

NOLAN COUNTY, TEXAS

MODIFIED CASH BASIS FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

NOLAN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nolan County, Texas, as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nolan 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.

As discussed in Note I, Nolan County, Texas, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Nolan County, Texas, as of September 30, 2009, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note I.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 25 through 27 are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Davis Kinard & Co, PC". The script is cursive and fluid.

DAVIS KINARD & CO, PC

Abilene, Texas
January 19, 2010

NOLAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nolan County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2009. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

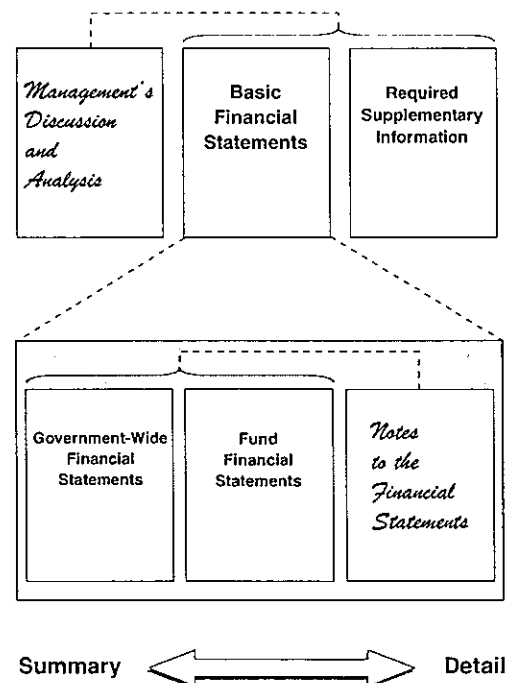
- Nolan County's total combined net assets were \$6.6 million at September 30, 2009. Of this amount, \$3.9 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$223 thousand more than the \$7.2 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$3.7 million. All \$3.7 million is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *Government-Wide Financial Statements* that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The *Governmental Funds* statements tell how general government services were financed in the short-term as well as what remains for future spending.
- *Fiduciary Fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

MAJOR FEATURES OF THE COUNTY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
<i>Type of Statement</i>	Government-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	• Statement of net assets	• Balance sheet	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of changes in assets and liabilities
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified cash basis accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Nolan County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (Page 1) presents information on all of Nolan 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 Nolan County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 2) 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.

Both of these government-wide financial statements distinguish functions of Nolan 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, farm to market roads, health and welfare, economic development, culture and recreation. These activities are financed primarily by property taxes and grants.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Nolan 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. Nolan 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 two 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 4 and 6 of the basic financial statements section.

The County maintains twelve individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund and the farm to market fund, both of which are considered to be major funds. Individual fund data for each of the ten 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 statements have been provided on Pages 25 and 26 to demonstrate compliance with this budget.

- **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 found on Page 7. 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

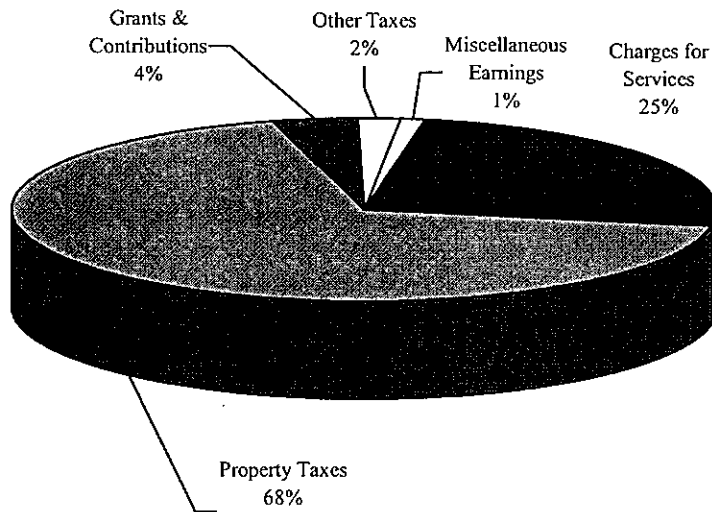
Nolan County's combined net assets were approximately \$6.6 million at September 30, 2009. The largest portion of the County's net assets reflects its investments, cash and accounts receivable, with the remainder reported as capital assets.

**Table A-1
Nolan County's Net Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 4,695,107	\$ 4,723,085
Capital and Non-Current Assets	<u>2,804,795</u>	<u>3,063,294</u>
Total Assets	7,499,902	7,786,379
Current Liabilities	223,744	233,201
Long Term Liabilities	<u>658,542</u>	<u>712,671</u>
Total Liabilities	882,286	945,872
Net Assets		
Invested in Capital Assets, net of related debt	2,121,906	2,321,770
Restricted	614,819	512,176
Unrestricted	<u>3,880,891</u>	<u>4,006,561</u>
Total Net Assets	<u>\$ 6,617,616</u>	<u>\$ 6,840,507</u>

Changes in Net Assets—Nolan County's net assets decreased by approximately \$223 thousand during the current fiscal year. While property taxes increased by 6.78%, charges for services decreased by approximately 2.5%.

**Figure A-3
SOURCES OF REVENUE FOR FISCAL YEAR 2009**



Governmental Activities—Total revenues for the fiscal year ending September 30, 2009 were \$7.2 million. Approximately 70% of the County's revenue comes from taxes. Property tax revenue increased 6.78% due to an increase in property values and tax rates.

Expenses increased by \$780 thousand or 11.73% from the prior year. For the most part, this increase was in all areas of the government.

Table A-2
Nolan County's Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
Program Revenues		
Charges for Services	\$ 1,805,570	\$ 1,852,187
Operating Grants and Contributions	284,889	268,439
General Revenues		
Property Taxes	4,889,312	4,578,830
Other Taxes	162,750	172,130
Investment Earnings	25,480	111,840
Miscellaneous	36,335	30,680
Gain (Loss) on Sale of Assets	6,792	-
Total Revenues	7,211,128	7,014,106
Expenses:		
General Government	1,340,322	1,300,609
Judicial Administration	801,167	795,501
Legal	359,637	341,319
Financial Administration	385,063	355,852
Public Facilities	579,547	529,828
Public Safety	1,746,611	1,459,580
Farm to Market	1,499,699	1,259,451
Health and Welfare	435,028	354,564
Extension Service	102,445	88,603
Debt Service Interest Expense	29,007	34,478
Museum and Library-Intergovernmental	155,493	133,841
Total Expenses	7,434,019	6,653,626
Decrease in Net Assets	(222,891)	360,480
Beginning Net Assets	6,840,507	6,480,027
Ending Net Assets	\$ 6,617,616	\$ 6,840,507

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Nolan County's governmental funds reported a combined fund balance of \$4.4 million, a decrease of \$19 thousand in comparison with the prior year. Approximately 85% of this total amount (\$3.8 million) is unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved, to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$3.7 million, the total fund balance is unreserved. As a measure of the fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 66% of total General Fund expenditures.

Nolan County's General Fund balance decreased by \$120 thousand during the current fiscal year. A key factor in this decrease was increased spending by all departments during the current year.

General Fund Budgetary Highlights—Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$497 thousand below final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2009, the County had invested \$9.5 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net decrease (including additions, retirements and adjustments) of \$259 thousand, or 8.43% under last year.

Major events affecting capital assets during the year were:

- Video recording and security camera
- Machinery and equipment for Farm to Market
- New vehicles and equipment for the Sheriff's Department.

More detailed information about the County's capital assets can be found on pages 17 and 18.

Table A-3
Nolan County's Capital Assets

	Governmental Activities	
	2009	2008
Land	\$ 52,775	\$ 52,775
Buildings and Improvements	4,795,189	4,795,189
Furniture and Equipment	4,686,756	4,596,617
Total	9,534,720	9,444,581
Less Accumulated Depreciation	(6,729,925)	(6,381,287)
Net Capital Assets	\$ 2,804,795	\$ 3,063,294

Long Term Debt—At the end of the year, the County had \$743 thousand in outstanding debt.

Table A-4
The County's Long Term Debt

	Governmental Activities	
	2009	2008
Bonds Payable	\$ 616,000	\$ 659,000
Capital Leases Payable	77,889	94,524
Loan Payable	-	-
Compensated Absences	49,346	41,038
Total Long-Term Debt Payable	\$ 743,235	\$ 794,562

During the year, Nolan County's debt decreased by \$51 thousand. No new debt was issued and debt service payments totaled \$60 thousand.

The State limits the amount of general obligation debt that a County can issue up to 25% of its total assessed valuation. The current debt limitation is \$350 million 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 the notes beginning on page 19.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2010 budget preparation is estimated to be up \$205 thousand or 14% from 2009.
- The tax rate established for 2010 is \$.34917, a decrease of \$.00835 from 2009.
- 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 2010 fiscal year.

Amounts available for appropriation in the General Fund budget are \$6,168,236, an increase of 8% over the 2010 budget of \$5,699,553. Property taxes (benefiting from the 2010 increases in assessed valuations) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 6.2% to \$6,557,450. The largest increments are increases in computer services, utilities, salaries, maintenance agreements, jail expenses, ambulance services, juvenile allotment and travel. The County has added no major new programs or initiatives to the 2010 budget.

If these estimates are realized, the County's budgetary General Fund balance is expected to decrease.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Nolan 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 Nolan County Auditor, 100 E. 3rd Street, Suite 102, Sweetwater, Texas 79556.

BASIC FINANCIAL STATEMENTS

NOLAN COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,319,692
Investments - Current	3,070,230
Receivables (net of allowance for uncollectibles)	294,185
Capitalized Debt Issuance Costs	11,000
Capital Assets:	
Land	52,775
Buildings, net	1,013,162
Machinery and Equipment, net	1,738,858
Total Assets	<u>7,499,902</u>
LIABILITIES	
Accounts Payable	139,051
Noncurrent Liabilities	
Due Within One Year	84,693
Due in More Than One Year	658,542
Total Liabilities	<u>882,286</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,121,906
Restricted for:	
Restricted for Debt Service	231,102
Restricted for Farm to Market	119,471
Restricted for Records Management	13,241
Restricted for Courthouse Security	157,546
Restricted for JP Technology	93,459
Unrestricted Net Assets	3,880,891
Total Net Assets	<u>\$ 6,617,616</u>

The notes to the Financial Statements are an integral part of this statement.

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,340,322	\$ 399,500	\$ -	\$ (940,822)
Judicial	801,167	613,136	75,000	(113,031)
Legal	359,637	79,560	116,861	(163,216)
Financial Administration	385,063	52,994	-	(332,069)
Public Facilities	579,547	19,823	-	(559,724)
Public Safety	1,746,611	32,624	60,319	(1,653,668)
Farm to Market	1,499,699	607,933	32,709	(859,057)
Health and Welfare	435,028	-	-	(435,028)
Extension Service	102,445	-	-	(102,445)
Bond Interest	28,007	-	-	(28,007)
Fiscal Agent's Fees	1,000	-	-	(1,000)
Intergovernmental	155,493	-	-	(155,493)
TOTAL PRIMARY GOVERNMENT:	\$ 7,434,019	\$ 1,805,570	\$ 284,889	(5,343,560)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,225,557
Property Taxes, Levied for Debt Service				663,755
Hotel/Motel Tax				127,795
Other Taxes				34,955
Penalty and Interest				36,335
Miscellaneous Revenue				6,792
Investment Earnings				25,480
Total General Revenues				5,120,669
Change in Net Assets				(222,891)
Net Assets--Beginning				6,840,507
Net Assets--Ending				\$ 6,617,616

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
SEPTEMBER 30, 2009

	General Fund	Farm to Market Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 895,051	\$ 53,218	\$ 371,423	\$ 1,319,692
Investments - Current	2,833,438	66,253	170,539	3,070,230
Taxes Receivable	284,993	36,049	-	321,042
Allowance for Uncollectible Taxes (credit)	(225,144)	(30,642)	-	(255,786)
Total Assets	<u>\$ 3,788,338</u>	<u>\$ 124,878</u>	<u>\$ 541,962</u>	<u>\$ 4,455,178</u>
LIABILITIES AND FUND BALANCES				
Deferred Revenues	\$ 59,849	\$ 5,407	\$ -	\$ 65,256
Total Liabilities	<u>59,849</u>	<u>5,407</u>	<u>-</u>	<u>65,256</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	231,102	231,102
Farm to Market	-	119,471	-	119,471
Records Management	-	-	13,241	13,241
Courthouse Security	-	-	157,546	157,546
JP Technology	-	-	93,459	93,459
Unreserved and Undesignated:				
Reported in the General Fund	3,728,489	-	-	3,728,489
Reported in the Special Revenue Fund	-	-	46,614	46,614
Total Fund Balances	<u>3,728,489</u>	<u>119,471</u>	<u>541,962</u>	<u>4,389,922</u>
Total Liabilities and Fund Balances	<u>\$ 3,788,338</u>	<u>\$ 124,878</u>	<u>\$ 541,962</u>	<u>\$ 4,455,178</u>

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

Total Fund Balances - Governmental Funds	\$ 4,389,922
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,444,581 and the accumulated depreciation was \$6,381,287. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. (See Note II A for further explanation)	2,280,732
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. The net effect of including the 2009 capital outlays and debt principal payments is to increase net assets. (See Note II B for further explanation).	190,823
The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(389,687)
Various other reclassifications and eliminations are necessary to convert from the modified cash basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. (See Note II B for further explanation).	145,826
Net Assets of Governmental Activities	\$ 6,617,616

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Farm to Market Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 4,261,191	\$ 668,071	\$ -	\$ 4,929,262
Hotel/Motel Tax	-	-	127,795	127,795
Other Taxes	43,620	-	-	43,620
Licenses and Permits	52,873	397,572	-	450,445
Intergovernmental Revenue and Grants	285,361	32,710	-	318,071
Fines and Fees	893,771	140,507	122,920	1,157,198
Investment Earnings	24,573	285	1,396	26,254
Rents and Royalties	13,956	-	-	13,956
Other Revenue	70,486	69,854	5,032	145,372
Total Revenues	<u>5,645,831</u>	<u>1,308,999</u>	<u>257,143</u>	<u>7,211,973</u>
EXPENDITURES:				
Current:				
General Government	1,260,680	-	30,620	1,291,300
Judicial Administration	782,202	-	24,375	806,577
Legal	312,775	-	52,715	365,490
Financial Administration	385,279	-	-	385,279
Public Facilities	516,027	-	-	516,027
Public Safety	1,692,531	-	6,198	1,698,729
Farm to Market	-	1,418,649	-	1,418,649
Health and Welfare	427,009	-	-	427,009
Extension Service	102,467	-	-	102,467
Debt Service:				
Bond Principal	-	-	43,000	43,000
Bond Interest	-	-	28,007	28,007
Intergovernmental:				
Intergovernmental	155,572	-	-	155,572
Total Expenditures	<u>5,634,542</u>	<u>1,418,649</u>	<u>184,915</u>	<u>7,238,106</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,289</u>	<u>(109,650)</u>	<u>72,228</u>	<u>(26,133)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	447	6,345	-	6,792
Transfers In	-	125,000	7,000	132,000
Transfers Out (Use)	(132,000)	-	-	(132,000)
Total Other Financing Sources (Uses)	<u>(131,553)</u>	<u>131,345</u>	<u>7,000</u>	<u>6,792</u>
Net Change in Fund Balances	(120,264)	21,695	79,228	(19,341)
Fund Balance - October 1 (Beginning)	<u>3,848,753</u>	<u>97,776</u>	<u>462,734</u>	<u>4,409,263</u>
Fund Balance - September 30 (Ending)	<u>\$ 3,728,489</u>	<u>\$ 119,471</u>	<u>\$ 541,962</u>	<u>\$ 4,389,922</u>

The notes to the Financial Statements are an integral part of this statement.

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

Total Net Change in Fund Balances - Governmental Funds	\$ (19,341)
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. The net effect of removing the 2009 capital outlays and debt principal payments is to increase net assets. (See Note II B for further explanation)	190,823
Depreciation is not recognized as an expense 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.	(389,687)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. (See Note II B for further explanation).	(4,686)
Change in Net Assets of Governmental Activities	\$ (222,891)

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,064,719
Total Assets	<u>\$ 1,064,719</u>
LIABILITIES	
Due to Others	\$ 1,064,719
Total Liabilities	<u>\$ 1,064,719</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Vernon's Annotated Civil Statutes (V.A.C.S.).

A. REPORTING ENTITY

The County's modified cash financial statements include the cash accounts of all funds handled by the Office of the County Treasurer. The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services. The County operates under a county judge/commissioners' court type of government as provided for by state statute. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. Because members of the Commissioners' Court are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the County is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity". There are no component units included within the reporting entity.

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 County's 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.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities and for the business-type activities of the County. 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 froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for the County's 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.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus within the limitations of the modified cash 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.

The County prepares its fund financial statements on the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions. The modified cash basis is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis, most types of revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements, except that the County does record amounts due to other governmental units as a liability at year end.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for the governmental funds would use the modified accrual basis of accounting while the fiduciary fund financial statements and the government-wide financial statements would be presented using the accrual basis of accounting.

The 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 pronouncements, issued on or before November 30, 1989, 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 accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Separate funds are established to account for receipts and disbursements pertaining to separate identifiable functions of the County. Each fund represents a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. As a result, total receipts and disbursements by the County Treasurer are accumulated for report purposes with no elimination of interfund transactions.

The County reports the following major governmental funds:

- **General Fund** - To account 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.
- **Farm to Market** - To account for proceeds of specific revenue sources that are legally reserved for expenditures for public transportation for County citizens.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. FUND ACCOUNTING, continued

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

Governmental Funds:

- **Special Revenue Fund** - To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally reserved for expenditures for specified purposes.
- **Debt Service Fund** - To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Fund Types:

- **Trust and Agency Funds** - To account for assets held by the County 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. OTHER ACCOUNTING POLICIES

1. The County considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.
3. 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 recognized 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.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. OTHER ACCOUNTING POLICIES, continued

4. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental or business-type activities columns 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 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.

Buildings, vehicles, furniture and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-12

5. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties ("TAC"), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer authorized by Article 3.51-2 Texas Insurance Code by contractual agreement.
6. 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 parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Amounts reserved in the various governmental funds are as follows:

Debt Service Fund	\$ 231,102
Farm to Market	119,471
Records Management	13,241
Courthouse Security	157,546
JP Technology	<u>93,459</u>
Total Reserved Fund Balance	<u>\$ 614,819</u>

F. Use of Estimates

In preparation of financial statements in conformity with the modified cash basis of accounting management made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from estimates.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Page 4 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 52,775	\$	\$ 52,775	\$
Buildings and Improvements	4,795,189	3,717,960	1,077,229	
Furniture and Equipment	4,596,617	2,663,327	1,933,290	
	<u>\$ 9,444,581</u>	<u>\$ 6,381,287</u>	<u>\$ 3,063,294</u>	3,063,294
Bond Issuance Cost				12,000
Change in Net Assets				<u>3,075,294</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 659,000	
Capital Leases Payable			94,524	
Compensated Absences			41,038	
Change in Net Assets			<u>\$ 794,562</u>	<u>(794,562)</u>
Net Adjustment to Net Assets				<u>\$ 2,280,732</u>

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,
continued

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Pages 4 and 6 provide reconciliations between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Machinery and Equipment	\$ 131,188		
Total Capital Outlay	<u>\$ 131,188</u>	131,188	131,188
<u>Debt Principal Payments</u>			
Bond Principal	\$ 43,000		
Capital Lease Principal	<u>16,635</u>		
Total Principal Payments	<u>\$ 59,635</u>	<u>59,635</u>	<u>59,635</u>
		<u>\$ 190,823</u>	<u>\$ 190,823</u>

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,
continued

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES, continued**

Another element of the reconciliations on Pages 4 and 6 is described as various other reclassifications and eliminations necessary to convert from the modified cash basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Changes In Net Assets	Adjustments to Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes collected from prior year levies	\$ 55,923	\$ (55,923)	\$ -
Uncollected taxes (assumed collectible) from current year levy	28,516	28,516	28,516
Uncollected taxes (assumed collectible) from prior year levy	36,740		36,740
Adjustment to prior year estimate of collectible taxes	23,794	23,794	
Subtotal		<u>(3,613)</u>	<u>65,256</u>
<u>Adjustments to Receivables and Revenue</u>			
Beginning balance in other receivables	232,179	-	232,179
Change in other receivables	(3,250)	(3,250)	(3,250)
Beginning balance in interest receivable	774		774
Decrease in interest receivable	774	(774)	(774)
Amortization of bond issuance costs	1,000	(1,000)	(1,000)
Subtotal		<u>(5,024)</u>	<u>227,929</u>
<u>Adjustments to Expenses and Liabilities</u>			
Beginning balance in accounts payable	151,310	-	(151,310)
Decrease in accounts payable	12,259	12,259	12,259
Increase in unused vacation	8,308	(8,308)	(8,308)
Subtotal		<u>3,951</u>	<u>(147,359)</u>
Total Adjustments		<u>\$ (4,686)</u>	<u>\$ 145,826</u>

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

III. 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 which 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 countywide Appraisal Districts and for the State Property Tax Board that commenced operation in January 1980.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and 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.

At September 30, 2009, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,319,692 and the bank balance was \$1,566,137. The County's deposits as of September 30, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

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.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

A. DEPOSITS AND INVESTMENTS, continued

Legal and Contractual Provisions Governing Deposits and Investments, continued

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

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

Investments held by the County at September 30, 2009 consisted of the following:

Tex Pool	\$ <u>3,070,230</u>
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Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County adopted a deposit and investment policy; however, that policy does not 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 was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2009 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. The County's securities are all in securities backed by the United States of America and are not exposed to custodial credit risk.

Other Credit Risk - There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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, 2009 TexPool's investments credit quality rating was AAAm (Standard & Poor's).

The County's general policy is to report nonparticipating interest-earning investment contracts using a cost-based measure. The term "nonparticipating" means that the investment's value does not vary with the market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

B. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables at September 30, 2009.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2009, were as follows:

	Property Taxes
Governmental Activities	
General Fund	\$ 284,993
Farm to Market Fund	36,049
Total – Governmental Activities	<u>\$ 321,042</u>
Allowance for Uncollectible Taxes	<u>\$ (255,786)</u>

There were no payables at September 30, 2009 reported on the County's fund statements.

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2009 was as follows:

	Balance October 1, 2008	Additions	Retirements	Balance September 30, 2009
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 52,775	\$ -	\$ -	\$ 52,775
Total Non-depreciable Assets	<u>52,775</u>	<u>-</u>	<u>-</u>	<u>52,775</u>
Depreciable Assets:				
Buildings and Improvements	4,795,189			4,795,189
Machinery and Equipment	4,596,617	131,188	41,049	4,686,756
Total Depreciable Assets	<u>9,391,806</u>	<u>131,188</u>	<u>41,049</u>	<u>9,481,945</u>
Totals at Historic Cost	<u>9,444,581</u>	<u>131,188</u>	<u>41,049</u>	<u>9,534,720</u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,717,960	64,067		3,782,027
Furniture and Equipment	2,663,327	325,620	41,049	2,947,898
Total Accumulated Depreciation	<u>6,381,287</u>	<u>389,687</u>	<u>41,049</u>	<u>6,729,925</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,063,294</u>	<u>\$ (258,499)</u>	<u>\$ -</u>	<u>\$ 2,804,795</u>

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

D CAPITAL ASSET ACTIVITY continued

Current year depreciation expense was charged to governmental functions as follows:

General Government	\$ 20,202
Public Facilities	77,958
Public Safety	102,552
Farm to Market	<u>188,975</u>
Total Depreciation Expense	<u>\$ 389,687</u>

E DEFERRED REVENUE

Deferred revenue at year-end as reported on Page 3 of the Funds Statements consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Net Tax Revenue	<u>\$ 59,849</u>	<u>\$ 5,407</u>	<u>\$ 65,256</u>

Adjustments required for Government-Wide Statement of Net Assets decreased deferred revenue by \$65,256.

F. ACCUMULATED UNPAID ANNUAL LEAVE

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified cash basis of accounting, but are reflected in the Government-Wide Statement of Net Assets. At September 30, 2009, accrued employee benefits recorded on the Statement of Net Assets were for vacation pay and amounted to \$49,346.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

G. CAPITAL LEASES

During the year ended September 30, 2008, the County entered into a lease agreement in the amount of \$128,487 for the purchase of a John Deere 770D. The County made a down payment of \$40,000 and the remainder will be paid in annual payments of \$20,653, including interest. The lease term is from 2007 to 2012. The lease agreement meets the criteria of a capital lease

During the year ended September 30, 2005, the County entered into an agreement with Digital Air Control, Inc. for the purchase of HVAC equipment, installation and warranty in the amount of \$132,264. The agreement calls for 6 annual payments of \$22,040 beginning in FY 2005 and final payment due in FY 2010.

Capital Lease requirements are as follows:

Year Ended September 30,	Principal	Interest	Total Requirements
2010	39,693	3,004	42,697
2011	18,598	2,054	20,652
2012	19,598	1,054	20,652
Total	<u>\$ 77,889</u>	<u>\$ 6,112</u>	<u>\$ 84,001</u>

H. BONDS PAYABLE

In April 2006, the County issued Certificates of Obligation in the amount of \$800,000 for paying all or a portion of the County's contractual obligations in connection with making renovations and additions to the Nolan County Coliseum, and to pay legal, fiscal and engineering fees in connection with that project.

Funds were deposited in an escrow fund with an escrow agent to provide for all future debt service payments on the 1992 Series maturing in 2005 and the 1993 Series maturing in 2008. The economic gain resulting from the refunding, measured by the difference between the present value of the debt service requirements of the Series 1999 bonds and the Series 1992 and Series 1993 bonds discounted at effective interest rate of the new bonds, amounted to \$50,951. The economic gain has not been recognized in the financial statements of the County.

The following are general obligation bond issues outstanding at September 30, 2009:

	Interest Rate	Date of issue	Date of Maturity	Bonds Outstanding
Certificates of obligation	4.250%	2006	2020	\$ 616,000

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

Debt service requirements are as follows:

Year Ended September 30,	Total Principal	Total Interest	Total Requirements
2010	45,000	26,180	71,180
2011	47,000	24,268	71,268
2012	49,000	22,270	71,270
2013	51,000	20,187	71,187
2014	53,000	18,020	71,020
2015-2019	303,000	54,144	357,144
2020	68,000	2,890	70,890
Total	<u>\$ 616,000</u>	<u>\$ 167,959</u>	<u>\$ 783,959</u>

I. **CHANGES IN LONG-TERM LIABILITIES**

Long-term debt activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, Loans and Leases Payable:					
General Obligation Bonds	\$ 659,000	\$ -	\$ 43,000	\$ 616,000	\$ 45,000
Capital Leases Payable	94,524		16,635	77,889	39,693
Total Bonds, Loans and Leases Payable	<u>753,524</u>		<u>59,635</u>	<u>693,889</u>	<u>84,693</u>
Other Liabilities:					
Compensated Absences	41,038	8,308	-	49,346	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 794,562</u>	<u>\$ 8,308</u>	<u>\$ 59,635</u>	<u>\$ 743,235</u>	<u>\$ -</u>

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

J. RISK MANAGEMENT

Health Insurance

During the year ended September 30, 2009 employees of Nolan County were covered by a health insurance plan (the Plan). The County paid health insurance premiums of \$436.78 per month for employees only, \$50.46 per month for an employee and spouse and \$200.18 per month for an employee and family. The County also paid \$20.58 per month for employee dental care. Employees, at their option, authorized payroll to pay any additional cost for dependent coverage. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

Workers' Compensation

During the year ended September 30, 2009, employees of Nolan County were covered by a workers' compensation plan administered by the Texas Association of Counties. The County paid a contribution of \$61,525 for the year ended September 30, 2009. These figures are subject to change based upon actual payroll figures.

K. RETIREMENT PLAN

Plan Description:

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 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 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer 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.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

L. RETIREMENT PLAN, continued

Funding Policy:

The employer 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 8.56% for the months of the accounting year in 2008 and 8.57% for the months of the accounting year in 2009.

The deposit rate payable by the employee members for calendar year 2009 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.

Annual Pension Cost:

For the employer's accounting year ending September 30, 2009, the annual pension cost for the TCDRS plan for its employees was \$260,851 and the actual contributions were \$260,851.

The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.3 percent. Both (a) and (b) included 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, 2008 was 20 years.

Funded Status and Funding Progress.

As of December 31, 2008, the most recent actuarial valuation date, the plan was 80.59 percent funded. The actuarial accrued liability for benefits was \$8,190,748, and the actuarial value of assets was \$6,601,226, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,589,522. The covered payroll (annual payroll of active employees covered by the plan) was \$3,078,259, and the ratio of the UAAL to the covered payroll was 51.64 percent.

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.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

L. RETIREMENT PLAN, continued

Actuarial Valuation Information:

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	15 years	15 years	20 years
Asset valuation method	SAF: 10 years smoothed value EFS: Fund value	SAF: 10 years smoothed value EFS: Fund value	SAF: 10 years smoothed value EFS: Fund value
Actuarial Assumptions			
Investment Return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information for the Retirement Plan
for the Employees of Nolan County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/07	236,459	100%	-0-
9/30/08	231,524	100%	-0-
9/30/09	260,851	100%	-0-

V. COMMITMENTS AND CONTINGENCIES

A. Contingencies

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

B. Litigation

The County Attorney has indicated that there is at least one lawsuit filed and pending against the County. The lawsuit is being strongly defended by the County. As of September 30, 2009, the potential liability of the County is not reasonably estimated.

REQUIRED SUPPLEMENTARY INFORMATION

**NOLAN COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM TREND DATA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF THE COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/06	6,692,001	7,602,462	910,461	88.02%	2,804,316	32.47%
12/31/07	7,245,353	8,193,057	947,704	88.43%	3,040,949	31.16%
12/31/08	6,601,226	8,190,748	1,589,522	80.59%	3,078,259	51.64%

NOLAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance With
	Original	Final	Modified Cash	Final Budget
			Basis	Positive or
				(Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 4,433,578	\$ 4,433,578	\$ 4,261,191	\$ (172,387)
Other Taxes	30,000	30,000	43,620	13,620
Licenses and Permits	52,000	52,000	52,873	873
Intergovernmental Revenue and Grants	166,255	166,255	285,361	119,106
Fines and Fees	889,100	889,100	893,771	4,671
Investment Earnings	75,000	75,000	24,573	(50,427)
Rents and Royalties	15,420	15,420	13,956	(1,464)
Other Revenue	38,200	38,200	70,486	32,286
Total Revenues	5,699,553	5,699,553	5,645,831	(53,722)
EXPENDITURES:				
Current:				
General Government	1,656,141	1,517,949	1,260,680	257,269
Judicial Administration	815,896	821,121	782,202	38,919
Legal	324,291	330,019	312,775	17,244
Financial Administration	403,917	404,217	385,279	18,938
Public Facilities	601,499	601,499	516,027	85,472
Public Safety	1,706,233	1,756,847	1,692,531	64,316
Health and Welfare	386,592	433,692	427,009	6,683
Extension Service	104,780	104,506	102,467	2,039
Intergovernmental:				
Intergovernmental	157,578	162,078	155,572	6,506
Total Expenditures	6,156,927	6,131,928	5,634,542	497,386
Excess (Deficiency) of Revenues Over (Under) Expenditures	(457,374)	(432,375)	11,289	443,664
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	447	447
Transfers In	75,000	75,000	-	(75,000)
Transfers Out (Use)	(90,000)	(115,000)	(132,000)	(17,000)
Total Other Financing Sources (Uses)	(15,000)	(40,000)	(131,553)	(91,553)
Change in Fund Balance	(472,374)	(472,375)	(120,264)	352,111
Fund Balance - October 1 (Beginning)	3,848,753	3,848,753	3,848,753	-
Fund Balance - September 30 (Ending)	\$ 3,376,379	\$ 3,376,378	\$ 3,728,489	\$ 352,111

NOLAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FARM TO MARKET - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance With
	Original	Final	Modified Cash	Final Budget
			Basis	Positive or
				(Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 700,775	\$ 700,775	\$ 668,071	\$ (32,704)
Licenses and Permits	425,000	425,000	397,572	(27,428)
Intergovernmental Revenue and Grants	30,000	30,000	32,710	2,710
Fines and Fees	133,000	133,000	140,507	7,507
Investment Earnings	17,500	17,500	285	(17,215)
Other Revenue	170,000	170,000	69,854	(100,146)
Total Revenues	1,476,275	1,476,275	1,308,999	(167,276)
EXPENDITURES:				
Current:				
Farm to Market	1,926,970	1,926,970	1,418,649	508,321
Total Expenditures	1,926,970	1,926,970	1,418,649	508,321
Excess (Deficiency) of Revenues Over (Under)	(450,695)	(450,695)	(109,650)	341,045
Expenditures				
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	6,345	6,345
Transfers In	-	-	125,000	125,000
Total Other Financing Sources (Uses)	-	-	131,345	131,345
Change in Fund Balance	(450,695)	(450,695)	21,695	472,390
Fund Balance - October 1 (Beginning)	97,776	97,776	97,776	-
Fund Balance - September 30 (Ending)	\$ (352,919)	\$ (352,919)	\$ 119,471	\$ 472,390

**NOLAN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009**

I. BUDGETARY DATA

The County follows these procedures in establishing the budgetary data reflected in these basic 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.

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 2009 budget were approved by the Commissioners' Court as provided by law. There were no General Fund expenditures over appropriations during the year ending September 30, 2009.

COMBINING STATEMENTS

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security	Justice of the Peace Technology	Total Nonmajor Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ 6,442	\$ 4,075	\$ 2,724	\$ 157,546	\$ 93,459	\$ 310,860	\$ 60,563	\$ 371,423
-	-	-	-	-	-	170,539	170,539
<u>\$ 6,442</u>	<u>\$ 4,075</u>	<u>\$ 2,724</u>	<u>\$ 157,546</u>	<u>\$ 93,459</u>	<u>\$ 310,860</u>	<u>\$ 231,102</u>	<u>\$ 541,962</u>
-	-	-	-	-	-	231,102	231,102
6,442	4,075	2,724	-	-	13,241	-	13,241
-	-	-	157,546	-	157,546	-	157,546
-	-	-	-	93,459	93,459	-	93,459
-	-	-	-	-	46,614	-	46,614
<u>6,442</u>	<u>4,075</u>	<u>2,724</u>	<u>157,546</u>	<u>93,459</u>	<u>310,860</u>	<u>231,102</u>	<u>541,962</u>
<u>\$ 6,442</u>	<u>\$ 4,075</u>	<u>\$ 2,724</u>	<u>\$ 157,546</u>	<u>\$ 93,459</u>	<u>\$ 310,860</u>	<u>\$ 231,102</u>	<u>\$ 541,962</u>

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security	Justice of the Peace Technology	Total Nonmajor Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,795	\$ 127,795
8,467	16,652	1,490	21,534	15,798	122,920	-	122,920
-	-	-	-	-	-	1,396	1,396
-	-	-	-	-	5,032	-	5,032
8,467	16,652	1,490	21,534	15,798	127,952	129,191	257,143
6,767	23,853	-	-	-	30,620	-	30,620
-	-	-	5,279	-	24,375	-	24,375
-	-	-	-	-	52,715	-	52,715
-	-	-	-	5,278	6,198	-	6,198
-	-	-	-	-	-	43,000	43,000
-	-	-	-	-	-	28,007	28,007
6,767	23,853	-	5,279	5,278	113,908	71,007	184,915
1,700	(7,201)	1,490	16,255	10,520	14,044	58,184	72,228
-	-	-	-	-	7,000	-	7,000
-	-	-	-	-	7,000	-	7,000
1,700	(7,201)	1,490	16,255	10,520	21,044	58,184	79,228
4,742	11,276	1,234	141,291	82,939	289,816	172,918	462,734
\$ 6,442	\$ 4,075	\$ 2,724	\$ 157,546	\$ 93,459	\$ 310,860	\$ 231,102	\$ 541,962

NOLAN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	BALANCE OCTOBER 1 2008	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2009
UNCLAIMED MONEY				
Assets:				
Cash and Cash Equivalents	\$ 97	\$ -	\$ -	\$ 97
Liabilities:				
Due to Others	\$ 97	\$ -	\$ -	\$ 97
TRUST & AGENCY				
Assets:				
Cash and Cash Equivalents	\$ 86,170	\$ 449,384	\$ 417,621	\$ 117,933
Liabilities:				
Due to Others	\$ 86,170	\$ 449,384	\$ 417,621	\$ 117,933
DISTRICT ATTORNEY ACCOUNTS				
Assets:				
Cash and Cash Equivalents	\$ 405,047	\$ 68,374	\$ 75,428	\$ 397,993
Liabilities:				
Due to Others	\$ 405,047	\$ 68,374	\$ 75,428	\$ 397,993
RESTITUTION FUND				
Assets:				
Cash and Cash Equivalents	\$ 29,380	\$ 32,114	\$ 18,047	\$ 43,447
Liabilities:				
Due to Others	\$ 29,380	\$ 32,114	\$ 18,047	\$ 43,447
EXTRADITIONS FUND				
Assets:				
Cash and Cash Equivalents	\$ 17,103	\$ 4,191	\$ 2,025	\$ 19,269
Liabilities:				
Due to Others	\$ 17,103	\$ 4,191	\$ 2,025	\$ 19,269
SHERIFF ACCOUNTS				
Assets:				
Cash and Cash Equivalents	\$ 25,118	\$ 295,956	\$ 224,137	\$ 96,937
Liabilities:				
Due to Others	\$ 25,118	\$ 295,956	\$ 224,137	\$ 96,937

NOLAN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	BALANCE OCTOBER 1 2008	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2009
TAX ASSESSOR COLLECTOR ACCOUNTS				
Assets:				
Cash and Cash Equivalents	\$ 141,578	\$ 1,919,629	\$ 1,912,242	\$ 148,965
Liabilities:				
Due to Others	\$ 141,578	\$ 1,919,629	\$ 1,912,242	\$ 148,965
REGISTRY OF THE COURT				
Assets:				
Cash and Cash Equivalents	\$ 14,183	\$ 21,819	\$ 29,769	\$ 6,233
Liabilities:				
Due to Others	\$ 14,183	\$ 21,819	\$ 29,769	\$ 6,233
COURT COLLECTIONS				
Assets:				
Cash and Cash Equivalents	\$ 107	\$ 25,657	\$ 25,762	\$ 2
Liabilities:				
Due to Others	\$ 107	\$ 25,657	\$ 25,762	\$ 2
DISTRICT CLERK ACCOUNTS				
Assets:				
Cash and Cash Equivalents	\$ 542,695	\$ 16,586	\$ 325,438	\$ 233,843
Liabilities:				
Due to Others	\$ 542,695	\$ 16,586	\$ 325,438	\$ 233,843
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 1,261,478	\$ 2,833,710	\$ 3,030,469	\$ 1,064,719
Liabilities:				
Due to Others	\$ 1,261,478	\$ 2,833,710	\$ 3,030,469	\$ 1,064,719

OTHER INFORMATION REQUIRED BY GAO

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nolan County, Texas, as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County's 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*.

We noted no matters that we are required to reported to management of Nolan County, Texas.

This report is intended solely for the information and use of management, the Commissioners Court, others within the entity, 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

DAVIS KINARD & CO, PC

Abilene, Texas
January 19, 2010

NOLAN COUNTY, TEXAS

AUDIT REPORTING PACKAGE

September 30, 2009

NOLAN COUNTY

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Required Communications

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nolan County, Texas for the year ended September 30, 2009 and have issued our report thereon dated January 19, 2010. Professional standards require that we provide you with the following information related to our audit:

Area	Comments
Auditors' Responsibilities Under United States Generally Accepted Auditing Standards	
In order for those charged with governance to understand the nature of assurance provided by an audit, the auditor should communicate their responsibilities under United States Generally Accepted Auditing Standards.	Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and <i>Government Auditing Standards</i> , as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 21, 2009. As stated in our engagement letter, our responsibility as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.
Significant Audit Findings	
<i>Qualitative Aspects of Accounting Practices</i>	
Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application.	<p>The County's significant accounting policies are described in the notes to the financial statements. As part of our audit, we reviewed the accounting policies followed by management in preparing the financial statements. We believe the accounting policies of the County are consistent with industry practice and are in accordance with the modified cash basis of accounting.</p> <p>No new accounting policies of significance were adopted and the application of existing policies was not changed during the year ended September 30, 2009. We noted no transactions entered into by the County during the year ended September 30, 2009 for which there is a lack of authoritative guidance or consensus. In addition, we noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p>

Significant Audit Findings - continued*Qualitative Aspects of Accounting Practices - continued*

Accounting estimates are an integral part of the financial statements that require management's judgments based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events affecting them may differ significantly from management's expectations.

The most sensitive estimates affecting the financial statements were:

- We believe that the estimate of future useful lives of fixed assets is a particularly sensitive accounting estimate. Management's estimate is based on knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the estimated useful lives of fixed assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- The estimate for uncollectible taxes receivable is also a sensitive accounting estimate. Management's estimate is based on the experience of past and current collections of the tax levy. We evaluated the key factors used to develop the estimate for uncollectible taxes receivable and determined they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most sensitive disclosures affecting the financial statements were:

- Retirement Plan -- Information for this disclosure was obtained from the TCDRS website.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

**Other Information in Documents
Containing Audited Financial
Statements**

The auditor has a responsibility with respect to information in a document prepared by the County that contains the audited financial statements.

We are not aware of any document prepared by the County that will incorporate the audited financial statements.

**Planned Scope and Timing of the
Audit**

It is the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence. However, communication with those charged with governance may assist in understanding better the consequences of the auditor's work for their oversight activities.

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated August 21, 2009.

**Consultation with Other
Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

The auditor is required to inform those charged with governance of any major issues, including any discussions regarding the application of accounting principles or auditing standards that were discussed with management in connection with the initial or recurring retention of the auditor.

There were no such matters discussed with management prior to our initial or recurring retention as the County's auditors.

**Difficulties Encountered in
Performing the Audit**

The auditor should inform those charged with governance of any difficulties encountered in dealing with management related to the performance and completion of the audit.

We encountered no significant difficulties in dealing with management in performing and completing our audit. Management of the County did a commendable job in preparing for the audit. They prepared the requested schedules and documents in a timely manner and were available for questions at all times.

Management Representations

The auditor is required to inform those charged with governance that certain representations are being requested from management in connection with the audit.

We have requested certain representations from management that are included in the management representation letter dated January 19, 2010.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Appendix A, Summary of Audit Adjustments, summarizes misstatements detected as a result of audit procedures that were corrected by management.

Appendix B, Summary of Proposed but Unrecorded Journal Entries, summarizes uncorrected misstatements of the financial statements.

This information is intended solely for the use of the Honorable Judge and Members of the Commissioners Court and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

If you have any questions regarding the above, please do not hesitate to call.

Sincerely,



Davis Kinard & Co, PC
Certified Public Accountants
Abilene, Texas
January 19, 2010

**NOLAN COUNTY
2009 Audit Reporting Package**

Appendix A

There was only one audit entry posted to correct accounts payable for an expenditure incurred during the fiscal year in the amount of \$32,594.

NOLAN COUNTY
2009 Audit Reporting Package

Appendix B

There were no proposed but unrecorded journal entries in the current year.