

**NOLAN COUNTY, TEXAS**

**ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2007**

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor’s Report .....	i
Management’s Discussion and Analysis .....	iii
 <b><u>Basic Financial Statements</u></b>	
Government-Wide Statements:	
Statement of Net Assets .....	1
Statement of Activities .....	2
 Governmental Fund Financial Statements:	
Balance Sheet .....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance .....	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	6
 Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets .....	7
Notes to the Financial Statements .....	8
 <b><u>Required Supplementary Information</u></b>	
Texas County and District Retirement System Trend Data.....	23
Budgetary Comparison Schedule – General Fund.....	24
Budgetary Comparison Schedule – Farm to Market.....	25
Notes to Required Supplementary Information .....	26
 <b><u>Combining Statements</u></b>	
Non-major Governmental Funds:	
Combining Balance Sheet.....	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	31
 <b><u>Other Information Required by GAO</u></b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	35



## INDEPENDENT AUDITOR'S REPORT

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To the Honorable Judge and  
Members of the Commissioners Court of  
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 (the "County") as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nolan County, Texas, at September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2008 on our consideration of the County's internal control over financial reporting and 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 read in conjunction with this report in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Nolan County, Texas. This additional information is the responsibility of the management of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stovall, Grandey & Allen, LLP*

STOVALL, GRANDEY & ALLEN, LLP

Fort Worth, Texas

April 10, 2008

# 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, 2007. Please read it in conjunction with the County's financial statements.

## FINANCIAL HIGHLIGHTS

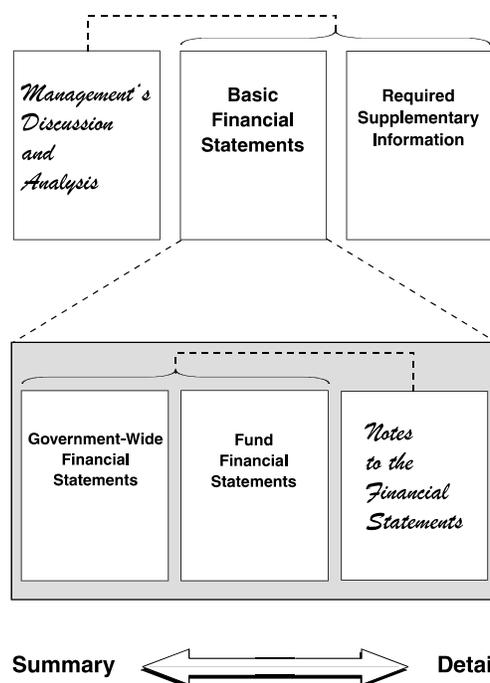
- Nolan County's total combined net assets were \$6.5 million at September 30, 2007. Of this amount, \$3.6 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$120 thousand less the \$6.6 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$3.1 million. All \$3.1 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.

<i>Type of Statement</i>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	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
<b>Type of flow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of 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, highways and streets, sanitation, 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 24 to 25 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

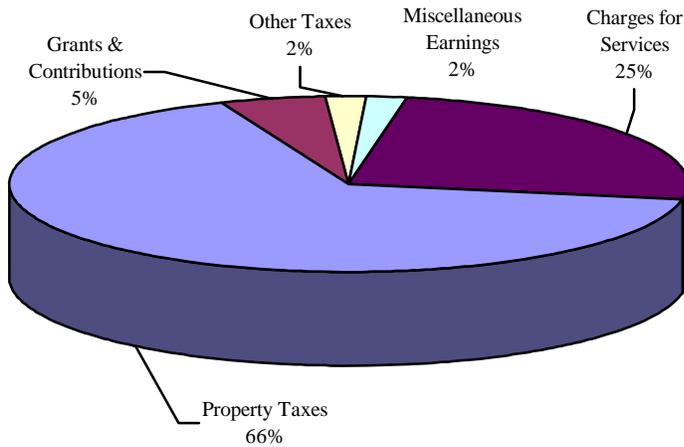
Nolan County's combined net assets were approximately \$6.4 million at September 30, 2007. The largest portion of the County's net assets reflects its investments, cash and accounts receivable, with the remainder reported as capital assets.

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

	Governmental Activities	
	2007	2006
Current and Other Assets	\$ 4,216,632	\$ 4,337,995
Capital and Non-Current Assets	3,297,582	3,183,003
<b>Total Assets</b>	<b>7,514,214</b>	<b>7,520,998</b>
Current Liabilities	241,025	322,304
Long Term Liabilities	793,162	848,898
<b>Total Liabilities</b>	<b>1,034,187</b>	<b>1,171,202</b>
Net Assets		
Invested in Capital Assets, net of related debt	2,387,007	2,204,286
Restricted	477,799	54,505
Unrestricted	3,615,221	4,101,005
<b>Total Net Assets</b>	<b>\$ 6,480,027</b>	<b>\$ 6,359,796</b>

**Changes in Net Assets**—Nolan County's net assets increased by approximately \$120 thousand during the current fiscal year. While property taxes increased by 7.8%, charges for services decreased by approximately 17%.

**Figure A-3  
SOURCES OF REVENUE FOR FISCAL YEAR 2007**



**Governmental Activities**—Total revenues for the fiscal year ending September 30, 2007 were \$6.6 million. Approximately 68% of the County's revenue comes from taxes. Property tax revenue increased 7.8% due to an increase in property values.

Expenses increased by \$372 thousand or 6% from the prior year. For the most part, this increase was in the areas of public safety and roads.

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

	Governmental Activities	
	2007	2006
Revenues:		
Program Revenues		
Charges for Services	\$ 1,589,033	\$ 1,899,339
Operating Grants and Contributions	334,847	260,138
General Revenues		
Property Taxes	4,357,724	4,042,656
Other Taxes	146,292	106,443
Investment Earnings	177,082	145,307
Gain (Loss) on Sale of Assets	(16,716)	1,984
Total Revenues	6,588,262	6,630,897
Expenses:		
General Government	1,107,227	1,154,935
Judicial Administration	722,531	728,211
Legal	340,496	329,632
Financial Administration	361,849	358,722
Public Facilities	496,139	501,041
Public Safety	1,508,252	1,249,011
Farm to Market	1,317,486	1,195,406
Health and Welfare	344,760	339,335
Extension Service	89,566	84,375
Debt Service Interest Expense	40,097	24,709
Museum and Library-Intergovernmental	139,628	130,480
Total Expenses	6,468,031	6,095,857
Increase in Net Assets	120,231	535,040
Beginning Net Assets	6,359,796	5,824,756
Ending Net Assets	\$ 6,480,027	\$ 6,359,796

**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 \$3.6 million, an increase of \$4 thousand in comparison with the prior year. Approximately 87% of this total amount (\$3.1 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, \$3.1 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 increased by \$543 thousand during the current fiscal year. Key factors in this growth are:

- Property tax values for the General Fund increased from \$759,583,582 valuation in 2006 to \$830,139,093 valuation in 2007.

**General Fund Budgetary Highlights**—Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$560 thousand below final budgeted amounts.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**—As of September 30, 2007, the County had invested \$9.3 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$293 thousand, or 3% over last year.

Major events affecting capital assets during the year were:

- Additional equipment purchases for the road and bridge precincts.
- Coliseum additions.
- New vehicles and equipment for the Sheriff's Department.

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

**Table A-3**  
**Nolan County's Capital Assets**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 31,775	\$ 31,775
Buildings and Improvements	4,795,189	4,077,899
Furniture and Equipment	4,521,867	4,263,586
Construction in Progress	-	682,127
Total	9,348,831	9,055,387
Less Accumulated Depreciation	<u>(6,051,249)</u>	<u>(5,872,384)</u>
Net Capital Assets	<u>\$ 3,297,582</u>	<u>\$ 3,183,003</u>

**Long Term Debt**—At the end of the year, the County had \$963 thousand in outstanding debt.

**Table A-4  
The County’s Long Term Debt**

	Governmental Activities	
	2007	2006
Bonds Payable	\$ 766,000	\$ 886,000
Capital Leases Payable	132,575	77,717
Loan Payable	25,000	15,000
Compensated Absences	39,638	38,810
Total Long-Term Debt Payable	\$ 963,213	\$ 1,017,527

During the year, Nolan County’s debt decreased by \$54 thousand. New debt of \$153 thousand was issued and debt service payments totaled \$209 thousand.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is \$207 billion which is significantly higher than the County’s outstanding general obligation debt.

More detailed information about the County’s long term liabilities can be found in the notes beginning on page 18.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- The appraised value used for the 2008 budget preparation is estimated to be up \$327 thousand or 39% from 2007.
- The tax rate established for 2008 is \$.4053, a decrease of \$.1066 from 2007
- 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 2008 fiscal year.

Amounts available for appropriation in the General Fund budget are \$5,509,579, an increase of 7.6% over the 2007 budget of \$5,118,153. Property taxes (benefiting from the 2008 increases in assessed valuations) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 4.3% to \$5,482,709. The largest increments are increases in liability insurance, election expenses, court-appointed attorneys, utilities, fuel, salaries and \$50,000 match for a grant for outdoor warning sirens. The County has added no major new programs or initiatives to the 2008 budget.

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

**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. 3<sup>rd</sup> Street, Suite 102, Sweetwater, Texas 79556.

## **BASIC FINANCIAL STATEMENTS**

NOLAN COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,033,716
Investments - Current	2,585,000
Receivables (net of allowance for uncollectibles)	584,916
Capitalized Debt Issuance Costs	13,000
Capital Assets:	
Land	31,775
Buildings, net	1,142,796
Machinery and Equipment, net	2,123,011
Total Assets	7,514,214
<b>LIABILITIES</b>	
Accounts Payable	70,974
Noncurrent Liabilities	
Due Within One Year	170,051
Due in More Than One Year	793,162
Total Liabilities	1,034,187
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,387,007
Restricted for:	
Debt Service	171,481
Farm to Market	55,175
Records Management	41,231
Courthouse Security	132,115
JP Technology	77,797
Unrestricted Net Assets	3,615,221
Total Net Assets	\$ 6,480,027

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, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 1,107,227	\$ 507,299	\$ 47,512	\$ (552,416)
Judicial	722,531	342,963	42,182	(337,386)
Legal	340,496	87,009	55,939	(197,548)
Financial Administration	361,849	53,150	-	(308,699)
Public Facilities	496,139	22,285	-	(473,854)
Public Safety	1,508,252	35,712	157,235	(1,315,305)
Farm to Market	1,317,486	540,615	31,979	(744,892)
Health and Welfare	344,760	-	-	(344,760)
Conservation and Development	89,566	-	-	(89,566)
Debt Interest	38,597	-	-	(38,597)
Fiscal Agent's Fees	1,500	-	-	(1,500)
Intergovernmental	139,628	-	-	(139,628)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 6,468,031</b>	<b>\$ 1,589,033</b>	<b>\$ 334,847</b>	<b>(4,544,151)</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,111,379
Property Taxes, Levied for Farm to Market				246,345
Other Taxes				146,292
Investment Earnings				177,082
Special Item - Loss on Sale of Assets				(16,716)
Total General Revenues and Special Items				<u>4,664,382</u>
Change in Net Assets				120,231
Net Assets--Beginning				6,359,796
Net Assets--Ending				<u>\$ 6,480,027</u>

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

NOLAN COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	General Fund	Farm to Market Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 667,931	\$ 55,175	\$ 310,610	\$ 1,033,716
Investments - Current	2,425,000	-	160,000	2,585,000
Taxes Receivable	276,650	28,301	-	304,951
Allowance for Uncollectible Taxes (credit)	(41,497)	(3,962)	-	(45,459)
<b>Total Assets</b>	<b>\$ 3,328,084</b>	<b>\$ 79,514</b>	<b>\$ 470,610</b>	<b>\$ 3,878,208</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Deferred Revenues	\$ 235,153	\$ 24,339	\$ -	\$ 259,492
<b>Total Liabilities</b>	<b>235,153</b>	<b>24,339</b>	<b>-</b>	<b>259,492</b>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service	-	-	171,481	171,481
Farm to Market	-	55,175	-	55,175
Records Management	-	-	41,231	41,231
Courthouse Security	-	-	132,115	132,115
JP Technology	-	-	77,797	77,797
<b>Unreserved and Undesignated:</b>				
Reported in the General Fund	3,092,931	-	-	3,092,931
Reported in the Special Revenue Fund	-	-	47,891	47,891
Reported in the Debt Service Fund	-	-	95	95
<b>Total Fund Balances</b>	<b>3,092,931</b>	<b>55,175</b>	<b>470,610</b>	<b>3,618,716</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,328,084</b>	<b>\$ 79,514</b>	<b>\$ 470,610</b>	<b>\$ 3,878,208</b>

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, 2007

<b>Total Fund Balances - Governmental Funds</b>	\$	3,618,716
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 \$9,055,387 and the accumulated depreciation was \$5,872,384. 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.		2,179,476
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 2007 capital outlays and debt principal payments is to increase net assets.		772,141
The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(426,363)
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, eliminating interfund transactions, reclassifying debt proceeds as an increase in debt 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.		336,057
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>6,480,027</b>

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  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	Farm to Market Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 4,100,398	\$ 247,597	\$ -	\$ 4,347,995
Hotel/Motel Tax	-	-	99,049	99,049
Other Taxes	25,173	-	-	25,173
Licenses and Permits	53,001	406,928	-	459,929
Intergovernmental Revenue and Grants	258,504	31,979	58,070	348,553
Fines	960,631	133,564	117,099	1,211,294
Investment Earnings	146,160	17,190	7,085	170,435
Rents and Royalties	16,416	-	-	16,416
Other Revenue	54,975	123	5,522	60,620
Total Revenues	5,615,258	837,381	286,825	6,739,464
<b>EXPENDITURES:</b>				
Current:				
General Government	1,000,341	-	30,526	1,030,867
Judicial	708,805	-	20,082	728,887
Legal	289,278	-	49,905	339,183
Financial Administration	362,461	-	-	362,461
Public Facilities	471,888	-	-	471,888
Public Safety	1,664,512	-	1,660	1,666,172
Farm to Market	-	1,327,508	-	1,327,508
Health and Welfare	339,348	-	-	339,348
Conservation and Development	89,599	-	-	89,599
Debt Service:				
Debt Principal	-	-	120,500	120,500
Debt Interest	-	-	38,597	38,597
Capital Outlay:				
Capital Outlay	-	-	111,557	111,557
Intergovernmental:				
Intergovernmental	139,628	-	-	139,628
Total Expenditures	5,065,860	1,327,508	372,827	6,766,195
Excess (Deficiency) of Revenues Over (Under) Expenditures	549,398	(490,127)	(86,002)	(26,731)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	5,854	-	-	5,854
Loan Proceeds	25,000	-	-	25,000
Transfers In	75,000	-	117,254	192,254
Transfers Out (Use)	(112,667)	-	(79,587)	(192,254)
Total Other Financing Sources (Uses)	(6,813)	-	37,667	30,854
Net Change in Fund Balances	542,585	(490,127)	(48,335)	4,123
Fund Balance - October 1 (Beginning)	2,550,346	545,302	518,945	3,614,593
Fund Balance - September 30 (Ending)	\$ 3,092,931	\$ 55,175	\$ 470,610	\$ 3,618,716

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, 2007

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	4,123
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 2007 capital outlays and debt principal payments is to increase net assets.		772,141
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.		(426,363)
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 debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(229,670)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>120,231</b>

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, 2007

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,013,132
Total Assets	<u>\$ 1,013,132</u>
<b>LIABILITIES</b>	
Due to Others	<u>\$ 1,013,132</u>
Total Liabilities	<u>\$ 1,013,132</u>

The accompanying notes are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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 accrual 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 three fund categories - governmental, proprietary, 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, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**D. FUND ACCOUNTING, continued**

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.

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.
- **Capital Projects Fund** - To account for other revenues to be used for authorized construction or purchase of capital outlay.

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. For purposes of the statement of cash flows for proprietary and similar fund types, 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 and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 effective interest method.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**E. OTHER ACCOUNTING POLICIES, continued**

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.

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:

Assets	Years
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 self-insured minimum premium cash flow plan.
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	\$ 171,481
Farm to Market	55,175
Records Management	41,231
Courthouse Security	132,115
JP Technology	77,797
Total Reserved Fund Balance	\$ 477,799

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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	\$ 31,775	\$ -	\$ 31,775	\$ -
Buildings and Improvements	4,077,899	3,541,115	536,784	
Furniture and Equipment	4,263,586	2,331,269	1,932,317	
Construction in Progress	682,127	-	682,127	
	<u>\$ 9,055,387</u>	<u>\$ 5,872,384</u>	<u>\$ 3,183,003</u>	3,183,003
Bond Issuance Cost				14,000
Change in Net Assets				<u>3,197,003</u>
			<u>Payable at the Beginning of the Year</u>	
Long-term Liabilities <u>at the Beginning of the Year</u>				
Bonds Payable			\$ 886,000	
Capital Leases Payable			77,717	
Loans Payable			15,000	
Compensated Absences			38,810	
Change in Net Assets			<u>\$ 1,017,527</u>	<u>(1,017,527)</u>
Net Adjustment to Net Assets				<u>\$ 2,179,476</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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>
<hr/>			
Current Year Capital Outlay			
Machinery and Equipment	\$ 528,349	\$	\$
Construction in Progress	<u>35,163</u>		
Total Capital Outlay	<u>\$ 563,512</u>	563,512	563,512
<hr/>			
Debt Principal Payments			
Bond Principal	\$ 120,000		
Capital Lease Principal	73,629		
Loan Payable	<u>15,000</u>		
Total Principal Payments	<u>\$ 208,629</u>	<u>208,629</u>	<u>208,629</u>
		<u>\$ 772,141</u>	<u>\$ 772,141</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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 accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Changes In Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes collected from prior year levies	\$ 74,756	\$ (74,756)	\$ -
Uncollected taxes (assumed collectible) from current year levy	70,997	70,997	70,997
Uncollected taxes (assumed collectible) from prior year levy	188,495	-	188,495
Adjustment to prior year estimate of collectible taxes	13,488	13,488	-
Subtotal		<u>9,729</u>	<u>259,492</u>
<u>Adjustments to Receivables and Revenue</u>			
Beginning balance in other receivables	455,129	-	455,129
Change in other receivables	150,862	(150,862)	(150,862)
Beginning balance in interest receivable	14,510	-	14,510
Increase in interest receivable	6,647	6,647	6,647
Reclassify proceeds from sale of assets	5,854	(5,854)	(5,854)
Record loss on sale of assets	16,716	(16,716)	(16,716)
Amortization of bond issuance costs	1,000	(1,000)	(1,000)
Subtotal		<u>(167,785)</u>	<u>301,854</u>
<u>Adjustments to Expenses and Liabilities</u>			
Beginning balance in accounts payable	153,675	-	(153,675)
Decrease in accounts payable	82,701	82,701	82,701
Reclassify loan proceeds	25,000	(25,000)	(25,000)
Reclassify capital lease proceeds	128,487	(128,487)	(128,487)
Increase in unused vacation	828	(828)	(828)
Subtotal		<u>(71,614)</u>	<u>(225,289)</u>
Total Adjustments		<u>\$ (229,670)</u>	<u>\$ 336,057</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**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, 2007, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,033,716 and the bank balance was \$1,033,644.

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, 2007**

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

**A. DEPOSITS AND INVESTMENTS, continued**

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, 2007 were covered by depository insurance or by pledged collateral held by the County’s agent bank in the County’s name.

Investments held by the County at September 30, 2007 consisted of the following:

Certificates of Deposit	\$ <u>2,585,000</u>
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**B. INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables and payables at September 30, 2007.

**C. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2007, were as follows:

	Property Taxes
<b>Governmental Activities</b>	
General Fund	\$ 276,650
Farm to Market Fund	28,301
	\$ 304,951
Amounts not scheduled for collection during the subsequent year	\$ 45,459

There were no payables at September 30, 2007 reported on the County’s fund statements.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

**D. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended September 30, 2007 was as follows:

	Balance October 1, 2006	Additions	Retirements	Reclassifications	Balance September 30, 2007
<b>Governmental Activities:</b>					
<b>Non-depreciable Assets:</b>					
Land	\$ 31,775	\$ -	\$ -	\$ -	\$ 31,775
Construction in Progress	682,127	35,163	-	(717,290)	-
<b>Total Non-depreciable Assets</b>	<b>713,902</b>	<b>35,163</b>	<b>-</b>	<b>(717,290)</b>	<b>31,775</b>
<b>Depreciable Assets:</b>					
Buildings and Improvements	4,077,899	-	-	717,290	4,795,189
Machinery and Equipment	4,263,586	528,349	(270,068)	-	4,521,867
<b>Total Depreciable Assets</b>	<b>8,341,485</b>	<b>528,349</b>	<b>(270,068)</b>	<b>717,290</b>	<b>9,317,056</b>
<b>Totals at Historic Cost</b>	<b>9,055,387</b>	<b>563,512</b>	<b>(270,068)</b>	<b>-</b>	<b>9,348,831</b>
<b>Less Accumulated Depreciation:</b>					
Buildings and Improvements	3,541,115	111,278	-	-	3,652,393
Furniture and Equipment	2,331,269	315,085	(247,498)	-	2,398,856
<b>Total Accumulated Depreciation</b>	<b>5,872,384</b>	<b>426,363</b>	<b>(247,498)</b>	<b>-</b>	<b>6,051,249</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,183,003</b>	<b>\$ 137,149</b>	<b>\$ (22,570)</b>	<b>\$ -</b>	<b>\$ 3,297,582</b>

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

General Government	\$ 101,778
Public Facilities	48,040
Public Safety	81,117
Farm to Market	195,428
<b>Total Depreciation Expense</b>	<b>\$ 426,363</b>

**E. DEFERRED REVENUE**

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

	General Fund	Special Revenue Fund	Total
Net Tax Revenue	\$ 235,153	\$ 24,339	\$ 259,492

Adjustments required for Government-Wide Statement of Net Assets decreased deferred revenue by \$259,492.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

**F. ACCUMULATED UNPAID ANNUAL LEAVE**

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the Government-Wide Statement of Net Assets. At September 30, 2007, accrued employee benefits recorded on the Statement of Net Assets were for vacation pay and amounted to \$39,638

**G. CAPITAL LEASES**

During the year ended September 30, 2007, 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, 2004, the County entered into a lease agreement in the amount of \$155,250 for a Caterpillar Track Loader. The purchase price was \$155,250 and the County made a down payment of \$40,000. The lease agreement meets the criteria of a capital lease. Commitments under the capital lease requires two annual payments of principal and interest. The first year principal payment was \$57,127 and the second year was \$46,538 with the remaining due in 2007. The interest rate is 4.5%. This lease was paid in full during the year ended September 30, 2007.

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. During the year ended September 30, 2007 the County made two payments; therefore, the final payment will be in 2009.

Capital Lease requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	\$ 38,051	\$ 4,646	\$ 42,697
2009	38,891	3,805	42,696
2010	17,732	2,921	20,653
2011	18,663	1,990	20,653
2012	19,238	988	20,226
Total	<u>\$ 132,575</u>	<u>\$ 14,350</u>	<u>\$ 146,925</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

**H. LOAN PAYABLE**

During the year ended September 30, 2007, the County purchased a vehicle for the Sheriff's Department with a loan from the First National Bank, in the amount of \$25,000. Interest rate is 8.25%. Loan will be paid on October 21, 2007.

During the year ended September 30, 2006, the County purchased a Caterpillar wheel loader in the amount of \$85,000. The County made a down payment of \$70,000 with the remainder to be paid in 2007. A loan payable of \$15,000 was recorded in the government wide statements to recognize this liability. This loan was paid in full during the year ended September 30, 2007.

**I. 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.

In January, 1999, the County issued \$770,000 in General Obligation Bonds to advance refund \$740,000 of outstanding 1992 Series and 1993 Series bonds. The bonds issued consisted of \$740,000 of current interest bonds with a rate of 4.90%. The rates for the 1992 Series and 1993 Series bonds were 6.25% and 6.50%, respectively.

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.

Debt service requirements are as follows:

<u>Year Ended September 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2008	\$ 107,000	\$ 33,158	\$ 140,158
2009	43,000	28,008	71,008
2010	45,000	26,180	71,180
2011	47,000	24,268	71,268
2012	49,000	22,270	71,270
2013-2017	278,000	78,284	356,284
2018-2020	197,000	16,957	213,957
Total	<u>\$ 766,000</u>	<u>\$ 229,125</u>	<u>\$ 995,125</u>

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

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

Long-term debt activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds, Loans and Leases Payable:					
General Obligation Bonds	\$ 886,000	\$ -	\$ 120,000	\$ 766,000	\$ 107,000
Capital Leases Payable	77,717	128,487	73,629	132,575	38,051
Loan Payable	15,000	25,000	15,000	25,000	25,000
Total Bonds, Loans and Leases Payable	<u>978,717</u>	<u>153,487</u>	<u>208,629</u>	<u>923,575</u>	<u>170,051</u>
Other Liabilities:					
Compensated Absences	38,810	828	-	39,638	-
Total Governmental Activities Long-term Liabilities	<u>\$ 1,017,527</u>	<u>\$ 154,315</u>	<u>\$ 208,629</u>	<u>\$ 963,213</u>	<u>\$ 170,051</u>

**K. RISK MANAGEMENT/ SELF-INSURANCE**

Health Insurance

During the year ended September 30, 2007, employees of Nolan County were covered by a health insurance plan (the Plan). The County paid 100% of the health insurance premiums for its employees and a portion of the spousal and dependent coverage. The County also paid for employee dental care. Employees, at their option, authorized payroll deductions to pay any additional cost not paid by the County 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, 2007, employees of Nolan County were covered by a workers' compensation plan administered by the Texas Association of Counties. The County paid a contribution of \$66,815 for the year ended September 30, 2007. These figures are subject to change based upon actual payroll figures.

**L. 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 573 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.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

**L. RETIREMENT PLAN, continued**

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.

**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 8.68% for the months of the accounting year in 2006 and 8.88% for the months of the accounting year in 2007.

The deposit rate payable by the employee members for calendar year 2007 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, 2007, the annual pension cost for the TCDRS plan for its employees was \$236,459 and the actual contributions were \$236,459.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004 and 2005, the basis for determining the contribution rate for calendar years 2006 and 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

**NOLAN COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

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

**L. RETIREMENT PLAN, continued**

Actuarial Valuation Information:

Actuarial Valuation Date	12/31/04	12/31/05	12/31/06
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open 20 years	level percentage of payroll, open 20 years	level percentage of payroll, open 15 years
Amortization period	20 years	20 years	15 years
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF: 10 years smoothed value EFS: Fund value
Actuarial Assumptions			
Investment Return	8.0%	8.0%	8.0%
Projected salary increases	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/05	\$ 205,520	100%	\$ -0-
9/30/06	214,565	100%	-0-
9/30/07	236,459	100%	-0-

**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)
12/31/04	\$ 5,789,040	\$ 6,886,525	\$ 1,097,485	84.06%	\$ 2,577,601	42.58%
12/31/05	6,117,080	7,236,811	1,119,731	84.53%	2,620,537	42.73%
12/31/06	6,692,001	7,602,462	910,461	88.02%	2,804,316	32.47%

NOLAN COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 4,007,055	\$ 4,007,055	\$ 4,100,398	\$ 93,343
Other Taxes	15,000	15,000	25,173	10,173
Licenses and Permits	52,000	52,000	53,001	1,001
Intergovernmental Revenue and Grants	113,290	113,290	258,504	145,214
Fines	815,000	815,000	960,631	145,631
Investment Earnings	50,000	50,000	146,160	96,160
Rents and Royalties	15,420	15,420	16,416	996
Other Revenue	50,388	50,388	54,975	4,587
<b>Total Revenues</b>	<b>5,118,153</b>	<b>5,118,153</b>	<b>5,615,258</b>	<b>497,105</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,354,635	1,346,337	1,000,341	345,996
Judicial	730,224	736,861	708,805	28,056
Legal	297,628	303,356	289,278	14,078
Financial Administration	367,880	367,880	362,461	5,419
Public Facilities	539,552	539,552	471,888	67,664
Public Safety	1,367,074	1,748,028	1,664,512	83,516
Health and Welfare	350,092	350,092	339,348	10,744
Conservation and Development	90,761	90,761	89,599	1,162
Intergovernmental:				
Intergovernmental	143,405	143,405	139,628	3,777
<b>Total Expenditures</b>	<b>5,241,251</b>	<b>5,626,272</b>	<b>5,065,860</b>	<b>560,412</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(123,098)	(508,119)	549,398	1,057,517
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	-	5,854	5,854
Loan Proceeds	-	-	25,000	25,000
Transfers In	75,000	75,000	75,000	-
Transfers Out (Use)	(130,667)	(130,667)	(112,667)	18,000
<b>Total Other Financing Sources (Uses)</b>	<b>(55,667)</b>	<b>(55,667)</b>	<b>(6,813)</b>	<b>48,854</b>
Change in Fund Balance	(178,765)	(563,786)	542,585	1,106,371
Fund Balance - October 1 (Beginning)	2,550,346	2,550,346	2,550,346	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 2,371,581</b>	<b>\$ 1,986,560</b>	<b>\$ 3,092,931</b>	<b>\$ 1,106,371</b>

NOLAN COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - FARM TO MARKET  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 240,390	\$ 240,390	\$ 247,597	\$ 7,207
Licenses and Permits	425,000	425,000	406,928	(18,072)
Intergovernmental Revenue and Grants	20,000	20,000	31,979	11,979
Fines	135,000	135,000	133,564	(1,436)
Investment Earnings	23,000	23,000	17,190	(5,810)
Other Revenue	-	-	123	123
Total Revenues	843,390	843,390	837,381	(6,009)
<b>EXPENDITURES:</b>				
Current:				
Farm to Market	1,537,039	1,537,039	1,327,508	209,531
Total Expenditures	1,537,039	1,537,039	1,327,508	209,531
Change in Fund Balance	(693,649)	(693,649)	(490,127)	203,522
Fund Balance - October 1 (Beginning)	545,302	545,302	545,302	-
Fund Balance - September 30 (Ending)	\$ (148,347)	\$ (148,347)	\$ 55,175	\$ 203,522

**NOLAN COUNTY, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2007**

**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 2007 budget were approved by the Commissioners' Court as provided by law.

## **COMBINING STATEMENTS**

NOLAN COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	210 Jury Fund	215 Law Library Fund	220 Hot Check Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,772	\$ 21,598	\$ 10,353
Investments - Current	-	-	-
Total Assets	<u>\$ 3,772</u>	<u>\$ 21,598</u>	<u>\$ 10,353</u>
<b>Fund Balances:</b>			
<b>Reserved For:</b>			
Debt Service	-	-	-
Records Management	-	-	-
Courthouse Security	-	-	-
JP Technology	-	-	-
<b>Unreserved and Undesignated:</b>			
Reported in the Special Revenue Fund	3,772	21,598	10,353
Reported in the Debt Service Fund	-	-	-
Total Fund Balances	<u>3,772</u>	<u>21,598</u>	<u>10,353</u>
Total Liabilities and Fund Balances	<u>\$ 3,772</u>	<u>\$ 21,598</u>	<u>\$ 10,353</u>

225 D.A.R.E Fund	235 County Records Management	240 County Clerk Records Management	245 District Clerk Records Management	250 Courthouse Security Fund	255 Justice of the Peace Technology	Total Nonmajor Special Revenue Funds	500 Coliseum Interest and Sinking Fund
\$ 12,168	\$ 7,132	\$ 33,287	\$ 812	\$ 132,115	\$ 77,797	\$ 299,034	\$ 3,587
-	-	-	-	-	-	-	60,000
<u>\$ 12,168</u>	<u>\$ 7,132</u>	<u>\$ 33,287</u>	<u>\$ 812</u>	<u>\$ 132,115</u>	<u>\$ 77,797</u>	<u>\$ 299,034</u>	<u>\$ 63,587</u>
-	-	-	-	-	-	-	63,587
-	7,132	33,287	812	-	-	41,231	-
-	-	-	-	132,115	-	132,115	-
-	-	-	-	-	77,797	77,797	-
12,168	-	-	-	-	-	47,891	-
-	-	-	-	-	-	-	-
<u>12,168</u>	<u>7,132</u>	<u>33,287</u>	<u>812</u>	<u>132,115</u>	<u>77,797</u>	<u>299,034</u>	<u>63,587</u>
<u>\$ 12,168</u>	<u>\$ 7,132</u>	<u>\$ 33,287</u>	<u>\$ 812</u>	<u>\$ 132,115</u>	<u>\$ 77,797</u>	<u>\$ 299,034</u>	<u>\$ 63,587</u>

NOLAN COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	Coliseum '06 Interest and Sinking Fund	Total Nonmajor Debt Service Funds	Library Capital Projects	2006 Coliseum Capital Projects
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,894	\$ 11,481	\$ 95	\$ -
Investments - Current	100,000	160,000	-	-
Total Assets	<u>\$ 107,894</u>	<u>\$ 171,481</u>	<u>\$ 95</u>	<u>\$ -</u>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service	107,894	171,481	-	-
Records Management	-	-	-	-
Courthouse Security	-	-	-	-
JP Technology	-	-	-	-
<b>Unreserved and Undesignated:</b>				
Reported in the Special Revenue Fund	-	-	-	-
Reported in the Debt Service Fund	-	-	95	-
Total Fund Balances	<u>107,894</u>	<u>171,481</u>	<u>95</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 107,894</u>	<u>\$ 171,481</u>	<u>\$ 95</u>	<u>\$ -</u>

<u>Total</u>		<u>Total</u>	
<u>Nonmajor</u>		<u>Nonmajor</u>	
<u>Capital</u>		<u>Governmental</u>	
<u>Project Funds</u>		<u>Funds</u>	
\$	95	\$	310,610
	-		160,000
<u>\$</u>	<u>95</u>	<u>\$</u>	<u>470,610</u>
	-		171,481
	-		41,231
	-		132,115
	-		77,797
	-		47,891
	95		95
	<u>95</u>		<u>470,610</u>
<u>\$</u>	<u>95</u>	<u>\$</u>	<u>470,610</u>

NOLAN COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	210 Jury Fund	215 Law Library Fund	220 Hot Check Fund
<b>REVENUES:</b>			
Taxes:			
Hotel/Motel Tax	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-
Fines	657	7,052	40,529
Investment Earnings	53	-	-
Other Revenue	5,522	-	-
Total Revenues	<u>6,232</u>	<u>7,052</u>	<u>40,529</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	-	-	-
Judicial	9,470	5,286	-
Legal	-	-	44,289
Public Safety	-	-	-
Debt Service:			
Debt Principal	-	-	-
Debt Interest	-	-	-
Capital Outlay:			
Capital Outlay	-	-	-
Total Expenditures	<u>9,470</u>	<u>5,286</u>	<u>44,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,238)</u>	<u>1,766</u>	<u>(3,760)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	2,000	-	-
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	<u>2,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,238)	1,766	(3,760)
Fund Balance - October 1 (Beginning)	<u>5,010</u>	<u>19,832</u>	<u>14,113</u>
Fund Balance - September 30 (Ending)	<u>\$ 3,772</u>	<u>\$ 21,598</u>	<u>\$ 10,353</u>

225 D.A.R.E Fund	235 County Records Management	240 County Clerk Records Management	245 District Clerk Records Management	250 Courthouse Security Fund	255 Justice of the Peace Technology	Total Nonmajor Special Revenue Funds	500 Coliseum Interest and Sinking Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	58,070
-	10,497	18,675	1,730	22,248	15,711	117,099	-
-	-	-	-	2,542	-	2,595	2,604
-	-	-	-	-	-	5,522	-
-	10,497	18,675	1,730	24,790	15,711	125,216	60,674
-	23,709	6,817	-	-	-	30,526	-
-	-	-	-	5,326	-	20,082	-
-	-	-	5,616	-	-	49,905	-
939	-	-	-	-	721	1,660	-
-	-	-	-	-	-	-	80,000
-	-	-	-	-	-	-	7,105
-	-	-	-	-	-	-	-
939	23,709	6,817	5,616	5,326	721	102,173	87,105
(939)	(13,212)	11,858	(3,886)	19,464	14,990	23,043	(26,431)
-	-	-	-	-	-	2,000	35,667
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,000	35,667
(939)	(13,212)	11,858	(3,886)	19,464	14,990	25,043	9,236
13,107	20,344	21,429	4,698	112,651	62,807	273,991	54,351
<u>\$ 12,168</u>	<u>\$ 7,132</u>	<u>\$ 33,287</u>	<u>\$ 812</u>	<u>\$ 132,115</u>	<u>\$ 77,797</u>	<u>\$ 299,034</u>	<u>\$ 63,587</u>

NOLAN COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Coliseum '06 Interest and Sinking Fund	Nonmajor Debt Service Funds	Library Capital Projects	2006 Coliseum Capital Projects
<b>REVENUES:</b>				
Taxes:				
Hotel/Motel Tax	\$ 99,049	\$ 99,049	\$ -	\$ -
Intergovernmental Revenue and Grants	-	58,070	-	-
Fines	-	-	-	-
Investment Earnings	1,096	3,700	1	789
Other Revenue	-	-	-	-
Total Revenues	<u>100,145</u>	<u>160,819</u>	<u>1</u>	<u>789</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public Safety	-	-	-	-
Debt Service:				
Debt Principal	40,500	120,500	-	-
Debt Interest	31,492	38,597	-	-
Capital Outlay:				
Capital Outlay	-	-	-	111,557
Total Expenditures	<u>71,992</u>	<u>159,097</u>	<u>-</u>	<u>111,557</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>28,153</u>	<u>1,722</u>	<u>1</u>	<u>(110,768)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	79,587	115,254	-	-
Transfers Out (Use)	-	-	-	(79,587)
Total Other Financing Sources (Uses)	<u>79,587</u>	<u>115,254</u>	<u>-</u>	<u>(79,587)</u>
Net Change in Fund Balance	107,740	116,976	1	(190,355)
Fund Balance - October 1 (Beginning)	<u>154</u>	<u>54,505</u>	<u>94</u>	<u>190,355</u>
Fund Balance - September 30 (Ending)	<u>\$ 107,894</u>	<u>\$ 171,481</u>	<u>\$ 95</u>	<u>\$ -</u>

Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 99,049
-	58,070
-	117,099
790	7,085
-	5,522
<u>790</u>	<u>286,825</u>
-	30,526
-	20,082
-	49,905
-	1,660
-	120,500
-	38,597
<u>111,557</u>	<u>111,557</u>
<u>111,557</u>	<u>372,827</u>
<u>(110,767)</u>	<u>(86,002)</u>
-	117,254
<u>(79,587)</u>	<u>(79,587)</u>
<u>(79,587)</u>	<u>37,667</u>
(190,354)	(48,335)
<u>190,449</u>	<u>518,945</u>
<u>\$ 95</u>	<u>\$ 470,610</u>

**OTHER INFORMATION REQUIRED BY GAO**



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

500 W. 7<sup>th</sup> Street  
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Fort Worth, Texas  
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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 (the "County") as of and for the year ended September 30, 2007, and have issued our report thereon dated April 10, 2008. 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 Nolan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Stovall, Grandey & Allen, LLP*

STOVALL, GRANDEY & ALLEN, LLP

Fort Worth, Texas

April 10, 2008