

PARKER COUNTY, TEXAS

***ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED SEPTEMBER 30, 2010***

PARKER COUNTY, TEXAS
Annual Financial Statements
For the Fiscal Year Ended September 30, 2010

Table of Contents

	EXHIBIT	PAGE
Independent Auditor's Report		1
Management's Discussion and Analysis		3
<u>FINANCIAL STATEMENTS</u>		
Government-wide Financial Statements		
Statement of Net Assets	A-1	12
Statement of Activities	A-2	13
Fund Financial Statements		
Balance Sheet - Governmental Funds	A-3	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	A-4	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-5	16
Statement of Net Assets - Proprietary Fund	A-6	17
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	A-7	18
Statement of Cash Flows - Proprietary Fund	A-8	19
Statement of Fiduciary Assets and Liabilities - Agency Funds	A-9	20
<u>NOTES TO FINANCIAL STATEMENTS</u>		22
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	B-1	40
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Lateral Road Fund	B-2	41
Schedule of Funding Progress for the Retirement Plan for the Employees of Parker County	B-3	42
<u>COMBINING AND BUDGET STATEMENTS</u>		
General Fund		
Schedule of Revenues, Departmental Expenditures, and Changes in Fund Balance - Budget and Actual	C-1	45
Lateral Road Fund		
Combining Balance Sheet	C-2	48
Schedule of Revenues, Departmental Expenditures, and Changes in Fund Balance - Budget and Actual	C-3	49
Nonmajor Funds		
Combining Balance Sheet	C-4	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)	C-5	63
Fiduciary Fund - Agency Funds		
Combining Balance Sheet	C-6	73

PARKER COUNTY, TEXAS
Annual Financial Statements
For the Fiscal Year Ended September 30, 2010

Table of Contents

	<u>EXHIBIT</u>	<u>PAGE</u>
<u>STATISTICAL AND SUPPLEMENTARY INFORMATION</u>		
Schedule of Delinquent Taxes Receivable - General and Debt Service Funds	D-1	77
Schedule of Delinquent Taxes Receivable - Lateral Road Fund	D-2	78
Schedule of Principal and Interest Payments - Unlimited Tax Road Bonds, Series 2009	D-3	79
Schedule of Principal and Interest Payments - General Obligation Refunding Bonds, Series 2005	D-4	80
Schedule of Principal and Interest Payments - Certificates of Obligation, Series 2005	D-5	81
Schedule of Principal and Interest Payments - Tax Notes - Series 2004, Series 2005 and Series 2006	D-6	82
<u>OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION</u>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		84
Summary Schedule of Prior Audit Findings		85
Schedule of Findings and Questioned Costs		
Corrective Action Plan		86
<u>FEDERAL AWARDS SECTION</u>		
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		88
Schedule of Expenditures of Federal Awards		90



Snow, Garrett & Company
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Judge and Members of
The Commissioners' Court
Parker County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Parker County, Texas, as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Parker County, Texas, as of September 30, 2010, 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 May 10, 2011, on our consideration of Parker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the retirement plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

Page two

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Snow, Garrett & Company

Snow, Garrett & Company, CPA's
May 10, 2011

PARKER COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) of Parker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2010. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the Fiscal Year 2010 by \$26,278,664 (*net assets*). Of this amount, \$1,297,125 is restricted for specific purposes and \$10,609,442 represents unrestricted net assets that may be used to meet the County's ongoing obligations to citizens and creditors. As required by GASB 34, net assets also reflect \$14,372,097 that is invested in capital assets net of related debt.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$51,864,476; of which \$8,889,711 or 17% represents unreserved fund balance. The more significant components of unreserved fund balance are maintained in the Special Revenue funds and in the General fund as emergency reserves.
- The General fund unreserved fund balance of \$1,382,000 equals 4% of total General fund expenditures.
- The County's total debt decreased by a net amount of \$1,479,628 during the current fiscal year due to principal retirements offset by \$1,102,223 in capital leases issued for equipment acquisition.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

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

The statement of activities presents information showing how net assets changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government; public safety; health and welfare; highways, roads and streets; law enforcement; judicial; recording; and tax assessing-collecting.

The government-wide financial statements can be found on pages 12 and 13 of this report.

PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

Fund financial statements. A fund is a grouping 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. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County maintains fifty-six individual governmental funds (excluding fiduciary funds), fifty-one special revenue funds, three capital project funds, a debt service fund, and a general fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Lateral Road Fund, and the Capital Projects 2009 Tax Road Bonds Fund which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements (original versus final) have been provided for the major funds to demonstrate compliance with budget.

The governmental fund financial statements can be found on pages 14 through 16 of this report.

Proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The County's uses an internal service fund to account for its self-insurance programs. Because these activities benefit governmental functions, they have been included with governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 17 through 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found on page 20 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 38 of this report.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget comparisons and pension benefits. The required supplementary information can be found on pages 40 through 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$26,278,664 as of September 30, 2010. Also, the County's net assets include a prior period adjustment that resulted in restated amounts for 2009. See note 14 on page 38 for additional information.

Parker County's Net Assets

	Governmental Activities	
	2010	Restated 2009
Current and other assets	\$ 60,284,329	\$ 76,632,675
Capital assets, net of depreciation	62,362,765	52,996,072
Total assets	<u>122,647,094</u>	<u>129,628,747</u>
Long-term liabilities	90,515,431	91,988,550
Other liabilities	5,852,999	5,219,311
Total liabilities	<u>96,368,430</u>	<u>97,207,861</u>
Net assets:		
Invested in capital assets, net of related debt	14,372,097	19,702,195
Restricted	1,297,125	1,712,028
Unrestricted	10,609,442	11,006,663
Total Net Assets	<u>\$ 26,278,664</u>	<u>\$ 32,420,886</u>

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$14,372,097. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$1,297,125 of the County's net assets (5%) represents resources that are subject to external restrictions on how they may be used. All restricted assets of the County are being held for purposes established by state and local laws, future construction, and debt service requirements on the County's outstanding debt. The remaining balance of unrestricted net assets (\$10,609,442) may be used to meet the County's ongoing obligations to citizens and creditors.

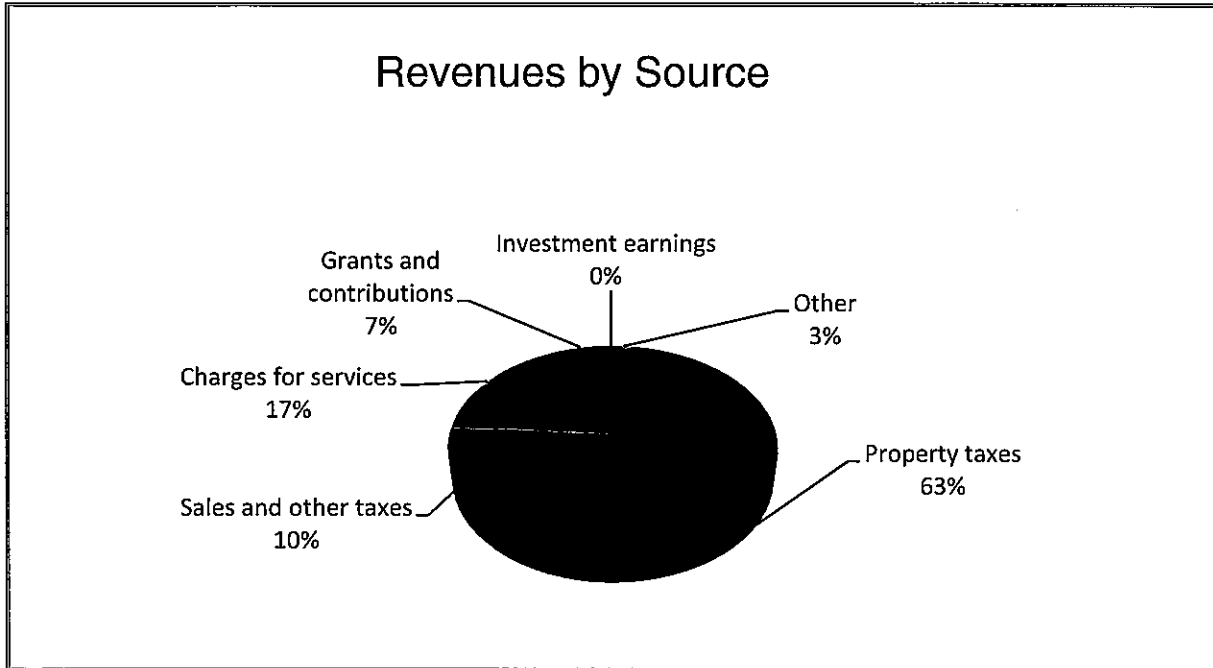
**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

The County's governmental activities decreased net assets by \$6,142,222 during the current fiscal year. The total cost of all governmental activities this year was \$61,604,080. The amount that our taxpayers paid for these activities through property taxes was \$34,873,763 or 57%.

Parker County's Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 9,533,373	\$ 10,460,533
Operating grants and contributions	3,093,099	2,842,005
Capital grants and contributions	702,978	1,046,323
General revenues:		
Property taxes	34,873,763	32,456,764
Sales and other taxes	5,707,575	5,985,689
Investment earnings	32,463	404,936
Other	1,518,607	785,333
Total revenues	55,461,858	53,981,583
Expenses:		
General government	8,691,183	9,109,039
Public safety	2,941,916	2,407,412
Health and welfare	637,843	960,061
Highways, roads and streets	16,305,798	16,080,634
Law enforcement	15,301,309	14,337,513
Judicial	10,472,786	10,183,372
Recording	2,243,507	2,255,410
Tax assessing-collecting	834,776	796,387
Interest and other costs	4,174,962	5,280,404
Total expenses	61,604,080	61,410,232
Change in net assets	(6,142,222)	(7,428,649)
Net assets-beginning	32,069,587	39,498,236
Prior period adjustment	351,299	-
Net assets-beginning, restated	32,420,886	-
Net assets-ending	\$ 26,278,664	\$ 32,069,587

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**



Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$13,329,450 equaled 22% of government expenses of \$61,604,080. As expected, general revenues (\$42,132,408) provided the remaining support and coverage for expenses.
- Over one-fourth of the expenses are highway, roads and streets (\$16,305,798) while this category provided 6% of total revenues.
- The second largest category of expenses is law enforcement (\$15,301,309) at 25% while it only provided about 4% of total revenues.
- Grant revenues and contributions comprised about 7% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$51,864,476, a decrease of \$17,045,341 in comparison with the prior year. Approximately \$8,889,711 or 17% of the fund balance represents unreserved fund balance, which is available for spending at the County'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 to pay debt service (\$1,261,975) and to fund capital projects (\$41,712,790).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,382,000, which is the total fund balance. As a measure of the general fund's liquidity, we compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 4%, or slightly more than 14 days of total fund expenditures.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

The fund balance of the County's general fund decreased by \$342,906. Key factors in this decrease are as follows:

- Decrease in sales tax revenues, intergovernmental revenues and increases to expenditures for public safety, law enforcement, and judicial.

The debt service fund has a total fund balance of \$1,261,975, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service funds was \$440,269. Total debt principal, interest and fiscal charges increased from the prior year primarily due to the payments on the 2009 Unlimited Tax Road Bonds.

The capital projects funds had a total fund balance of \$41,712,790, all of which is reserved for construction and improvements or acquisition of County-owned buildings and equipment.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original fiscal year 2010 budget was adopted in September 2009, with the total beginning general fund expenditures amounting to \$35,219,005, an increase of \$526,154 over the 2009 fiscal year final budgeted expenditures. The fiscal year 2010 budget increase was primarily due to an increase in buildings and grounds, non-departmental, fire protection, jail, sheriff administration and patrol, and county and district attorney expenditures.

In total, the original general fund budget for expenditures and the final general fund amended budget for expenditures were increased by \$116,633 from the original to the final budget. Most of this difference resulted from:

- A reduction of general government and public safety expenditures; and
- Increases in judicial and law enforcement expenditures.

Significant variations between the final budget and actual amounts include the following:

- Actual revenues were lower than budgeted by \$1,707,874 primarily due to the timing of fees of offices collections and an unanticipated decrease sales taxes; and
- Actual expenses were \$881,612 less than budgeted primarily due to lower costs of buildings and grounds, public safety, and non-departmental expenditures than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The capital assets of the County are those assets (land, buildings and improvements, roads and bridges, office furnishings, transportation, road maintenance, fire fighting, emergency management and other equipment), which are used in the performance of the County's functions including current year expenditures for infrastructure assets. At September 30, 2010, net capital assets of the governmental activities totaled \$62,362,765. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$9,201,246.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

**Parker County's Capital Assets
(net of depreciation)**

	Governmental Activities	
	2010	Restated 2009
Land	\$ 1,915,110	\$ 1,796,930
Work in progress	17,287,779	2,858,725
Buildings and improvements	27,243,316	28,149,943
Infrastructure	5,058,157	9,355,174
Office furniture and equipment	4,503,416	5,030,693
Transportation	1,437,926	1,550,931
Road maintenance equipment	4,738,864	4,044,603
Emergency management equipment	168,746	194,388
Other	9,451	14,685
Total	\$ 62,362,765	\$ 52,996,072

Additional information on the County's capital assets can be found in Note 6 on page 30 of this report.

Long-term debt and capital leases. As of September 30, 2010, the County had unlimited tax road bonds, general obligation refunding bonds, certificates of obligation and tax notes outstanding of \$80,879,975. Capital lease proceeds were \$1,102,223 for the purchase of equipment for the precincts. Total capital leases payable were \$4,576,072.

The County's total property tax rate for 2009-10 was \$.37535 per \$100 assessed valuation, of which \$.05567 was for annual debt service.

Parker County's Outstanding Debt

	Governmental Activities	
	2010	2009
Unlimited tax road bonds	\$ 59,999,975	\$ 59,999,975
General obligation refunding bonds	3,190,000	3,345,000
Certificates of obligation	14,515,000	14,580,000
Tax notes	3,175,000	4,680,000
Capital leases payable	4,576,072	4,317,364
Total	\$ 85,456,047	\$ 86,922,339

Additional information on the County's long-term debt can be found in Note 9 on pages 31 through 35 of this report.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the County budget for fiscal year 2011, the County Commissioners and management considered the following factors:

- The County, which is located near the Dallas/Fort Worth Metroplex, is expecting an increase in population, households, and retail sales, therefore sales tax revenues for the County are expected to slightly increase or at least remain stable.
- Property tax revenues are budgeted to increase because of the continued rise in certified values of real estate in this area as well as an increase in the debt service portion of the tax rate.
- Commercial and industrial growth and development within the County continue to increase the County's workforce and population.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the appropriate financial office (County Auditor) at 1112 Santa Fe Drive, Weatherford, Texas, 76086 or (Parker County Judge) at 1 Courthouse Square, Weatherford, Texas 76086.

FINANCIAL STATEMENTS

PARKER COUNTY, TEXAS
Statement of Net Assets
As of September 30, 2010

Exhibit A-1

		Primary Government Activities
ASSETS:		
Cash	\$	1,556,737
Investments		53,732,505
Receivables (net of allowance for uncollectibles)		3,566,402
Prepaid expenses and other assets		12,331
Land and work in progress		19,202,889
Other capital assets, net of depreciation		43,159,876
Unamortized debt issuance costs		1,416,354
Total assets		122,647,094
LIABILITIES:		
Accounts payable		3,384,921
Accrued salaries and benefits payable		964,836
Compensated absences payable		848,262
Accrued interest payable		604,381
Due to other governmental entities		50,599
Noncurrent liabilities		
Due within one year		2,757,184
Due in more than one year		87,758,247
Total liabilities		96,368,430
NET ASSETS:		
Invested in capital assets, net of related debt		14,372,097
Restricted for:		
Debt service		1,297,125
Unrestricted		10,609,442
Total net assets	\$	26,278,664

PARKER COUNTY, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2010

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General government	\$ 8,691,183	537,065	434,590		(7,719,528)
Public safety	2,941,916	309	111,019	98,625	(2,731,963)
Health and welfare	637,843	154,229			(483,614)
Highways, roads and streets	16,305,798	2,899,238		596,894	(12,809,666)
Law enforcement	15,301,309	771,748	1,360,703		(13,168,858)
Judicial	10,472,786	2,776,340	1,186,787	7,459	(6,502,200)
Recording	2,243,507	1,690,162			(553,345)
Tax assessing-collecting	834,776	704,282			(130,494)
Interest and other costs	4,174,962				(4,174,962)
Total primary government	\$ <u>61,604,080</u>	<u>9,533,373</u>	<u>3,093,099</u>	<u>702,978</u>	<u>(48,274,630)</u>

General revenue:	
Property taxes	34,873,763
Sales and other taxes	5,707,575
Investment earnings	32,463
Other general revenue	1,518,607
Total general revenues	<u>42,132,408</u>
Change in net assets	<u>(6,142,222)</u>
Net assets - beginning	32,069,587
Prior period adjustment	351,299
Net assets- beginning, restated	<u>32,420,886</u>
Net assets - ending	<u>\$ 26,278,664</u>

PARKER COUNTY TEXAS
Balance Sheet
Governmental Funds
September 30, 2010

Exhibit A-3

	General	Lateral Road	Capital Projects 2009 Tax Road Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash	\$ 44,806	77,578	666,968	175,032	964,384
Investments	2,366,175	4,887,290	42,018,133	4,436,280	53,707,878
Receivables (net of allowance for uncollectibles)					
Property taxes	801,656	332,435		192,778	1,326,869
Intergovernmental	1,265,144	97,644		24,408	1,387,196
Other	121,541	34,180		17,336	173,057
Prepaid expenses and other assets	12,331				12,331
Total assets	\$ 4,611,653	5,429,127	42,685,101	4,845,834	57,571,715
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,662,427	426,264	1,185,708	90,536	3,364,935
Accrued salaries and benefits payable	734,576	204,168		26,092	964,836
Due to other governmental entities	30,994			19,605	50,599
Deferred revenues					
Property taxes	801,656	332,435		192,778	1,326,869
Total liabilities	3,229,653	962,867	1,185,708	329,011	5,707,239
Fund balances:					
Reserved for:					
Capital projects			41,499,393	213,397	41,712,790
Debt service				1,261,975	1,261,975
Unreserved	1,382,000	4,466,260			5,848,260
Unreserved, reported in nonmajor:					
Special revenue funds				3,041,451	3,041,451
Total fund balances	1,382,000	4,466,260	41,499,393	4,516,823	51,864,476
Total liabilities and fund balances	\$ 4,611,653	5,429,127	42,685,101	4,845,834	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	62,362,765
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,326,869
Other assets are not measurable and available in the current period and are not reported in the funds.	661,423
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(90,551,720)
Assets and liabilities of the internal service fund is included in governmental activities and are not reported with governmental funds.	614,851
Net assets of governmental activities - statement of net assets	\$ 26,278,664

PARKER COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended September 30, 2010

Exhibit A-4

	General	Lateral Road	Capital Projects 2009 Tax Road Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 21,634,314	8,429,779		5,158,651	35,222,744
Sales taxes	5,608,069				5,608,069
Intergovernmental	1,817,542	483,132	124,408	1,498,326	3,923,408
Fees of Office	4,112,211	2,493,588		1,845,467	8,451,266
Fines and forfeitures		395,002			395,002
Interest	12,275	11,129		9,061	32,465
Royalties	252,560				252,560
Miscellaneous	578,267	67,111	29,090	380,626	1,055,094
Total revenues	34,015,238	11,879,741	153,498	8,892,131	54,940,608
EXPENDITURES					
Current:					
General government	5,692,731	761,781	73,906	443,066	6,971,484
Public safety	2,523,171			106,124	2,629,295
Health and welfare	612,501				612,501
Highways, roads and streets		9,609,041	30,146		9,639,187
Law enforcement	14,460,387			216,020	14,676,407
Judicial	7,098,887			3,266,376	10,365,263
Recording	2,075,376			137,969	2,213,345
Tax assessing-collecting	823,742				823,742
Capital outlays	586,401	1,895,085	15,780,961	305,492	18,567,939
Debt Service					
Principal	425,593	417,922		1,725,000	2,568,515
Interest	155,237	61,441		3,880,885	4,097,563
Total expenditures	34,454,026	12,745,270	15,885,013	10,080,932	73,165,241
Deficiency of revenues under expenditures	(438,788)	(865,529)	(15,731,515)	(1,188,801)	(18,224,633)
Other financing sources (uses):					
Operating transfers in	351,828			690,278	1,042,106
Operating transfers out	(670,431)	(312,336)		(59,339)	(1,042,106)
Sale of assets	2,570	74,499			77,069
Proceeds from capital leases	411,915	690,308			1,102,223
Total other financing sources (uses)	95,882	452,471	-	630,939	1,179,292
Net changes in fund balances	(342,906)	(413,058)	(15,731,515)	(557,862)	(17,045,341)
Fund balances - October 1	1,724,906	4,879,318	57,230,908	5,074,685	68,909,817
Fund balances - September 30	\$ 1,382,000	4,466,260	41,499,393	4,516,823	51,864,476

PARKER COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2010

Exhibit A-5

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (17,045,341)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation for County owned assets in the current year.	9,366,693
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(248,830)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	(152,057)
The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,466,292
Internal service funds are used by the County to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities.	<u>471,022</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ (6,142,222)</u></u>

PARKER COUNTY, TEXAS
Statement of Net Assets
Proprietary Fund
September 30, 2010

Exhibit A-6

		Insurance Escrow
ASSETS:		
Cash	\$	592,353
Investment		24,627
Accounts receivable		17,857
Total assets		634,837
LIABILITIES:		
Accounts payable		19,986
Total liabilities		19,986
NET ASSETS:		
Unrestricted		614,851
Total net assets	\$	614,851

PARKER COUNTY, TEXAS
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Fund
For the Fiscal Year Ended September 30, 2010

Exhibit A-7

		<u>Insurance Escrow</u>
OPERATING REVENUE		
County contributions	\$	<u>6,154,021</u>
Total operating revenues		<u>6,154,021</u>
OPERATING EXPENSES		
Contractual		<u>6,457,178</u>
Total operating expenses		<u>6,457,178</u>
Operating loss		(303,157)
NON OPERATING REVENUES		
Miscellaneous		<u>774,179</u>
Total non operating revenues		<u>774,179</u>
Change in net assets		471,022
Net assets -October 1		<u>143,829</u>
Net assets -September 30	\$	<u><u>614,851</u></u>

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2010

Exhibit A-8

	<u>Insurance Escrow</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 6,173,924
Payments to providers	<u>(6,437,191)</u>
Net cash used by operating activities	(263,267)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	(21,598)
Miscellaneous revenues	<u>774,179</u>
Net cash provided by investment activities	<u>752,581</u>
Net increase in cash	489,314
Cash - October 1	<u>103,039</u>
Cash - September 30	<u><u>\$ 592,353</u></u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (303,157)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	19,904
Increase in accounts payable	<u>19,986</u>
Net cash used by operating activities	<u><u>\$ (263,267)</u></u>

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2010

Exhibit A-9

ASSETS

Cash	\$ 3,829,871
Investments	665,809
Accounts receivable	<u>15,677</u>

Total assets	\$ <u><u>4,511,357</u></u>
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LIABILITIES

Deposits held and due to others	\$ 4,508,252
Accounts payable - State	<u>3,105</u>

Total liabilities	\$ <u><u>4,511,357</u></u>
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NOTES TO FINANCIAL STATEMENTS

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Parker County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution V.A.C.S. Parker County, Texas (the County) performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and Commissioners form the governing body as provided by state statute. Various branches of the County government are led by duly elected officials. 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. The accompanying financial statements of the County present the financial position of the governmental activities and the respective changes in financial position. The County is not included in any other governmental "reporting entity".

There are no component units over which the County exercises significant controls or has oversight responsibility. The County is a general purpose government providing the following services to its citizens: public safety, health and welfare, public transportation through roads and bridges, law enforcement, judicial, recording, tax assessing-collecting, and general and financial administrative services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed below. The remainder of the Notes is organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2010.

B. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The financial and reporting policies of the County conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. United States generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants. The following are the more significant policies used by the County.

Government-wide financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are community supervision fees, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

When both restricted and unrestricted resources are available for use, it is county policy to use restricted resources first, then unrestricted resources as needed.

Governmental fund financial statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, the Lateral Road, and the Capital Projects 2009 Tax Roads Bond Fund meet criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include other Special Revenue funds, Capital Projects funds and the Debt Service fund. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining and Budget Statements.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Proprietary fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized at the time the liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the County has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989 as it pertains to the accounting for proprietary fund activity.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds and use the economic resources measurement focus and the accrual basis of accounting. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lateral Road Fund is a special revenue fund used to account for the maintenance and construction of County roads and bridges. Financing is provided primarily by an annual property tax levy. Additional revenue is provided by a charge on each auto registration and from fines levied by the County.

Capital Projects 2009 Tax Road Bonds Fund is used to account for the proceeds of the Unlimited Tax Roads Bond – Series 2009 which were obtained for constructing, improving, extending, expanding, upgrading and / or developing macadamized, graveled, or paved roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements, and payment of costs of issuance related to the bonds.

The County also reports the following major proprietary fund:

Internal Service Fund accounts for the group health insurance benefits provided to the County's departments on a cost reimbursement basis.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to finance particular functions or activities of the County.

Capital Project Funds are used to account for proceeds obtained for the purpose of County building improvements and equipment acquisition and costs associated capital projects.

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Agency funds are used to account for assets held by the County as an agent for individuals, business, other governments and / or other funds.

Budget and Budgetary Accounting

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

- (A) In the event the Commissioners Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three percent but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election.
- (B) Public hearings are conducted at the Parker County Courthouse and Courthouse Annex to obtain taxpayer comments.
- (C) Prior to October 1, the budget is legally enacted through adoption of an order by Commissioners Court.
- (D) Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners Court. There must be an emergency condition existing in order for the Court to increase the total budget.
- (E) Budgets for the various funds are adopted on a basis consistent with United States generally accepted accounting principles (GAAP), with the exception of tax revenues being reported on the cash basis.
- (F) Expenditures in excess of appropriations are required by state statutes to be reported down to the department level.
- (G) The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners Court during the year ended September 30, 2010.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. ASSETS, LIABILITIES AND EQUITIES

Cash Equivalents

The County follows the practice of pooling cash and investments of all funds held by the County Treasurer, except when otherwise requested, in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Balances in cash and pooled investments are available on a demand basis to each fund. Investments are shown on the balance sheet at cost, which approximate market.

For purposes of the statement of cash flows, the County considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, office furnishings, road maintenance, transportation, fire fighting and other equipment, and infrastructure assets (e.g. roads and bridges) are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at 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 asset lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Infrastructure	20 years
Office furniture and equipment	3 - 20 years
Road maintenance equipment	3 - 10 years
Transportation equipment	3 - 5 years
Fire fighting equipment	5 years
Emergency management equipment	5 years
Other equipment	5 years

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at the end of the fiscal year. Encumbrances outstanding at that time are cancelled and become available for future appropriation.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Upon new debt issuance, premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt.

In the fund financial statements, governmental fund types recognized debt premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources net of the applicable issuance costs, premium or discount.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. The following is an explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. One element of that reconciliation explains "some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds."

The details of this \$90,551,720 difference are as follows:

Bonds and tax notes payable:	\$ (80,879,975)
Less: deferred charge for issuance costs (to be amortized over life of debt)	1,416,354
Plus: premium on debt (to be amortized over life of debt)	(2,450,577)
Plus: accumulated accretion on capital appreciation bonds	(2,608,807)
Accrued interest payable	(604,381)
Capital lease payable	(4,576,072)
Compensated absences	<u>(848,262)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (90,551,720)</u></u>

B. The following is an explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that "governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$9,366,693 difference are as follows:

Capital outlay	\$ 18,567,939
Depreciation expense	<u>(9,201,246)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 9,366,693</u></u>

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

Another element of the reconciliation states "the issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

The details of this \$1,466,292 difference are as follows:

Debt issued or incurred:	Capital leases	\$ (1,102,223)
Principal repayments :	Capital leases	843,515
	Tax notes	1,505,000
	Certificates of obligation	65,000
	Refunding bonds	155,000
		<u>155,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities		<u>\$ 1,466,292</u>

Another element of the reconciliation states "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds." The details of this \$152,057 difference are as follows:

Compensated absences	\$ (6,509)	
Accrued interest expense	144,257	
Allowance of miscellaneous receivables	52,077	
Amortization of premium on debt	(115,630)	
Amortization of issuance costs	77,862	
	<u>77,862</u>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities		<u>\$ 152,057</u>

NOTE 3: DEPOSITS AND INVESTMENTS

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the County's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by Commissioners' Court. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, yield and management of maturities.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed or insured by the State of Texas or the United States or its instrumentalities;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating firm;
6. Certificates of deposit that are guaranteed or insured by the FDIC or are secured as to principal by obligations described Section 2256.009(a) of the Public Funds Investment Act or any other manner or amount provided by law for County deposits;
7. Fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in Section 2256.009(ax 1) of the Public Funds Investment Act, and are placed through a primary government securities dealer or a bank domiciled in the State of Texas;
8. Banker's acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency;
9. Commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank;
10. No-load money market mutual funds registered with the Securities and Exchange Commission (SEC) that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of \$1 for each share;
11. No-load mutual funds registered with the SEC, invested in obligations approved by the County that have an average weighted maturity of less than two years, continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and conformed to the eligibility of investment pools to receive and invest funds of investing entities; and
12. Eligible investment pools.

As of September 30, 2010, the County had the following investments:

	Credit Rating	Market Value	% of Total
DWS Scudder - Government Cash Institutional Shares Fund	A+	\$ 8,395,500	15.46%
Federated - Government Obligations Fund	AAAm	11,000,000	20.27%
Morgan Keegan - Federated Inv Government Obligations	AA	13,000,000	23.96%
UBS Select Treasury Fund	A+	21,866,000	40.30%
Total Investments		<u>\$ 54,261,500</u>	<u>100.00%</u>

Interest Rate Risk – The County limits exposure to fair value losses arising from interest rates by not directly investing in securities with maturity dates that exceed 2 years from the date of purchase. At September 30, 2010, 100% of the County's portfolio had maturity dates less than one year.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 3: DEPOSITS AND INVESTMENTS (continued)

Credit Risk – Investments are exposed to credit risk if the security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. As of September 30, 2010, the County's investments in DWS Scudder - Government Cash Institutional Shares Fund, Federated - Government Obligations Fund, UBS Select Treasury Fund, and Morgan Keegan - Federated Inv Government Obligations were rated by Standard and Poor's (see credit ratings above) and have an average weighted maturity of less than 90 days.

Concentration of Credit Risk - The County does not place a limit on the amount that may be invested. As of September 30, 2010, 100% of the County's investments were included in SEC regulated no-load money market mutual funds.

Custodial Credit Risk– Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. At September 30, 2010, the County's deposits were insured or collateralized with securities held by the County or by its agent in the County's name.

NOTE 4: PROPERTY TAX

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The Parker County Appraisal District assesses and collects property taxes for the County. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal and interest on long-term debt. A practical limitation on taxes levied on debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2010, excluding that portion budgeted for the retirement of long-term debt principal and interest was \$.3197 per \$100 valuation. The total tax rate for all purposes was \$.3754 per \$100 valuation. The County's general obligation refunding bonds require an annual tax levy sufficient to pay principal and interest on the bonds with allowances being made for delinquent taxes.

NOTE 5: DELINQUENT PROPERTY TAXES

At the governmental fund level, taxes are recognized as revenue when received. An account for estimated uncollectible taxes is established and the remaining balance is recorded as deferred income at year-end. The County's taxes on real property are a lien against such property until paid.

The following schedule details delinquent property taxes by fund.

<u>Fund</u>	<u>Delinquent Taxes</u>	<u>Allowance</u>	<u>Deferred Revenue</u>
General	\$ 1,203,694	\$ (402,038)	\$ 801,656
Debt Service	289,458	(96,680)	192,778
Lateral Road	577,548	(245,113)	332,435
Total	<u>\$ 2,070,700</u>	<u>\$ (743,831)</u>	<u>\$ 1,326,869</u>

PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6: CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

	Restated Balance 10/1/09	Additions	Deletions	Balance 9/30/10
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,796,930	\$ 118,180	\$ -	\$ 1,915,110
Work in progress	2,858,725	15,332,013	902,959	17,287,779
Total capital assets not being depreciated	4,655,655	15,450,193	902,959	19,202,889
Depreciable capital assets				
Buildings and improvements	34,970,085	65,964	-	35,036,049
Infrastructure	112,978,482	1,351,907	-	114,330,389
Office furniture and equipment	9,060,244	542,571	-	9,602,815
Transportation equipment	4,249,165	491,139	136,832	4,603,472
Road maintenance equipment	11,976,428	1,569,124	207,432	13,338,120
Fire fighting equipment	2,825,496	-	-	2,825,496
Emergency management equipment	478,123	-	-	478,123
Other	48,473	-	-	48,473
Total other capital assets	176,586,496	4,020,705	344,264	180,262,937
Less accumulated depreciation for:				
Buildings and improvements	6,820,142	972,591	-	7,792,733
Infrastructure	103,623,308	5,648,924	-	109,272,232
Office furniture and equipment	4,029,551	1,069,848	-	5,099,399
Transportation equipment	2,698,234	604,144	136,832	3,165,546
Road maintenance equipment	7,931,825	874,863	207,432	8,599,256
Fire fighting equipment	2,825,496	-	-	2,825,496
Emergency management equipment	283,735	25,642	-	309,377
Other	33,788	5,234	-	39,022
Total accumulated depreciation	128,246,079	9,201,246	344,264	137,103,061
Other capital assets, net	48,340,417	(5,180,541)	-	43,159,876
Governmental activities capital assets, net	<u>\$ 52,996,072</u>	<u>\$ 10,269,652</u>	<u>\$ 902,959</u>	<u>\$ 62,362,765</u>