

WALLER COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

WALLER COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

TABLE OF CONTENTS

| | <u>Page</u> | <u>Exhibit</u> |
|--|-------------|----------------|
| FINANCIAL SECTION | | |
| Independent Auditors' Report on Financial Statements..... | 1 | |
| Management's Discussion and Analysis (Required Supplementary Information)..... | 5 | |
| <u>Basic Financial Statements</u> | | |
| Government-wide Financial Statements: | | |
| Statement of Net Assets..... | 14 | A-1 |
| Statement of Activities..... | 15 | A-2 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds..... | 16 | A-3 |
| Reconciliation of the Governmental Funds | | |
| Balance Sheet to the Statement of Net Assets..... | 17 | A-4 |
| Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances - Governmental Funds..... | 18 | A-5 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in | | |
| Fund Balances of Governmental Funds to the Statement of Activities..... | 19 | A-6 |
| Statement of Fiduciary Net Assets - Fiduciary Funds..... | 20 | A-7 |
| Statement of Changes in Fiduciary Net Assets - Fiduciary Funds..... | 21 | A-8 |
| Notes to the Financial Statements | 22 | |
| <u>Required Supplementary Information:</u> | | |
| Budgetary Comparison Schedules: | | |
| General Fund..... | 38 | B-1 |
| Road and Bridge..... | 40 | B-2 |
| Schedule of Funding Progress - OPEB..... | 42 | B-3 |
| <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u> | | |
| Combining Balance Sheet - All Nonmajor Governmental Funds..... | 44 | C-1 |
| Combining Statement of Revenues, Expenditures and Changes in | | |
| Fund Balances - All Nonmajor Governmental Funds..... | 45 | C-2 |
| Special Revenue Funds: | | |
| Combining Balance Sheet - Nonmajor Special Revenue Funds..... | 46 | C-3 |
| Combining Statement of Revenues, Expenditures and Changes | | |
| in Fund Balances - Nonmajor Special Revenue Funds..... | 52 | C-4 |

WALLER COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

TABLE OF CONTENTS

| | Page | Exhibit |
|--|------|---------|
| Budgetary Comparison Schedules: | | |
| Chapter 19 Voters Registration..... | 58 | C-5 |
| Elections..... | 59 | C-6 |
| Law Library..... | 60 | C-7 |
| Title IV Juvenile Justice..... | 61 | C-8 |
| RPF District Clerk..... | 62 | C-9 |
| RPF County Clerk..... | 63 | C-10 |
| Courthouse Security..... | 64 | C-11 |
| JP Technology Fund..... | 65 | C-12 |
| Grant | 66 | C-13 |
| Debt Service Funds: | | |
| Budgetary Comparison Schedule: | | |
| Debt Service Fund..... | 67 | C-14 |
| Fiduciary Funds: | | |
| Private-Purpose Trust Funds: | | |
| Combining Statement of Fiduciary Net Assets..... | 68 | C-15 |
| Combining Statement of Changes in Fiduciary Net Assets..... | 70 | C-16 |
| Agency Funds: | | |
| Combining Statement of Fiduciary Assets and Liabilities..... | 72 | C-17 |

Financial Section

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

Independent Auditors' Report on Financial Statements

To the Honorable County Judge and Commissioners Comprising the
Commissioners Court of Waller County, Texas
Hempstead, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waller County, Texas as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Waller County, Texas' management. Our responsibility is to express an opinion 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. 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 Waller County, Texas as of December 31, 2008 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison schedules identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise Waller County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rutledge Crain & Company, PC

July 13, 2009

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Management's Discussion and Analysis

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WALLER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

As management of Waller County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented herein with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year ended December 31, 2008, by \$21,853,758 (net assets). Of this amount, \$10,559,487 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$642,068.
- The County's governmental funds reported combined ending fund balances of \$9,633,135, an increase of \$481,874 in comparison to the previous year. This increase was a result of increases in ad valorem tax, and fines and fees.
- The unreserved portion of the General Fund fund balance at the end of the year was \$4,860,341 or 39% of total General Fund expenditures and transfers out.
- Total General Obligation Debt of the County decreased by \$585,000 during the fiscal year. This decrease is due to the annual principal reduction on the certificates of obligations issue designated for capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. The government-wide financial statements are designed to provide readers with a broad overview of Waller County's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Assets and the Statement of Activities, are utilized to provide this financial overview.

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In addition, the statement of activities highlights government activities supported by taxes and intergovernmental revenues, along with program revenues classified to the corresponding government activity.

WALLER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

The government-wide financial statements can be found on pages 14 - 15 of this report.

FUND FINANCIAL STATEMENTS: The County, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

GOVERNMENTAL FUNDS. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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.

The County maintains thirty-eight individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Road and Bridge Fund, each of which are considered to be major funds. Data from the other thirty-six funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

FIDUCIARY FUNDS. Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. Private Purpose Trust funds account for assets held by the government under the terms of a formal trust agreement.

NOTES TO THE FINANCIAL STATEMENTS: The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements

OTHER INFORMATION: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found after the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of fiscal year 2008, the County's net assets (assets exceeding liabilities) totaled \$21,853,758. This analysis focuses on the net assets (Table 1) and changes in net assets (Table 2).

NET ASSETS: The largest portion of the County's net assets, \$11,056,283 or 50.6 percent, reflects its investment in capital assets (land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these assets to provide services to its citizen's, consequently; these assets are not available for future spending. Although the

WALLER COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

County reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of \$217,527, in the debt service fund, are restricted for future debt service payments. Net assets of \$20,461 in the capital projects fund are restricted for capital projects.

The remaining balance of unrestricted net assets, \$10,559,487 or 48.3 percent, may be used to meet the government's ongoing obligations to citizens and creditors.

Table 1
Condensed Statement of Net Assets

| | 2008 | 2007 | Increase (Decrease) |
|---|---------------------|---------------------|------------------------|
| ASSETS | | | |
| Current and other assets | \$29,817,024 | \$26,826,277 | \$2,990,747 |
| Capital assets, net of depreciation | 13,826,231 | 14,241,139 | (414,908) |
| Total assets | 43,643,255 | 41,067,416 | 2,575,839 |
| LIABILITIES | | | |
| Long-term liabilities | 4,444,548 | 4,544,450 | (99,902) |
| Other liabilities | 17,344,949 | 15,311,276 | 2,033,673 |
| Total liabilities | 21,789,497 | 19,855,726 | 1,933,771 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 11,056,283 | 10,128,603 | 927,680 |
| Restricted for debt service | 217,527 | 278,227 | (60,700) |
| Restricted for capital projects | 20,461 | 778,276 | (757,815) |
| Unrestricted | 10,559,487 | 10,026,584 | 532,903 |
| | <u>\$21,853,758</u> | <u>\$21,211,690</u> | <u>\$642,068</u> |

CHANGES IN NET ASSETS. The net assets of the County increased by \$642,068 for the fiscal year ended December 31, 2008.

GOVERNMENTAL ACTIVITIES. Governmental activities increased the County's net assets by \$642,068 from the prior year. This was primarily the result of the increase in property tax revenues.

WALLER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

Table 2
Changes in Net Assets

| | 2008 | 2007 | Increase (Decrease) |
|---|---------------------|---------------------|------------------------|
| Program Revenues: | | | |
| Charges for services | \$3,884,977 | \$3,392,612 | \$492,365 |
| Operating grants and contributions | 485,542 | 387,129 | 98,413 |
| Capital grants and contributions | 37,198 | 136,901 | (99,703) |
| General Revenues: | | | |
| Property taxes | 14,164,691 | 12,925,436 | 1,239,255 |
| Interest | 488,599 | 865,273 | (376,674) |
| Miscellaneous | 258,446 | 141,167 | 117,279 |
| Gain (loss) on disposal of capital assets | (10,000) | (49,534) | 39,534 |
| Total Revenues | 19,309,453 | 17,798,984 | 1,510,469 |
| Expenses: | | | |
| General government | 2,324,147 | 2,109,735 | 214,412 |
| Financial administration | 1,164,812 | 822,095 | 342,717 |
| Public safety | 5,036,432 | 4,537,648 | 498,784 |
| Judicial | 1,801,157 | 1,488,348 | 312,809 |
| Legal | 708,627 | 670,793 | 37,834 |
| Public transportation | 3,763,491 | 3,200,010 | 563,481 |
| Culture and recreation | 326,260 | 302,225 | 24,035 |
| Nondepartmental | 3,364,000 | 2,696,319 | 667,681 |
| Interest & Fiscal Charges | 178,459 | 172,873 | 5,586 |
| Total Expenses | 18,667,385 | 16,000,046 | 2,667,339 |
| Increase (decrease) in net assets | 642,068 | 1,798,938 | (1,156,870) |
| Net assets, January 1 | 21,211,690 | 19,412,752 | 1,798,938 |
| Net assets, December 31 | \$21,853,758 | \$21,211,690 | \$642,068 |

WALLER COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$9,633,135.

The General Fund is the main operating fund of the County. The General Fund had a decrease in fund balance of \$268,474 and at the end of the current fiscal year unreserved fund balance was \$4,860,341. Key factors of the decrease are as follows:

- A decrease in ad valorem tax collections of \$1,108,325 due to the allocation of the tax rate for the general fund.
- A decrease in interest earnings of \$244,181 due to a decrease in the interest rate.
- A decrease in collection of county clerk recording fees.

The Road and Bridge Fund had an increase in the fund balance of \$1,109,602 and at the end of the current fiscal year the unreserved fund balance was \$2,055,254. The total amount of revenues received for the Road & Bridge Fund was \$5.4 million and the expenditures were \$4.3 million. Key factors of the increases are as follows:

- An increase in ad valorem tax revenue of \$444,715.
- Increase in allocation of the maintenance and operating tax rate.
- Receipt of \$250,000 from Forest Oil Corporation for road repairs for Beckendorff Road.
- Increase in collection of delinquent taxes of \$76,229.

GENERAL FUND BUDGETARY HIGHLIGHTS. The Commissioners' Court adopts the annual budget for the County according to State statute. Appropriated budgets are approved and employed as a management control device during the fiscal year. The County maintains strict budgetary controls and sets its appropriations at the department level. Budget amendments and transfers may be made only with the approval of Commissioners' Court.

During the year there was a \$125,150 increase in estimated revenues between the original and final amended budget. Following are the main components of the increase:

- LEOSE monies for Sheriff and Constables of \$7,841
- Grimes County reimbursement of funds for 506th District Judge of \$54,435.
- District Attorney longevity of \$3,300
- Assistant District Attorney salary supplement of \$4,393

WALLER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

- Book and Memorial Fund donations of \$2,294.
- HGAC Agreement of \$34,307.
- Elections reimbursements of \$8,000.

During the year there was a \$134,925 increase in appropriations between the original and final amended budget.

There was a positive variance between the final amended budget appropriations and the actual expenditures of \$1,350,173. Key highlights of this variance are as follows:

| <u>Function</u> | <u>Final/Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------|---------------------------------|---------------|-----------------|
|-----------------|---------------------------------|---------------|-----------------|

General Government

| | | | |
|------------|-------------|-------------|-----------|
| All Others | \$1,231,164 | \$1,090,105 | \$141,059 |
|------------|-------------|-------------|-----------|

Positive variance caused by lower than projected expense for legal fees, utilities, mental commitments and transfers to grants.

Public Safety

| | | | |
|------|-------------|-------------|-----------|
| Jail | \$1,456,555 | \$1,349,955 | \$106,600 |
|------|-------------|-------------|-----------|

Positive variance caused by open jailer positions and lower operating expenditures.

| | | | |
|------------------------|-------------|-------------|-----------|
| Sheriff Administration | \$2,002,335 | \$1,875,731 | \$126,604 |
|------------------------|-------------|-------------|-----------|

Positive variance caused by open deputy positions and lower operating expenditures such as less out of state transports and no additional furniture and equipment needed.

Judicial

| | | | |
|---------------|-----------|-----------|----------|
| Court Expense | \$401,400 | \$326,471 | \$74,929 |
|---------------|-----------|-----------|----------|

Positive variance caused by the utilization of grant funds in lieu of County funds.

Non-departmental

| | | | |
|-----------------|-----------|-----------|-----------|
| Indigent Health | \$850,618 | \$304,351 | \$546,267 |
|-----------------|-----------|-----------|-----------|

Budget based upon 8% of County General levy by law. Less expense incurred on inpatient hospital and prescriptions.

| | | | |
|-------------------|-------------|-------------|-----------|
| Employee Benefits | \$1,493,648 | \$1,370,837 | \$122,811 |
|-------------------|-------------|-------------|-----------|

Positive variance caused by renewal credits from TAC for health insurance and over budgeting of workers compensation expenditures.

WALLER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS: The County's investment in capital assets as of December 31, 2008, totals \$13,826,231 (net of accumulated depreciation). The investment in capital assets includes land, buildings, and infrastructure. The total increase in the County's investment in capital assets for the current year was 2.9 percent.

Table 3
 Capital Assets at Year End
 Net of Accumulated Depreciation

| ASSETS | Governmental Activities | | Percent Change |
|-------------------------|-------------------------|---------------------|----------------|
| | 2008 | 2007 | |
| Land | \$440,812 | \$450,812 | -2.22% |
| Buildings | 982,328 | 1,129,790 | -13.05% |
| Roads | 9,427,417 | 9,550,175 | -1.29% |
| Bridges | 727,914 | 814,716 | -10.65% |
| Machinery and equipment | 2,247,760 | 2,295,647 | -2.09% |
| Total capital assets | <u>\$13,826,231</u> | <u>\$14,241,140</u> | -2.91% |

Additional information on the County's capital assets can be found in the notes to the financial statements.

DEBT ADMINISTRATION: At the end of the current fiscal year, Waller County had total debt outstanding of \$4,444,548. Of this amount, \$3,280,000 is composed of certificates of obligation debt for public improvement, with principal due annually through 2013 with interest due semi-annually. Capital lease obligations for equipment in the amount of \$143,014 are payable from annual appropriations of the General Fund and the Road & Bridge Fund. Compensated absences payable of \$348,494 consists of amounts earned for vacation. During the current year the County implemented GASB 45 and recorded a liability for unfunded opeb consisting of health care provided to retirees.

Table 4
 Outstanding Debt at Year End

| Type of Debt | Governmental Activities | |
|-------------------------------|-------------------------|--------------------|
| | 2008 | 2007 |
| Certificates of obligation | \$3,280,000 | \$3,865,000 |
| Capitalized lease obligations | 143,014 | 247,536 |
| Compensated absences | 348,494 | 431,914 |
| Liability for unfunded opeb | 673,040 | -- |
| Total | <u>\$4,444,548</u> | <u>\$4,544,450</u> |

Additional information on the County's long-term debt can be found in the notes to the financial statements.

WALLER COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Waller County's unemployment rate is 5.0% at December 31, 2008 and the job growth rate from 2000 - 2008 is 28%. The population for the 2000 census was 32,663, and the estimated population at December 31, 2008 is 35,995.

For fiscal year 2009, the Commissioners' Court adopted a budget of \$22,877,262 in estimated revenues and a property tax rate of 0.642531 per hundred dollars of taxable value. This was an increase of 0.013731 over fiscal year 2008. This is estimated to provide an overall increase of \$2,285,023 in revenue over the 2008 budget. Some of the factors of that increase are:

- Increase in the amount due to tax appraisal district.
- Increases in appraisal value.
- Increase in Public Safety.
- Increase in budget due to salary increases.
- Increases in tax collections.
- Budget allocation of \$115,000 for District Courtroom renovations.
- Additional funds for a health clinic in the amount of \$200,000.
- Additional funds for capital murder cases in the amount of \$100,000.
- Additional funds for final payment of \$151,937 for the telephone equipment.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Waller County Auditor, 836 Austin Street, Suite 221, Hempstead, Texas, 77445.

Basic Financial Statements

WALLER COUNTY, TEXAS

STATEMENT OF NET ASSETS

DECEMBER 31, 2008

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| <i>Cash and cash equivalents</i> | \$ 4,495,592 |
| <i>Investments</i> | 10,668,899 |
| <i>Receivables (net of allowances for uncollectibles)</i> | 13,835,168 |
| <i>Inventories</i> | 732,392 |
| <i>Prepaid items</i> | 58,069 |
| <i>Deferred charges</i> | 26,904 |
| <i>Capital assets (net of accumulated depreciation)</i> | |
| <i>Land</i> | 440,812 |
| <i>Buildings</i> | 982,328 |
| <i>Roads</i> | 9,427,417 |
| <i>Bridges</i> | 727,914 |
| <i>Machinery and equipment</i> | 2,247,760 |
| Total Assets | <u>43,643,255</u> |
| LIABILITIES | |
| <i>Accounts payable</i> | 653,917 |
| <i>Other payables and accruals</i> | 670,087 |
| <i>Due to other governments</i> | 756,203 |
| <i>Due to others</i> | 22,127 |
| <i>Unearned revenue</i> | 15,242,615 |
| Noncurrent liabilities: | |
| <i>Due within one year</i> | 769,231 |
| <i>Due in more than one year</i> | 3,675,317 |
| Total Liabilities | <u>21,789,497</u> |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | 11,056,283 |
| Restricted For: | |
| Debt Service | 217,527 |
| Capital Projects | 20,461 |
| Unrestricted | 10,559,487 |
| Total Net Assets | <u>\$ 21,853,758</u> |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 2,324,147 | \$ 388,241 | \$ 49,680 | \$ -- | \$ (1,886,226) |
| Financial administration | 1,164,812 | 94,715 | -- | -- | (1,070,097) |
| Public Safety | 5,036,432 | 85,912 | 279,115 | 26,687 | (4,644,718) |
| Judicial | 1,801,157 | 1,495,656 | 46,520 | -- | (258,981) |
| Legal | 708,627 | 125,463 | 61,898 | -- | (521,266) |
| Public transportation | 3,763,491 | 1,690,444 | -- | 10,511 | (2,062,536) |
| Culture and recreation | 326,260 | 4,546 | 48,329 | -- | (273,385) |
| Nondepartmental | 3,364,000 | -- | -- | -- | (3,364,000) |
| Interest on long-term debt | 178,459 | -- | -- | -- | (178,459) |
| Total governmental activities | <u>18,667,385</u> | <u>3,884,977</u> | <u>485,542</u> | <u>37,198</u> | <u>(14,259,668)</u> |
| Total Primary Government | <u>\$ 18,667,385</u> | <u>\$ 3,884,977</u> | <u>\$ 485,542</u> | <u>\$ 37,198</u> | <u>(14,259,668)</u> |
| General Revenues: | | | | | |
| Taxes | | | | | 14,164,691 |
| Unrestricted Investment Earnings | | | | | 488,599 |
| Miscellaneous | | | | | 258,446 |
| Loss on Disposal of Capital Assets | | | | | (10,000) |
| Total General Revenues | | | | | <u>14,901,736</u> |
| Change in Net Assets | | | | | 642,068 |
| Net Assets - Beginning | | | | | <u>21,211,690</u> |
| Net Assets - Ending | | | | | <u>\$ 21,853,758</u> |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2008

| | General Fund | Road and Bridge | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| <i>Cash and cash equivalents</i> | \$ 3,317,908 | \$ 918,749 | \$ 258,935 | \$ 4,495,592 |
| <i>Investments</i> | 5,237,236 | 2,825,052 | 2,606,610 | 10,668,898 |
| Receivables (net of allowances for uncollectibles): | | | | |
| <i>Taxes</i> | 8,443,182 | 3,405,348 | 577,618 | 12,426,148 |
| <i>Fines</i> | 990,901 | 287,036 | 21,003 | 1,298,940 |
| <i>Accounts</i> | 15,947 | -- | -- | 15,947 |
| <i>Intergovernmental</i> | 48,329 | -- | 45,804 | 94,133 |
| <i>Due from other funds</i> | 1,490 | -- | -- | 1,490 |
| Total Assets | \$ 18,054,993 | \$ 7,436,185 | \$ 3,509,970 | \$ 29,001,148 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| <i>Accounts payable</i> | \$ 219,995 | \$ 431,610 | \$ 2,312 | \$ 653,917 |
| <i>Other payables and accruals</i> | 524,791 | 80,712 | 7,972 | 613,475 |
| <i>Due to other funds</i> | -- | -- | 1,490 | 1,490 |
| <i>Due to other governments</i> | 756,203 | -- | -- | 756,203 |
| <i>Due to others</i> | 22,126 | -- | -- | 22,126 |
| <i>Deferred revenue</i> | 8,721,426 | 3,633,375 | 593,855 | 12,948,656 |
| <i>Taxes collected in advance</i> | 2,925,148 | 1,235,234 | 211,764 | 4,372,146 |
| Total Liabilities | 13,169,689 | 5,380,931 | 817,393 | 19,368,013 |
| Fund balances: | | | | |
| <i>Reserved for:</i> | | | | |
| <i>Debt service</i> | -- | -- | 166,044 | 166,044 |
| <i>Other purposes</i> | 24,963 | -- | -- | 24,963 |
| <i>Unreserved, reported in:</i> | | | | |
| <i>General fund</i> | 4,860,341 | -- | -- | 4,860,341 |
| <i>Special revenue funds</i> | -- | 2,055,254 | 2,143,722 | 4,198,976 |
| <i>Capital projects funds</i> | -- | -- | 382,811 | 382,811 |
| Total fund balances | 4,885,304 | 2,055,254 | 2,692,577 | 9,633,135 |
| Total Liabilities and Fund Balances | \$ 18,054,993 | \$ 7,436,185 | \$ 3,509,970 | \$ 29,001,148 |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 DECEMBER 31, 2008

| | |
|--|----------------------|
| Total fund balances - governmental funds balance sheet | \$ 9,633,135 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 13,826,232 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 1,416,184 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (3,328,066) |
| Payables for capital leases which are not due in the current period are not reported in the funds. | (94,948) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (56,613) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (348,494) |
| Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds. | 817,365 |
| Court fines receivable unavailable to pay for current period expenditures are deferred in the funds. | 662,003 |
| Liability for unfunded retiree insurance benefits which is not due in current period is not reported in the funds. | <u>(673,040)</u> |
| Net assets of governmental activities - statement of net assets | <u>\$ 21,853,758</u> |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| | General Fund | Road and Bridge | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| <i>Taxes</i> | \$ 9,886,474 | \$ 3,589,836 | \$ 667,194 | \$ 14,143,504 |
| <i>Licenses and permits</i> | 82,566 | 1,264,525 | -- | 1,347,091 |
| <i>Intergovernmental</i> | 371,605 | 40,716 | 404,719 | 817,040 |
| <i>Charges for services</i> | 394,006 | -- | -- | 394,006 |
| <i>Fines</i> | 907,524 | 130,630 | 142,142 | 1,180,296 |
| <i>Interest</i> | 336,653 | 74,731 | 78,044 | 489,428 |
| <i>Miscellaneous</i> | 233,533 | 293,016 | 228,976 | 755,525 |
| Total revenues | <u>12,212,361</u> | <u>5,393,454</u> | <u>1,521,075</u> | <u>19,126,890</u> |
| Expenditures: | | | | |
| Current: | | | | |
| <i>General government</i> | 2,189,921 | -- | 121,603 | 2,311,524 |
| <i>Financial administration</i> | 1,147,737 | -- | -- | 1,147,737 |
| <i>Public Safety</i> | 4,232,633 | -- | 735,000 | 4,967,633 |
| <i>Judicial</i> | 1,767,414 | -- | 24,476 | 1,791,890 |
| <i>Legal</i> | 514,833 | -- | 189,652 | 704,485 |
| <i>Public transportation</i> | -- | 3,903,319 | -- | 3,903,319 |
| <i>Culture and recreation</i> | 313,410 | -- | 11,431 | 324,841 |
| <i>Nondepartmental</i> | 2,292,985 | 380,533 | 82,401 | 2,755,919 |
| Debt service: | | | | |
| <i>Principal</i> | -- | -- | 585,000 | 585,000 |
| <i>Interest and fiscal charges</i> | -- | -- | 152,668 | 152,668 |
| Total expenditures | <u>12,458,933</u> | <u>4,283,852</u> | <u>1,902,231</u> | <u>18,645,016</u> |
| Excess (deficiency) of revenues over (under) expenditures | (246,572) | 1,109,602 | (381,156) | 481,874 |
| Other financing sources (uses): | | | | |
| <i>Transfers in</i> | -- | -- | 91,776 | 91,776 |
| <i>Transfers out</i> | (21,902) | -- | (69,874) | (91,776) |
| Total other financing sources (uses) | <u>(21,902)</u> | <u>--</u> | <u>21,902</u> | <u>--</u> |
| Net change in fund balances | (268,474) | 1,109,602 | (359,254) | 481,874 |
| Fund balances, January 1 | 5,153,778 | 945,652 | 3,051,831 | 9,151,261 |
| Fund balances, December 31 | <u>\$ 4,885,304</u> | <u>\$ 2,055,254</u> | <u>\$ 2,692,577</u> | <u>\$ 9,633,135</u> |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ 481,874 |
| Amounts reported for governmental activities in the statement of activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | (410,598) |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (10,000) |
| All proceeds from the sale of capital assets are reported in the funds but not in the SOA. | 5,690 |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | 21,190 |
| Expenses not requiring the use of current financial resources are not reported as expenditures in the funds. | 402,544 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 585,000 |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA. | 104,522 |
| Bond issuance costs and similar items are amortized in the SOA but not in the funds. | (5,859) |
| (Increase) decrease in accrued interest from beginning of period to end of period. | (25,791) |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | 83,419 |
| Certain fine revenues are deferred in the funds. This is the change in these amounts this year. | 83,117 |
| Retiree insurance contributions are reported as amount earned in the SOA but as the amount paid in the funds. | <u>(673,040)</u> |
| Change in net assets of governmental activities - statement of activities | <u>\$ 642,068</u> |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008

| | Private-purpose Trust Funds | Agency Funds |
|----------------------------------|-----------------------------------|------------------|
| ASSETS | | |
| <i>Cash and cash equivalents</i> | \$ 1 | \$ 6,700,055 |
| <i>Investments</i> | 122,536 | -- |
| <i>Intergovernmental</i> | 401 | -- |
| <i>Capital assets</i> | 1 | -- |
| Total Assets | <u>122,939</u> | <u>6,700,055</u> |
| LIABILITIES | | |
| <i>Due to other governments</i> | -- | 1,554,849 |
| <i>Due to others</i> | -- | 5,145,206 |
| Total Liabilities | <u>--</u> | <u>6,700,055</u> |
| NET ASSETS | | |
| <i>Held in trust</i> | <u>\$ 122,939</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

| | Private- Purpose Trusts |
|----------------------------------|-------------------------------|
| Additions: | |
| <i>Interest</i> | \$ 2,240 |
| <i>Miscellaneous</i> | 49,062 |
| Total Additions | <u>51,302</u> |
| Deductions: | |
| <i>Administrative Expenses</i> | 4,585 |
| <i>Payments to schools</i> | -- |
| Total Deductions | <u>4,585</u> |
| Change in Net Assets | 46,717 |
| Net Assets-Beginning of the Year | 76,222 |
| Net Assets-End of the Year | <u>\$ 122,939</u> |

The accompanying notes are an integral part of this statement.

WALLER COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County, a political subdivision of the State of Texas is governed by an elected judge and four county commissioners which comprise the commissioner's court. The County's operational activities include general governmental, financial administration, public safety, judicial, legal, public transportation, culture and recreation, and nondepartmental expenditures.

The accounting policies of Waller County, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the County's basic financial statements.

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the County (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

There are no component units which satisfy requirements for blending or discrete presentation within the County's financial statements. Accordingly, the basic financial statements present the County only.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

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

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

The government-wide financial statements are reported using the economic *resources measurement focus* and the accrual *basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

WALLER COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2008

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines and permits, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The County reports the following major governmental funds:

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

The *Road and Bridge Fund* accounts for the activities of the Road and Bridge department.

Additionally, the County reports the following fund types:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

The Debt Service Fund accounts for the accumulation of resources to be used for the payment of principal and interest.

The *Capital Projects Construction Fund* accounts for the proceeds of the certificates of obligation, series 2003.

Private Purpose Trust Funds are used to account for resources legally held in trust for use of other governmental entities. All resources of the funds, including any earnings on invested resources, may be used.

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, and/or other funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

WALLER COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2008

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value which is based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the County based on the January 1 property values as appraised by the Waller County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the County has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the County.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

WALLER COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2008

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| | |
|-------------------------|---------------|
| Buildings | 20 - 30 years |
| Infrastructure | 20 - 45 years |
| Machinery and Equipment | 5 - 10 years |

5. Compensated absences

Employees accumulate earned but unused vacation and compensatory time. All vacation and compensatory pay is accrued when incurred in the government-wide funds. A liability is reported for these amounts in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid in the general, road and bridge, and grant fund.

6. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method which approximate the effective interest method. 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 the 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.

WALLER COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2008

7. 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 for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Fund balance was reserved or designated as follows:

| | |
|--|------------------|
| General Fund | |
| Reserved for Administration of Justice | \$13,015 |
| Reserved for Library | 2,657 |
| Reserved for Library - Brookshire | 167 |
| Reserved for LEOSE | <u>9,124</u> |
| Total General Fund reserved fund balance | <u>\$24,963</u> |
| Debt Service Fund | |
| Reserved for Debt Service | <u>\$166,044</u> |

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds." The details of this \$817,365 difference are as follows:

| | |
|---------------------|------------------|
| Prepaid expense | \$58,069 |
| Inventory | 732,392 |
| Bond issuance costs | <u>26,904</u> |
| | <u>\$817,365</u> |

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities :

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Expenses in the Statement of Activities not requiring the use of current financial resources are not reported as expenditures in the funds." The details of this \$402,544 difference are as follows:

| | |
|--------------------------------------|-------------------|
| Change in inventory balances | \$408,838 |
| Change in prepaid insurance balances | <u>(6,294)</u> |
| | <u>\$ 402,544</u> |

III. DETAILED NOTES ON ALL FUNDS

- A. Deposits and investments

Cash

At year end, the carrying amount of the County's cash on hand and deposits was \$11,195,648. All of the bank balance of \$9,227,717 was covered by federal deposit insurance and collateralized by the pledging financial institution with marketable securities held by the depository's agent in the County's name. At year end, the County's depository had pledged securities, with a face value of \$22,900,859 and fair value of \$23,192,233.

WALLER COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 Year Ended December 31, 2008

Investments

As of December 31, 2008, the County had the following investments:

| Investment type | Fair Value | Years to Maturity |
|--|--------------|-------------------|
| Government sponsored investment pool (TexPool) | \$8,775,988 | N/A |
| MBIA Private Investment Pool | 2,015,447 | N/A |
| Total Fair Value | \$10,791,435 | |

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

Credit Risk. State law limits investments as described previously in Note I D.

Concentration of Credit Risk. The County's investment policy does not allow for an investment in any one issuer (other than investment pools) that is in excess of five percent of the fair value of the County's total investments.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the County's depository in the County's name and held by the depository's agent.

Custodial Credit Risk – Investments. For an investment, 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.

TexPool and MBIA are external investment pools and are not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investment Act provide for creation of public funds investments pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The fair value of investments in the pools are independently reviewed monthly. At December 31, 2008 the fair value of the County's positions in the pools approximate the fair value of the shares.

WALLER COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2008

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and internal service fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Road and Bridge | NonMajor Other Funds | Total |
|---------------------|--------------------|--------------------|----------------------|---------------------|
| Taxes receivable | \$8,726,793 | \$3,463,087 | \$591,758 | \$12,781,638 |
| Less allowance | (283,611) | (57,739) | (14,140) | (355,490) |
| | <u>\$8,443,182</u> | <u>\$3,405,348</u> | <u>\$577,618</u> | <u>\$12,426,148</u> |
| Fines receivable | \$1,351,687 | \$643,205 | \$46,296 | \$2,041,188 |
| Less allowance | (360,786) | (356,169) | (25,293) | (742,248) |
| | <u>\$990,901</u> | <u>\$287,036</u> | <u>\$21,003</u> | <u>\$1,298,940</u> |
| Accounts receivable | <u>\$15,947</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$15,947</u> |
| Intergovernmental | <u>\$48,329</u> | <u>\$ --</u> | <u>\$45,804</u> | <u>\$94,133</u> |

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

| | Unavailable | Unearned | Total |
|---|--------------------|---------------------|---------------------|
| Fines receivable (General Fund) | \$353,653 | \$ -- | \$353,653 |
| Fines receivable (Road & Bridge Fund) | 287,036 | -- | 287,036 |
| Fines Receivable (Nonmajor Special Revenue Funds) | 21,315 | -- | 21,315 |
| Grant Revenue (Grant Fund) | -- | -- | 0 |
| Current tax levy receivable (2008) (General Fund) | -- | 7,308,740 | 7,308,740 |
| Current tax levy receivable (2008) (Road & Bridge Fund) | -- | 3,040,671 | 3,040,671 |
| Current tax levy receivable (2008) (Debt Service Fund) | -- | 521,057 | 521,057 |
| Taxes collected in advance (General Fund) | -- | 2,925,148 | 2,925,148 |
| Taxes collected in advance (Road & Bridge Fund) | -- | 1,235,234 | 1,235,234 |
| Taxes collected in advance (Debt Service Fund) | -- | 211,764 | 211,764 |
| Delinquent property taxes receivable (General Fund) | 1,059,033 | -- | 1,059,033 |
| Delinquent property taxes receivable (Road & Bridge Fund) | 305,668 | -- | 305,668 |
| Delinquent property taxes receivable (Debt Service Fund) | 51,483 | -- | 51,483 |
| Total deferred/unearned revenue for governmental funds | <u>\$2,078,188</u> | <u>\$15,242,614</u> | <u>\$17,320,802</u> |

Reported in financial statements as:

| | |
|----------------------------|---------------------|
| Deferred revenue | \$12,948,656 |
| Taxes collected in advance | 4,372,146 |
| Total | <u>\$17,320,802</u> |

WALLER COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2008

C. Capital assets

Capital asset activity for the year ended December 31, 2008:

| | Balance 12/31/07 | Additions | Retirements | Completed Construction | Balance 12/31/08 |
|---|---------------------|--------------------|-------------------|---------------------------|---------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$450,812 | \$ -- | (\$10,000) | \$ -- | \$440,812 |
| Construction in progress | -- | -- | -- | -- | -- |
| Total capital assets not being depreciated | <u>450,812</u> | <u>--</u> | <u>(10,000)</u> | <u>--</u> | <u>440,812</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 4,727,681 | -- | -- | -- | 4,727,681 |
| Roads | 13,384,608 | 624,469 | (206,021) | -- | 13,803,056 |
| Bridges | 3,522,706 | -- | -- | -- | 3,522,706 |
| Machinery and equipment | 6,764,086 | 530,182 | (461,599) | -- | 6,832,669 |
| Total capital assets being depreciated | <u>28,399,081</u> | <u>1,154,651</u> | <u>(667,620)</u> | <u>--</u> | <u>28,886,112</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (3,597,891) | (147,462) | -- | -- | (3,745,353) |
| Roads | (3,834,433) | (747,227) | 206,021 | -- | (4,375,639) |
| Bridges | (2,707,990) | (86,802) | -- | -- | (2,794,792) |
| Machinery and equipment | (4,468,439) | (578,069) | 461,599 | -- | (4,584,909) |
| Total accumulated depreciation | <u>(14,608,753)</u> | <u>(1,559,560)</u> | <u>667,620</u> | <u>--</u> | <u>(15,500,693)</u> |
| Total capital assets being depreciated, net | <u>13,790,328</u> | <u>(404,909)</u> | <u>--</u> | <u>--</u> | <u>13,385,419</u> |
| Governmental activities capital assets, net | <u>\$14,241,140</u> | <u>(\$404,909)</u> | <u>(\$10,000)</u> | <u>\$ --</u> | <u>\$13,826,231</u> |

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

Governmental activities:

| | |
|--|--------------------|
| General government | \$78,105 |
| Financial administration | 15,004 |
| Public safety | 269,039 |
| Judicial | 10,011 |
| Legal | 6,375 |
| Public transportation | 1,175,705 |
| Culture and recreation | 1,620 |
| Nondepartmental | 3,701 |
| Total depreciation expense - governmental activities | <u>\$1,559,560</u> |

WALLER COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2008

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2007, is as follows:

| Fund | Receivable | Payable |
|-----------------------------------|------------|---------|
| Major Governmental Funds | | |
| General Fund | \$1,490 | \$ -- |
| Total major funds | 1,490 | -- |
| Nonmajor Governmental Funds | | |
| Elections | -- | 91 |
| RPF County Clerk | -- | 1,399 |
| Total Nonmajor Governmental Funds | -- | 1,490 |
| Total | \$1,490 | \$1,490 |

Interfund receivables and payables arise because of overdrafts in pooled cash.

Interfund transfers:

| Fund | Transfer In | Transfer Out |
|-----------------------------------|-------------|--------------|
| Major Governmental Funds | | |
| General Fund | \$ -- | \$21,902 |
| Total Major Funds | -- | 21,902 |
| Nonmajor Governmental Funds | | |
| Grant Fund | 21,902 | -- |
| Narc Program | -- | 69,874 |
| Federal Forfeiture | 69,874 | -- |
| Total Nonmajor governmental funds | 91,776 | 69,874 |
| Totals | \$91,776 | \$91,776 |

Interfund transfers arise because of the subsidy of the Grant fund by the General Fund, and a transfer of operating funds from the Narc Fund to the newly created Federal Forfeiture fund.

WALLER COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2008

E. Long-term debt

The County issues general obligation bonds, certificates of obligation bonds, notes payable and capital lease obligations to provide funds for the acquisition and construction of major capital facilities. These issues are direct obligations and pledge the full faith and credit of the County.

General Debt Currently Outstanding:

| Purpose | Original Amount | Year of Issue | Final Maturity | Interest Rate | Balance 12/31/08 |
|-------------------------------|-----------------|---------------|----------------|---------------|--------------------|
| General Long-Term Debt Issues | | | | | |
| Certificates of Obligation: | | | | | |
| Construction and repairs | \$6,000,000 | 9/10/03 | 8/01/13 | 3.95% | \$3,280,000 |
| Total General Long-Term Debt | | | | | <u>\$3,280,000</u> |

Annual debt service requirements to maturity for general debt:

| Year | General Obligation Bonds | | Total |
|-------|--------------------------|------------------|--------------------|
| | Principal | Interest | |
| 2009 | \$605,000 | \$129,560 | \$734,560 |
| 2010 | 630,000 | 105,662 | 735,662 |
| 2011 | 655,000 | 80,778 | 735,778 |
| 2012 | 680,000 | 54,905 | 734,905 |
| 2013 | 710,000 | 28,045 | 738,045 |
| Total | <u>\$3,280,000</u> | <u>\$398,950</u> | <u>\$3,678,950</u> |

Capital Lease Obligations Currently Outstanding:

| | Original | Date of | Final | Interest | Balance |
|------------------|----------|----------|---------|----------|------------------|
| Telephone System | 236,930 | 10/22/06 | 9/22/11 | 8.790% | <u>\$143,014</u> |

Capital lease obligation debt service requirements to maturity are as follows:

| Year | Total |
|---------------------------------|------------------|
| 2009 | \$58,737 |
| 2010 | 58,737 |
| 2011 | <u>44,053</u> |
| Total payments | 161,527 |
| Less imputed interest | <u>(18,513)</u> |
| Total Capital Lease Obligations | <u>\$143,014</u> |