

HAMILTON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2008**

HAMILTON COUNTY, TEXAS

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FINANCIAL SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and County Commissioners
Hamilton County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County, 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'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. 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 the County, as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 50 through 70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Pattillo, Brown & Hill, L.L.P.

July 24, 2009

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of Hamilton County, we offer readers of the Hamilton County financial statements this narrative overview and analysis of the financial activities of Hamilton County for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which follow this section.

Financial Highlights

- The County's total combined net assets were \$5,814,206 at September 30, 2008.
- During the year, the County's expenses were \$789,234 less than the \$8,070,926 generated in taxes and other revenues for governmental activities.
- The General Fund reported an ending fund balance this year of \$1,381,425.

Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

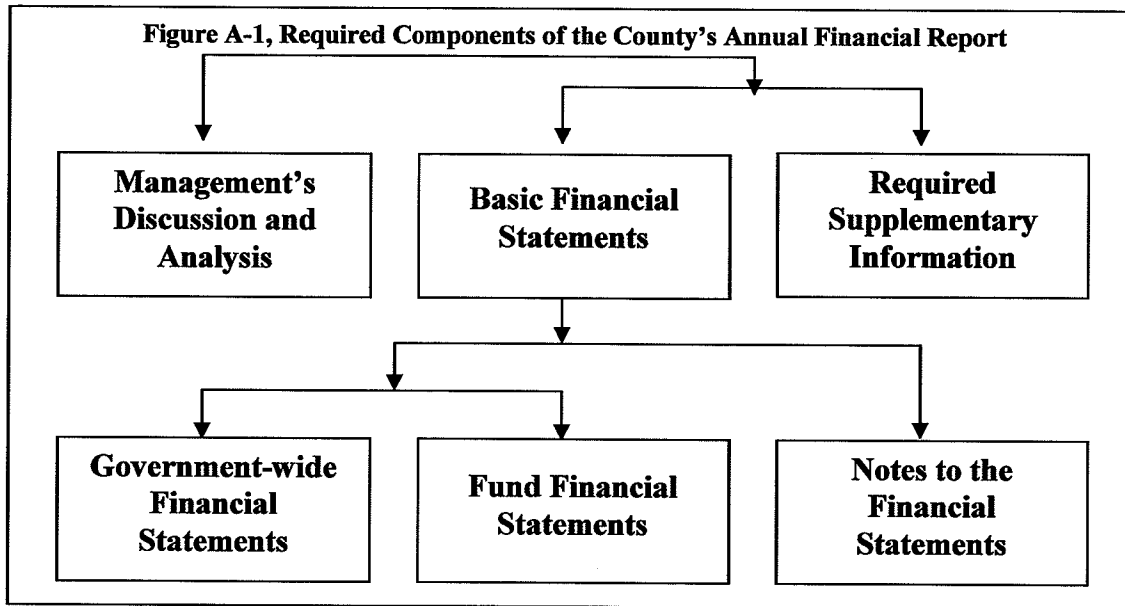


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each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

**Figure A-2
Major features of the County's Government-wide and Fund Financial Statements**

Type of Statement	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses or self-insurance	Instances in which the county is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	Statement of Net Assets, Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Fund Net Assets, Statement of Cash Flows	Statement of Net Assets, Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Types of accountability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that become due during the year or soon thereafter. No capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities both short-term and long-term; the County's funds do not currently include capital assets, although they can.
<i>Types of Inflow/outflow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Financial Statements. The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net assets—the difference between the County's assets and liabilities—is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as general government, public safety, highways and streets, administration of justice, health and welfare, conservation, and interest on long-term debt. Charges for services, grants and property taxes finance most of these activities.

Fund Financial Statements. The fund financial statements provide more detailed information about the County's most significant *funds* not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The Commissioners' Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has the following kinds of funds:

- ***Governmental Funds***—Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- ***Fiduciary Funds***—The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the county cannot sue these assets to finance its operations.

Financial Analysis of the County as a Whole

Net assets. The County's combined net assets were \$5,814,206 at September 30, 2008.

HAMILTON COUNTY'S NET ASSETS

	Governmental Activities		
	2008	2007	Change
Current assets	\$ 4,960,619	\$ 2,849,568	\$ 2,111,051
Capital assets	<u>3,371,512</u>	<u>2,739,920</u>	<u>631,592</u>
Total assets	<u>8,332,131</u>	<u>5,589,488</u>	<u>2,742,643</u>
Current and other liabilities	1,354,007	360,620	993,387
Long-term liabilities	<u>1,163,918</u>	<u>203,896</u>	<u>960,022</u>
Total liabilities	<u>2,517,925</u>	<u>564,516</u>	<u>1,953,409</u>
Net assets:			
Invested in capital assets, net of related debt	3,027,597	2,563,494	464,103
Unrestricted	1,902,735	1,998,912	(96,177)
Restricted	<u>883,874</u>	<u>462,566</u>	<u>421,308</u>
Total net assets	<u>\$ 5,814,206</u>	<u>\$ 5,024,972</u>	<u>\$ 789,234</u>

The \$1,902,735 of unrestricted net assets represents resources available to fund the programs of the County next year. Hamilton County experienced a decrease from the previous year of \$96,177.

Changes in net assets. The County's total revenues were \$8,070,926. A significant portion, 28 percent, of the County's revenue comes from property taxes, 20 percent relates to charges for services.

HAMILTON COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		
	2008	2007	Change
REVENUES			
Program revenues:			
Charges for services	\$ 1,598,482	\$ 1,548,429	\$ 50,053
Operating grants and contributions	3,819,785	312,984	3,506,801
Capital grants and contributions	30,386	112,983	(82,597)
General revenues:			
Property taxes	2,237,453	2,163,167	74,286
Sales and beverage taxes	247,659	234,445	13,214
Unrestricted investments earnings	125,355	131,025	(5,670)
Gain on sale of assets	1,033	-	1,033
Miscellaneous	10,773	18,233	(7,460)
Total revenues	<u>8,070,926</u>	<u>4,521,266</u>	<u>3,549,660</u>
EXPENSES			
General government	893,697	960,098	(66,401)
Public safety	1,664,920	1,505,787	159,133
Highways and streets	4,033,074	1,351,346	2,681,728
Administration of justice	561,381	410,933	150,448
Health and welfare	68,394	59,481	8,913
Conservation	2,082	2,619	(537)
Interest on long-term debt	58,144	10,202	47,942
Total expenses	<u>7,281,692</u>	<u>4,300,466</u>	<u>2,981,226</u>
CHANGE IN NET ASSETS	789,234	220,800	568,434
NET ASSETS, BEGINNING	5,024,972	4,812,499	212,473
PRIOR PERIOD ADJUSTMENT	-	(8,327)	8,327
NET ASSETS, ENDING	<u>\$ 5,814,206</u>	<u>\$ 5,024,972</u>	<u>\$ 789,234</u>

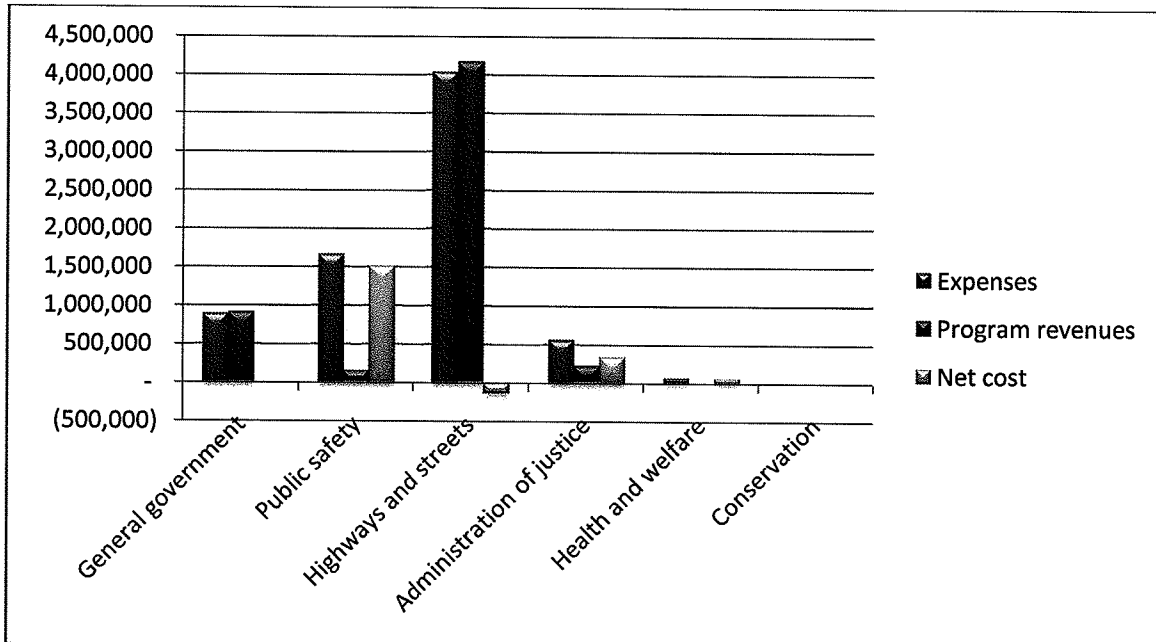
The total cost of all programs and services was \$7,281,692; 99 percent of these costs are for services. The County's net assets increased by \$789,234 last year, which was a \$576,761 increase from the previous year.

Governmental Activities

Expenses and Program Revenues

The graph below presents the cost of each of the County's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

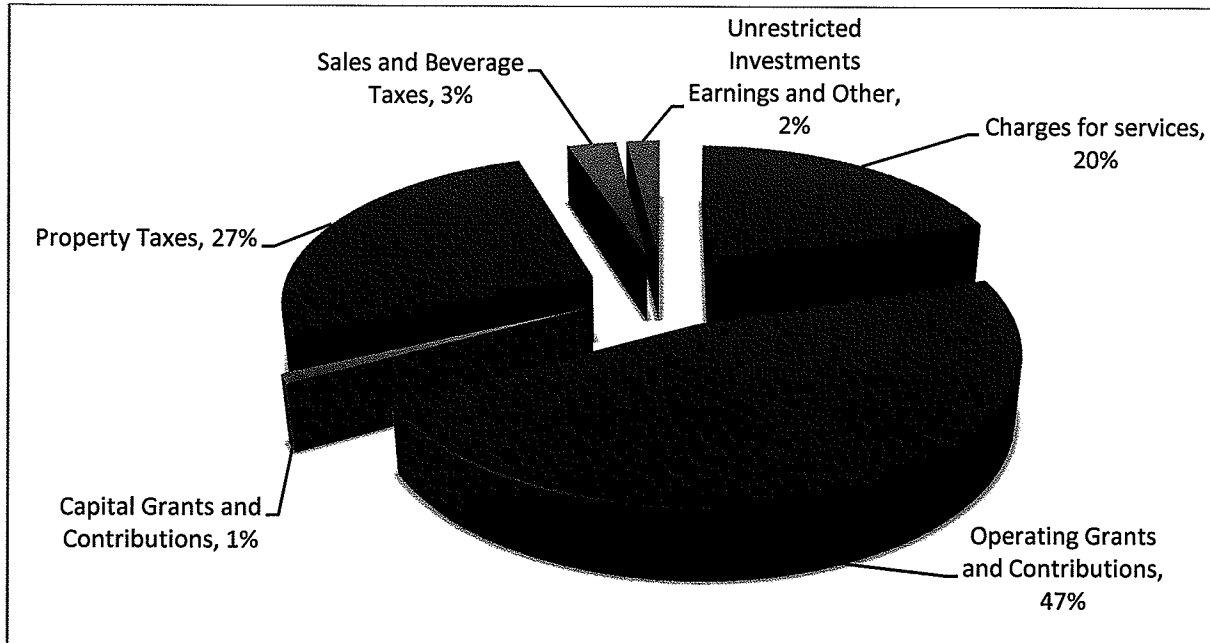
Expenses and Program Revenue – Governmental Activities



- The cost of all governmental activities this year was \$7,281,692.
- The amount that our taxpayers paid for these activities through property taxes was only \$2,237,453.
- Some of the cost was paid by those who directly benefited from the programs (\$1,598,482), or by operating grants and contributions (\$3,819,785), and capital grants and contributions (\$30,386).
- The balance of the cost of government activities came from sales and beverage taxes (\$247,659), interest on unrestricted cash (\$125,355), gain on sale of assets (\$1,033), and miscellaneous items (\$10,773).

Revenues by Source

The graph below represents the sources of revenue for the County.



Financial Analysis of the County's Funds

Revenues from governmental fund types totaled \$7,972,909, an increase of 80% over the preceding year. The increase is a result of greater property tax collections and grant revenue.

General Fund Budgetary Highlights

The County uses the cash basis for budgeting purposes. Over the course of the year, the County revised its budget several times as necessary. Even with these adjustments, actual expenditures were \$357,269 below final budget amounts. The positive variance is attributable to reduced spending in departmental budgets throughout all functions.

Resources available were \$211,988 above the final budgeted amount. Property tax collections, sales tax revenues, fines and fees, and interest were \$58,910 less than expected.

Capital Assets and Debt Administration

Capital assets. At the end of 2008, the County had invested \$3,371,512 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$631,592.

	Governmental Activities	
	2008	2007
Land	\$ 30,407	\$ -
Construction in progress	462,598	462,598
Buildings and improvements	648,671	685,874
Equipment	911,975	640,184
Vehicles	675,713	304,533
Infrastructure	642,148	646,731
Total	<u>\$ 3,371,512</u>	<u>\$ 2,739,920</u>

Long-term debt. At year-end, the County had \$1,163,918 in notes outstanding and liabilities relating to employee vacation time. More detailed information about the County's debt is presented in the notes to the financial statements.

	Governmental Activities	
	2008	2007
General and certificates of obligation	\$ 800,000	\$ -
Capital lease obligation	333,318	176,426
Compensated absences payable	30,600	27,470
Total	<u>\$ 1,163,918</u>	<u>\$ 203,896</u>

Economic Factors and Next Year's Budgets and Rates

- Appraised value used for the 2009 budget preparation is up \$42.4 million, or 9.8% from the previous year.
- In 2004, Hamilton County adopted a provision for a tax ceiling for homeowners age 65 or older or disabled. The total appraised value of "frozen values" for 2008 is \$73,837,984, which amounts to 15.6% of appraised values. As this number rises, the tax burden will continue to shift to the under 65 taxpayer.
- General operating fund spending increases in the 2009 budget from \$3,415,336 to \$3,622,409. This is a 6% increase in the budgeted expenditures for 2009 over final budget amounts for 2008. The largest increases are attributable to budgeted expenses in the jail and in the Sheriff's office.

Amounts available for appropriation in the General Fund budget are \$1,381,425 ending fund balance, which is \$615,095 greater than the projected fund balance after the adoption of the 2008 budget. Overall property tax revenue will increase due to the increasing values and the County will use these increases in revenues to finance programs we currently offer.

If these estimates are realized, the County's ending General Fund balance is expected to decrease by \$317,115 by the close of 2009. Projected fund balance at September 30, 2009, is \$1,064,310.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact L. Marliessa Clark, County Auditor.

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**BASIC
FINANCIAL STATEMENTS**

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HAMILTON COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 4,115,924
Investments	95
Receivables (net of allowances for uncollectibles):	
Taxes	223,613
Accounts	549,029
Intergovernmental	71,958
Restricted assets:	
Capital assets not being depreciated:	
Land	30,407
Construction in progress	462,598
Capital assets:	
Buildings	1,447,278
Equipment	4,117,228
Infrastructure	17,773,284
Less: accumulated depreciation	<u>(20,459,283)</u>
Total assets	<u>8,332,131</u>
LIABILITIES	
Accounts payable	118,057
Accrued liabilities	73,573
Intergovernmental payable	114,425
Unearned revenue	1,023,822
Noncurrent liabilities:	
Due within one year	197,496
Due in more than one year	<u>966,422</u>
Total liabilities	<u>2,517,925</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,027,597
Unrestricted	1,902,735
Restricted	<u>883,874</u>
Total net assets	<u>\$ 5,814,206</u>

The accompanying notes are an integral part of these financial statements.

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HAMILTON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government					
Governmental activities:					
General government	\$ 893,697	\$ 812,938	\$ 94,480	\$ -	\$ 13,721
Public safety	1,664,920	120,339	-	30,386	(1,514,195)
Highways and streets	4,033,074	480,585	3,686,527	-	134,038
Administration of justice	561,381	184,620	35,833	-	(340,928)
Health and welfare	68,394	-	2,945	-	(65,449)
Conservation	2,082	-	-	-	(2,082)
Interest on long-term debt	58,144	-	-	-	(58,144)
Total governmental activities	<u>7,281,692</u>	<u>1,598,482</u>	<u>3,819,785</u>	<u>30,386</u>	<u>(1,833,039)</u>
Total primary government	<u>\$ 7,281,692</u>	<u>\$ 1,598,482</u>	<u>\$ 3,819,785</u>	<u>\$ 30,386</u>	<u>(1,833,039)</u>
General revenues:					
					2,237,453
					247,659
					57,612
					1,033
					78,516
					<u>2,622,273</u>
					789,234
					5,024,972
					<u>\$ 5,814,206</u>

The accompanying notes are an integral part of these financial statements.

HAMILTON COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS			
Cash	\$ 1,418,914	\$ 2,697,010	\$ 4,115,924
Investments	93	2	95
Receivables (net of allowances for uncollectibles):			
Taxes	184,926	38,687	223,613
Accounts	539,299	9,730	549,029
Intergovernmental	-	71,958	71,958
Due from other funds	906	-	906
Total assets	<u>2,144,138</u>	<u>2,817,387</u>	<u>4,961,525</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	1,082	116,975	118,057
Accrued liabilities	52,961	20,612	73,573
Intergovernmental payable	103,316	11,109	114,425
Due to other funds	-	906	906
Deferred revenue	605,354	1,039,201	1,644,555
Total liabilities	<u>762,713</u>	<u>1,188,803</u>	<u>1,951,516</u>
FUND BALANCES			
Unreserved, reported in:			
General fund	1,381,425	-	1,381,425
Special revenue funds	-	839,181	839,181
Capital projects funds	-	789,403	789,403
Total fund balances	<u>1,381,425</u>	<u>1,628,584</u>	<u>3,010,009</u>
Total liabilities and fund balances	<u>\$ 2,144,138</u>	<u>\$ 2,817,387</u>	<u>\$ 4,961,525</u>

The accompanying notes are an integral part of these financial statements.

HAMILTON COUNTY, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Total fund balances - governmental funds balance sheet	\$ 3,010,009
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,371,512
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	620,733
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(<u>1,188,048</u>)
Net assets of governmental activities - statement of net assets	\$ <u>5,814,206</u>

The accompanying notes are an integral part of these financial statements.

HAMILTON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General	Other Governmental	Total Governmental
REVENUES			
Property taxes, penalties and interest	\$ 1,548,864	\$ 670,604	\$ 2,219,468
Sales and use taxes	247,659	-	247,659
Intergovernmental	536,573	3,780,094	4,316,667
Fines and fees	514,333	538,654	1,052,987
Miscellaneous	9,028	69,488	78,516
Interest	55,867	1,745	57,612
Total revenues	2,912,324	5,060,585	7,972,909
EXPENDITURES			
Current:			
General government	844,239	283	844,522
Public safety	1,538,644	1,606	1,540,250
Highways and streets	-	3,853,329	3,853,329
Administration of justice	538,223	22,767	560,990
Health and welfare	68,363	-	68,363
Conservation	1,586	-	1,586
Capital outlay	48,942	934,028	982,970
Debt service:			
Principal	31,012	178,435	209,447
Interest and other charges	3,202	32,890	36,092
Total expenditures	3,074,211	5,023,338	8,097,549
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(161,887)	37,247	(124,640)
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	366,340	366,340
Proceeds from long-term debt	-	800,000	800,000
Proceeds from sale of assets	-	1,033	1,033
Transfers in	-	37,277	37,277
Transfers out	-	(37,277)	(37,277)
Total other financing sources (uses)	-	1,167,373	1,167,373
NET CHANGE IN FUND BALANCES	(161,887)	1,204,620	1,042,733
FUND BALANCES, BEGINNING	1,543,312	423,964	1,967,276
FUND BALANCES, ENDING	\$ 1,381,425	\$ 1,628,584	\$ 3,010,009

The accompanying notes are an integral part of these financial statements.

HAMILTON COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds \$ 1,042,733

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

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 96,984

The issuance of long-term debt (e.g., bonds, 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, the governmental funds report the effect of issuance costs, premiums, discounts, and similar items 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. (956,892)

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 governmental funds. (25,183)

Change in net assets of governmental activities - statement of activities \$ 789,234

The accompanying notes are an integral part of these financial statements.

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HAMILTON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash	\$ 5,685	\$ 180,851
Accounts receivable	-	411,868
Total assets	5,685	592,719
LIABILITIES		
Accrued liabilities	-	185
Intergovernmental payable	-	304,532
Due to others	-	288,002
Total liabilities	-	592,719
NET ASSETS		
Held in trust	5,685	-
Total net assets	\$ 5,685	\$ -

The accompanying notes are an integral part of these financial statements.

HAMILTON COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Private-Purpose Trust Fund	Historical Commission Trust
ADDITIONS		
Investment income	\$ 225	
Total additions	225	
DEDUCTIONS	-	
CHANGE IN NET ASSETS	225	
NET ASSETS, BEGINNING	5,460	
NET ASSETS, ENDING	\$ 5,685	

The accompanying notes are an integral part of these financial statements.

HAMILTON COUNTY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below:

A. Reporting Entity

Hamilton County operates under the laws of the State of Texas and subsequent court orders providing the following services: public safety (law enforcement and detention facilities), public welfare (social services, public health), highways and streets, judicial administration and records, public improvements, and general administrative services.

The Hamilton County Commissioners' Court is the level of government which has oversight responsibility and control over all activities of the County. The Court is composed of four commissioners, one elected from each of the four precincts in the County, and the County Judge elected from the entire County. The members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Although the County receives funding from local, state and federal government entities, the Commissioners' Court is not included in any other government "reporting entity."

For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – the primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. There are no component units which satisfy requirements for blending or discrete presentation within the County's financial statements. Accordingly, the financial statements present the County only.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund meets the criteria as a *major governmental fund*. This fund is reported in a separate column in the fund financial statements. Nonmajor funds include Special Revenue and Debt Service Funds. 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 individual fund statements and schedules.

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

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

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental fund:

The **General Fund** is the County's general operating fund and is always classified as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Major revenue sources include property and other taxes, intergovernmental revenues, charges for services, and investment of idle funds. Primary expenditures are for general administration, judicial and legal, public facilities and road and bridge maintenance and construction, public safety, and health and welfare.

Additionally, the County reports the following fund types:

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

Capital Projects Funds account for the accumulation of resources to be used for the construction of major capital projects.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

E. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

Cash consists of demand and time deposits.

Investments

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

Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value, which is based on quoted market prices. All investment income is recognized in the appropriate fund's statement of activity and/or statement of revenues, expenditures and changes in fund balances.

Receivables and Payables

Receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the grantor have been met.

Reimbursements for services performed are recorded as receivables and revenue when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Capital Assets

Capital assets, which include buildings and improvements, equipment, infrastructure assets (e.g., roads and bridges), and construction in progress are reported in the government-wide financial statements. Capital assets (except for grant assets with lower thresholds) are defined as assets with a cost of \$5,000 or more. Infrastructure assets include County-owned roads and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 - 35 years
Equipment	5 - 20 years
Vehicles	5 - 7 years
Infrastructure	15 - 45 years

Fund Equity

In government-wide statements, net assets are classified into three categories as follows:

- a. *Invested in capital assets net of related debt* – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted* – This component of net assets consists of net assets whose use is restricted by contributors, laws or regulations of other governments, or by laws through constitutional provisions or enabling legislation.
- c. *Unrestricted* – This component of net assets consists of those assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or legally restricted by outside parties for a specific purpose. Fund reservations include debt service, capital projects, and prepaid assets.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balances for total governmental funds and net assets as reported in the government-wide statement of net assets.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. Government funds report capital expenditures; however, in the statement activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.

3. DETAILED NOTES ON ALL FUNDS

Deposits

In accordance with GASB Statement No. 3, “*Deposits and Financial Institutions*,” the County classifies its deposits as to custodial credit risk. At year-end, the carrying amount of the County’s deposits and cash on hand was \$4,302,460 and the bank balance was \$4,583,007. \$802,325 of the bank balance was covered by federal deposit insurance and the remainder was covered by collateral pledged by the depository in the County’s name and held by the depository’s agent.

Investments

The County maintains an investment pool that is available for use by all funds. Investments are categorized into three categories of credit risk – (1) insured or registered, or securities held by the County or its agent in the County’s name, (2) uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the County’s name, or (3) uninsured and unregistered with the securities held by the counterparty, or by its trust department or agent but not in the County’s name. At September 30, 2008, the County’s investments were limited to investments in a local government sponsored investment pool.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments not subject to categorization:		
Local government sponsored investment pool		
Local Government Investment Cooperative (LOGIC)	\$ <u>95</u>	\$ <u>95</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Investments (Continued)

Local Government Investment Cooperative (LOGIC) is also an external investment pool governed by the Texas Interlocal Cooperation Act and the Texas Public Funds Investment Act. It operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC.

The pool uses amortized cost to report net assets and share prices since that amount approximates fair value.

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

Credit Risk. The County's investment policy limits investments as described previously in Note 1.

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

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of a failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Property Tax Calendar

The County's property tax is levied and recorded as a receivable each October 1, on the assessed value listed as of the prior January 1, for all real and certain personal property located in the County. The appraisal of property within the County is the responsibility of the Hamilton County Appraisal District as required by legislation passed by the Texas Legislature. The appraisal district is required under such legislation to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the county may, at its own expense, require annual reviews of appraised values. The County may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Property taxes attach as an enforceable lien on property as of January 1, following the levy date. Taxes are due by January 31, following the levy date.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Receivables

Governmental fund type receivables consist of amounts due for property taxes or amounts due for services (net of allowance for uncollectibles). Any portion of receivables that do not meet the criteria for revenue recognition are recorded as deferred revenue.

Receivables for individual major funds and nonmajor funds in the aggregate at September 30, 2008, were as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Taxes receivable	\$ 184,926	\$ 38,687	\$ 223,613
Intergovernmental	-	71,958	71,958
Accounts receivable	1,038,626	33,285	1,071,911
Allowance for uncollectibles	(499,327)	(23,555)	(522,882)
Total	\$ 724,225	\$ 120,375	\$ 844,600

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

	<u>Unavailable</u>	<u>Unearned</u>
Deferred property tax revenue		
General	\$ 136,221	\$ -
Special revenue		
Road and bridge, precinct #1	8,743	-
Road and bridge, precinct #2	8,752	-
Road and bridge, precinct #3	8,734	-
Road and bridge, precinct #4	8,734	-
Deferred grant revenue FEMA funds	-	1,023,822
Deferred fine and fee revenue		
General fund	439,819	-
Vital statistics	28	-
County clerk records management	886	-
Vital statistics - district court	34	-
County clerk archives	235	-
Court reporter	15	-
Justice of peace technology, precinct 1	1,882	-
JP/SO transportation	1,015	-
Law library	105	-
Records management and preservation	25	-
Courthouse security	2,319	-
District clerk records management	206	-
Justice court building security	821	-
County attorney hot check	1,472	-
Justice of peace technology, precinct 3	687	-
Total Governmental Funds	\$ 620,733	\$ 1,023,822

(continued)

3. **DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund Receivables, Payable Balances

Activity between funds that represent the current portion of lending/borrowing and interfund charges for goods and services arrangements outstanding at fiscal year-end are referred to as "due to/from other funds." The composition of interfund balances as of September 30, 2008, is as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 906	\$ -
Nonmajor funds	<u>-</u>	<u>906</u>
Total	<u>\$ 906</u>	<u>\$ 906</u>

The interfund loans were in place to assist with cash flow in nonmajor funds.

	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfer out:		
Nonmajor governmental	\$ <u>37,277</u>	\$ <u>37,277</u>
Total	<u>\$ 37,277</u>	<u>\$ 37,277</u>

Capital Assets

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB-34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are listed at estimated or actual historical costs. General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in government-type activities. Donated fixed assets are valued at their estimated fair market value on the date of donation.

The County uses the following criteria to classify capital assets:

- Useful life exceeds one year.
- Cost equals \$5,000 or more for assets acquired by governmental funds.
- 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.
- Depreciation and amortization of capital assets are estimated using the straight-line method over estimated useful lives and are charged as an expense against operations for governmental activities. Accumulated depreciation and amortization are reported for governmental activities.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

The following is a summary of capital asset activity for the year ended September 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ -	\$ 30,407	\$ -	\$ -	\$ 30,407
Construction in progress	462,598	-	-	-	462,598
Total assets not being depreciated	<u>462,598</u>	<u>30,407</u>	<u>-</u>	<u>-</u>	<u>493,005</u>
Capital assets, being depreciated:					
Buildings	1,447,278	-	-	-	1,447,278
Equipment	2,390,679	420,708	28,500	-	2,782,887
Vehicles	835,283	499,058	-	-	1,334,341
Infrastructure	17,743,684	29,600	-	-	17,773,284
Total capital assets being depreciated	<u>22,416,924</u>	<u>949,366</u>	<u>28,500</u>	<u>-</u>	<u>23,337,790</u>
Less accumulated depreciation:					
Buildings	761,404	37,203	28,500	-	770,107
Equipment	1,750,495	148,917	-	-	1,899,412
Vehicles	530,750	127,878	-	-	658,628
Infrastructure	17,096,953	34,183	-	-	17,131,136
Total accumulated depreciation	<u>20,139,602</u>	<u>348,181</u>	<u>28,500</u>	<u>-</u>	<u>20,459,283</u>
Total capital assets being depreciated, net	<u>2,277,322</u>	<u>601,185</u>	<u>-</u>	<u>-</u>	<u>2,878,507</u>
Governmental activities capital assets, net	<u>\$ 2,739,920</u>	<u>\$ 631,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,371,512</u>

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

Governmental activities:	
General government	\$ 45,593
Public safety	123,968
Highways and streets	177,989
Administration of justice	135
Conservation	496
Total depreciation expense - governmental activities	<u>\$ 348,181</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt

Obligations Under Capital Leases

The County also finances acquisition of equipment through capital leases which are paid by the fund acquiring the underlying asset. At September 30, 2008, the County had the following obligations under capital lease:

<u>Purpose</u>	<u>Cost</u>	<u>Year Acquired</u>	<u>Year Matures</u>	<u>Annual Payment</u>	<u>Interest Rate</u>	<u>Balance 09/30/08</u>
Pct. 2 & 3 - Wheel loader	\$ 59,250	07/13/04	07/13/04	\$ 13,685	5.00%	\$ 13,031
Net data	149,250	11/22/04	12/22/09	34,212	5.50%	41,103
Pct. 2 - Boom mower	48,801	04/26/07	04/26/09	18,281	5.40%	17,345
Pct. 4 - Motor grader	100,000	02/18/08	02/18/13	18,170	4.80%	100,000
Pct. 3 - Dump truck	95,670	01/10/08	01/10/11	22,432	5.25%	70,822
Pct. 2 - Dump truck	95,670	10/09/07	09/28/09	34,440	5.20%	36,230
Pct. 2 - Boom mower	75,000	11/15/07	01/10/10	17,336	5.25%	54,787
Pct. 1 - Mack trucks						
						<u>\$ 333,318</u>

Annual debt service requirements to maturity for capital lease obligations:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>
2009	\$ 170,726
2010	77,864
2011	69,311
2012	22,970
2013	<u>22,970</u>
Total minimum lease payments	363,841
Less amount representing interest	<u>(30,523)</u>
Total	<u>\$ 333,318</u>

Changes in Long-term Debt

	<u>Balance September 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Tax Note Series 2008	\$ -	\$ 800,000	\$ -	\$ 800,000	\$ 11,400
Capital lease obligation	176,426	366,340	209,448	333,318	155,496
Compensated absences	<u>27,470</u>	<u>3,130</u>	<u>-</u>	<u>30,600</u>	<u>30,600</u>
Total governmental activities	<u>\$ 203,896</u>	<u>\$ 1,169,470</u>	<u>\$ 209,448</u>	<u>\$ 1,163,918</u>	<u>\$ 197,496</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Debt service requirements for tax note obligations are as follows:

Tax Note Obligations

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 114,000	\$ 34,331	\$ 148,331
2010	129,000	20,199	149,199
2011	104,000	16,413	120,413
2012	108,000	12,968	120,968
2013	111,000	9,409	120,409
2014-2017	<u>234,000</u>	<u>7,670</u>	<u>241,670</u>
	<u>\$ 800,000</u>	<u>\$ 100,990</u>	<u>\$ 900,990</u>

Retirement Commitments

Plan Description

The County provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit 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 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas, 78768-2034.

The plan provisions are adopted by the County Commissioners' Court, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County Commissioners' Court within the 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 contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Retirement Commitments (Continued)

Funding Policy

The County has elected the annually determined contribution rate (ADCR) 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. The County contributed using the actuarially determined rate of 6.11% for the months of the calendar year in 2007, and 6.04% for the months of the calendar year 2008.

The contribution rate payable by the employee members for calendar year 2008 is the rate of 6.00% as adopted by the County Commissioners' Court. The employee contribution rate and the employer contribution rate may be changed by the County Commissioners' Court within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ended September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$116,310 and the actual contributions were \$116,310.

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 valuations as of December 31, 2006 and December 31, 2007, the basis for determining the contribution rates for calendar years 2008 and 2007. The December 31, 2007, actuarial valuation is the most recent valuation.

Actuarial Liabilities and Funding Progress

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	20	15	15
Asset valuation method	long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(continued)

3. **DETAILED NOTES ON ALL FUNDS (Continued)**

Retirement Commitments (Continued)

Annual Pension Cost (Continued)

**Schedule of Funding Progress for the Retirement Plan
For the Employees of Hamilton County**

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2005	\$ 1,775,764	\$ 2,056,158	\$ 280,394	86.36%	\$ 1,359,284	20.63%
2006	2,083,584	2,288,993	205,409	91.03%	1,548,183	13.27%
2007	2,388,500	2,632,486	243,986	90.73%	1,702,636	14.33%

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/06	\$ 96,434	100%	\$ -
09/30/07	101,602	100%	-
09/30/08	116,310	100%	-

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The County participates in the Texas Association of counties Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the County's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess insurance coverage. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements.

Commitments and Contingents

The County is a party in lawsuits occurring in the normal course of business. Although the outcome of these matters is not presently determinable, in the opinion of the County's management, their resolution will not have a material adverse effect on the financial condition of the County.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

Commitments and Contingents (Continued)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Historic Courthouse Preservation Program – the County has contracted for architectural drawings for submission for a grant to reserve the County courthouse. The County has received a state grant for reimbursement of 94.5% of the estimated architectural cost of \$471,110. Approximately \$402,548 was incurred through September 30, 2008.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

HAMILTON COUNTY, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes, penalties and interest	\$ 1,582,333	\$ 1,582,333	\$ 1,548,864	\$(33,469)
Sales and use taxes	230,100	230,100	247,659	17,559
Intergovernmental	605,728	621,872	536,573	(85,299)
Fines and fees	514,500	514,500	514,333	(167)
Miscellaneous	10,100	10,100	9,028	(1,072)
Interest	98,700	98,700	55,867	(42,833)
Total revenues	3,041,461	3,057,605	2,912,324	(145,281)
EXPENDITURES				
Current:				
General government	940,595	954,293	844,239	110,054
Public safety	1,587,819	1,585,372	1,538,644	46,728
Administration of justice	662,973	665,666	538,223	127,443
Health and welfare	110,462	110,462	68,363	42,099
Conservation	4,257	4,257	1,586	2,671
Capital outlay	75,013	77,213	48,942	28,271
Debt service:				
Principal	31,014	31,014	31,012	2
Interest or other charges	3,203	3,203	3,202	1
Total expenditures	3,415,336	3,431,480	3,074,211	357,269
NET CHANGE IN FUND BALANCES	(373,875)	(373,875)	(161,887)	211,988
FUND BALANCES, BEGINNING	1,543,312	1,543,312	1,543,312	-
FUND BALANCES, ENDING	\$ 1,169,437	\$ 1,169,437	\$ 1,381,425	\$ 211,988

HAMILTON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2008

BUDGETARY DATA

Budgets are adopted on the cash basis of accounting. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The County Judge serves as the budget officer for the Commissioners' Court and submits the annual budget for approval where the legal level of control is by line item. Amendments to the budget and additional appropriations must be approved by Commissioners' Court. Following is a summary of the budget calendar:

1. The proposed budget is filed with the County Clerk and made available for public inspection.
2. Budgets are prepared on the cash basis for the General Fund and Special Revenue Funds.
3. The Commissioners' Court holds a public hearing on the proposed budget and subsequently makes changes and approves the budget including the adoption of a property tax levy which is effective on October 1 preceding the beginning of the fiscal year.
4. The approved budget is filed with the County Clerk.
5. During the course of the budget year, it may be necessary to amend the budget. The Commissioners' Court may, by order, authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonable diligent thought and attention. The Commissioners' Court may issue an order to amend the budget by transferring an amount budgeted for one line item to another budgeted line item without authorizing an emergency expenditure.

During the year, the Commissioners' Court authorized numerous supplemental amendments to the annual budget.

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COMBINING STATEMENTS AND BUDGET COMPARISONS AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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HAMILTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects Tax Notes Series 2008</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash	\$ 1,927,351	\$ 769,659	\$ 2,697,010
Investments	2	-	2
Receivables (net of allowances for uncollectibles):			
Taxes	38,687	-	38,687
Accounts	9,730	-	9,730
Intergovernmental	<u>-</u>	<u>71,958</u>	<u>71,958</u>
 Total assets	 <u>\$ 1,975,770</u>	 <u>\$ 841,617</u>	 <u>\$ 2,817,387</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 64,761	\$ 52,214	\$ 116,975
Accrued liabilities	20,612	-	20,612
Intergovernmental payable	11,109	-	11,109
Due to other funds	906	-	906
Deferred revenue	<u>1,039,201</u>	<u>-</u>	<u>1,039,201</u>
Total liabilities	<u>1,136,589</u>	<u>52,214</u>	<u>1,188,803</u>
FUND BALANCES			
Unreserved, reported in:			
Special revenue funds	839,181	-	839,181
Capital project funds	<u>-</u>	<u>789,403</u>	<u>789,403</u>
 Total fund balances	 <u>839,181</u>	 <u>789,403</u>	 <u>1,628,584</u>
 Total liabilities and fund balances	 <u>\$ 1,975,770</u>	 <u>\$ 841,617</u>	 <u>\$ 2,817,387</u>

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HAMILTON COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects Tax Notes Series 2008</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Property taxes, penalties and interest	\$ 670,604	\$ -	\$ 670,604
Intergovernmental	3,708,136	71,958	3,780,094
Fines and fees	538,654	-	538,654
Interest	63,125	6,363	69,488
Miscellaneous	1,745	-	1,745
Total revenues	<u>4,982,264</u>	<u>78,321</u>	<u>5,060,585</u>
EXPENDITURES			
Current:			
General government	283	-	283
Public safety	1,606	-	1,606
Highways and streets	3,853,329	-	3,853,329
Administration of justice	22,767	-	22,767
Capital outlay	867,910	66,118	934,028
Debt service:			
Principal	178,435	-	178,435
Interest and other charges	10,090	22,800	32,890
Total expenditures	<u>4,934,420</u>	<u>88,918</u>	<u>5,023,338</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>47,844</u>	<u>(10,597)</u>	<u>37,247</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	366,340	-	366,340
Proceeds from long-term debt	-	800,000	800,000
Proceeds from sale of assets	1,033	-	1,033
Transfers in	37,277	-	37,277
Transfers out	<u>(37,277)</u>	<u>-</u>	<u>(37,277)</u>
Total other financing sources (uses)	<u>367,373</u>	<u>800,000</u>	<u>1,167,373</u>
NET CHANGE IN FUND BALANCES	415,217	789,403	1,204,620
FUND BALANCES, BEGINNING	<u>423,964</u>	<u>-</u>	<u>423,964</u>
FUND BALANCES, ENDING	<u>\$ 839,181</u>	<u>\$ 789,403</u>	<u>\$ 1,628,584</u>

HAMILTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2008

	<u>Road and Bridge Precinct #1</u>	<u>Road and Bridge Precinct #2</u>	<u>Road and Bridge Precinct #3</u>
ASSETS			
Cash	\$ 338,570	\$ 438,140	\$ 595,480
Investments	-	-	1
Receivables (net of allowances for uncollectibles):			
Taxes	9,673	9,682	9,666
Accounts	-	-	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 348,243</u>	 <u>\$ 447,822</u>	 <u>\$ 605,147</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 17,087	\$ 16,575	\$ 11,924
Accrued liabilities	4,098	6,011	3,913
Intergovernmental payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	<u>192,777</u>	<u>161,251</u>	<u>628,825</u>
Total liabilities	<u>213,962</u>	<u>183,837</u>	<u>644,662</u>
FUND BALANCES			
Unreserved	<u>134,281</u>	<u>263,985</u>	(<u>39,515</u>)
Total fund balances	<u>134,281</u>	<u>263,985</u>	(<u>39,515</u>)
 Total liabilities and fund balances	 <u>\$ 348,243</u>	 <u>\$ 447,822</u>	 <u>\$ 605,147</u>

<u>Road and Bridge Precinct #4</u>	<u>Vital Statistics</u>	<u>County Clerk Records Management</u>	<u>Vital Statistics District Clerk</u>	<u>County Clerk Records Archive</u>	<u>Court Reporter</u>
\$ 310,023	\$ 6,750	\$ 39,164	\$ 155	\$ 22,531	\$ 9,009
1	-	-	-	-	-
9,666	-	-	-	-	-
-	28	886	34	235	15
-	-	-	-	-	-
<u>\$ 319,690</u>	<u>\$ 6,778</u>	<u>\$ 40,050</u>	<u>\$ 189</u>	<u>\$ 22,766</u>	<u>\$ 9,024</u>
\$ 19,175	\$ -	\$ -	\$ -	\$ -	\$ -
6,590	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
46,618	28	886	34	235	15
<u>72,383</u>	<u>28</u>	<u>886</u>	<u>34</u>	<u>235</u>	<u>15</u>
<u>247,307</u>	<u>6,750</u>	<u>39,164</u>	<u>155</u>	<u>22,531</u>	<u>9,009</u>
<u>247,307</u>	<u>6,750</u>	<u>39,164</u>	<u>155</u>	<u>22,531</u>	<u>9,009</u>
<u>\$ 319,690</u>	<u>\$ 6,778</u>	<u>\$ 40,050</u>	<u>\$ 189</u>	<u>\$ 22,766</u>	<u>\$ 9,024</u>

(continued)

HAMILTON COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

SEPTEMBER 30, 2008

	<u>Justice of the Peace Technology</u>	<u>County Clerk Probate</u>	<u>JP/SO Transactions</u>
ASSETS			
Cash	\$ 7,323	\$ 109	\$ 19,597
Investments	-	-	-
Receivables (net of allowances for uncollectibles):			
Taxes	-	-	-
Accounts	1,882	-	1,015
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,205</u>	<u>\$ 109</u>	<u>\$ 20,612</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Intergovernmental payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	1,882	-	1,015
Total liabilities	<u>1,882</u>	<u>-</u>	<u>1,015</u>
FUND BALANCES			
Unreserved	<u>7,323</u>	<u>109</u>	<u>19,597</u>
Total fund balances	<u>7,323</u>	<u>109</u>	<u>19,597</u>
Total liabilities and fund balances	<u>\$ 9,205</u>	<u>\$ 109</u>	<u>\$ 20,612</u>

<u>LEOSE Special</u>	<u>Law Library</u>	<u>Records Management and Preservation</u>	<u>Courthouse Security</u>	<u>District Clerk Records Management</u>	<u>Judges Judiciary</u>
\$ 6,332	\$ 22,409	\$ 9,493	\$ 59,813	\$ 4,436	\$ 6,106
-	-	-	-	-	-
-	-	-	-	-	-
-	105	25	2,319	206	-
-	-	-	-	-	-
<u>\$ 6,332</u>	<u>\$ 22,514</u>	<u>\$ 9,518</u>	<u>\$ 62,132</u>	<u>\$ 4,642</u>	<u>\$ 6,106</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	105	25	2,319	206	-
-	<u>105</u>	<u>25</u>	<u>2,319</u>	<u>206</u>	<u>-</u>
<u>6,332</u>	<u>22,409</u>	<u>9,493</u>	<u>59,813</u>	<u>4,436</u>	<u>6,106</u>
<u>6,332</u>	<u>22,409</u>	<u>9,493</u>	<u>59,813</u>	<u>4,436</u>	<u>6,106</u>
<u>\$ 6,332</u>	<u>\$ 22,514</u>	<u>\$ 9,518</u>	<u>\$ 62,132</u>	<u>\$ 4,642</u>	<u>\$ 6,106</u>

(continued)

HAMILTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
SEPTEMBER 30, 2008

	Justice Court Building Security	Sheriff Trust	VIT Escrow
ASSETS			
Cash	\$ 4,664	\$ 8,644	\$ 11,439
Investments	-	-	-
Receivables (net of allowances for uncollectibles):			
Taxes	-	-	-
Accounts	821	-	-
Intergovernmental	-	-	-
Total assets	\$ 5,485	\$ 8,644	\$ 11,439
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Intergovernmental payable	-	-	11,109
Due to other funds	-	-	-
Deferred revenue	821	-	-
Total liabilities	821	-	11,109
FUND BALANCES			
Unreserved	4,664	8,644	330
Total fund balances	4,664	8,644	330
Total liabilities and fund balances	\$ 5,485	\$ 8,644	\$ 11,439

<u>County Attorney Hot Check</u>	<u>Probation Trust</u>	<u>Justice</u>	<u>Justice Court Technology Pct. 3</u>	<u>Total Nonmajor Special Revenue</u>
\$ 3,004	\$ 2,880	\$ 1,280	\$ -	\$ 1,927,351
-	-	-	-	2
-	-	-	-	38,687
1,472	-	-	687	9,730
-	-	-	-	-
<u>\$ 4,476</u>	<u>\$ 2,880</u>	<u>\$ 1,280</u>	<u>\$ 687</u>	<u>\$ 1,975,770</u>
\$ -	\$ -	\$ -	\$ -	\$ 64,761
-	-	-	-	20,612
-	-	-	-	11,109
-	-	-	906	906
1,472	-	-	687	1,039,201
<u>1,472</u>	<u>-</u>	<u>-</u>	<u>1,593</u>	<u>1,136,589</u>
<u>3,004</u>	<u>2,880</u>	<u>1,280</u>	<u>(906)</u>	<u>839,181</u>
<u>3,004</u>	<u>2,880</u>	<u>1,280</u>	<u>(906)</u>	<u>839,181</u>
<u>\$ 4,476</u>	<u>\$ 2,880</u>	<u>\$ 1,280</u>	<u>\$ 687</u>	<u>\$ 1,975,770</u>

HAMILTON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Road and Bridge Precinct #1</u>	<u>Road and Bridge Precinct #2</u>	<u>Road and Bridge Precinct #3</u>
REVENUES			
Property taxes, penalties and interest	\$ 167,676	\$ 167,678	\$ 167,573
Intergovernmental	1,048,209	1,022,146	784,866
Fines and fees	115,125	115,124	115,124
Interest	15,039	16,699	18,053
Miscellaneous	<u>427</u>	<u>463</u>	<u>420</u>
Total revenues	<u>1,346,476</u>	<u>1,322,110</u>	<u>1,086,036</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	1,204,656	701,660	1,098,075
Administration of justice	-	-	-
Capital outlay	99,070	401,984	95,670
Debt service:			
Principal	39,509	96,898	33,438
Interest and other charges	<u>930</u>	<u>7,142</u>	<u>1,649</u>
Total expenditures	<u>1,344,165</u>	<u>1,207,684</u>	<u>1,228,832</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,311</u>	<u>114,426</u>	<u>(142,796)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	75,000	95,670	95,670
Proceeds from long-term debt	-	-	-
Proceeds from sale of assets	25,000	-	(23,967)
Transfers in	-	-	37,277
Transfers out	<u>-</u>	<u>(12,277)</u>	<u>-</u>
Total other financing sources (uses)	<u>100,000</u>	<u>83,393</u>	<u>108,980</u>
NET CHANGE IN FUND BALANCES	102,311	197,819	(33,816)
FUND BALANCES, BEGINNING	<u>31,970</u>	<u>66,166</u>	<u>(5,699)</u>
FUND BALANCES, ENDING	<u>\$ 134,281</u>	<u>\$ 263,985</u>	<u>\$(39,515)</u>

<u>Road and Bridge Precinct #4</u>	<u>Vital Statistics</u>	<u>County Clerk Records Management</u>	<u>Vital Statistics District Clerk</u>	<u>County Clerk Records Archive</u>	<u>Court Reporter</u>
\$ 167,677	\$ -	\$ -	\$ -	\$ -	\$ -
851,394	-	-	-	-	-
115,124	1,517	15,281	105	12,030	1,605
12,940	-	-	-	-	-
435	-	-	-	-	-
<u>1,147,570</u>	<u>1,517</u>	<u>15,281</u>	<u>105</u>	<u>12,030</u>	<u>1,605</u>
-	-	-	33	-	-
-	-	-	-	-	-
848,938	-	-	-	-	-
-	-	-	-	-	2,797
271,186	-	-	-	-	-
8,590	-	-	-	-	-
369	-	-	-	-	-
<u>1,129,083</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>2,797</u>
<u>18,487</u>	<u>1,517</u>	<u>15,281</u>	<u>72</u>	<u>12,030</u>	<u>(1,192)</u>
100,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
93,487	1,517	15,281	72	12,030	(1,192)
<u>153,820</u>	<u>5,233</u>	<u>23,883</u>	<u>83</u>	<u>10,501</u>	<u>10,201</u>
<u>\$ 247,307</u>	<u>\$ 6,750</u>	<u>\$ 39,164</u>	<u>\$ 155</u>	<u>\$ 22,531</u>	<u>\$ 9,009</u>

(continued)

HAMILTON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Justice of the Peace Technology</u>	<u>County Clerk Probate</u>	<u>JP/SO Transactions</u>
REVENUES			
Property taxes, penalties and interest	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Fines and fees	7,272	300	3,412
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>7,272</u>	<u>300</u>	<u>3,412</u>
EXPENDITURES			
Current:			
General government	-	250	-
Public safety	-	-	-
Highways and streets	-	-	-
Administration of justice	4,173	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>4,173</u>	<u>250</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,099</u>	<u>50</u>	<u>3,412</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	-
Proceeds from long-term debt	-	-	-
Proceeds from sale of assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,099	50	3,412
FUND BALANCES, BEGINNING	<u>4,224</u>	<u>59</u>	<u>16,185</u>
FUND BALANCES, ENDING	<u>\$ 7,323</u>	<u>\$ 109</u>	<u>\$ 19,597</u>

<u>LEOSE Special</u>	<u>Law Library</u>	<u>Records Management and Preservation</u>	<u>Courthouse Security</u>	<u>District Clerk Records Management</u>	<u>Judges Judiciary</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,521
3,142	6,475	390	11,241	2,358	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,142</u>	<u>6,475</u>	<u>390</u>	<u>11,241</u>	<u>2,358</u>	<u>1,521</u>
-	-	-	-	-	-
700	-	-	-	-	-
-	-	-	-	-	-
-	7,115	-	-	-	1,074
-	-	-	-	-	-
-	-	-	-	-	-
<u>700</u>	<u>7,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074</u>
<u>2,442</u>	<u>(640)</u>	<u>390</u>	<u>11,241</u>	<u>2,358</u>	<u>447</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,442	(640)	390	11,241	2,358	447
<u>3,890</u>	<u>23,049</u>	<u>9,103</u>	<u>48,572</u>	<u>2,078</u>	<u>5,659</u>
<u>\$ 6,332</u>	<u>\$ 22,409</u>	<u>\$ 9,493</u>	<u>\$ 59,813</u>	<u>\$ 4,436</u>	<u>\$ 6,106</u>

(continued)

HAMILTON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Justice Court Building Security</u>	<u>Sheriff Trust</u>	<u>VIT Escrow</u>
REVENUES			
Property taxes, penalties and interest	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Fines and fees	1,733	-	-
Interest	-	-	275
Miscellaneous	-	-	-
Total revenues	<u>1,733</u>	<u>-</u>	<u>275</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Administration of justice	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,733</u>	<u>-</u>	<u>275</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	-
Proceeds from long-term debt	-	-	-
Proceeds from sale of assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,733	-	275
FUND BALANCES, BEGINNING	<u>2,931</u>	<u>8,644</u>	<u>55</u>
FUND BALANCES, ENDING	<u>\$ 4,664</u>	<u>\$ 8,644</u>	<u>\$ 330</u>

<u>County Attorney Hot Check</u>	<u>Probation Trust</u>	<u>Justice</u>	<u>Justice Court Technology Pct. 3</u>	<u>Total Nonmajor Special Revenue</u>
\$ -	\$ -	\$ -	\$ -	\$ 670,604
-	-	-	-	3,708,136
10,036	-	1,260	-	538,654
-	119	-	-	63,125
-	-	-	-	1,745
<u>10,036</u>	<u>119</u>	<u>1,260</u>	<u>-</u>	<u>4,982,264</u>
-	-	-	-	283
-	-	-	906	1,606
-	-	-	-	3,853,329
7,608	-	-	-	22,767
-	-	-	-	867,910
-	-	-	-	178,435
-	-	-	-	10,090
<u>7,608</u>	<u>-</u>	<u>-</u>	<u>906</u>	<u>4,934,420</u>
<u>2,428</u>	<u>119</u>	<u>1,260</u>	<u>(906)</u>	<u>47,844</u>
-	-	-	-	366,340
-	-	-	-	-
-	-	-	-	1,033
-	-	-	-	37,277
-	-	-	-	(37,277)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,373</u>
2,428	119	1,260	(906)	415,217
<u>576</u>	<u>2,761</u>	<u>20</u>	<u>-</u>	<u>423,964</u>
<u>\$ 3,004</u>	<u>\$ 2,880</u>	<u>\$ 1,280</u>	<u>\$ (906)</u>	<u>\$ 839,181</u>

HAMILTON COUNTY, TEXAS

**ROAD AND BRIDGE, PRECINCT #1 FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Property taxes, penalties and interest	\$ 170,500	\$ 170,500	\$ 167,676	\$(2,824)
Intergovernmental	5,100	1,197,100	1,048,209	(148,891)
Fines and fees	117,000	117,000	115,125	(1,875)
Interest	7,500	7,500	15,039	7,539
Miscellaneous	-	-	427	427
Total revenues	<u>300,100</u>	<u>1,492,100</u>	<u>1,346,476</u>	<u>(145,624)</u>
EXPENDITURES				
Current:				
Highways and streets	324,562	1,429,591	1,204,656	224,935
Capital outlay	20,000	33,700	99,070	(65,370)
Debt service:				
Principal	19,297	39,509	39,509	-
Interest and other charges	879	931	930	1
Total expenditures	<u>364,738</u>	<u>1,503,731</u>	<u>1,344,165</u>	<u>159,566</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	75,000	(75,000)
Proceeds from sale of assets	1,500	1,500	25,000	(23,500)
Total other financing sources (uses)	<u>1,500</u>	<u>1,500</u>	<u>100,000</u>	<u>(98,500)</u>
NET CHANGE IN FUND BALANCES	(63,138)	(10,131)	102,311	112,442
FUND BALANCES, BEGINNING	<u>31,970</u>	<u>31,970</u>	<u>31,970</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(31,168)</u>	<u>\$ 21,839</u>	<u>\$ 134,281</u>	<u>\$ 112,442</u>

HAMILTON COUNTY, TEXAS

**ROAD AND BRIDGE, PRECINCT #2 FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes, penalties and interest	\$ 171,000	\$ 171,000	\$ 167,678	\$(3,322)
Intergovernmental	5,100	1,090,856	1,022,146	(68,710)
Fines and fees	117,000	117,000	115,124	(1,876)
Interest	7,500	7,500	16,699	9,199
Miscellaneous	-	-	463	463
Total revenues	<u>300,600</u>	<u>1,386,356</u>	<u>1,322,110</u>	<u>(64,246)</u>
EXPENDITURES				
Current:				
Highways and streets	264,886	1,098,324	701,660	396,664
Capital outlay	10,000	358,156	401,984	(43,828)
Debt service:				
Principal	22,663	71,910	96,898	(24,988)
Interest and other charges	2,493	7,145	7,142	3
Total expenditures	<u>300,042</u>	<u>1,535,535</u>	<u>1,207,684</u>	<u>327,851</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	95,670	(95,670)
Transfers out	-	-	(12,277)	12,277
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>83,393</u>	<u>(83,393)</u>
NET CHANGE IN FUND BALANCES	558	(149,179)	197,819	346,998
FUND BALANCES, BEGINNING	<u>66,166</u>	<u>66,166</u>	<u>66,166</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 66,724</u>	<u>\$(83,013)</u>	<u>\$ 263,985</u>	<u>\$ 346,998</u>

HAMILTON COUNTY, TEXAS

**ROAD AND BRIDGE, PRECINCT #3 FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Property taxes, penalties and interest	\$ 171,000	\$ 171,000	\$ 167,573	\$(3,427)
Intergovernmental	5,100	1,353,873	784,866	(569,007)
Fines and fees	117,000	117,000	115,124	(1,876)
Interest	7,500	7,500	18,053	10,553
Miscellaneous	-	-	420	420
Total revenues	<u>300,600</u>	<u>1,649,373</u>	<u>1,086,036</u>	<u>(563,337)</u>
EXPENDITURES				
Current:				
Highways and streets	299,293	1,542,957	1,098,075	444,882
Capital outlay	15,000	13,000	95,670	(82,670)
Debt service:				
Principal	22,797	60,912	33,438	27,474
Interest and other charges	1,800	5,475	1,649	3,826
Total expenditures	<u>338,890</u>	<u>1,622,344</u>	<u>1,228,832</u>	<u>393,512</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	95,670	(95,670)
Proceeds from sale of assets	1,000	1,000	(23,967)	24,967
Transfers in	-	-	37,277	(37,277)
Total other financing sources (uses)	<u>1,000</u>	<u>1,000</u>	<u>108,980</u>	<u>(107,980)</u>
NET CHANGE IN FUND BALANCES	(37,290)	28,029	(33,816)	(1,064,829)
FUND BALANCES, BEGINNING	(5,699)	(5,699)	(5,699)	-
FUND BALANCES, ENDING	<u>\$(42,989)</u>	<u>\$ 22,330</u>	<u>\$(39,515)</u>	<u>\$(61,845)</u>

HAMILTON COUNTY, TEXAS

**ROAD AND BRIDGE, PRECINCT #4 FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes, penalties and interest	\$ 171,000	\$ 171,000	\$ 167,677	\$ (3,323)
Intergovernmental	5,100	831,090	851,394	20,304
Fines and fees	117,000	117,000	115,124	(1,876)
Interest	7,500	7,500	12,940	5,440
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>435</u>	<u>(1,065)</u>
Total revenues	<u>302,100</u>	<u>1,128,090</u>	<u>1,147,570</u>	<u>19,480</u>
EXPENDITURES				
Current:				
Highways and streets	311,885	1,103,049	848,938	254,111
Capital outlay	145,000	197,162	271,186	(74,024)
Debt service:				
Principal	8,590	8,590	8,590	-
Interest and other charges	<u>370</u>	<u>370</u>	<u>369</u>	<u>1</u>
Total expenditures	<u>465,845</u>	<u>1,309,171</u>	<u>1,129,083</u>	<u>180,088</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	100,000	(100,000)
Transfers out	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>25,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>(75,000)</u>
NET CHANGE IN FUND BALANCES	(163,745)	(181,081)	93,487	(235,608)
FUND BALANCES, BEGINNING	<u>153,820</u>	<u>153,820</u>	<u>153,820</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ (9,925)</u></u>	<u><u>\$ (27,261)</u></u>	<u><u>\$ 247,307</u></u>	<u><u>\$ 274,568</u></u>

HAMILTON COUNTY, TEXAS

**VITAL STATISTICS
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and fees	\$ <u>1,600</u>	\$ <u>1,600</u>	\$ <u>1,517</u>	\$ <u>(83)</u>
Total revenues	<u>1,600</u>	<u>1,600</u>	<u>1,517</u>	<u>(83)</u>
EXPENDITURES				
Current:				
General government	<u>6,400</u>	<u>6,400</u>	<u>-</u>	<u>6,400</u>
Total expenditures	<u>6,400</u>	<u>6,400</u>	<u>-</u>	<u>6,400</u>
NET CHANGE IN FUND BALANCES	(4,800)	(4,800)	1,517	6,317
FUND BALANCES, BEGINNING	<u>5,233</u>	<u>5,233</u>	<u>5,233</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>433</u>	\$ <u>433</u>	\$ <u>6,750</u>	\$ <u>6,317</u>

HAMILTON COUNTY, TEXAS

**COUNTY CLERK RECORDS MANAGEMENT FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(Negative)</u>
REVENUES				
Fines and fees	\$ 21,000	\$ 21,000	\$ 15,281	\$(5,719)
Total revenues	<u>21,000</u>	<u>21,000</u>	<u>15,281</u>	<u>(5,719)</u>
EXPENDITURES				
Current:				
General government	<u>63,004</u>	<u>63,004</u>	<u>-</u>	<u>63,004</u>
Total expenditures	<u>63,004</u>	<u>63,004</u>	<u>-</u>	<u>63,004</u>
NET CHANGE IN FUND BALANCES	(42,004)	(42,004)	15,281	57,285
FUND BALANCES, BEGINNING	<u>23,883</u>	<u>23,883</u>	<u>23,883</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(18,121)</u>	<u>\$(18,121)</u>	<u>\$ 39,164</u>	<u>\$ 57,285</u>

HAMILTON COUNTY, TEXAS

**VITAL STATISTICS - DISTRICT CLERK FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and fees	\$ 300	\$ 300	\$ 105	\$ (195)
Total revenues	<u>300</u>	<u>300</u>	<u>105</u>	<u>(195)</u>
EXPENDITURES				
Current:				
General government	<u>700</u>	<u>700</u>	<u>33</u>	<u>667</u>
Total expenditures	<u>700</u>	<u>700</u>	<u>33</u>	<u>667</u>
NET CHANGE IN FUND BALANCES	(400)	(400)	72	472
FUND BALANCES, BEGINNING	<u>83</u>	<u>83</u>	<u>83</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ (317)</u></u>	<u><u>\$ (317)</u></u>	<u><u>\$ 155</u></u>	<u><u>\$ 472</u></u>

HAMILTON COUNTY, TEXAS
COUNTY CLERK RECORDS ARCHIVE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(Negative)</u>
REVENUES				
Fines and fees	\$ 16,700	\$ 16,700	\$ 12,030	\$(4,670)
Total revenues	<u>16,700</u>	<u>16,700</u>	<u>12,030</u>	<u>(4,670)</u>
EXPENDITURES				
Current:				
General government	<u>23,000</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
Total expenditures	<u>23,000</u>	<u>23,000</u>	<u>-</u>	<u>23,000</u>
NET CHANGE IN FUND BALANCES	(6,300)	(6,300)	12,030	18,330
FUND BALANCES, BEGINNING	<u>10,501</u>	<u>10,501</u>	<u>10,501</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4,201</u>	<u>\$ 4,201</u>	<u>\$ 22,531</u>	<u>\$ 18,330</u>

HAMILTON COUNTY, TEXAS

**COURT REPORTER FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(Negative)</u>
REVENUES				
Fines and fees	\$ 1,845	\$ 1,845	\$ 1,605	\$(240)
Total revenues	<u>1,845</u>	<u>1,845</u>	<u>1,605</u>	<u>(240)</u>
EXPENDITURES				
Current:				
Administration of justice	<u>12,200</u>	<u>12,200</u>	<u>2,797</u>	<u>9,403</u>
Total expenditures	<u>12,200</u>	<u>12,200</u>	<u>2,797</u>	<u>9,403</u>
NET CHANGE IN FUND BALANCES	(10,355)	(10,355)	(1,192)	9,163
FUND BALANCES, BEGINNING	<u>10,201</u>	<u>10,201</u>	<u>10,201</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(154)</u>	<u>\$(154)</u>	<u>\$ 9,009</u>	<u>\$ 9,163</u>

HAMILTON COUNTY, TEXAS
JUSTICE OF PEACE TECHNOLOGY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Fines and fees	\$ 7,800	\$ 7,800	\$ 7,272	\$(528)
Total revenues	<u>7,800</u>	<u>7,800</u>	<u>7,272</u>	<u>(528)</u>
EXPENDITURES				
Current:				
Administration of justice	10,000	10,000	4,173	5,827
Capital outlay	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total expenditures	<u>10,001</u>	<u>10,001</u>	<u>4,173</u>	<u>5,828</u>
NET CHANGE IN FUND BALANCES	(2,201)	(2,201)	3,099	5,300
FUND BALANCES, BEGINNING	<u>4,224</u>	<u>4,224</u>	<u>4,224</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,023</u>	<u>\$ 2,023</u>	<u>\$ 7,323</u>	<u>\$ 5,300</u>

HAMILTON COUNTY, TEXAS

**COUNTY CLERK PROBATE FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and fees	\$ <u>300</u>	\$ <u>300</u>	\$ <u>300</u>	\$ <u>-</u>
Total revenues	<u>300</u>	<u>300</u>	<u>300</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	<u>300</u>	<u>300</u>	<u>250</u>	<u>50</u>
Total expenditures	<u>300</u>	<u>300</u>	<u>250</u>	<u>50</u>
NET CHANGE IN FUND BALANCES	-	-	50	50
FUND BALANCES, BEGINNING	<u>59</u>	<u>59</u>	<u>59</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>59</u>	\$ <u>59</u>	\$ <u>109</u>	\$ <u>50</u>

HAMILTON COUNTY, TEXAS

**JP/SO TRANSACTION FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and fees	\$ 3,400	\$ 3,400	\$ 3,412	\$ 12
Total revenues	<u>3,400</u>	<u>3,400</u>	<u>3,412</u>	<u>12</u>
EXPENDITURES				
Current:				
Public safety	4,501	4,501	-	4,501
Capital outlay	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total expenditures	<u>4,502</u>	<u>4,502</u>	<u>-</u>	<u>4,502</u>
NET CHANGE IN FUND BALANCES	(1,102)	(1,102)	3,412	4,514
FUND BALANCES, BEGINNING	<u>16,185</u>	<u>16,185</u>	<u>16,185</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 15,083</u>	<u>\$ 15,083</u>	<u>\$ 19,597</u>	<u>\$ 4,514</u>

HAMILTON COUNTY, TEXAS

**LEOSE SPECIAL FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and fees	\$ <u>2,960</u>	\$ <u>2,960</u>	\$ <u>3,142</u>	\$ <u>182</u>
Total revenues	<u>2,960</u>	<u>2,960</u>	<u>3,142</u>	<u>182</u>
EXPENDITURES				
Current:				
Public safety	<u>2,960</u>	<u>2,960</u>	<u>700</u>	<u>2,260</u>
Total expenditures	<u>2,960</u>	<u>2,960</u>	<u>700</u>	<u>2,260</u>
NET CHANGE IN FUND BALANCES	-	-	2,442	2,442
FUND BALANCES, BEGINNING	<u>3,890</u>	<u>3,890</u>	<u>3,890</u>	<u>-</u>
FUND BALANCES, ENDING	\$ <u>3,890</u>	\$ <u>3,890</u>	\$ <u>6,332</u>	\$ <u>2,442</u>

HAMILTON COUNTY, TEXAS

**LAW LIBRARY FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and fees	\$ 7,340	\$ 7,340	\$ 6,475	\$(865)
Total revenues	<u>7,340</u>	<u>7,340</u>	<u>6,475</u>	<u>(865)</u>
EXPENDITURES				
Current:				
Administration of justice	<u>26,000</u>	<u>26,000</u>	<u>7,115</u>	<u>18,885</u>
Total expenditures	<u>26,000</u>	<u>26,000</u>	<u>7,115</u>	<u>18,885</u>
NET CHANGE IN FUND BALANCES	(18,660)	(18,660)	(640)	18,020
FUND BALANCES, BEGINNING	<u>23,049</u>	<u>23,049</u>	<u>23,049</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4,389</u>	<u>\$ 4,389</u>	<u>\$ 22,409</u>	<u>\$ 18,020</u>

HAMILTON COUNTY, TEXAS

**RECORDS MANAGEMENT AND PRESERVATION FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Fines and fees	\$ 1,300	\$ 1,300	\$ 390	\$(910)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>390</u>	<u>(910)</u>
EXPENDITURES				
Current:				
General government	<u>5,300</u>	<u>5,300</u>	<u>-</u>	<u>5,300</u>
Total expenditures	<u>5,300</u>	<u>5,300</u>	<u>-</u>	<u>5,300</u>
NET CHANGE IN FUND BALANCES	(4,000)	(4,000)	390	4,390
FUND BALANCES, BEGINNING	<u>9,103</u>	<u>9,103</u>	<u>9,103</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 5,103</u>	<u>\$ 5,103</u>	<u>\$ 9,493</u>	<u>\$ 4,390</u>

HAMILTON COUNTY, TEXAS

**COURTHOUSE SECURITY FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and fees	\$ 12,300	\$ 12,300	\$ 11,241	\$(1,059)
Total revenues	<u>12,300</u>	<u>12,300</u>	<u>11,241</u>	<u>(1,059)</u>
EXPENDITURES				
Current:				
General government	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
NET CHANGE IN FUND BALANCES	(47,700)	(47,700)	11,241	58,941
FUND BALANCES, BEGINNING	<u>48,572</u>	<u>48,572</u>	<u>48,572</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 872</u>	<u>\$ 872</u>	<u>\$ 59,813</u>	<u>\$ 58,941</u>

HAMILTON COUNTY, TEXAS

**DISTRICT CLERK RECORDS MANAGEMENT FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and fees	\$ <u>1,700</u>	\$ <u>1,700</u>	\$ <u>2,358</u>	\$ <u>658</u>
Total revenues	<u>1,700</u>	<u>1,700</u>	<u>2,358</u>	<u>658</u>
EXPENDITURES				
Current:				
General government	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>-</u>	<u>11,000</u>
NET CHANGE IN FUND BALANCES	(<u>9,300</u>)	(<u>9,300</u>)	<u>2,358</u>	<u>11,658</u>
FUND BALANCES, BEGINNING	<u>2,078</u>	<u>2,078</u>	<u>2,078</u>	<u>-</u>
FUND BALANCES, ENDING	\$(<u>7,222</u>)	\$(<u>7,222</u>)	\$ <u>4,436</u>	\$ <u>11,658</u>

HAMILTON COUNTY, TEXAS

**SHERIFF TRUST FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current:				
Public safety	8,600	8,600	-	8,600
Total expenditures	8,600	8,600	-	8,600
NET CHANGE IN FUND BALANCES	(8,600)	(8,600)	-	8,600
FUND BALANCES, BEGINNING	8,644	8,644	8,644	-
FUND BALANCES, ENDING	<u>\$ 44</u>	<u>\$ 44</u>	<u>\$ 8,644</u>	<u>\$ 8,600</u>

HAMILTON COUNTY, TEXAS

**VIT ESCROW FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 570	\$ 570	\$ 275	\$(295)
Total revenues	<u>570</u>	<u>570</u>	<u>275</u>	<u>(295)</u>
EXPENDITURES				
Current:				
General government	<u>570</u>	<u>570</u>	<u>-</u>	<u>570</u>
Total expenditures	<u>570</u>	<u>570</u>	<u>-</u>	<u>570</u>
NET CHANGE IN FUND BALANCES	-	-	275	275
FUND BALANCES, BEGINNING	<u>55</u>	<u>55</u>	<u>55</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 55</u>	<u>\$ 55</u>	<u>\$ 330</u>	<u>\$ 275</u>

HAMILTON COUNTY, TEXAS
COUNTY ATTORNEY HOT CHECK FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Fines and fees	\$ 7,920	\$ 7,920	\$ 10,036	\$ 2,116
Total revenues	<u>7,920</u>	<u>7,920</u>	<u>10,036</u>	<u>2,116</u>
EXPENDITURES				
Current:				
Administration of justice	<u>7,920</u>	<u>7,920</u>	<u>7,608</u>	<u>312</u>
Total expenditures	<u>7,920</u>	<u>7,920</u>	<u>7,608</u>	<u>312</u>
NET CHANGE IN FUND BALANCES	-	-	2,428	2,428
FUND BALANCES, BEGINNING	<u>576</u>	<u>576</u>	<u>576</u>	-
FUND BALANCES, ENDING	<u>\$ 576</u>	<u>\$ 576</u>	<u>\$ 3,004</u>	<u>\$ 2,428</u>

HAMILTON COUNTY, TEXAS

**PROBATION TRUST FUND
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(Negative)</u>
REVENUES				
Interest	\$ 140	\$ 140	\$ 119	\$(21)
Total revenues	<u>140</u>	<u>140</u>	<u>119</u>	<u>(21)</u>
EXPENDITURES				
Current:				
Capital outlay	<u>3,170</u>	<u>3,170</u>	<u>-</u>	<u>3,170</u>
Total expenditures	<u>3,170</u>	<u>3,170</u>	<u>-</u>	<u>3,170</u>
NET CHANGE IN FUND BALANCES	(3,030)	(3,030)	119	3,149
FUND BALANCES, BEGINNING	<u>2,761</u>	<u>2,761</u>	<u>2,761</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$(269)</u>	<u>\$(269)</u>	<u>\$ 2,880</u>	<u>\$ 3,149</u>

HAMILTON COUNTY, TEXAS

**JUSTICE
SPECIAL REVENUE FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and fees	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 1,260</u>	\$ <u> 1,260</u>
Total revenues	<u> -</u>	<u> -</u>	<u> 1,260</u>	<u> 1,260</u>
EXPENDITURES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
NET CHANGE IN FUND BALANCES	<u> -</u>	<u> -</u>	<u> 1,260</u>	<u> 1,260</u>
FUND BALANCES, BEGINNING	<u> 20</u>	<u> 20</u>	<u> 20</u>	<u> -</u>
FUND BALANCES, ENDING	\$ <u> 20</u>	\$ <u> 20</u>	\$ <u> 1,280</u>	\$ <u> 1,260</u>

HAMILTON COUNTY, TEXAS
JUSTICE COURT TECHNOLOGY PCT. 3
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Fines and fees	\$ -	\$ 2,300	\$ -	\$(2,300)
Total revenues	<u>-</u>	<u>2,300</u>	<u>-</u>	<u>(2,300)</u>
EXPENDITURES				
Current:				
Public safety	<u>-</u>	<u>3,800</u>	<u>906</u>	<u>2,894</u>
Total expenditures	<u>-</u>	<u>3,800</u>	<u>906</u>	<u>2,894</u>
NET CHANGE IN FUND BALANCES	-	(1,500)	(906)	594
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$(1,500)</u>	<u>\$(906)</u>	<u>\$ 594</u>

HAMILTON COUNTY, TEXAS

**TAX NOTE SERIES 2008
CAPITAL PROJECTS FUND**

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 11,124	\$ 71,958	\$ 60,834
Interest	-	6,000	6,363	363
Total revenues	-	17,124	78,321	61,197
EXPENDITURES				
Current:				
Capital outlay	-	13,906	66,118	(52,212)
Debt service:				
Interest and other charges	-	22,800	22,800	-
Total expenditures	-	36,706	88,918	(52,212)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	800,000	800,000
Total other financing sources (uses)	-	-	800,000	800,000
NET CHANGE IN FUND BALANCES	-	(19,582)	789,403	808,985
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	\$ -	\$ (19,582)	\$ 789,403	\$ 808,985

HAMILTON COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2008

	<u>General Liabilities</u>	<u>State Fees</u>
ASSETS		
Cash	\$ 79,472	\$ 41,416
Accounts receivable	<u>213,189</u>	<u>198,679</u>
Total assets	<u>\$ 292,661</u>	<u>\$ 240,095</u>
LIABILITIES		
Accrued liabilities	\$ 185	\$ -
Intergovernmental payable	64,437	240,095
Due to others	<u>228,039</u>	<u>-</u>
Total liabilities	<u>\$ 292,661</u>	<u>\$ 240,095</u>

<u>Child Support</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Total Agency Funds</u>
\$ 193	\$ 26,533	\$ 33,237	\$ 180,851
<u>-</u>	<u>-</u>	<u>-</u>	<u>411,868</u>
\$ <u>193</u>	\$ <u>26,533</u>	\$ <u>33,237</u>	\$ <u>592,719</u>
\$ -	\$ -	\$ -	\$ 185
-	-	-	304,532
<u>193</u>	<u>26,533</u>	<u>33,237</u>	<u>288,002</u>
\$ <u>193</u>	\$ <u>26,533</u>	\$ <u>33,237</u>	\$ <u>592,719</u>

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable County Judge and
County Commissioners of
Hamilton County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamilton County, Texas, as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Item 2008-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Hamilton County, Texas, in a separate letter dated July 24, 2009.

The County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hamilton County, Texas' response and, accordingly, we express no opinion on it.

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

Pattillo, Brown + Hill, L.L.P.

July 24, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable County Judge and
Commissioners' Court
Hamilton County, Texas

Compliance

We have audited the compliance of Hamilton County, Texas, (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of Hamilton County, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Pattillo, Brown + Hill, L.L.P.

July 24, 2009

HAMILTON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Pass-through Grantor's Number</u>	<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
	<u>U. S. Department of Homeland Security</u>		
	Passed through the Governor's Division of Emergency Management:		
N/A	Public Assistance Grants	97.036	\$ 3,369,913
	Total Passed through the Office of the Governor's Division of Emergency Management		<u>3,369,913</u>
	Total U.S. Department of Homeland Security		<u>3,369,913</u>
	Total Federal Awards		<u>\$ 3,369,913</u>

HAMILTON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of Hamilton County. The County's reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the financial statements.

HAMILTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	See Item 2008-1
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal and state awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal and state programs	\$300,000
Low risk auditee statement	The County was not classified as a low-risk auditee in the context of OMB Circular A-133
Major federal programs	Public Assistance Grants, CFDA #97.036

(continued)

HAMILTON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
YEAR ENDED SEPTEMBER 30, 2008

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

Item 2008-1

Condition: While testing credits to court fines and fees, we identified instances where credits were applied to cases without having documented approval from the judge.

Criteria: In order to prevent misappropriation of assets, adjustments to receivable accounts should be authorized by an individual whom is independent of bookkeeping and should be periodically reviewed.

Effect: It is possible for a clerk to waive fines and fees without the judge's authorization.

Cause: Waivers for fines and fees are not required to be communicated in a written format from the judge.

Recommendation: We recommend the County implement a policy that requires the judge to sign a form authorizing fine and fee waivers and to identify the dollar amount of each credit on the same form. We also recommend the County Clerk review all waivers for the appropriate authorization.

Management's Response:

Contact Person Responsible
for Corrective Action:

Anticipated Completion
Date:

Findings and Questioned Costs for Federal Awards

None

HAMILTON COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEBER 30, 2008

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

Item 2007-1

Condition: A prior period adjustment was required to record a new computer system as a capital asset and the liability for the capital lease associated with the new computer system.

Effect: Beginning net assets on the Statement of Activities was reduced by \$8,327 to \$4,804,172.

Cause: The lease for the purchase of the new computer system was not recorded in the fund financial statements as an other financing source. The capital outlay associated with this transaction was also not recorded. This prevented the lease and the capital asset from being recorded.

Recommendation: With most capital leases, no check is created at the County to purchase the capital asset. The financing agent usually pays the vendor and the capital asset is delivered to the County. This creates no transactions on the County's general ledger which makes missing the transaction very easy. Prior to closing, all agreements should be reviewed and all capital leases should be recorded on the County's general ledger. This will make sure the liability and capital assets are properly recorded in the government-wide financial statements.

Management's Response: The County will review all agreements entered into during the year and verify if any of them are capital leases. If there are capital leases present, the County will record the proper entries to the general ledger.

Current Status: The County had no unrecorded leases that were applicable to prior years. We consider this finding resolved.

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