR	$ 20,336,839	$ 19,150,960	$ 21,913,060	$ 2,762,100

Exhibit B-2

TAYLOR COUNTY, TEXAS
Road and Bridge
Budgetary Comparison Schedule
For the Year Ended September 30, 2011

	Budgeted Amounts Original Budget	Budgeted Amounts Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	$ 980,000	$ 980,000	$ 1,037,427	$ 57,427
Other taxes	775,000	775,000	798,296	23,296
Licenses and permits	1,470,000	1,470,000	1,516,579	46,579
Intergovernmental and grants	162,001	162,001		(162,001)
Fines and fees			20,512	20,512
Investment earnings	1,000	1,000	547	(453)
Other revenue	1,000	7,234	9,652	2,418
Total revenues	3,389,001	3,395,235	3,383,013	(12,222)
EXPENDITURES				
Current				
Road and bridge	3,307,271	3,596,510	3,382,498	214,012
Capital outlay				
Capital outlay	541,122	541,122	181,676	359,446
Total expenditures	3,848,393	4,137,632	3,564,174	573,458
Excess revenues over expenditures	(459,392)	(742,397)	(181,161)	561,236
OTHER FINANCING SOURCES				
Transfers in			2,000	2,000
Total other financing sources (uses)			2,000	2,000
NET CHANGE IN FUND BALANCE	(459,392)	(742,397)	(179,161)	563,236
FUND BALANCE AT BEGINNING OF YEAR	451,655	451,655	451,655	
FUND BALANCE AT END OF YEAR	$ (7,737)	$ (290,742)	$ 272,494	$ 563,236

TAYLOR COUNTY, TEXAS
Required Supplementary Information
Schedule of Funding Progress, Texas County and District Retirement System
September 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded AAL	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	$ 42,879,427	$ 54,604,655	$ 11,725,228	78.53%	$ 18,586,511	63.08%
12/31/2009	48,257,984	59,597,200	11,339,216	80.97%	20,284,194	55.90%
12/31/2010	51,281,133	63,539,780	12,258,647	80.71%	20,686,358	59.26%

BUDGETARY INFORMATION

The County follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.

2. Commissioners Court holds budget sessions with each department head.

3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.

4. Commissioners Court formally adopts the budget in the open court meeting.

5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.

6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

7. Annual budgets are legally adopted for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.

8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2011 budget were approved by the Commissioners Court as provided by law.

9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

The County had negative budget to actual variances in the following fund:

The General fund had a negative budget variance in health and welfare and capital outlay. The final budget for health and welfare was $3,450,646 and actual expenditures were $3,623,007, a difference of $172,361. Capital outlay shows a budget variance of $952,436 because the related capital outlay was budgeted in the road and bridge function, whereas capital outlay is reported on a separate line item in the financial statements.

COMBINING STATEMENTS

TAYLOR COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2011

Exhibit C-1

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	$ 22,261	$ 6,868,784	$ 677,711	$ 7,568,756
Investments		1,001,274		1,001,274
Interest receivable		1,736		1,736
Accounts receivable-net				
Property taxes			15,805	15,805
Other		21,223	935	22,158
Due from other funds		145,000		145,000
Total assets	$ 22,261	$ 8,038,017	$ 694,451	$ 8,754,729
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$	$ 57,422	$ 3,500	$ 60,922
Due to other funds		294,229		294,229
Deferred revenue			15,805	15,805
Total liabilities		351,651	19,305	370,956
Fund balances				
Restricted for				
Debt service			675,146	675,146
Capital projects	22,261			22,261
JP Technology		121,667		121,667
JP Security		185,609		185,609
Enabling legislation		1,403,822		1,403,822
Assigned for				
Road and bridge		48,682		48,682
Other purposes		6,002,988		6,002,988
Unassigned		(76,402)		(76,402)
Total fund balance	22,261	7,686,366	675,146	8,383,773
TOTAL LIABILITIES AND FUND BALANCES	$ 22,261	$ 8,038,017	$ 694,451	$ 8,754,729

Exhibit C-2

TAYLOR COUNTY, TEXAS

Nonmajor Governmental Funds

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

For the Year Ended September 30, 2011

	Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
REVENUES				
Taxes				
Property taxes	$	$	$ 547,987	$ 547,987
Other taxes				
Intergovernmental and grants		1,140,965		1,140,965
Fines and fees		473,498		473,498
Investment earnings	35	25,280	993	26,308
Miscellaneous		475,386		475,386
Total revenues	35	2,115,129	548,980	2,664,144
EXPENDITURES				
Current				
General government		181,412		181,412
Financial		11,599		11,599
Legal		409,658		409,658
Elections		21,543		21,543
Public safety		2,224,346		2,224,346
Road and bridge		68,330		68,330
Health and welfare		80,414		80,414
Debt Service				
Debt principal			500,000	500,000
Debt interest and agent fees			125,044	125,044
Capital outlay				
Capital outlay	6,219	83,647		89,866
Total expenditures	6,219	3,080,949	625,044	3,712,212
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,184)	(965,820)	(76,064)	(1,048,068)
OTHER FINANCING SOURCES				
Transfers in		624,652		624,652
Transfers out		(624,652)		(624,652)
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(6,184)	(965,820)	(76,064)	(1,048,068)
FUND BALANCES AT BEGINNING OF YEAR	28,445	8,652,186	751,210	9,431,841
FUND BALANCES AT END OF YEAR	$ 22,261	$ 7,686,366	$ 675,146	$ 8,383,773

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2011

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
ASSETS				
Cash and cash equivalents	$ 1,324,521	$ 758,788	$ 1,218,504	$ 100,265
Investments	1,001,274			
Interest receivable				
Accounts receivable (net)		301	5,800	778
Due from other funds				
Total assets	$ 2,325,795	$ 759,089	$ 1,224,304	$ 101,043
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 2,500	$	$ 20,622	$
Due to other funds				
Total liabilities	2,500		20,622	
Fund balance				
Restricted for				
JP Technology				
JP Security				
Enabling legislation			1,203,682	101,043
Assigned for				
Road and bridge				
Other purposes	2,323,295	759,089		
Unassigned				
Total fund balance	2,323,295	759,089	1,203,682	101,043
TOTAL LIABILITIES AND FUND BALANCE	$ 2,325,795	$ 759,089	$ 1,224,304	$ 101,043

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
$ 134,916	$ 108,579	$ 350,773	$ 241,320	$ 888,803	$ 146,250	$ 184,587	$ 38,541
	858	878					
			2,678				
$ 134,916	$ 109,437	$ 351,651	$ 243,998	$ 888,803	$ 146,250	$ 184,587	$ 38,541
$ 10,250	$	$	$ 421	$	$	$ 715	$ 2,812
			3,589			32	
10,250			4,010			747	2,812
		121,667					
		185,609					
124,666	109,437	44,375	239,988	888,803	146,250	183,840	35,729
124,666	109,437	351,651	239,988	888,803	146,250	183,840	35,729
$ 134,916	$ 109,437	$ 351,651	$ 243,998	$ 888,803	$ 146,250	$ 184,587	$ 38,541

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2011

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Forfeiture
ASSETS				
Cash and cash equivalents	$ 195,111	$ 903,303	$ 13,877	$ 34,074
Investments				
Interest receivable				
Accounts receivable (net)		11,666		
Due from other funds		145,000		
Total assets	$ 195,111	$ 1,059,969	$ 13,877	$ 34,074
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 10,449	$ 1,498	$ 4,494	$ 744
Due to other funds	160,670		3,404	109,732
Total liabilities	171,119	1,498	7,898	110,476
Fund balance				
Restricted for				
JP Technology				
JP Security				
Enabling legislation				
Assigned for				
Road and bridge				
Other purposes	23,992	1,058,471	5,979	
Unassigned				(76,402)
Total fund balance	23,992	1,058,471	5,979	(76,402)
TOTAL LIABILITIES AND FUND BALANCE	$ 195,111	$ 1,059,969	$ 13,877	$ 34,074

	Task Force Seizure	Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
	$ 59,074	$ 99,203	$ 68,295	$ 6,868,784
				1,001,274
				1,736
				21,223
				145,000
	$ 59,074	$ 99,203	$ 68,295	$ 8,038,017
	$	$ 106	$ 2,811	$ 57,422
			16,802	294,229
		106	19,613	351,651
				121,667
				185,609
		99,097		1,403,822
			48,682	48,682
	59,074			6,002,988
				(76,402)
	59,074	99,097	48,682	7,686,366
	$ 59,074	$ 99,203	$ 68,295	$ 8,038,017

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2011

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk's Restricted Fees
REVENUES				
Intergovernmental and grants	$	$	$	$
Fines and fees			234,565	13,909
Investment earnings	16,982	951	1,572	
Other revenues	68,410	23,040		24,966
Total revenues	85,392	23,991	236,137	38,875
EXPENDITURES				
Current				
General government			131,884	3,528
Financial				
Legal				
Elections				
Public safety				
Road and bridge				
Health and welfare	80,414			
Capital outlay				
Capital outlay				
Total expenditures	80,414		131,884	3,528
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	4,978	23,991	104,253	35,347
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	4,978	23,991	104,253	35,347
FUND BALANCES AT BEGINNING OF YEAR	2,318,317	735,098	1,099,429	65,696
FUND BALANCES AT END OF YEAR	$ 2,323,295	$ 759,089	$ 1,203,682	$ 101,043

Commissioners Special NAR	VIT Escrow	Restricted Fees	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
$	$	$	$ 37,241	$	$	$ 5,582	$
		25,059	120,051			47,488	
204	1,006		342	1,139	271	206	48
		19,316		175	113,176		363
204	1,006	44,375	157,634	1,314	113,447	53,276	411
46,000							
	11,599						
			215,339	58,998	135,321		
						21,543	
							916
	337		159				
46,000	11,936		215,498	58,998	135,321	21,543	916
(45,796)	(10,930)	44,375	(57,864)	(57,684)	(21,874)	31,733	(505)
58,330				152,436			
					(55,267)		
58,330	-	-	-	152,436	(55,267)	-	-
12,534	(10,930)	44,375	(57,864)	94,752	(77,141)	31,733	(505)
112,132	120,367	307,276	297,852	794,051	223,391	152,107	36,234
$ 124,666	$ 109,437	$ 351,651	$ 239,988	$ 888,803	$ 146,250	$ 183,840	$ 35,729

TAYLOR COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2011

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Forfeiture
REVENUES				
Intergovernmental and grants	$ 980,667	$ 83,184	$	$
Fines and fees		32,180		246
Investment earnings	446	1,106	83	480
Other revenues			160,000	45,988
Total revenues	981,113	116,470	160,083	46,714
EXPENDITURES				
Current				
General government				
Financial				
Legal				
Elections				
Public safety	1,108,769	48,637	191,422	824,308
Road and bridge				
Health and welfare				
Capital outlay				
Capital outlay			53,439	
Total expenditures	1,108,769	48,637	244,861	824,308
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(127,656)	67,833	(84,778)	(777,594)
OTHER FINANCING SOURCES (USES)				
Transfers in				359,537
Transfers out				
Total other financing sources (uses)	-	-	-	359,537
NET CHANGE IN FUND BALANCE	(127,656)	67,833	(84,778)	(418,057)
FUND BALANCES AT BEGINNING OF YEAR	151,648	990,638	90,757	341,655
FUND BALANCES AT END OF YEAR	$ 23,992	$ 1,058,471	$ 5,979	$ (76,402)

Task Force Seizure	Sheriff Forfeiture	Lateral Roads	Total Nonmajor Special Revenue Funds
$	$ 2,140	$ 32,151	$ 1,140,965
			473,498
139	142	163	25,280
8,030	11,922		475,386
8,169	14,204	32,314	2,115,129
			181,412
			11,599
			409,658
			21,543
37,243	13,051		2,224,346
		68,330	68,330
			80,414
	29,712		83,647
37,243	42,763	68,330	3,080,949
(29,074)	(28,559)	(36,016)	(965,820)
	54,349		624,652
(569,385)			(624,652)
(569,385)	54,349	-	-
(598,459)	25,790	(36,016)	(965,820)
657,533	73,307	84,698	8,652,186
$ 59,074	$ 99,097	$ 48,682	$ 7,686,366

TAYLOR COUNTY, TEXAS

Nonmajor Capital Projects Funds
Combining Balance Sheet
September 30, 2011

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
ASSETS			
Cash and cash equivalents	$ 9,758	$ 12,503	$ 22,261
Total assets	$ 9,758	$ 12,503	$ 22,261
LIABILITIES AND FUND BALANCE			
Fund Balances:			
Restricted for:			
Capital projects	$ 9,758	$ 12,503	$ 22,261
Total fund balances	9,758	12,503	22,261
TOTAL LIABILITIES AND FUND BALANCE	$ 9,758	$ 12,503	$ 22,261

TAYLOR COUNTY, TEXAS

Exhibit C-6

Nonmajor Capital Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2011

	Certificates of Obligation Plaza '99	Miscellaneous Projects	Total Nonmajor Capital Projects Funds
REVENUES			
Investment earnings	$ 19	$ 16	$ 35
Total revenues	19	16	35
EXPENDITURES			
Capital outlay	6,219		6,219
Total expenditures	6,219	-	6,219
Excess (deficit) of revenues over expenditures	(6,200)	16	(6,184)
NET CHANGE IN FUND BALANCE	(6,200)	16	(6,184)
FUND BALANCES AT BEGINNING OF YEAR	15,958	12,487	28,445
FUND BALANCES AT END OF YEAR	$ 9,758	$ 12,503	$ 22,261

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Net Assets
September 30, 2011

Exhibit C-7

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
ASSETS			
Cash and cash equivalents	$ 1,203,688	$ 944,871	$ 2,148,559
Receivables (net)		328	328
Total assets	$ 1,203,688	$ 945,199	$ 2,148,887
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	$ 3,730	$ 419,985	$ 423,715
Total liabilities	3,730	419,985	423,715
Net assets			
Unrestricted	1,199,958	525,214	1,725,172
Total net assets	1,199,958	525,214	1,725,172
TOTAL LIABILITIES AND NET ASSETS	$ 1,203,688	$ 945,199	$ 2,148,887

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2011

Exhibit C-8

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$	$ 4,336,468	$ 4,336,468
Other revenues	298,867	249,437	548,304
Total operating revenues	298,867	4,585,905	4,884,772
OPERATING EXPENSES			
Contracted services		1,008,940	1,008,940
Claims	68,739	3,450,322	3,519,061
Total operating expenses	68,739	4,459,262	4,528,001
OPERATING INCOME (LOSS)	230,128	126,643	356,771
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	1,163	922	2,085
Income before transfers	231,291	127,565	358,856
TRANSFERS			
Transfers in	50,000		50,000
Net transfers	50,000	-	50,000
CHANGE IN NET ASSETS	281,291	127,565	408,856
NET ASSETS AT BEGINNING OF YEAR	918,667	397,649	1,316,316
NET ASSETS AT END OF YEAR	$ 1,199,958	$ 525,214	$ 1,725,172

TAYLOR COUNTY, TEXAS
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2011

Exhibit C-9

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from participants	$	$	$
Other operating receipts	298,867	249,437	548,304
Cash received from interfund services provided		4,355,418	4,355,418
Cash payments for claims	(66,315)	(3,343,671)	(3,409,986)
Cash payments for insurance premiums		(1,008,940)	(1,008,940)
Net cash provided by operating activities	232,552	252,244	484,796
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	50,000	-	50,000
Net cash provided by non-capital financing activities	50,000	-	50,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	1,163	922	2,085
Net cash provided by investing activities	1,163	922	2,085
CHANGE IN CASH AND CASH EQUIVALENTS	283,715	253,166	536,881
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	919,973	691,705	1,611,678
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,203,688	$ 944,871	$ 2,148,559
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	$ 230,128	$ 126,643	$ 356,771
Net change in:			
Accounts receivable	-	18,950	18,950
Due to other funds	-	(250,000)	(250,000)
Claims payable	2,424	356,651	359,075
Total adjustments	2,424	125,601	128,025
Net cash provided by operating activities	$ 232,552	$ 252,244	$ 484,796

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2011

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Operations Funding	Appellate Judicial Fund
ASSETS:					
Cash and cash equivalents	$ 231,303	$ 15,690	$ 88,284	$ 20,435	$ 826
Accounts receivable	14,927				
TOTAL ASSETS	$ 246,230	$ 15,690	$ 88,284	$ 20,435	$ 826
LIABILITIES:					
Accounts payable	$ 245,506	$	$	$	$
Due to other funds	493		16,425		
Due to others	231	15,690	71,859	20,435	826
TOTAL LIABILITIES	$ 246,230	$ 15,690	$ 88,284	$ 20,435	$ 826

County Clerk	Tax Assessor Collector	District Clerk	JP Precinct 1 Place 1	JP Precinct 1 Place 2	Inmate Fund	Jail Commissary Fund
$ 275,770	$ 1,220,523	$ 91,568	$ 5,990	$ 3,813	$ 13,194	$ 50,885
$ 275,770	$ 1,220,523	$ 91,568	$ 5,990	$ 3,813	$ 13,194	$ 50,885
$	$	$	$	$	$	$
275,770	1,220,523	91,568	5,990	3,813	13,194	50,885
$ 275,770	$ 1,220,523	$ 91,568	$ 5,990	$ 3,813	$ 13,194	$ 50,885

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2011

	Civil Fund	Social Services Fund	Community Corrections Supervision	Community Corrections Fund	Community Corrections Tax
ASSETS:					
Cash and cash equivalents	$ 2,915	$ 3,606	$ 1	$ 1,229,992	$ 100
Accounts receivable					
	$ 2,915	$ 3,606	$ 1	$ 1,229,992	$ 100
LIABILITIES:					
Accounts payable	$	$	$	$	$
Due to other funds					
Due to others	2,915	3,606	1	1,229,992	100
TOTAL LIABILITIES	$ 2,915	$ 3,606	$ 1	$ 1,229,992	$ 100

Community Corrections Christmas	Rest Center Fund	Tax Assessor Sales Tax	Tax Assessor Escrow	Tax Assessor Escrow-Texpool	Domestic Relations Fund	Employee Service Fund
$ 627	$ 5,159	$ 263	$ 6,326	$ 364,313	$ 101	$ 25,592
$ 627	$ 5,159	$ 263	$ 6,326	$ 364,313	$ 101	$ 25,592
$	$	$	$	$	$	$
627	5,159	263	6,326	364,313	101	25,592
$ 627	$ 5,159	$ 263	$ 6,326	$ 364,313	$ 101	$ 25,592

TAYLOR COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2011

	County Clerk Bail Bonds	DA Collections Trust	District Clerk Bonds	Registry Fund	District Attorney Escrow
ASSETS:					
Cash and cash equivalents	$ 444,711	$ 20,341	$ 4,000	$ 690,804	$ 25,532
Accounts receivable					
TOTAL ASSETS	$ 444,711	$ 20,341	$ 4,000	$ 690,804	$ 25,532
LIABILITIES:					
Accounts payable	$	$	$	$	$
Due to other funds					
Due to others	444,711	20,341	4,000	690,804	25,532
TOTAL LIABILITIES	$ 444,711	$ 20,341	$ 4,000	$ 690,804	$ 25,532

Local Emergency Planning	Veterans War Memorial	County Clerk Error and Omission	Pre 89 Restitution	JP 2 Fund	JP 3 Fund	Total Agency Funds
$ 602	$ 2,863	$ 390,903	$ 22,123	$ 603	$ 2,411	$ 5,262,169
						14,927
$ 602	$ 2,863	$ 390,903	$ 22,123	$ 603	$ 2,411	$ 5,277,096
$	$	$	$	$	$	$ 245,506
						16,918
602	2,863	390,903	22,123	603	2,411	5,014,672
$ 602	$ 2,863	$ 390,903	$ 22,123	$ 603	$ 2,411	$ 5,277,096

GOVERNMENTAL REPORTING SECTION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Judge
Members of the Commissioners Court
Taylor County, Texas:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Texas, as of and for the year ended September 30, 2011, and have issued our report thereon dated March 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Taylor County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Davis Kinard & Co, PC

Certified Public Accountants

Abilene, Texas
March 26, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROLOVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance
We have audited the compliance of Taylor County, Texas with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2011. Taylor County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Taylor County, Texas' management. Our responsibility is to express an opinion on Taylor County, Texas' compliance based on our audit.

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

In our opinion, Taylor County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

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

Davis Kinard & Co, PC

Certified Public Accountants

Abilene, Texas
March 26, 2012

TAYLOR COUNTY, TEXAS
Schedule of Findings and Questioned Costs
Year Ended September 30, 2011

A. Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiencies over Financial Reporting	None
Material Weaknesses involving Significant Deficiencies	None
Noncompliance Material to the Financial Statements	None
Significant Deficiencies Relating to Compliance	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section .510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	$300,000
Low Risk Auditee	No

Major Federal Programs:

Grantor Agency:	Health and Human Services
Pass through Agency:	Texas Department of Family and Protective Services and the Texas Department of State Health Services
Program:	Child Support Enforcement
Grant No.	N/A
CFDA No.	93.563
Grantor Agency:	Department of Energy
Pass through Agency:	State Energy Conservation Office
Program:	ARRA Energy Efficiency and Conservation Block Grant
Grant No.	DE-EE0000893
CFDA No.	81.128

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

None

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

None

TAYLOR COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2011

Status of Prior Year's Finding/Noncompliance

None

TAYLOR COUNTY, TEXAS
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Exhibit D-1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through or Grant Number	Federal Expenditures
U. S. Department of Agriculture			
Direct:			
Commodity Supplemental Food Program	10.565	N/A	$ 2,472
Total			2,472
Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services:			
School Breakfast Program	10.553	N/A	38,844
Total			38,844
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			38,844
Total U.S. Department of Agriculture			41,316
U. S. Department of Health and Human Services			
Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services:			
Child Support Enforcement	93.563	N/A	273,133
Total			273,133
Title IV-E-Juvenile Justice Services	93.658	N/A	68,097
Title IV-E-Foster Care Assistance	93.658	N/A	30,035
Total			98,132
Total Passed Through Texas Department of Family and Protective Services and the Texas Department of State Health Services			371,265
Total U.S. Department of Health and Human Services			371,265
U. S. Department of Justice			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2009-AP-BX-0677	15,130
Total			15,130
Passed Through Texas Criminal Justice Division:			
Purchase of Juvenile Services	16.540	JA-10-J20-14238-12	23,738
Total Passed Through Texas Criminal Justice Division			23,738
Passed Through Texas Attorney General Office, Crime Victim Services Division			
Victim Coordinator and Liaison Grant	16.575	10-14513	37,241
Total Passed Through Texas Attorney General Office, Crime Victim Services Division			37,241
Passed Through the Office of the Secretary of State of Texas			
Help America Vote Act	39.011	78696	73,280
Total Passed Through the Office of the Secretary of State of Texas			73,280
Total U.S. Department of Justice			149,389

TAYLOR COUNTY, TEXAS
Schedule of Expenditures of Federal Awards, continued
For the Year Ended September 30, 2011

Exhibit D-1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying or Grant Number	Federal Expenditures
U.S. Department of Education			
Passed Through the Office of the Governor, Criminal Justice Division:			
Safe and Drug Free Schools and Communities	84.186A	ED-09-J21-18442-04	8,040
Total Passed Through the Office of the Governor, Criminal Justice Division			8,040
Total U.S. Department of Education			8,040
U.S. Department of Energy			
Passed Through the State Energy Conservation Office:			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000893	57,576
Total Passed Through the State Energy Conservation Office			57,576
Total U.S. Department of Energy			57,576
Total Expenditures of Federal Awards			$ 627,586

TAYLOR COUNTY, TEXAS
Schedule of Expenditures of State Awards
For the Year Ended September 30, 2011

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Pass-Through Entity Identifying or Grant Number	State Expenditures
Office of Texas Attorney General, Crime Victim Services Division		
Texas VINE Program	11-21631	$ 30,710
Total Office of Attorney General, Crime Victim Services Division		30,710
Texas Task Force on Indigent Defense		
Indigent Defense Video Teleconference Program	212-11-D06	67
Indigent Defense Grant	212-11-221	60,873
Equalization Payment	N/A	140,285
Total Texas Task Force on Indigent Defense		201,225
Texas Juvenile Probation Commission		
State Aid	2010-221	1,094,189
Total Texas Juvenile Probation Commission		1,094,189
Texas Department of Criminal Justice		
Law Enforcement Officer Standards and Education Funds	N/A	16,064
Total Texas Department of Criminal Justice		16,064
Total Expenditures of State Awards		$ 1,342,188

TAYLOR COUNTY, TEXAS
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2011

Note 1: Summary of Accounting Policies

For all State and Federal programs, the County uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. State and Federal financial assistance generally is accounted for in the Special Revenue Fund.

In the fund financial statements, all governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental funds in the fund financial statements are accounted for using the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal and State grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly, when such funds are received they are recorded as deferred revenues until earned. The period of availability for federal grant funds, for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, is in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.

Amounts reported in the Schedule of Expenditures of Federal Awards may not agree with the amounts reported in the related federal financial reports filed with grantor agencies because of accruals which would be included in the next report filed with the agencies.

Note 2: Probation Funds

Texas Juvenile Probation Commission funds are not considered to be state awards as defined in the State of Texas Single Audit Circular and Uniform Grant Management Standards.