

**GAINES COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

COUNTY OF GAINES – STATE OF TEXAS  
COUNTY OFFICIALS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Tom N. Keyes..... County Judge  
Danny Yocom..... Commissioner, Precinct 1  
Craig Belt ..... Commissioner, Precinct 2  
Blair Tharp ..... Commissioner, Precinct 3  
Charlie Lopez ..... Commissioner, Precinct 4  
Virginia Stewart.....District Clerk  
Vickie Phillips ..... County Clerk  
Susan Shaw..... Tax Assessor-Collector  
Joe Nagy, Jr .....County Attorney  
Vicenta Munguia ..... County Treasurer  
Rick Dollahan..... County Auditor  
Jon Key..... Sheriff  
Orlando Rodriquez ..... Constable, Precinct 1  
Tammy Clark..... Justice of the Peace, Precinct 1  
B. W. Baucum ..... Justice of the Peace, Precinct 2

GAINES COUNTY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditors' Report		1
Management's Discussion and Analysis		3
<b>Basic Financial Statements:</b>		
<b>Government-Wide Financial Statements:</b>		
Statement of Net Assets	A-1	11
Statement of Activities	B-1	12
<b>Governmental Fund Financial Statements:</b>		
Balance Sheet	C-1	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	C-2	14
Statement of Revenues, Expenditures and Changes in Fund Balance	C-3	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	C-4	16
<b>Fiduciary Fund Financial Statements:</b>		
Statement of Fiduciary Net Assets	E-1	17
Notes to the Financial Statements		18
<b>Required Supplemental Information:</b>		
<b>Budgetary Comparisons:</b>		
Statement of Receipts, Disbursements and Changes in Cash Balance - Budget and Actual – General Fund	F-1	36
Statement of Receipts, Disbursements and Changes in Cash Balance - Budget and Actual – Road and Bridge Fund	F-2	37
Statement of Receipts, Disbursements and Changes in Cash Balance - Budget and Actual – Precinct #1	F-3	38
Statement of Receipts, Disbursements and Changes in Cash Balance - Budget and Actual – Precinct #2 -	F-4	39
Statement of Receipts, Disbursements and Changes in Cash Balance - Budget and Actual – Precinct #3	F-5	40
Statement of Receipts, Disbursements and Changes in Cash Balance - Budget and Actual – Precinct #4	F-6	41
Statement of Receipts, Disbursements and Changes in Cash Balance - Budget and Actual – Farm to Market Funds	F-7	42

# WILTON, NEWBERRY, HEIDEL, LEONARD & HORTON

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TEXAS SOCIETY OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

## Independent Auditors' Report

May 18, 2009

Honorable Tom Keyes and the Commissioners' Court  
County of Gaines  
Post Office Box 847  
Seminole, Texas 79360

Dear Judge Keyes and Commissioners:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Gaines, Seminole, Texas, as of and for the year ended September 30, 2008, 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 of Gaines' management. Our responsibility is to express an opinion on these financial statements based on our audit.

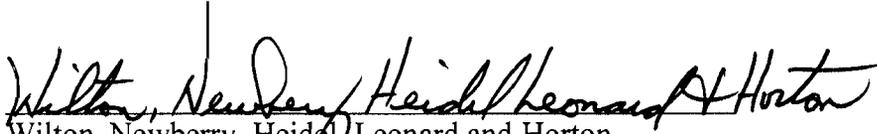
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

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

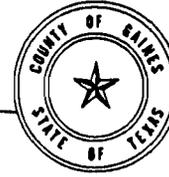
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis - of the governmental activities, each major fund and the aggregate remaining fund information of the County of Gaines as of September 30, 2008, and the respective changes in financial position - modified cash basis - thereof for the year ended in conformity with the basis of accounting described in Note I, A.

Honorable Tom Keyes and the Commissioners' Court  
May 18, 2009

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

  
Wilton, Newberry, Heidel, Leonard and Horton

# COUNTY OF GAINES



RICK DOLLAHAN, County Auditor

P. O. Box 847

Seminole, Texas 79360

May 18, 2009

Honorable Carter T. Schildknecht, District Judge, 106<sup>th</sup> Judicial District

Honorable Commissioners Court:

Tom N. Keyes County Judge

Danny Yocom Commissioner, PCT 1

Blair Tharp Commissioner, PCT 3

Craig Belt

Charlie Lopez

Commissioner, PCT 2

Commissioner, PCT 4

In accordance with Chapter 114.025(c) VTCA, I submit herewith my report of the financial position of Gaines County, Texas as of September 30, 2008 together with the results of the operations for the fiscal year of 2008.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the management of Gaines County, Texas, discusses and analyzes the County's financial performance for the fiscal year ended September 30, 2008. Please read it in conjunction with the independent auditors' report on pages 11-35 and the County's basic financial statements which begin on page 11.

## FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, Gaines County's assets exceeded its liabilities by \$22,221,953. Of this amount, \$8,291,210 was unrestricted net assets.
- The County's net assets increased \$4,045,686 or 22 % as a result of this year's operation.
- During the year, the County had expenses of \$14,039,233 which were \$4,045,686 less than the \$18,084,919 generated in tax and other revenues for governmental programs. This compares to last year when expenses exceeded revenues by \$176,874.
- The General Fund ended the year with a fund balance of \$4,243,915 as compared to last year's fund balance of \$2,223,712.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Gaines County's basic financial statements. Gaines County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

*The Road to Excellence is Built with Vision*

Fund financial statements (starting on page 13) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the County were sold to departments within the County or to external consumers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

The notes to the financial statements (starting on page 21) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## REPORTING THE COUNTY AS A WHOLE – THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The analysis of the County's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the County is better or worse off as a result of the year's activities. The Statement of Net Assets includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies as opposed to the modified accrual basis used in the prior reporting model.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods (e.g. uncollected taxes). The County's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the Texas State Library and Archives Commission to improve the County's libraries, fees for services such as commissions received for property tax collection, and revenues provided by the taxpayers and other general revenues. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net assets and changes in them. The County's net assets (the difference between assets and liabilities) provide one measure of the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Assets and the Statement of Activities, the County reports governmental activities:

Governmental activities – Most of the basic services are reported here, including general administration, law enforcement, judicial, road and bridge maintenance, cemetery, parks, airport and library services. Property taxes, courts and services revenue and vehicle registration fees finance most of these activities.

## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS – THE FUND FINANCIAL STATEMENTS

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the County as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Each category uses a different accounting approach.

*Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and the basic services it provides.*

*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 County's near-term financing decisions. Following each of the governmental fund financial statements (the balance sheet and the statement of revenues, expenditures and changes in fund balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.*

*Fiduciary funds – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Assets. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.*

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the County's governmental and business-type activities.

Net assets of the County's governmental activities increased from \$18,176,267 to \$22,221,953. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – were \$8,291,210 at September 30, 2008.

Table I Gaines County, Texas NET ASSETS		
	Governmental Activities 2008	Governmental Activities 2007
Assets:		
Current and Other Assets	8,381,620	4,511,857
Capital Assets	13,930,743	13,763,280
<b>Total Assets</b>	<b>22,312,363</b>	<b>18,275,137</b>
Liabilities:		
Current Liabilities	-	-
Long-Term Liabilities	90,410	98,870
<b>Total Liabilities</b>	<b>90,410</b>	<b>98,870</b>
Net Assets:		
Capital Assets, Net of Debt	13,930,743	13,755,287
Restricted Assets	-	8
Unrestricted Assets	8,291,210	4,420,972
<b>Total Net Assets</b>	<b>22,221,953</b>	<b>18,176,267</b>

Table II Gaines County, Texas CHANGES IN NET ASSETS		
	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program Revenues:		
Charges for Services	1,782,075	1,678,672
Grants and Contributions	240,224	160,091
Capital Grants	34,750	35,300
General Revenues:		
Property taxes, General Purpose	15,525,614	10,590,380
Miscellaneous	5,235	2,015
Investment Earnings	340,397	419,126
Gain on Disposal of Assets	144,854	243,264
Equipment Donation Received		20,000
Insurance recovery	11,770	16,395
<b>Total Revenue</b>	<b>18,084,919</b>	<b>13,165,243</b>

Table II (Continued)  
Gaines County, Texas  
CHANGES IN NET ASSETS

	Governmental Activities 2008	Governmental Activities 2007
Expenses:		
General Government	909,870	946,590
Judicial	1,389,429	1,257,481
Elections	19,698	23,807
Financial Administration	397,299	318,929
Tax Administration	391,746	394,406
Facilities Management	1,047,658	1,010,704
Law Enforcement	1,888,532	1,613,035
Fire Protection	109,381	105,906
Corrections	703,357	800,738
Civil Defense	18,830	19,485
Roads & Bridges	4,865,442	4,812,264
Sanitation	22,519	22,510
Airport	107,694	110,185
Loop Water System	27,680	48,061
Health Care	454,123	439,428
Human Services	54,266	53,170
Golf Course	677,897	521,823
Parks	295,293	240,494
Museums	72,081	57,407
County Extension Service	139,210	130,555
Libraries	279,352	255,993
Senior Citizens	167,876	159,146
<b>Total Expenses</b>	<b>14,039,233</b>	<b>13,342,117</b>
<b>Increase (Decrease) in Net Assets</b>	<b>4,045,686</b>	<b>(176,874)</b>
Net Assets at Beginning of Year	18,176,267	18,433,009
Prior Period Adjustment	-	(79,868)
<b>Net Assets at End of Year</b>	<b>22,221,953</b>	<b>18,176,267</b>

Key factors related to the County's financial performance over the last year include the following:

1. Mineral and related taxable values increased. Local property taxable values were up significantly but were consistent with the significant rise in oil prices
2. Overall, the County had a 14.41% increase in valuations from the previous year's figures.
3. Property tax revenues were up 49.10% over the past year.
4. County personnel numbers remained approximately the same as the previous year.

The cost of all governmental activities this year was \$14,039,233. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities was \$11,982,184 because some of the costs were paid with charges for services of \$1,782,075 or grants and contributions of \$274,974.

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the balance sheet on page 13) reported a combined fund balance of \$8,162,885 which is \$3,908,628 more than last year's total of \$4,254,261. Included in this year's total change in fund balance is an increase of \$2,223,712 in the County's General Fund.

For fiscal year 2008, actual expenditures on a budgetary basis for the General Fund were \$7,997,848 compared to the original budget expenditures of \$9,506,383. Actual revenue on a budgetary basis was \$10,991,031 compared to the original budget of \$10,253,263. Reasons for the actual numbers varying from the budget follow:

- There were pre-planned transfers out of \$776,756.
- All categories of revenues were up by 37.82 %.
- Property tax and interest earnings received were substantially higher than budgeted.
- Total disbursements were substantially less than budgeted.
- General government including fuel, utility and road repair costs were less than budgeted amounts.
- Judicial and corrections expenses were also much less than budgeted.

Over the course of the year, the County's Commissioners' Court revised the County budget several times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The primary amendments include:

- Increasing several line items in a variety of departments to purchase or replace various items.
- Moving contingency/reserve budgeted amounts to amend other lines to allow:
  - The purchase of software
  - Replacing the roof of Precinct 2's main building from the Disaster Recovery Fund
  - Setting aside the monies to purchase new fire equipment for Seminole and Seagraves
  - To purchase the land for the projected new jail
  - Funding other unanticipated expenses
  - Paying off capital leases
  - Purchasing furniture and equipment

Exhibit F-1 provides a comparison of these changes as they relate to the General Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the end of fiscal year 2008, the County had \$13,930,743 invested in a broad range of capital assets, including land, buildings and equipment.

The County's fiscal year 2008 capital outlays called for expenditures of around \$1,533,269. This includes the following:

- 3 Sheriff vehicles, a greens mower for the golf course, an irrigation system for the Seminole Cemetery and precinct equipment

More detailed information about the County's capital assets is presented in Note IV, Item E to the financial statements.

Debt -- At year end, the County had \$90,410 obligated for compensated absences.

More detailed information about the County's long-term liabilities is presented in Note IV, Item F to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Judge and Commissioners' Court members considered many factors when setting the fiscal year 2009 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values increased significantly again this year. Local property tax values increased slightly as well but were consistent with values over the last several years. Overall, there was a 28.59% increase in valuations from last year's figures.
2. I spoke to you last year about a dramatic change in the way the Court funded their expenditure budget. As can be seen from these financial statements, the Court is finally developing true undesignated reserves, while still keeping the tax rate low and funding all of the necessary things that take place each day. Additionally, the precincts have benefited from the change and also have developed true reserves. The Court also decided to once and for all fully fund the precincts and a capital projects line in the General Fund to allow necessary capital upgrades to County facilities. Once again, this required that the Court set a tax rate above roll back, essentially maintaining the same rate as the year before @ \$0.346726 for FY 2009.
3. The intent of this is to allow the precincts to do much needed roadwork and to begin the costly process of modernizing the courthouse and other County facilities while paying cash for as much of the projects as possible. A facility study is underway and will last well into FY2009. In addition, the Court was proceeding with a plan to build a new jail at some point in the future to address deficiencies in the existing structure. An architect was engaged, land was purchased and a bond election held. The bond election failed on May 9, 2009. At this point, the Court is considering its options.
4. Projected General Fund revenues are up about 29% mainly due to the increase in tax revenue. Revenues from licenses and permits should stay about the same and interest revenue may be down.
5. Projected expenses in the General Fund are up about 29%. Among the items driving the increases are new vehicle purchases, some growth in the Sheriff's department budget, a new Emergency Management Coordinator, IT Director and Court Coordinator. There are new departmental budgets for each of these positions. In addition, there are expenses associated with relocating the Treasurer's Office to a larger office suite in the courthouse.
6. Elected official/employee base pay increased substantially for all officials and employees and the retirement match will change from 150% to 160%. County retirees again received a cost of living increase of 4%.
7. Most of the other special revenue funds are projecting no major changes.
8. The oil and agriculture industries in our area have had successful years but continue to be very unpredictable. These two industries remain the largest parts of our local business activity, and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population numbers for Gaines County. Possibilities that will help strengthen and expand existing business and industry remain a focal point for economic development, along with seeking and pursuing opportunities not directly linked to oil and agriculture to help create stability and diversification for our local economy.

## REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, investors and creditors with a general overview of the Gaines County's finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact County Auditor, Gaines County, Texas, PO Box 847, Seminole, Texas 79360.

## ACKNOWLEDGMENTS

For their assistance and cooperation already and during the upcoming year, I thank the District Judge, County Judge, Commissioners' Court, Treasurer's Office and other elected officials, department heads, foremen and employees in the various departments. The interest and involvement of the Commissioners' Court in planning and conducting the financial operations of the County is appreciated.

I would especially like to thank my First Assistant, Esmeralda Felan and the rest of my staff for their hard work, knowledge and willingness to help the great folks serving Gaines County. Please let me remind you that the County Auditor's Office is here to help, and I look forward to the opportunity of working with each of you.

Respectfully submitted,

*Rick Dollahan*

Gaines County Auditor

GAINES COUNTY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 296,759
Investments - Current	7,866,130
Receivables (net of allowance for uncollectibles)	205,358
Internal Balances	13,373
Capital Assets:	
Land	214,433
Infrastructure, net	8,419,922
Buildings, net	961,227
Machinery and Equipment, net	4,217,974
Construction in Progress	117,187
Total Assets	22,312,363
<b>LIABILITIES</b>	
Noncurrent Liabilities	
Due in More Than One Year	90,410
Total Liabilities	90,410
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	13,930,743
Unrestricted Net Assets	8,291,210
Total Net Assets	\$ 22,221,953

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

GAINES COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 909,870	\$ 97	\$ 26,700
Judicial	1,389,429	574,949	102,511
Elections	19,698	33,781	1,973
Financial Administration	397,299	32	-
Tax Administration	391,746	69,361	-
Facilities Management	1,047,658	1,641	-
Law Enforcement	1,888,532	39,437	36,234
Fire Protection	109,381	-	-
Corrections	703,357	114,127	-
Civil Defense	18,830	-	-
Road and Bridge	4,865,442	572,803	36,944
Sanitation	22,519	-	-
Airport	107,694	46,048	-
Loop Water System	27,680	-	27,680
Health	454,123	22,174	-
Human Services	54,266	498	-
Golf Course	677,897	266,957	-
Parks	295,293	22,526	1,000
Museums	72,081	1,003	-
County Extension	139,210	-	-
Libraries	279,352	16,641	7,182
Senior Citizens	167,876	-	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 14,039,233</b>	<b>\$ 1,782,075</b>	<b>\$ 240,224</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Miscellaneous Revenue

Investment Earnings

Special Item - Gain on Disposal of Assets

Special Item - Insurance Recovery Proceeds

Total General Revenues and Special Items

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

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

		Net (Expense) Revenue and Changes in Net Assets	
		Capital Grants and Contributions	Primary Government Governmental
\$	-	\$	(883,073)
	-		(711,969)
	-		16,056
	-		(397,267)
	-		(322,385)
	-		(1,046,017)
	-		(1,812,861)
	-		(109,381)
	-		(589,230)
	-		(18,830)
	-		(4,255,695)
	-		(22,519)
	-		(61,646)
	-		-
	-		(431,949)
	-		(53,768)
	-		(410,940)
	34,750		(237,017)
	-		(71,078)
	-		(139,210)
	-		(255,529)
	-		(167,876)
\$	34,750		(11,982,184)

15,525,614
5,235
340,397
144,854
11,770
<u>16,027,870</u>
4,045,686
18,176,267
<u>\$ 22,221,953</u>

GAINES COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

	General Fund	Road & Bridge Fund	Precinct #1
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 261,108	\$ -	\$ -
Investments - Current	3,982,807	65,632	892,701
<b>Total Assets</b>	<b>\$ 4,243,915</b>	<b>\$ 65,632</b>	<b>\$ 892,701</b>
<b>Fund Balances:</b>			
Unreserved and Undesignated:			
Reported in the General Fund	4,243,915	65,632	-
Reported in the Special Revenue Fund	-	-	892,701
<b>Total Fund Balances</b>	<b>4,243,915</b>	<b>65,632</b>	<b>892,701</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,243,915</b>	<b>\$ 65,632</b>	<b>\$ 892,701</b>

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

Precinct #2	Precinct #3	Precinct #4	Farm to Market Fund	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 35,651	\$ 296,759
626,027	720,277	1,118,636	-	460,050	7,866,130
<u>\$ 626,027</u>	<u>\$ 720,277</u>	<u>\$ 1,118,636</u>	<u>\$ -</u>	<u>\$ 495,701</u>	<u>\$ 8,162,889</u>
-	-	-	-	-	4,309,547
626,027	720,277	1,118,636	-	495,701	3,853,342
<u>626,027</u>	<u>720,277</u>	<u>1,118,636</u>	<u>\$ -</u>	<u>495,701</u>	<u>8,162,889</u>
<u>\$ 626,027</u>	<u>\$ 720,277</u>	<u>\$ 1,118,636</u>	<u>\$ -</u>	<u>\$ 495,701</u>	<u>\$ 8,162,889</u>

GAINES COUNTY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	\$	8,162,889
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 \$35,436,369 and the accumulated depreciation was \$21,673,089. 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.		13,664,410
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 2008 capital outlays and debt principal payments is to increase net assets.		1,266,979
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,206,128)
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, 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.		333,803
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>22,221,953</b>

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

GAINES COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Road & Bridge Fund	Precinct #1
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 9,870,016	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	514,993	431,605	-
Fines	313,852	57,583	-
Investment Earnings	215,614	19	-
Rents and Royalties	-	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	76,556	-	-
<b>Total Revenues</b>	<b>10,991,031</b>	<b>489,207</b>	<b>-</b>
<b>EXPENDITURES:</b>			
Current:			
General Government	891,674	-	-
Judicial	1,239,874	-	-
Elections	19,398	-	-
Financial Administration	390,957	-	-
Tax Administration	391,746	-	-
Facilities Management	997,440	-	-
Public Safety:			
Law Enforcement	1,920,939	-	-
Fire Protection	104,030	-	-
Corrections	679,828	-	-
Civil Defense	18,830	-	-
Road and Bridge	1,700	52,425	1,192,614
Sanitation	22,519	-	-
Airport	-	-	-
Loop Water System	-	-	-
Health	397,122	-	-
Human Services	54,266	-	-
Culture and Recreation:			
Golf Course	-	-	-
Parks	209,205	-	-
Museums	72,081	-	-
County Extension	130,551	-	-
Libraries	268,715	-	-
Senior Citizens	186,973	-	-
<b>Total Expenditures</b>	<b>7,997,848</b>	<b>52,425</b>	<b>1,192,614</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,993,183	436,782	(1,192,614)
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	7,285	-	-
Transfers In	-	-	1,782,404
Transfers Out (Use)	(776,756)	(371,150)	-
Insurance recovery	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(769,471)</b>	<b>(371,150)</b>	<b>1,782,404</b>
Net Change in Fund Balances	2,223,712	65,632	589,790
Fund Balance - October 1 (Beginning)	2,020,203	-	302,911
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 4,243,915</b>	<b>\$ 65,632</b>	<b>\$ 892,701</b>

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

Precinct #2	Precinct #3	Precinct #4	Farm to Market Fund	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 5,652,537	\$ -	\$ 15,522,553
-	-	-	36,444	173,079	209,523
-	-	-	-	32,882	979,480
-	-	-	-	14,562	385,997
-	-	-	123,853	911	340,397
-	-	-	-	1,448	1,448
500	-	-	-	64,951	65,451
-	-	-	-	342,750	419,306
500	-	-	5,812,834	630,583	17,924,155
-	-	-	-	280,670	1,172,344
-	-	-	-	117,885	1,357,759
-	-	-	-	300	19,698
-	-	-	-	-	390,957
-	-	-	-	-	391,746
-	-	-	-	79,188	1,076,628
-	-	-	-	29,754	1,950,693
-	-	-	-	-	104,030
-	-	-	-	-	679,828
-	-	-	-	-	18,830
1,337,672	1,103,492	983,844	-	-	4,671,747
-	-	-	-	-	22,519
-	-	-	-	98,518	98,518
-	-	-	-	27,680	27,680
-	-	-	-	57,001	454,123
-	-	-	-	-	54,266
-	-	-	-	641,942	641,942
-	-	-	-	34,809	244,014
-	-	-	-	-	72,081
-	-	-	-	-	130,551
-	-	-	-	6,437	275,152
-	-	-	-	-	186,973
1,337,672	1,103,492	983,844	-	1,374,184	14,042,079
(1,337,172)	(1,103,492)	(983,844)	5,812,834	(743,601)	3,882,076
-	-	-	7,497	-	14,782
1,775,334	1,551,921	1,681,075	-	904,027	7,694,761
-	-	-	(6,439,584)	(107,271)	(7,694,761)
-	-	-	-	11,770	11,770
1,775,334	1,551,921	1,681,075	(6,432,087)	808,526	26,552
438,162	448,429	697,231	(619,253)	64,925	3,908,628
187,865	271,848	421,405	619,253	430,776	4,254,261
\$ 626,027	\$ 720,277	\$ 1,118,636	\$ -	\$ 495,701	\$ 8,162,889

GAINES COUNTY  
 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, 2008

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	3,908,628
The county used an internal service fund to charge the cost of health insurance to the governmental funds. This fund was closed during the year and the remaining funds were used to offset insurance costs for the year. The net effect was to decrease net assets.		(8)
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 2008 capital outlays and debt principal payments is to increase net assets.		1,266,979
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.		(1,206,128)
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, 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.		76,215
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>4,045,686</u></b>

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

GAINES COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2008

	Private Purpose Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 1,118,580
Investments - Current	16,560	-
Total Assets	<u>16,560</u>	<u>\$ 1,118,580</u>
<b>LIABILITIES</b>		
Intergovernmental Payable	-	\$ 307,684
Due to Other Funds	-	13,373
Due to Others	-	797,523
Total Liabilities	<u>-</u>	<u>\$ 1,118,580</u>
<b>NET ASSETS</b>		
Restricted for Cemetary Use	<u>16,560</u>	
Total Net Assets	<u>\$ 16,560</u>	

The accompanying notes are an integral part of this statement.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Gaines County, Texas (the "County"), was created in 1905 by the Texas Legislature. The County operates under the authority of the Commissioners' Court and provides the following services: Law Enforcement, Judicial, Health, Safety, Welfare, Culture, Road & Bridge Maintenance and General Administrative Services.

**A. REPORTING ENTITY**

The Commissioners' Court (the "Court") consists of four County Commissioners and the County Judge who are elected by the public. The Court has the primary accountability for fiscal matters. The County maintains its financial records and funds on the cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The cash basis differs from accounting principles generally accepted in the United States of America in the treatment of revenue recognition, expense accrual, reflection of fixed assets and infrastructure and debt recognition. The government wide statements have been modified to present financial activity in conformity with generally accepted accounting principles.

**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 in all of Gaines County, Texas with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes. *Proprietary activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the County such as vehicle registrations. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If a revenue is not program revenue, it is general revenue used to support all of the County's functions. Taxes are always general revenues.

Interfund activities between Governmental Funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from 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 County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Grants and similar items are recognized as revenue when collected and all eligibility requirements imposed by the provider have been met.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with the proprietary fund's ongoing operation. Any other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as medical services and administration.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting as do the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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 when all eligibility requirements imposed by the provider have been met.

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

The cash basis of accounting recognizes revenues in the accounting period in which they become available, and it recognizes expenditures in the accounting period in which the fund liability is paid. The County considers all revenues available when they are collected.

The proprietary fund and fiduciary funds are accounted for on the flow of economic resources measurement and utilize the accrual basis of accounting, except a portion of the County Clerk Trust is reflected at fair value. The accrual 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. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the Statement of Net Assets. These fund equities are restricted.

**D. FUND ACCOUNTING**

The County reports the following major governmental funds:

**The General Fund** – The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. This fund is operated and maintained separately by the Commissioners' Court decision. There are not any outside requirements for the self-imposed separation, and the funds can be used for general County operations.

**Other Major Governmental Funds** – The Road & Bridge Fund is designated to receive the road and bridge taxes. A portion of these monies is expended in the fund, but the bulk (99%) is transferred to the four precinct funds. All of the precincts' funds have been presented as major funds to obtain a more meaningful presentation. The Farm to Market Fund is also a major special revenue fund.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. FUND ACCOUNTING - CONTINUED**

Additionally, the County reports the following fund type(s):

Other Governmental Funds:

**Special Revenue Funds** – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor. Most of the County's special revenue funds are not from grants but simply have restrictions on their use.

Proprietary Fund:

**Internal Service Fund** – Revenues and expenses related to services provided inside the County on a cost reimbursement basis are accounted for in the Internal Service Fund. The County's Internal Service Fund was the Self-Funded Health Insurance Fund which was closed during the current year.

Fiduciary Funds:

**Private Purpose Trust Funds** – The County accounts for funds that both the principal and the income must be used for purposes that benefit parties other than the County. The Private Purpose Trust Fund is the Memorial Cemetery Fund.

**Agency Funds** – The County accounts for resources held for others in a custodial capacity in agency funds. The County's agency funds are the County Attorney's funds, Sheriff's funds, Justice of the Peace's funds, County Clerk's funds, Tax Assessor Collector's funds, District Clerk's funds, Golf Course fund, State Fee fund, Appellate Judicial fund, County Wide Equalization fund, Employee Flexible Spending fund, Employee Insurance fund and the Probation funds.

**E. OTHER ACCOUNTING POLICIES**

**Cash Equivalents** - The County considers investments to be cash equivalents if they are in bank money market accounts, certificates of deposits maturing within 90 days and money market investment pools.

**Consumable Materials and Supplies** – Disbursements for the purchase of consumable materials and supplies are recorded as expenditures. Inventories of such items, therefore, are not included in the balance sheet.

**Compensated Absences** – The County has a leave policy providing vacation time, compensatory and holiday time, sick time and surgery/maternity time. The sick time and surgery/maternity time can be carried over and are allowed to accumulate to a maximum of 240 hours each. Upon termination, the County does not pay for unused vacation time, sick time or surgery/maternity time. The liabilities for these items have been estimated as of September 30, 2008 to be \$85,886 for vacation accrual, \$200,999 for sick time and \$372,062 for surgery time. Each of these expenses is recorded as an expenditure only if paid.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**E. OTHER ACCOUNTING POLICIES - CONTINUED**

**Compensated Absences – continued** - The compensatory and holiday time can be accumulated. As of September 30, 2008, the County's obligation for compensatory and holiday time was \$90,410. This obligation has been reflected in the Government-Wide Financial Statements. This was a decrease of \$467 from the prior year.

**Capital Assets** - Capital assets, which include infrastructure, land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. The County defines capital assets 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. 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 asset life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure, buildings, 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>
Roads	40
Buildings	40-50
Building Improvements	15-25
Vehicles	5-10
Other Equipment	5-10

**Due From (To) Other Funds** – Interfund receivables and payables arise from interfund transactions and are recorded in the affected funds in the period in which transactions are executed. See Note IV, D for additional discussion of interfund receivables, payables and transfers.

**Internal Service Fund** – Since this fund supports the operations of the governmental funds, it is consolidated with the governmental funds in the Government-Wide Financial Statements. The expenditures of governmental funds that create the revenues of the Internal Service Fund are eliminated to avoid "grossing up" the revenues and expenses of the County as a whole.

**Net Assets and Fund Balance –**

**Government-Wide Financial Statements:**

**Investment in Capital Assets, Net of Related Debt** – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

**Unrestricted** – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**E. OTHER ACCOUNTING POLICIES - CONTINUED**

**Net Assets and Fund Balance (continued) –**

**Governmental Fund Financial Statements:**

In the fund financial statement, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – The portion of fund balance, which is not available for appropriation or which has been legally segregated for a specific purpose. The County does not have a reserved fund balance.

Unreserved Fund Balance – This balance is composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting of future operations.

**Management's Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 those estimates.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

Exhibit C-2 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 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:

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS – CONTINUED**

<u>Capital Assets Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value Beginning of the Year</u>	<u>Change in Net Assets</u>
Infrastructure	\$ 13,988,864	\$ (5,219,221)	\$ 8,769,643	
Buildings and Improvements	9,944,510	(8,747,127)	1,197,383	
Furniture and Equipment	11,502,995	(7,706,741)	3,796,254	
Change in Net Assets				\$ 13,763,280
			<u>Payable Beginning of the Year</u>	
Long-Term Liabilities Beginning of the Year			\$ 90,877	
Compensation Payable			7,993	
Capital Leases Payable				98,870
Change in Net Assets				<u>98,870</u>
Net Adjustment to Net Assets				<u>\$ 13,664,410</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITY**

Exhibits C-2 and C-4 provide 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 Statement of Activity. 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 Net Assets</u>	<u>Adjustments to Changes in Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land	\$ 77,988		
Buildings and Improvements	5,569		
Furniture and Equipment	1,174,962		
Total Capital Outlay	<u>\$ 1,258,519</u>	\$ 1,258,519	\$ 1,258,519
<u>Debt Principal Payments</u>			
Compensated Absences	\$ 467		
Capital Lease Payments	7,993		
Total Principal Payments	<u>\$ 8,460</u>	8,460	8,460
Total Adjustment to Net Assets		<u>\$ 1,266,979</u>	<u>\$ 1,266,979</u>

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –  
CONTINUED**

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL  
FUND STATEMENTS AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITY**

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the cash basis of accounting to the accrual basis. This adjustment is the result of several items. The details for this element are as follows:

<u>Adjustments to Revenue and</u>	<u>Amount</u>	<u>Adjustments to</u> <u>Net Assets</u>	<u>Adjustments to</u> <u>Changes in Net</u> <u>Assets</u>
<u>Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 38,093	\$ -	\$ (38,093)
Uncollected Taxes (assumed collectible) from Current Year Levy	39,616	39,616	39,616
Uncollected Taxes (assumed collectible) from Prior Year Levy	18,341	18,341	
Increase in Estimate of Collectible Taxes from Prior Year Levy	1,538		1,538
Accounts Receivable (assumed collectible)	147,401	147,401	
Accounts Receivable (assumed collectible) Increase from Prior Year	1,079		1,079
Accounts Receivable Due from Agency Funds	13,373	13,373	
Accounts Receivable Due from Agency Funds Decrease from Prior Year	42,997		(42,997)
Value of Assets Traded	274,750	274,750	274,750
Basis of Assets Sold	159,678	(159,678)	(159,678)
Total		<u>\$ 333,803</u>	<u>\$ 76,215</u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Commissioners' Court adopts an "appropriated budget" for the General Fund and all other funds. The adopted and final amended budgeted revenues and expenditures for the General Fund are presented in Exhibit F-1.

The following procedures are used in establishing the budgetary data reflected in the general purpose financial statements:

1. In July, the County Judge, with the assistance of the County Auditor, prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED**

**A. BUDGETARY DATA - CONTINUED**

2. The budget is filed with the County Clerk and is open to public inspection. The Commissioners' Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. Prior to October 1, the budget is legally enacted through passage of a resolution by the Commissioners' Court. Once a budget is approved, it can only be amended at the department and fund level by approval of a majority of the members of the Commissioners' Court. The law requires that such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court and are not made after fiscal year end. The County had several routine budget amendments during the year, mainly to absorb higher fuel costs, road materials, utilities and prisoner expenses.
4. Each budget is controlled at the revenue and expenditure function level in accordance with Texas statutory guidance. The County Auditor audits and approves legal expenditures. The Commissioners' Court audits and settles claims against the County but can spend money only in accordance with the adopted budget. The Treasurer disburses money after ordered by the Court if the expenditure is in accordance with Texas statutes. All budget appropriations lapse at year end.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds had expenditures in excess of revenues with the resulting reduction of fund balance:

Farm to Market Fund	\$ 619,253
Law Library Fund	2,414
911 Addressing Fund	6,567
(RAF) Record Archive - County Clerk	12,428
Walmart Grant	1,455
Disaster Recovery Fund	6,741
Fire Truck Fund	3,087
Seagraves Playground Fund	59
Memorial Library Fund	255

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED**

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED**

The following funds had planned deficit spending as reflected by budgeted expenditures in excess of expected revenue:

General Fund	\$ 247,191
Farm to Market	619,253
Law Library Fund	3,018
(RPF) County Clerk Fund	11,520
911 Addressing Fund	6,578
(RAF) Record Archive - County Clerk	17,088
Walmart Grant	1,460
Disaster Recovery	18,507
Election Fund	200
Fire Truck Fund	3,082
Seagraves Playground Fund	59

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS**

**A. DEPOSITS AND INVESTMENTS**

County Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits (cash and savings accounts) - 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 banks place 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 banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The County's depository during the year was Commercial State Bank. The District's largest balance of \$6,996,754 occurred in October 2007, and the value of collateral pledged and FDIC insurance was \$6,247,487. Additional securities were pledged by the bank to cover this shortage.

At September 30, 2008, the carrying amount of the County's deposits (cash, certificates of deposits and interest-bearing savings accounts) was \$1,237,554, and the bank balance was \$1,641,221. The County's cash deposits as of September 30, 2008 were fully covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**A. DEPOSITS AND INVESTMENTS - CONTINUED**

A summary of the County's cash and cash equivalents and investments at September 30, 2008 are shown below:

	Checking and Savings Accounts	Certificate of Deposit	Investment Pools	Total
General	\$ 261,108		\$ 3,982,807	\$ 4,243,915
Road & Bridge			65,632	65,632
Precinct #1			892,701	892,701
Precinct #2			626,027	626,027
Precinct #3			720,277	720,277
Precinct #4			1,118,636	1,118,636
Other Governmental Funds	35,651		460,050	495,701
Total Governmental Funds	\$ 296,759	\$ -	\$ 7,866,130	\$ 8,162,889
Proprietary Fund				-
Fiduciary Fund		16,560		16,560
Agency Funds	1,118,580			1,118,580
Total	<u>\$ 1,415,339</u>	<u>\$ 16,560</u>	<u>\$ 7,866,130</u>	<u>\$ 9,298,029</u>

Legal and Contractual Provisions Governing Investments

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.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**A. DEPOSITS AND INVESTMENTS - CONTINUED**

The County's investments at September 30, 2008, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Yield</u>	<u>Days until Maturity</u>
Certificate of Deposit-			
Commercial State Bank	\$ 16,560	4.31%	72
Tex Pool Investment Pool	3,811,438	2.41%	On Demand
DWS Government Cash Intuitional Shares	<u>4,054,692</u>	2.18%	On Demand
Total	<u>\$ 7,882,690</u>		

The County's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless there is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is a pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Policies Governing Deposits and Investments

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The County invests in certificates of deposit and securities with short-term maturity dates to limit the interest rate risk.

**Custodial Credit Risk for Deposits** (cash, savings accounts and certificates of deposit) - This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that all deposits must be insured by FDIC or secured by another manner provided by law.

**Custodial Credit Risks for Investments** – To limit the risk that an issuer or other counter-party to an investment will not fulfill its obligations, the County limits investments to certificates of deposit and public funds investment pools.

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act). In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; (3) maintain market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The public fund investment pool invests only in securities issued or backed by the U.S. Government or its agencies. An investment in these securities is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the security. At September 30, 2008, the County had approximately \$3,811,438 uninsured with the Tex Pool Investment Pool and \$4,054,692 uninsured with the DWS Government Cash Institutional Shares.

**GAINES COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**B. PROPERTY TAXES**

In accordance with State law, the Gaines County Central Appraisal District makes all appraisals for tax purposes. Assessed values are based upon 100 percent of market value and reviewed every three years. Taxpayers have the right to challenge the assessed value.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are not considered available in the funds until the County collects them. Delinquent property taxes and the related revenue are reflected in the Government-Wide Financial Statements.

The tax rate for the fiscal year ended September 30, 2008, (2007 tax levy) was \$.219923 per \$100 assessed value for County General Fund operations and \$.126803 for Farm-Market Lateral Road maintenance and operations for a total rate of \$.346726. The County is subject to tax rate rollback if the total amount of the property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceded year by 8 percent.

Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property can be periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

**C. OTHER ACCOUNTS RECEIVABLE**

All County accounts receivable are reflected on the government-wide financial statements. These accounts consist of the following:

Delinquent taxes	\$	169,915
District Clerk fines		389,956
County Clerk fines		94,104
Justices of Peace fines		334,836
	\$	<u>988,811</u>
Allowance for doubtful collections		<u>(783,453)</u>
Net receivables	\$	<u><u>205,358</u></u>

The County Wide Equalization Fund contains delinquent taxes totaling \$105,466. Since this fund is an agency fund, it is not included in the government-wide financial statements. The Fiduciary Net Asset reflected on Exhibit E-1 is presented on the cash basis and also does not reflect these receivables.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2008 consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Agency Fund	<u>\$ 13,373</u>	<u>\$ -</u>
Total General Fund	<u>13,373</u>	<u>-</u>
Agency Fund		<u>13,373</u>
Total	<u>\$ 13,373</u>	<u>\$ 13,373</u>

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes. Transfers from the Road and Bridge and the Farm to Market funds were to the corresponding precinct funds for precinct operations. Transfers from the General Fund were for operations of the Special Revenue Funds for indigent health care, airport operations, cemetery maintenance, golf course operations, election expenses, fire protection and law publications. Transfers from the precinct funds to the Airport Fund were for Seagraves airport maintenance.

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended September 30, 2008, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 136,445	77,988		\$ 214,433
Infrastructure	13,988,864			13,988,864
Buildings and Improvements	9,944,510	5,569		9,950,079
Furniture and Equipment	11,366,550	1,332,525	(558,567)	12,140,508
Construction in Process		117,187		117,187
Totals at Historic Cost	<u>\$ 35,436,369</u>	<u>\$ 1,533,269</u>	<u>\$ (558,567)</u>	<u>\$ 36,411,071</u>
Less Accumulated Depreciation for:				
Infrastructure	(5,219,221)	(349,721)		(5,568,942)
Buildings and Improvements	(8,747,127)	(105,280)		(8,852,407)
Furniture and Equipment	(7,706,741)	(751,127)	398,889	(8,058,979)
Total Accumulated Depreciation	<u>(21,673,089)</u>	<u>(1,206,128)</u>	<u>398,889</u>	<u>(22,480,328)</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,763,280</u>	<u>\$ 327,141</u>	<u>\$ (159,678)</u>	<u>\$ 13,930,743</u>

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**E. CAPITAL ASSET ACTIVITY – CONTINUED**

Construction in Process relates to new jail construction. In May 2009, the funding bond issue failed. It has not been determined the amount of this cost that will be retained in the final jail improvements.

Depreciation expense was charged to governmental functions as follows:

General Government:	
Justice System	3,389
Financial Administration	12,474
Law Enforcement	88,043
Fire Protection	5,351
Corrections	24,542
Roads and Bridges	937,069
Airport	9,176
Golf Course	35,955
Parks and Recreation	70,674
County Extension Service	14,228
Libraries	4,200
Senior Citizens	1,027
Total Depreciation Expense	<u>\$ 1,206,128</u>

**F. LONG-TERM LIABILITIES**

Long-term activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 90,877	\$ -	\$ (467)	\$ 90,410	\$ -
Capital Leases	7,993		(7,993)	-	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 90,877</u>	<u>\$ -</u>	<u>\$ (467)</u>	<u>\$ 90,410</u>	<u>\$ -</u>

**G. DEBT SERVICE REQUIREMENTS - CAPITAL LEASES**

The County had entered into lease agreements as lessee to finance the acquisition of a copier and an optical scanner. These leases were paid in full during the current year and no new capital lease obligations were entered into.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**H. COMMITMENTS UNDER OPERATING LEASES**

Commitments under operating (noncapitalized) lease agreements for several copiers, a postage machine and indigent software provide for minimum future rental payments as of September 30, 2008, as follows:

Years Ending September 30,	
2009	\$ 17,649
2010	17,205
2011	<u>14,370</u>
Total Minimum Rentals	<u>\$ 49,224</u>
Rental Expenditures in Fiscal Year 2008	<u>\$ 37,371</u>

**I. HEALTH CARE COVERAGE**

During the current fiscal year, the employees of Gaines County were covered by a health insurance plan. The coverage is purchased through Blue Cross Blue Shield. The County's cost per employee per month was \$503. The employees, at their option, authorized payroll withholdings to pay contributions for dependents.

Employee coverage includes a \$1,000 annual deductible with a \$3,000 annual limit per family. Medical expense exceeding the deductible is paid at 80% up to a stop loss of \$3,000 per person or \$9,000 per family.

**J. CAFETERIA PLAN**

The County entered into a Pre-Tax Premium Plan that qualifies as a "cafeteria plan." The insurance premiums that qualify for the plan are medical, life and accidental death and dismemberment. The individuals who are eligible to participate are all employees who are covered or who are eligible to be covered under the County's group health plan.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**K. EMPLOYEE RETIREMENT BENEFITS**

The County provides two separate retirement benefit plans. One plan is the defined benefit plan that is provided through the Texas County and District Retirement System. The County also offers a deferred compensation plan to its employees.

**Texas County and District Retirement System Plan**

*Plan Description.* Gaines County, Texas provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 559 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, P.O. Box 2034, Austin, Texas 78768-0234.

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 ages 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 80 or more. Members are vested after 10 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits 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 deposits 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 deposits 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 provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 9.23% for the year ending September 30, 2008. The deposit rate payable by the employee members is 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.

**Annual Pension Cost.** The annual pension cost for the TCDRS plan for its employees was \$474,712, and the actual contributions were \$474,712 for the employer's accounting year ending September 30, 2008.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2005, December 31, 2006 and December 31, 2007 as the basis for determining the contribution rates for calendar year 2006, 2007 and 2008. The December 31, 2007 actuarial valuation is the most recent valuation.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**K. EMPLOYEE RETIREMENT BENEFITS - CONTINUED**

	<b>Actuarial Valuation Information</b>		
Actuarial valuation date	12/31/05	12/31/06	12/31/07
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20	15	15
Asset valuation method	long-term appreciation with adjustment	SAF: 10-yr Smooth value ESF: Fund Value	SAF: 10-yr Smooth value ESF: Fund Value
<b>Actuarial Assumptions:</b>			
Investment return	8.00%	8.00%	8.00%
Projected salary increases <sup>1</sup>	5.30%	5.30%	5.30%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0	0	0
<sup>1</sup> Includes inflation at the stated rate			

**Trend Information  
for the Retirement Plan for the Employees of Gaines County**

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2006	311,872	100%	0.00
September 30, 2007	453,632	100%	0.00
September 30, 2008	474,712	100%	0.00

**Schedule of Funding Progress for the Retirement Plan  
for the Employees of Gaines County**

<u>Actuarial Value of Assets</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll<sup>1</sup> (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/05	9,872,828	12,017,204	2,144,376	82.16%	4,233,785	50.65%
12/31/06	11,147,700	12,894,600	1,746,900	86.45%	4,581,618	38.13%
12/31/07	11,943,600	13,611,203	1,667,603	87.75%	4,790,211	34.81%

<sup>1</sup>The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

**GAINES COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2008**

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED**

**K. EMPLOYEE RETIREMENT BENEFITS - CONTINUED**

**Deferred Compensation Plan** - The County offers a deferred compensation plan for employees who elect to participate. In a plan set up under Section 457 of the Internal Revenue Code, participants may defer up to \$15,500 per year. Withdrawals are permitted because of death, emergency as defined by the Internal Revenue Service, termination of employment or retirement. The County does not contribute to the plan, and all assets in the plan belong to the employees.

**L. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2008, the County purchased commercial insurance to cover these risks. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**M. JOINT VENTURE ARRANGEMENTS**

The County is involved in joint ventures with the City of Seminole, Northeast Gaines County Emergency Service District and South Plains Public Health District. These shared costs are for fire protection, landfill operations, emergency medical service and public health services. Many of these agreements result in the County paying approximately half of the budget, but significant accumulations of financial resources or deficits are generated from these joint ventures.

GAINES COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT F-1

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	BUDGET BASIS (See Note)	Final Budget Positive or (Negative)
<b>RECEIPTS:</b>				
Taxes:				
Property Taxes	\$ 9,561,113	\$ 9,561,113	\$ 9,870,016	\$ 308,903
Charges for Services	382,150	382,150	514,993	132,843
Fines	178,180	178,180	313,852	135,672
Investment Earnings	100,000	100,000	215,614	115,614
Other Revenue	31,820	31,820	76,556	44,736
Total Receipts	10,253,263	10,253,263	10,991,031	737,768
<b>DISBURSEMENTS:</b>				
Current:				
General Government	1,846,060	1,757,220	891,674	865,546
Judicial	1,317,653	1,331,169	1,239,874	91,295
Elections	28,960	28,960	19,398	9,562
Financial Administration	407,001	411,499	390,957	20,542
Tax Administration	396,070	398,042	391,746	6,296
Facilities Management	1,139,033	1,160,979	997,440	163,539
Public Safety:				
Law Enforcement	1,928,242	1,993,468	1,920,939	72,529
Fire Protection	104,030	104,030	104,030	-
Corrections	824,248	773,984	679,828	94,156
Civil Defense	31,899	31,899	18,830	13,069
Road and Bridge	1,700	1,700	1,700	-
Sanitation	22,519	22,519	22,519	-
Health	399,423	399,728	397,122	2,606
Human Services	57,255	57,255	54,266	2,989
Culture and Recreation:				
Parks	261,608	287,011	209,205	77,806
Museums	74,490	87,990	72,081	15,909
County Extension	188,200	188,685	130,551	58,134
Libraries	273,040	275,490	268,715	6,775
Senior Citizens	204,952	209,353	186,973	22,380
Total Disbursements	9,506,383	9,520,981	7,997,848	1,523,133
Excess (Deficiency) of Receipts Over (Under) Disbursements	746,880	732,282	2,993,183	2,260,901
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	-	7,285	7,285
Transfers Out (Use)	(746,880)	(979,473)	(776,756)	202,717
Total Other Financing Sources (Uses)	(746,880)	(979,473)	(769,471)	210,002
Net Change in Cash Balance	-	(247,191)	2,223,712	2,470,903
Cash Balance - October 1 (Beginning)	2,020,203	2,020,203	2,020,203	-
Cash Balance - September 30 (Ending)	\$ 2,020,203	\$ 1,773,012	\$ 4,243,915	\$ 2,470,903

GAINES COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 BUDGET AND ACTUAL - ROAD & BRIDGE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT F-2

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	BUDGET BASIS (See Note)	Final Budget Positive or (Negative)
<b>RECEIPTS:</b>				
Charges for Services	\$ 407,741	\$ 407,741	\$ 431,605	\$ 23,864
Fines	84,000	85,216	57,583	(27,633)
Investment Earnings	5	5	19	14
Total Receipts	<u>491,746</u>	<u>492,962</u>	<u>489,207</u>	<u>(3,755)</u>
<b>DISBURSEMENTS:</b>				
Current:				
Road and Bridge	60,616	60,832	52,425	8,407
Total Disbursements	<u>60,616</u>	<u>60,832</u>	<u>52,425</u>	<u>8,407</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>431,130</u>	<u>432,130</u>	<u>436,782</u>	<u>4,652</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out (Use)	<u>(431,130)</u>	<u>(431,766)</u>	<u>(371,150)</u>	<u>60,616</u>
Total Other Financing Sources (Uses)	<u>(431,130)</u>	<u>(431,766)</u>	<u>(371,150)</u>	<u>60,616</u>
Change in Cash Balance	-	364	65,632	65,268
Cash Balance - October 1 (Beginning)	-	-	-	-
Cash Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 364</u>	<u>\$ 65,632</u>	<u>\$ 65,268</u>

GAINES COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 BUDGET AND ACTUAL - PRECINCT #1  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT F-3

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	BUDGET BASIS (See Note)	Final Budget Positive or (Negative)
<b>DISBURSEMENTS:</b>				
Current:				
Road and Bridge	\$ 1,576,064	\$ 1,576,064	\$ 1,192,614	\$ 383,450
Total Disbursements	1,576,064	1,576,064	1,192,614	383,450
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,576,064)	(1,576,064)	(1,192,614)	383,450
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,731,532	1,731,532	1,782,404	50,872
Total Other Financing Sources (Uses)	1,731,532	1,731,532	1,782,404	50,872
Change in Cash Balance	155,468	155,468	589,790	434,322
Cash Balance - October 1 (Beginning)	302,911	302,911	302,911	-
Cash Balance - September 30 (Ending)	\$ 458,379	\$ 458,379	\$ 892,701	\$ 434,322

GAINES COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 BUDGET AND ACTUAL - PRECINCT #2  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT F-4

	Budgeted Amounts		Actual Amounts BUDGET BASIS (See Note)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>RECEIPTS:</b>				
Contributions & Donations from Private Sources	\$ -	\$ -	\$ 500	\$ 500
Total Receipts	-	-	500	500
<b>DISBURSEMENTS:</b>				
Current:				
Road and Bridge	1,510,796	1,510,796	1,337,672	173,124
Total Disbursements	1,510,796	1,510,796	1,337,672	173,124
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,510,796)	(1,510,796)	(1,337,172)	173,624
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,732,271	1,732,271	1,775,334	43,063
Total Other Financing Sources (Uses)	1,732,271	1,732,271	1,775,334	43,063
Change in Cash Balance	221,475	221,475	438,162	216,687
Cash Balance - October 1 (Beginning)	187,865	187,865	187,865	-
Cash Balance - September 30 (Ending)	\$ 409,340	\$ 409,340	\$ 626,027	\$ 216,687

GAINES COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 BUDGET AND ACTUAL - PRECINCT #3  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT F-5

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	BUDGET BASIS (See Note)	Final Budget Positive or (Negative)
<b>DISBURSEMENTS:</b>				
Current:				
Road and Bridge	\$ 1,433,540	\$ 1,433,540	\$ 1,103,492	\$ 330,048
Total Disbursements	1,433,540	1,433,540	1,103,492	330,048
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,433,540)	(1,433,540)	(1,103,492)	330,048
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,509,338	1,509,338	1,551,921	42,583
Total Other Financing Sources (Uses)	1,509,338	1,509,338	1,551,921	42,583
Change in Cash Balance	75,798	75,798	448,429	372,631
Cash Balance - October 1 (Beginning)	271,848	271,848	271,848	-
Cash Balance - September 30 (Ending)	<u>\$ 347,646</u>	<u>\$ 347,646</u>	<u>\$ 720,277</u>	<u>\$ 372,631</u>

GAINES COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 BUDGET AND ACTUAL - PRECINCT #4  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT F-6

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	BUDGET BASIS (See Note)	Final Budget Positive or (Negative)
<b>DISBURSEMENTS:</b>				
Current:				
Road and Bridge	\$ 1,472,720	\$ 1,472,720	\$ 983,844	\$ 488,876
Total Disbursements	1,472,720	1,472,720	983,844	488,876
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,472,720)	(1,472,720)	(983,844)	488,876
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,639,233	1,639,233	1,681,075	41,842
Total Other Financing Sources (Uses)	1,639,233	1,639,233	1,681,075	41,842
Change in Cash Balance	166,513	166,513	697,231	530,718
Cash Balance - October 1 (Beginning)	421,405	421,405	421,405	-
Cash Balance - September 30 (Ending)	<u>\$ 587,918</u>	<u>\$ 587,918</u>	<u>\$ 1,118,636</u>	<u>\$ 530,718</u>

GAINES COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCE  
 BUDGET AND ACTUAL - FARM TO MARKET FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT F-7

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	BUDGET BASIS (See Note)	Final Budget Positive or (Negative)
<b>RECEIPTS:</b>				
Taxes:				
Property Taxes	\$ 5,503,206	\$ 5,503,206	\$ 5,652,537	\$ 149,331
Intergovernmental Revenue and Grants	-	-	36,444	36,444
Investment Earnings	22,000	22,000	123,853	101,853
Other Revenue	36,784	36,784	-	(36,784)
Total Receipts	5,561,990	5,561,990	5,812,834	250,844
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	-	7,497	7,497
Transfers Out (Use)	(6,181,244)	(6,181,244)	(6,439,584)	(258,340)
Total Other Financing Sources (Uses)	(6,181,244)	(6,181,244)	(6,432,087)	(250,843)
Change in Fund Balance	(619,254)	(619,254)	(619,253)	1
Fund Balance - October 1 (Beginning)	619,254	619,254	619,253	(1)
	-	-	-	-
Fund Balance - September 30 (Ending)	\$ -	\$ -	\$ -	\$ -