

**BASTROP COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

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

**Singleton, Moore & Co., LLP**  
**Certified Public Accountants**

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**BASTROP COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**TABLE OF CONTENTS**

	<u>Page</u>
<u>Financial Section:</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>	
<u>Government-Wide Statements:</u>	
Statement of Net Assets	8
Statement of Activities	9
<u>Governmental Fund Financial Statements:</u>	
Balance Sheet	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	13
 <u>Fiduciary Fund Financial Statements:</u>	
Statement of Fiduciary Net Assets	14
 Notes to the Financial Statements	 15
 <u>Required Supplementary Information:</u>	
Schedule of Funding Progress for the Retirement Plan for the Employees of the County	30
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual – General Fund	31
Statement of Revenue, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual – Debt Service Fund	32
Budgetary Data	33
 <u>Combining Statements:</u>	
Combining Balance Sheet – Non-Major Governmental Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non Major Governmental Funds	40
 <u>Supplementary Information:</u>	
Schedule of Governmental Revenues by Source – General Fund – Last Five Fiscal Years	45
Schedule of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures – Last Five Fiscal Years	46
Ratio of Net General Bond Debt to Assessed Value and Net Bonded Debt Per Capita – Last Five Fiscal Years	47

**BASTROP COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

TABLE OF CONTENTS, continued

	<u>Page</u>
<u>Supplementary Information; continued</u>	
Valuation, Exemptions and Debt Obligations	48
Valuation and Funded Debt History	49
Tax Rate, Levy and Collection History	50
Ten Largest Taxpayers	51
Estimated Direct and Overlapping Debt Statement	52
General Fund Comparative Statement of Revenues and Expenditures	53
<u>Federal Awards Section:</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	55
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance and Other Matters in Accordance with OMB Circular A-133	57
Schedule of Expenditure of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	60
Schedule of Findings and Questioned Costs	61
Schedule of Status of Prior Findings	65
Corrective Action Plan	66



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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED  
SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION INCLUDING  
THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Independent Auditors' Report**

Honorable Judge and Members  
of the Commissioners Court of  
Bastrop County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bastrop County (the "County"), 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 an opinion on these financial statements based on our audit.

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

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 Bastrop County, Texas, as of September 30, 2008, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2009, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Statements 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 statements and supplementary information listed in the table of contents listed are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Singleton, Moore & Company, LLP*

Singleton, Moore & Co., LLP  
Cedar Park, Texas

May 14, 2009

**BASTROP COUNTY, TEXAS  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of Bastrop County, Texas (the “County”), discuss and analyze the County’s financial performance for the fiscal year ended September 30, 2008. Please read it in conjunction with the Independent Auditor’s Report on page 1, and the County’s financial statements, which begin on page 8.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and Statement of Activities. These provide information about the activities of the County as a whole and present a longer-term view of the County’s property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the County’s operations in more detail than the government-wide statements by providing information about the County’s most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure of County financial information presented in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the County’s individual funds.

**Reporting the County as a Whole**

The Statement of Net Assets and the Statement of Activities

The analysis of the County’s overall financial condition and operations begins on page 8. The primary purpose here is to show whether the County is better off or worse off as a result of the year’s activities. The Statement of Net Assets includes all of the County’s assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County’s operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

**BASTROP COUNTY, TEXAS**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. The County’s revenues are divided into those provided by outside parties who share the costs of some programs (charges for services and grants and contributions) and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County’s assets are reported whether they served the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County’s net assets and changes in them. The County’s net assets provide one measure of the County’s financial health, or financial position. Over time, increases or decreases in the County’s net assets are one indicator of whether its financial health is improving or deteriorating.

To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County’s property tax base and the condition of the County’s facilities.

In the Statement of Net Assets and the Statement of Activities, we report the following types of activities:

- Governmental activities – All of the County’s basic services are reported here. Property and sales taxes and state and federal grants finance most of these activities.

**Reporting the County’s Most Significant Funds**

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. Laws and contracts required the County to establish some funds, such as grants. The County’s administration establishes other funds to help it control and manage money for particular purposes. The County reports the following types of funds:

- Governmental funds – All of the County’s basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County’s general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

**BASTROP COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**The County as Trustee**

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, for money held on behalf of others. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 14. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its operations. The County is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net assets and changes in net assets of the County's governmental activities.

- Net assets of the County's governmental activities increased by \$1,113,937, from \$42,966,691 to \$44,080,528.
- Governmental activity expenditures increased by \$3,559,117.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, were \$17,103,013 at September 30, 2008.

**Table A-1  
Summary of Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 23,858,062	\$ 27,196,801
Capital and Non-Current Assets	58,513,181	57,001,177
Total Assets	82,371,243	84,197,978
<b>Liabilities</b>		
Current Liabilities	1,938,869	4,098,536
Long-Term Liabilities	36,351,846	37,132,751
Total Liabilities	38,290,715	41,231,287
<b>Net Assets</b>		
Invested in Capital Assets, net of related debt	22,161,335	19,128,232
Restricted	4,816,180	9,254,129
Unrestricted	17,103,013	15,584,330
Total Net Assets	\$ 44,080,528	\$ 43,966,691



**BASTROP COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table A-2  
Summary of Changes in Net Assets**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 8,366,053	\$ 7,741,871
Operating Grants and Contributions	593,757	549,051
General Revenues:		
Maintenance and Operations Taxes	19,303,546	18,200,304
Debt Service Taxes	3,138,803	3,403,069
Other Taxes	2,430,554	2,338,898
Other Grants and Contributions	1,202,002	-
Penalty and Interest	480,561	494,151
Miscellaneous Revenue	1,302,133	413,535
Investment Earnings	<u>741,368</u>	<u>1,674,759</u>
Total Revenues	<u>37,558,777</u>	<u>34,815,638</u>
<b>Expenses</b>		
General Government	11,588,677	10,164,104
Public Safety	13,665,685	11,016,747
Health and Welfare	2,771,797	3,380,984
Highways and Streets	5,741,714	6,487,412
Culture and Recreation	1,118,488	165,722
Bond Interest and Issuance Costs	<u>1,664,524</u>	<u>1,776,799</u>
Total Expenses	<u>36,550,885</u>	<u>32,991,768</u>
Gain (Loss) on Sale of Assets	105,945	(65,517)
<b>Change in Net Assets</b>	<u>1,113,837</u>	<u>1,758,353</u>
Beginning Net Assets	42,966,691	21,455,744
Prior Period Adjustment	<u>-</u>	<u>19,752,594</u>
Ending Net Assets	<u>\$ 44,080,528</u>	<u>\$ 42,966,691</u>

**THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$18,781,743 which is \$2,863,746 less than last year's total of \$21,645,489. This decrease was primarily the result of continued expenditures on capital projects during the year.

**BASTROP COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2008, the County had approximately \$58.5 million invested in a broad range of capital assets, including land, infrastructure, buildings, and machinery and equipment.

	Governmental Activities	
	2008	2007
Land	\$ 4,670,349	\$ 4,670,349
Infrastructure	38,982,981	36,830,496
Buildings	30,125,428	18,977,384
Machinery and Equipment	13,152,022	12,603,066
Construction in Progress	<u>837,274</u>	<u>9,638,810</u>
Total	<u>87,768,054</u>	<u>82,720,105</u>
Less Accumulated Depreciation	<u>(29,254,873)</u>	<u>(25,718,929)</u>
Total, net of Accumulated Depr.	<u>\$ 58,513,181</u>	<u>\$ 57,001,176</u>

**Long-term Debt**

At year-end, the County had outstanding bonds, leases, and compensated absence payable of approximately \$36.8 million, a net decrease of approximately \$2.28 million, or 5.8%. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

**Table A-4  
Long-Term Debt**

	Governmental Activities	
	2008	2007
Bonds Payable	\$ 36,095,000	\$ 37,960,000
Bonds Issuance Premium	67,842	71,833
Capital Leases Payable	189,004	61,878
Compensated Absences	<u>432,225</u>	<u>965,918</u>
Total	<u>\$ 36,784,071</u>	<u>\$ 39,059,629</u>

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, contact the Bastrop County Auditor, Attention: Lisa Smith, 804 Pecan, Bastrop, Texas, 78602.

BASTROP COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 9,193,640
Investments - Current	9,785,875
Receivables (net of allowance for uncollectibles)	4,477,191
Internal Balances	113,176
Prepaid Items	82,131
Deferred Charges	206,049
Capital Assets:	
Land	4,670,349
Infrastructure, net	25,540,189
Buildings, net	22,472,806
Machinery and Equipment, net	4,992,563
Construction in Progress	837,274
Total Assets	82,371,243
<b>LIABILITIES</b>	
Accounts Payable	1,440,254
Intergovernmental Payable	41,967
Accrued Interest Payable	456,648
Noncurrent Liabilities	
Due Within One Year	2,156,407
Due in More Than One Year	34,195,439
Total Liabilities	38,290,715
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	22,161,335
Restricted for:	
Restricted for Debt Service	1,136,419
Restricted for Other Purposes	3,679,761
Unrestricted Net Assets	17,103,013
Total Net Assets	\$ 44,080,528

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

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

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 11,588,677	\$ 5,341,853	\$ 191,388	\$ (6,055,436)
Public Safety	13,665,685	2,510,652	398,996	(10,756,037)
Health and Sanitation	2,771,797	513,548	3,373	(2,254,876)
Road and Bridge	5,741,714	-	-	(5,741,714)
Recreation	1,112,286	-	-	(1,112,286)
Conservation and Development	6,202	-	-	(6,202)
Bond Interest	1,649,806	-	-	(1,649,806)
Issuance Costs	14,718	-	-	(14,718)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 36,550,885</b>	<b>\$ 8,366,053</b>	<b>\$ 593,757</b>	<b>(27,591,075)</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				19,303,546
Property Taxes, Levied for Debt Service				3,138,803
Sales Taxes				2,327,196
Selective Sales and Use Tax				103,358
Penalty and Interest				480,561
Grants and Contributions Not Restricted				1,202,002
Miscellaneous Revenue				1,302,133
Investment Earnings				741,468
Sale of Property				105,945
Total General Revenues and Transfers				28,705,012
Change in Net Assets				1,113,937
Net Assets--Beginning				42,966,591
Net Assets--Ending				\$ 44,080,528

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

BASTROP COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

EXHIBIT C-1

	General Fund	Certificates of Obligation 2006	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,916,042	\$ 684,761	\$ 4,592,837	\$ 9,193,640
Investments - Current	6,363,968	2,328,453	1,093,454	9,785,875
Taxes Receivable	2,583,393	-	1,106,219	3,689,612
Allowance for Uncollectible Taxes (credit)	(65,849)	-	(37,881)	(103,730)
Intergovernmental Receivables	268,496	-	-	268,496
Due from Other Funds	662,001	-	68,482	730,483
Prepaid Items	82,131	-	-	82,131
<b>Total Assets</b>	<b>\$ 13,810,182</b>	<b>\$ 3,013,214</b>	<b>\$ 6,823,111</b>	<b>\$ 23,646,507</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 683,794	\$ 181,000	\$ 139,392	\$ 1,004,186
Intergovernmental Payable	41,967	-	-	41,967
Due to Other Funds	250,064	150,582	216,661	617,307
Due to Others	-	-	3,845	3,845
Deferred Revenues	2,129,121	-	1,068,338	3,197,459
<b>Total Liabilities</b>	<b>3,104,946</b>	<b>331,582</b>	<b>1,428,236</b>	<b>4,864,764</b>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service	-	-	1,136,419	1,136,419
Capital Projects	-	2,681,632	5,252	2,686,884
Specific Purpose	992,877	-	-	992,877
<b>Unreserved and Undesignated:</b>				
Reported in the General Fund	9,712,359	-	-	9,712,359
Reported in the Special Revenue Fund	-	-	4,253,204	4,253,204
<b>Total Fund Balances</b>	<b>10,705,236</b>	<b>2,681,632</b>	<b>5,394,875</b>	<b>18,781,743</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,810,182</b>	<b>\$ 3,013,214</b>	<b>\$ 6,823,111</b>	<b>\$ 23,646,507</b>

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

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

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	18,781,743
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$82,720,105 and the accumulated depreciation was \$25,718,929. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		18,979,298
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		6,559,647
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(3,535,944)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		3,295,783
<b>Net Assets of Governmental Activities</b>	<u>\$</u>	<u>44,080,527</u>

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

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

	General Fund	Certificates of Obligation 2006	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 14,856,553	\$ -	\$ 7,812,610	\$ 22,669,163
General Sales and Use Taxes	2,327,196	-	-	2,327,196
Selective Sales and Use Tax	103,358	-	-	103,358
Penalty and Interest on Taxes	393,439	-	87,122	480,561
Licenses and Permits	543,821	-	1,293,230	1,837,051
Intergovernmental Revenue and Grants	752,364	-	601,608	1,353,972
Charges for Services	4,255,625	-	1,210,267	5,465,892
Fines	1,016,229	-	46,883	1,063,112
Forfeits	16,178	-	44,691	60,869
Investment Earnings	366,325	147,616	227,527	741,468
Contributions & Donations from Private Sources	334,896	-	106,891	441,787
Other Revenue	585,359	-	227,262	812,621
Total Revenues	25,551,343	147,616	11,658,091	37,357,050
<b>EXPENDITURES:</b>				
Current:				
General Government	10,848,219	-	108,675	10,956,894
Public Safety	11,547,336	-	1,025,992	12,573,328
Health, Sanitation and Welfare	2,503,665	-	-	2,503,665
Road and Bridge	-	-	6,014,211	6,014,211
Culture and Recreation:				
Recreation	149,061	-	855,627	1,004,688
Conservation and Development	-	-	5,602	5,602
Debt Service:				
Bond Principal	-	-	1,926,878	1,926,878
Bond Interest	-	-	1,656,807	1,656,807
Capital Outlay:				
Capital Outlay	-	3,084,288	789,384	3,873,672
Total Expenditures	25,048,281	3,084,288	12,383,176	40,515,745
Excess (Deficiency) of Revenues Over (Under) Expenditures	503,062	(2,936,672)	(725,085)	(3,158,695)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	105,945	-	-	105,945
Proceeds from Capital Leases	-	-	189,004	189,004
Total Other Financing Sources (Uses)	105,945	-	189,004	294,949
Net Change in Fund Balances	609,007	(2,936,672)	(536,081)	(2,863,746)
Fund Balance - October 1 (Beginning)	10,096,229	5,618,304	5,930,956	21,645,489
Fund Balance - September 30 (Ending)	\$ 10,705,236	\$ 2,681,632	\$ 5,394,875	\$ 18,781,743

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

BASTROP COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(2,863,746)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.		7,304,800
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(3,535,944)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		208,827
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>1,113,937</u></b>

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



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

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EXHIBIT E-1

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	Agency Funds
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ASSETS	
Cash and Cash Equivalents	\$ 2,893,062
Investments - Current	321,322
Total Assets	<u>\$ 3,214,384</u>
LIABILITIES	
Intergovernmental Payable	\$ 1,293,683
Due to Other Funds	113,177
Due to Others	1,734,490
Other Current Liabilities	73,034
Total Liabilities	<u>\$ 3,214,384</u>

The accompanying notes are an integral part of this statement.

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

Bastrop, County, Texas (the “County”) was incorporated under the provisions of the State of Texas in 1836. The County operates as a County Judge/Commissioners’ Court type of government as provided for by state statute. The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (highways and streets), sanitation, health and welfare (indigent health care), conservation and development and general administration services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the County’s financial statements include all funds, account groups, agencies, boards, commissions and other organizations over which the County is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the County is such that exclusion would cause the County’s financial statements to be misleading or incomplete.

Based on the foregoing criteria, the following entity has been included in this report.

***Bastrop County Road District No. 3*** – The Bastrop County Road District No. 3 was organized in 1986 for the improvement of road and infrastructure in a certain geographical area of the County, financed by Unlimited Tax Road Bonds to be paid by special assessment taxes in the area served. The Road District’s Board of Directors consists of the Commissioners’ Court of Bastrop County. The activity of the Road District is accounted for in a special revenue fund of Bastrop County.

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

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the County’s nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support. The County has no business-type activities.

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

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

Interfund activities between governmental funds and proprietary funds appear as due to/from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the Government-Wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The County considers them “available” if they will be collected within 60 days of the end of the fiscal year.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometime require the County to refund all or part of the unused amount.

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

**D. FUND ACCOUNTING**

The County reports the following major governmental funds:

General Fund

The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Certificates of Obligation, 2006

The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital assets acquisitions are accounted for in the Certificates of Obligation, 2006 Fund.

Additionally, the County reports the following fund types:

Non-Major Governmental Funds:

Special Revenue Funds

The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund. Most Federal and State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund

The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Funds

The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

Agency Funds

The County accounts for resources held for others in a custodial capacity in agency funds.

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**E. OTHER ACCOUNTING POLICIES**

1. Revenue from investments, including governmental external investment pools, is based upon fair values. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt instruments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days. Investments consist of certificates of deposits (over 90 days) and funds invested in a State-managed investment pool and are stated at fair value.
2. In the government-wide financial statements and the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuances costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld or not withheld from actual debt proceeds received, are reported as debt service expenditures.

3. The County allows employees to accumulate unused sick leave up to a maximum of 20 days. Upon retirement or termination, employees are paid all of their accrued sick leave. All employees are allowed to accumulate unused vacation time up to a maximum of 18 months. Upon retirement or termination, the employee is paid for accumulated, unpaid vacation at their then current rate of pay. All vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for examples, as a result of employee retirement or termination.
4. Capital assets include land, infrastructure, buildings, machinery and equipment and construction in progress are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

<u>Assets</u>	<u>Years</u>
Infrastructure	40
Buildings and Improvements	39
Machinery and Equipment	3-30

5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
6. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

At September 30, 2008, the carrying amount of the County's deposits (cash, interest-bearing savings accounts, and certificates of deposit included in temporary investments) was \$12,408,024 and the bank balance was \$12,014,929.

The Public Funds Investment Act (government Code Chapter 2256) contains specific provisions in the areas of investment management reports and establishment for appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County's investments at September 30, 2008 were as follows:

	<u>Book Value</u>	<u>Bank Value</u>
TexPool	\$ 7,421,202	\$ 7,421,202
Texas Term	1,239,365	1,239,365
MBIA (Class)	<u>1,125,308</u>	<u>1,125,308</u>
Total Investments	<u>\$ 9,785,874</u>	<u>\$ 9,785,875</u>

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In Addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is comprised equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

The TexasTERM Local Government Investment Pool was organized under a common investment contract on September 18, 2000. An elected Advisory Board is responsible for the overall management of the Pool, including formation and implementation of its investment and operating policies. The Pool is a non-taxable investment fund established for local governments in Texas under the provisions of the Texas Interlocal Cooperation Act. The Pool offers two investment portfolios including TexasTERM and TexasDAILY. TexasTERM portfolio and TexasDAILY portfolio are rated AAf and AAAM, respectively by Standard and Poor's and are overseen by the TexasTERM and Advisory Board. The TexasTERM Local Government Investment Pool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Ernst & Young, LLP, Two Commerce Square, 2001 Market Street, Philadelphia, PA 19103 performs the annual audit. The 2008 annual report is available for review.

MBIA Municipal Investors Service Corp. (MBIA-MISC), an affiliate of the MBIA Insurance Corp. is registered with the SEC. The District participates in the Cooperative Liquid Assets Securities System (CLASS) external investment pools (the Pool) for state and local governments, which conform to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Custodial services are provided by Wells Fargo Bank, Texas. The Pool is subject to an annual review by an independent auditor consistent with the Public Funds Investment Act. Price Waterhouse Coopers, New York, New York, performs the annual..

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2008 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form; therefore, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.



**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2008, TexPool's investment credit quality rating was AAAM (Standard & Poor's) and LOGIC's investment credit quality rating was AAAM (Standard & Poor's).

**B. PROPERTY TAXES**

Property taxes attach as liens on property, as of January 1. Taxes are levied on October 1 and become delinquent on February 1.

The assessed value for the tax roll as of January 1, 2008, upon which the 2008 levy was based was \$3,651,069,927. The County also levies a Farm-to-Market and Lateral Road Tax (FMLR) and a tax upon property within Bastrop County Road District No. 3. The assessed value for the FMLR tax at January 1, 2008, was \$3,616,768,347. The assessed value for the Bastrop County Road District No. 3 was \$12,761,996. The total tax levies on October 1, 2007, were \$17,954,279 (allocated \$14,838,127 to the General Fund and \$3,116,152 to the Debt Service Fund), \$4,524,135 for FMLR taxes, and \$39,894 for Bastrop County Road District No. 3 taxes, respectively.

The appraisal of property within the County is the responsibility of the countywide Bastrop County Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed at least every five years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

**C. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2008, were as follows:

	Property and Sales Taxes	Due From Other Governments	Due From Other Funds	Total Receivables
<b>Governmental Activities:</b>				
General Fund	\$ 2,583,393	\$ 268,496	\$ 662,001	\$ 3,513,890
Non-Major Governmental Funds	1,106,219	-	68,482	1,174,701
Total – Governmental Activities	<u>\$ 3,689,612</u>	<u>\$ 268,496</u>	<u>\$ 730,483</u>	<u>\$ 4,688,591</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 103,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,730</u>

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

Payables at September 30, 2008, were as follows:

	Accounts Payable	Intergovern- mental Payable	Due to Other Funds	Total
<b>Governmental Activities:</b>				
General Fund	\$ 683,794	\$ 41,967	\$ 250,064	\$ 975,825
Certificates of Obl. - 2006	181,000	-	150,582	331,582
Non-Major Governmental Funds	139,392	-	216,661	356,053
Total – Governmental Activities	<u>\$ 1,004,186</u>	<u>\$ 41,967</u>	<u>\$ 617,307</u>	<u>\$ 1,663,460</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**D. INTERFUND BALANCES AND ACTIVITY**

	<b>Due From</b>	<b>Due To</b>
General Fund		
General Fund	\$ 213,368	\$ 213,368
Due from 2006 C of O	128,600	-
Non-Major Governmental Funds	206,856	-
Agency Funds	113,177	-
Total General Fund	<u>662,001</u>	<u>213,368</u>
2006 Cert. of Oblig.		
General Fund	-	128,600
Non-Major Governmental Funds	-	21,983
Total Cert. of Oblig. - 2006	<u>-</u>	<u>150,582</u>
Non-Major Gov. Funds		
General Fund	46,499	253,356
Non-Major Governmental Funds	21,983	-
Total Non-Major Gov. Funds	<u>68,482</u>	<u>253,356</u>
Agency Funds		
General Fund	-	113,177
Total Agency Funds	<u>-</u>	<u>113,177</u>
Totals	<u>\$ 730,483</u>	<u>\$ 730,483</u>

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**E. CAPITAL ASSET ACTIVITY**

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

	Balance October 1, 2007	Additions	Retirements	Balance September 30, 2008
<b>Governmental Activities:</b>				
Non-depreciable Assets				
Land	\$ 4,670,349	\$ -	\$ -	\$ 4,670,349
Construction in Progress	9,638,810	817,482	9,619,018	837,274
Total Non-depreciable Assets	14,309,159	817,482	9,619,018	5,507,623
Depreciable Assets:				
Infrastructure	36,830,496	2,152,485	-	38,982,981
Buildings	18,977,384	11,148,044	-	30,125,428
Machinery and Equipment	12,603,066	548,956	-	13,152,022
Total Depreciable Assets	68,410,946	13,849,485	-	82,260,431
Totals at Historic Cost	82,720,105	14,666,967	9,619,018	87,768,054
Less Accumulated Depreciation:				
Infrastructure	(11,883,579)	(1,559,213)	-	(13,442,792)
Buildings and Improvements	(6,961,848)	(690,774)	-	(7,652,622)
Machinery and Equipment	(6,873,502)	(1,285,957)	-	(8,159,459)
Total Accumulated Depreciation	(25,718,929)	(3,535,944)	-	(29,254,873)
Capital Assets, Net	\$ 57,001,177	\$ 11,131,022	\$ 9,619,018	\$ 58,513,180

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,173,437
Road & Bridge	642,147
Public Safety	1,344,031
Culture & Recreation	107,598
Health & Welfare	268,131
Conservation	600
	<u>\$ 3,535,944</u>

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**F. BONDS AND CAPITAL LEASES PAYABLE**

Current requirements for indebtedness of the County are accounted for in the Debt Service Fund.

The following is a summary of long-term debt as of September 30, 2008:

<u>Issue Description</u>	<u>Original Balance</u>	<u>Interest Rate Range %</u>	<u>Maturity Dates</u>	<u>Outstanding Balance</u>
<b>Bonds</b>				
1987 Unlimited Tax Road Bonds	\$ 400,000	9.00-10.00%	1987-2024	\$ 180,000
1999A Combination Tax & Revenue Certificates of Obligation	4,075,000	4.50-5.25%	1999-2019	2,845,000
1999B Certificates of Obligation	1,690,000	4.50-5.25%	1999-2019	1,240,000
2002 Tax Notes	455,000	3.60-4.375%	2002-2009	75,000
2002A Certificates of Obligation	7,270,000	4.25-5.00%	2002-2023	6,735,000
2002B Certificates of Obligation	1,525,000	4.25-5.50%	2002-2016	1,410,000
2003 Combination Tax & Revenue Certificates of Obligation	5,800,000	3.00-4.00%	2003-2023	5,240,000
2003 Limited Tax Refunding Bonds	3,680,000	3.50%	2008-2025	345,000
2005 Combination Tax & Revenue Certificates of Obligation	9,500,000	4.00-4.5%	2008-2025	9,145,000
2006 Combination Tax & Revenue Certificates of Obligation	9,500,000	4.00-4.75%	2007-2024	8,880,000
Total Bonds Payable				<u>\$ 36,095,000</u>

Debt service requirements for the bonds are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2009	\$ 2,090,000	\$ 1,178,623	\$ 3,268,623
2010	1,880,000	1,478,236	3,358,236
2011	1,840,000	1,394,166	3,234,166
2012	2,125,000	1,310,240	3,435,240
2013	2,420,000	1,215,824	3,635,824
2014-2018	11,485,000	4,548,098	16,033,098
2019-2023	10,920,000	2,188,234	13,108,234
2024-2026	3,335,000	243,830	3,578,830
	<u>\$ 36,095,000</u>	<u>\$ 13,557,251</u>	<u>\$ 49,652,251</u>

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

The County has entered into a capital lease for the purchase of heavy equipment and vehicles. The agreement meets the criteria of a capital lease.

The assets acquired under the current capital lease are as follows:

Machinery and Equipment                      \$ 218,444

Debt service requirements for the capital leases payable are as follows:

Governmental Activities			
Capital Leases			
Year Ended			Total
September 30,	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2009	\$ 66,407	\$ 6,408	\$ 72,815
2010	69,035	3,780	72,815
2011	<u>53,562</u>	<u>1,048</u>	<u>54,610</u>
Totals	<u>\$ 189,004</u>	<u>\$ 11,236</u>	<u>\$ 200,240</u>

A summary of changes in long-term debt for the year ended September 30, 2008 is as follows:

	Beginning Balance 10/1/2007	Additions	Retirements	Ending Balance 9/30/2008	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 37,960,000	\$ -	1,865,000	\$ 36,095,000	\$ 2,090,000
Capital Leases Payable	<u>61,878</u>	<u>189,004</u>	<u>61,878</u>	<u>189,004</u>	<u>66,407</u>
Total Bonds, Notes and Leases Payable	38,021,878	189,004	1,926,878	36,284,004	2,156,407
Issuance Premium on 2006 Certificates of Obligation	71,833	-	3,991	67,842	
Compensated Absences	965,918	-	533,694	432,225	-
Totals	<u><u>39,059,629</u></u>	<u><u>189,004</u></u>	<u><u>2,464,563</u></u>	<u><u>36,784,071</u></u>	<u><u>2,156,407</u></u>

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**G. EMPLOYEE RETIREMENT SYSTEMS**

Plan Description

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

The plan provisions are adopted by the governing body of the County, 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, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 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 the County.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provision of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County's contribution is based on the actuarially determined rate of 9.66% for the months of the accounting year in 2007 and 9.23% for the months of the accounting year in 2008.

The contribution rate payable by the employee members for the calendar year 2008 is the rate of 7.0% as adopted by the Commissioners' Court. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted was limited by statute to what the actuary determined could be adequately financed by the commitment of the employer to contribute the same amount as the employees. The statute specified that the actuary's determination be based on a maximum period for amortizing the unfunded pension benefit obligation of 20 years.

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

Annual Pension Cost

For the County's accounting year ending September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$1,457,635 and the actual contributions were \$1,457,635. The County's total payroll for the fiscal year ending September 30, 2008 was \$15,656,028, and the County's contributions were based on a covered payroll of \$15,618,338. Employer and employee contributions for the year were made as required and are detailed below. Employee contributions may include the purchase of credits for military or legislative service or the buyback of previously forfeited service credit. There were not related-party transactions.

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

Actuarial Information

Actuarial Valuation Date	12/31/2005	12/31/2006	12/31/07
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level percentage of payroll, open	level percentage of payroll, closed	level percentage of payroll, closed
Amortization Period in Years	20	15	15
Asset Valuation Method	long-term appr. with adjustment	SAF: 10-yr smoothed val. ESF: Fund value	SAF: 10-yr smoothed val ESF: Fund value
Assumptions:			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.30%	5.30%	5.30%
Inflation	3.50%	3.50%	3.50%
Cost of Living Adjustments	0.00%	0.00%	0.00%

Trend Information

For the Retirement Plan for the Employees of Bastrop County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2006	\$ 1,148,441	100%	\$ -
9/20/2007	1,075,959	100%	-
9/30/2008	1,457,635	100%	-

**BASTROP COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**H. CONTINGENCIES**

The County has contingent liabilities with respect to pending claims and litigation that, in the opinion of the County, are not material and the possibility of an unfavorable outcome is remote. The ultimate effect, if any, that such litigation may have on the future financial position of the County is not presently determinable.

**I. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; and omissions; and natural disasters for which it carries commercial insurance. The County uses various commercial carriers to insure against these risks. Settled claims did not exceed the coverage for any of the past three fiscal years.



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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll c	UAAL as a Percentage of covered Payroll ((b-a)/c)
12/31/2005	\$24,123,071	\$27,145,768	\$ 3,022,697	88.86%	\$ 12,369,400	24.44%
12/31/2006	28,207,470	30,432,760	2,225,290	92.69%	13,034,513	17.07%
12/31/2007	30,789,277	32,695,100	1,905,823	94.17%	15,618,338	12.20%

BASTROP COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT G-2

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 15,025,000	\$ 14,865,000	\$ 14,856,553	\$ (8,447)
General Sales and Use Taxes	2,300,000	2,300,000	2,327,196	27,196
Selective Sales and Use Tax	80,000	80,000	103,358	23,358
Penalty and Interest on Taxes	395,000	371,000	393,439	22,439
Licenses and Permits	522,500	487,500	543,821	56,321
Intergovernmental Revenue and Grants	479,237	578,237	752,364	174,127
Charges for Services	4,597,450	3,852,450	4,255,625	403,175
Fines	1,048,500	958,500	1,016,229	57,729
Forfeits	5,000	16,000	16,178	178
Investment Earnings	525,000	345,000	366,325	21,325
Contributions & Donations from Private Sources	290,600	290,600	334,896	44,296
Other Revenue	644,000	644,000	585,359	(58,641)
Total Revenues	25,912,287	24,788,287	25,551,343	763,056
<b>EXPENDITURES:</b>				
Current:				
General Government	11,026,594	10,978,719	10,848,219	130,500
Public Safety	12,581,758	11,597,132	11,547,336	49,796
Health, Sanitation and Welfare	2,625,163	2,548,163	2,503,665	44,498
Culture and Recreation:				
Recreation	164,573	164,573	149,061	15,512
Conservation and Development	71,200	5,700	-	5,700
Total Expenditures	26,469,288	25,294,287	25,048,281	246,006
Excess (Deficiency) of Revenues Over (Under) Expenditures	(557,001)	(506,000)	503,062	1,009,062
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	182,000	106,000	105,945	(55)
Other Resources	400,000	400,000	-	(400,000)
Total Other Financing Sources (Uses)	582,000	506,000	105,945	(400,055)
Net Change in Fund Balances	24,999	-	609,007	609,007
Fund Balance - October 1 (Beginning)	10,096,229	10,096,229	10,096,229	-
Fund Balance - September 30 (Ending)	\$ 10,121,228	\$ 10,096,229	\$ 10,705,236	\$ 609,007

BASTROP COUNTY, TEXAS EXHIBIT G-3  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SINKING AND INTEREST FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 3,356,658	\$ 3,356,658	\$ 3,129,614	\$ (227,044)
Penalty and Interest on Taxes	80,000	80,000	87,122	7,122
Investment Earnings	50,000	50,000	51,826	1,826
Total Revenues	<u>3,486,658</u>	<u>3,486,658</u>	<u>3,268,562</u>	<u>(218,096)</u>
<b>EXPENDITURES:</b>				
Current:				
Debt Service:				
Bond Principal	1,840,000	1,840,000	1,840,000	-
Bond Interest	1,646,658	1,646,658	1,635,768	10,890
Total Expenditures	<u>3,486,658</u>	<u>3,486,658</u>	<u>3,475,768</u>	<u>10,890</u>
Change in Fund Balance	-	-	(207,206)	(207,206)
Fund Balance - October 1 (Beginning)	<u>1,343,625</u>	<u>1,343,625</u>	<u>1,343,625</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,343,625</u>	<u>\$ 1,343,625</u>	<u>\$ 1,136,419</u>	<u>\$ (207,206)</u>

The accompanying notes are an integral part of this statement.

## **BASTROP COUNTY, TEXAS BUDGETARY DATA NOTES**

### **A. GENERAL BUDGET POLICIES**

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

- The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures for the succeeding year and delivers the proposed budget, including the general revenue sharing budget, to Commissioners' Court, which makes any necessary modifications.
- The Commissioners' Court holds budget sessions with each department head.
- The Commissioners' Court holds budget hearings for the public.
- The Commissioners' Court formally adopts the budget in an open court meeting.
- The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.

The formally adopted budget may be legally amended by commissioners in accordance with Article 689A-11 or 689A-20 of Vernon's Annotate Civil Statutes.

An appropriations resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The county maintains its legal level of budgetary control at the department level. Amendments to the 2008 budget were approved by the Commissioners' Court as provided by law.

Unencumbered appropriations lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

### **B. ENCUMBRANCES**

As part of formal budgetary control over governmental funds, purchase order, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures for the governmental funds.

### **C. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts and disbursements.

**BASTROP COUNTY, TEXAS  
BUDGETARY DATA NOTES**

The major differences between the budget basis and the GAAP basis are:

- Revenues are recorded when received (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash or encumbered (budget) as opposed to reservation of fund balance (GAAP).
- Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to reservation of fund balance (GAAP).
- As budgetary/GAAP basis differences were immaterial; the Budgetary Comparison Schedule – General Fund is presented on the GAAP basis.

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

	221 Road & Bridge Pct. 1	222 Road & Bridge Pct. 2	223 Road & Bridge Pct. 3	224 Road & Bridge Pct. 4
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 415,311	\$ 179,976	\$ 288,921	\$ 1,166,214
Investments - Current	228,580	63,235	228,210	573,117
Taxes Receivable	122,029	211,945	173,410	134,874
Allowance for Uncollectible Taxes (credit)	(3,661)	(6,358)	(5,202)	(4,046)
Due from Other Funds	-	21,983	-	-
Total Assets	<u>\$ 762,259</u>	<u>\$ 470,781</u>	<u>\$ 685,339</u>	<u>\$ 1,870,159</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 40,561	\$ 22,190	\$ 678	\$ 75,963
Due to Other Funds	67,128	32,884	7,845	100,301
Due to Others	-	-	-	-
Deferred Revenues	118,368	205,587	168,208	130,828
Total Liabilities	<u>226,057</u>	<u>260,661</u>	<u>176,731</u>	<u>307,092</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	536,202	210,120	508,608	1,563,067
Total Fund Balances	<u>536,202</u>	<u>210,120</u>	<u>508,608</u>	<u>1,563,067</u>
Total Liabilities and Fund Balances	<u>\$ 762,259</u>	<u>\$ 470,781</u>	<u>\$ 685,339</u>	<u>\$ 1,870,159</u>

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

EXHIBIT H-1 (Cont'd)

225 Special Paving & Bridge Fund	250 Parks and Community Development	335 Mediation Services Fund	350 DA Hot Check Fund	351 DA Special Account	450 Road District #3 Fund	475 Houston Toad Fund	480 Boot Camp Fund
\$ 2,416	\$ 273,885	\$ 45,593	\$ 135,715	\$ 11,990	\$ 11,027	\$ 107,519	\$ 72,191
-	-	-	-	-	-	-	-
-	-	-	-	-	29,348	-	-
-	-	-	-	-	(5,576)	-	-
-	-	-	-	-	7,603	-	38,896
<u>\$ 2,416</u>	<u>\$ 273,885</u>	<u>\$ 45,593</u>	<u>\$ 135,715</u>	<u>\$ 11,990</u>	<u>\$ 42,402</u>	<u>\$ 107,519</u>	<u>\$ 111,087</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,200	-	-	-	-	-	-
-	-	-	3,845	-	-	-	-
-	-	-	-	-	23,772	-	-
<u>-</u>	<u>2,200</u>	<u>-</u>	<u>3,845</u>	<u>-</u>	<u>23,772</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,416</u>	<u>271,685</u>	<u>45,593</u>	<u>131,870</u>	<u>11,990</u>	<u>18,630</u>	<u>107,519</u>	<u>111,087</u>
<u>2,416</u>	<u>271,685</u>	<u>45,593</u>	<u>131,870</u>	<u>11,990</u>	<u>18,630</u>	<u>107,519</u>	<u>111,087</u>
<u>\$ 2,416</u>	<u>\$ 273,885</u>	<u>\$ 45,593</u>	<u>\$ 135,715</u>	<u>\$ 11,990</u>	<u>\$ 42,402</u>	<u>\$ 107,519</u>	<u>\$ 111,087</u>

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

	500 Law Library Fund	550 Criminal Justice Planning	606 DA Law Enforcement Fund	609 Sheriff's Inmate Telephone
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 114,887	\$ 263,801	\$ 157,694	\$ 99,069
Investments - Current	-	-	-	-
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 114,887</u>	<u>\$ 263,801</u>	<u>\$ 157,694</u>	<u>\$ 99,069</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	21	6,282
Due to Others	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>21</u>	<u>6,282</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	114,887	263,801	157,673	92,787
Total Fund Balances	<u>114,887</u>	<u>263,801</u>	<u>157,673</u>	<u>92,787</u>
Total Liabilities and Fund Balances	<u>\$ 114,887</u>	<u>\$ 263,801</u>	<u>\$ 157,694</u>	<u>\$ 99,069</u>

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



EXHIBIT H-1 (Cont'd)

629 Elections Admin. Fund	Total Nonmajor Special Revenue Funds	325 Debt Service Fund	298 Courthouse Construction Retainage	300 Certificates of Obligation 2002A	305 Certificates of Obligation 2002B	306 Tax Notes 2002	307 Certificates of Obligation 2003
\$ 105,269	\$ 3,451,478	\$ 1,136,107	\$ -	\$ -	\$ 324	\$ 23	\$ -
-	1,093,142	312	-	-	-	-	-
-	671,606	434,613	-	-	-	-	-
-	(24,843)	(13,038)	-	-	-	-	-
-	68,482	-	-	-	-	-	-
<u>\$ 105,269</u>	<u>\$ 5,259,865</u>	<u>\$ 1,557,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324</u>	<u>\$ 23</u>	<u>\$ -</u>
\$ -	\$ 139,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	216,661	-	-	-	-	-	-
-	3,845	-	-	-	-	-	-
-	646,763	421,575	-	-	-	-	-
-	1,006,661	421,575	-	-	-	-	-
-	-	1,136,419	-	-	-	-	-
-	-	-	-	-	324	23	-
105,269	4,253,204	-	-	-	-	-	-
<u>105,269</u>	<u>4,253,204</u>	<u>1,136,419</u>	<u>-</u>	<u>-</u>	<u>324</u>	<u>23</u>	<u>-</u>
<u>\$ 105,269</u>	<u>\$ 5,259,865</u>	<u>\$ 1,557,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324</u>	<u>\$ 23</u>	<u>\$ -</u>

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

	308 Certificates of Obligation 2005	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,905	\$ 4,592,837
Investments - Current	-	1,093,454
Taxes Receivable	-	1,106,219
Allowance for Uncollectible Taxes (credit)	-	(37,881)
Due from Other Funds	-	68,482
Total Assets	\$ 4,905	\$ 6,823,111
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ -	\$ 139,392
Due to Other Funds	-	216,661
Due to Others	-	3,845
Deferred Revenues	-	1,068,338
Total Liabilities	-	1,428,236
Fund Balances:		
Reserved For:		
Debt Service	-	1,136,419
Capital Projects	4,905	5,252
Unreserved and Undesignated:		
Reported in the Special Revenue Fund	-	4,253,204
Total Fund Balances	4,905	5,394,875
Total Liabilities and Fund Balances	\$ 4,905	\$ 6,823,111

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

BASTROP COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	221 Road & Bridge Pct. 1	222 Road & Bridge Pct. 2	223 Road & Bridge Pct. 3	224 Road & Bridge Pct. 4
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 886,203	\$ 1,542,889	\$ 1,226,134	\$ 982,659
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	321,858	324,087	319,300	320,554
Intergovernmental Revenue and Grants	12,902	12,902	12,902	12,902
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	19,377	13,267	20,717	45,682
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	48,177	23,398	1,295	19,196
Total Revenues	<u>1,288,517</u>	<u>1,916,543</u>	<u>1,580,348</u>	<u>1,380,993</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Road and Bridge	1,427,770	1,996,614	1,564,783	1,024,267
Culture and Recreation:				
Recreation	-	-	-	-
Conservation and Development	-	-	-	-
Debt Service:				
Bond Principal	-	61,878	-	-
Bond Interest	-	1,789	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,427,770</u>	<u>2,060,281</u>	<u>1,564,783</u>	<u>1,024,267</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(139,253)</u>	<u>(143,738)</u>	<u>15,565</u>	<u>356,726</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Capital Leases	189,004	-	-	-
Total Other Financing Sources (Uses)	<u>189,004</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	49,751	(143,738)	15,565	356,726
Fund Balance - October 1 (Beginning)	<u>486,451</u>	<u>353,858</u>	<u>493,043</u>	<u>1,206,341</u>
Fund Balance - September 30 (Ending)	<u>\$ 536,202</u>	<u>\$ 210,120</u>	<u>\$ 508,608</u>	<u>\$ 1,563,067</u>

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

225 Special Paving & Bridge Fund	250 Parks and Community Development	335 Mediation Services Fund	350 DA Hot Check Fund	351 DA Special Account	450 Road District #3 Fund	475 Houston Toad Fund	480 Boot Camp Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,111	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	550,000	-	-	-	-	-	-
-	-	10,125	27,787	22,967	-	-	197,877
-	-	-	-	-	-	-	-
-	-	1,183	527	-	869	24	1,821
-	-	-	-	-	-	106,891	-
-	-	-	-	-	-	-	(414)
-	550,000	11,308	28,314	22,967	45,980	106,915	199,284
-	-	8,242	15,248	40,101	-	-	-
-	-	-	-	-	-	-	151,361
-	-	-	-	-	777	-	-
-	855,627	-	-	-	-	-	-
-	5,602	-	-	-	-	-	-
-	-	-	-	-	25,000	-	-
-	-	-	-	-	19,250	-	-
-	-	-	7,491	-	-	-	-
-	861,229	8,242	22,739	40,101	45,027	-	151,361
-	(311,229)	3,066	5,575	(17,134)	953	106,915	47,923
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(311,229)	3,066	5,575	(17,134)	953	106,915	47,923
2,416	582,914	42,527	126,295	29,124	17,677	604	63,164
\$ 2,416	\$ 271,685	\$ 45,593	\$ 131,870	\$ 11,990	\$ 18,630	\$ 107,519	\$ 111,087

BASTROP COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	500 Law Library Fund	550 Criminal Justice Planning	606 DA Law Enforcement Fund	609 Sheriff's Inmate Telephone
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	7,431	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	657,384	-	239,114
Fines	-	46,883	-	-
Forfeits	-	-	44,691	-
Investment Earnings	3,206	4,567	52,366	1,906
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	39,690	91,865	-	-
Total Revenues	<u>42,896</u>	<u>808,130</u>	<u>97,057</u>	<u>241,020</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	45,084	-	-	-
Public Safety	-	721,470	4,928	148,233
Road and Bridge	-	-	-	-
Culture and Recreation:				
Recreation	-	-	-	-
Conservation and Development	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>45,084</u>	<u>721,470</u>	<u>4,928</u>	<u>148,233</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,188)</u>	<u>86,660</u>	<u>92,129</u>	<u>92,787</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Capital Leases	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,188)	86,660	92,129	92,787
Fund Balance - October 1 (Beginning)	<u>117,075</u>	<u>177,141</u>	<u>65,544</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 114,887</u>	<u>\$ 263,801</u>	<u>\$ 157,673</u>	<u>\$ 92,787</u>

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

629 Elections Admin. Fund	Total Nonmajor Special Revenue Funds	325 Debt Service Fund	298 Courthouse Construction Retainage	300 Certificates of Obligation 2002A	305 Certificates of Obligation 2002B	306 Tax Notes 2002	307 Certificates of Obligation 2003
\$ -	\$ 4,682,996	\$ 3,129,614	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	87,122	-	-	-	-	-
-	1,293,230	-	-	-	-	-	-
-	601,608	-	-	-	-	-	-
55,013	1,210,267	-	-	-	-	-	-
-	46,883	-	-	-	-	-	-
-	44,691	-	-	-	-	-	-
1,401	166,913	51,826	-	357	12	-	-
-	106,891	-	-	-	-	-	-
2,893	226,100	-	1,162	-	-	-	-
59,307	8,379,579	3,268,562	1,162	357	12	-	-
-	108,675	-	-	-	-	-	-
-	1,025,992	-	-	-	-	-	-
-	6,014,211	-	-	-	-	-	-
-	855,627	-	-	-	-	-	-
-	5,602	-	-	-	-	-	-
-	86,878	1,840,000	-	-	-	-	-
-	21,039	1,635,768	-	-	-	-	-
-	7,491	-	-	-	-	-	51
-	8,125,515	3,475,768	-	-	-	-	51
59,307	254,064	(207,206)	1,162	357	12	-	(51)
-	189,004	-	-	-	-	-	-
-	189,004	-	-	-	-	-	-
59,307	443,068	(207,206)	1,162	357	12	-	(51)
45,962	3,810,136	1,343,625	(1,162)	(357)	312	23	51
\$ 105,269	\$ 4,253,204	\$ 1,136,419	\$ -	\$ -	\$ 324	\$ 23	\$ -

BASTROP COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	308 Certificates of Obligation 2005	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
Taxes:		
Property Taxes	\$ -	\$ 7,812,610
Penalty and Interest on Taxes	-	87,122
Licenses and Permits	-	1,293,230
Intergovernmental Revenue and Grants	-	601,608
Charges for Services	-	1,210,267
Fines	-	46,883
Forfeits	-	44,691
Investment Earnings	8,419	227,527
Contributions & Donations from Private Sources	-	106,891
Other Revenue	-	227,262
Total Revenues	<u>8,419</u>	<u>11,658,091</u>
<b>EXPENDITURES:</b>		
Current:		
General Government	-	108,675
Public Safety	-	1,025,992
Road and Bridge	-	6,014,211
Culture and Recreation:		
Recreation	-	855,627
Conservation and Development	-	5,602
Debt Service:		
Bond Principal	-	1,926,878
Bond Interest	-	1,656,807
Capital Outlay:		
Capital Outlay	<u>781,842</u>	<u>789,384</u>
Total Expenditures	<u>781,842</u>	<u>12,383,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(773,423)</u>	<u>(725,085)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Proceeds from Capital Leases	-	189,004
Total Other Financing Sources (Uses)	<u>-</u>	<u>189,004</u>
Net Change in Fund Balance	(773,423)	(536,081)
Fund Balance - October 1 (Beginning)	<u>778,328</u>	<u>5,930,956</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,905</u>	<u>\$ 5,394,875</u>

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

**BASTROP COUNTY, TEXAS**  
**SCHEDULE OF GOVERNMENTAL REVENUES BY SOURCE - GENERAL FUND**  
**LAST FIVE FISCAL YEARS**  
**(Unaudited)**

Fiscal Year	Taxes	Charges/Fees for Services	Inter- Governmental	Fines & Forfeits	Interest	Miscellaneous	Totals
2004	\$13,723,745	\$ 2,455,060	\$ 476,593	\$ 1,010,952	\$ 220,374	\$ 753,862	\$18,640,586
2005	15,449,380	3,384,140	442,722	1,036,401	232,466	901,772	21,446,881
2006	15,679,245	2,630,985	800,039	1,087,579	477,070	1,328,076	22,002,994
2007	16,578,181	3,496,666	439,667	1,114,177	769,601	1,144,836	23,543,128
2008	17,680,546	4,799,446	752,364	1,032,407	366,325	920,255	25,551,343



**BASTROP COUNTY, TEXAS**  
**SCHEDULE OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL**  
**BONDED DEBT TO TOTAL GENERAL EXPENDITURES**  
**LAST FIVE FISCAL YEARS**  
**(Unaudited)**

Fiscal Year	Principal	Interest	Debt Service	Total General Expenditures	Ratio of Total Debt Service to General Expenditures
2004	\$ 1,357,000	\$ 1,137,070	\$ 2,494,070	\$ 18,648,301	13.37%
2005	1,525,000	1,033,278	2,558,278	19,356,485	13.22%
2006	1,815,000	1,482,193	3,297,193	20,656,427	15.96%
2007	1,670,000	1,724,046	3,394,046	21,575,421	15.73%
2008	1,865,000	1,655,018	3,520,018	25,048,281	14.05%

**BASTROP COUNTY, TEXAS**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED**  
**VALUE AND NET BONDED DEBT PER CAPITA**  
**LAST FIVE FISCAL YEARS**  
**(Unaudited)**

Fiscal Year	Assessed Value	Bonded Debt	Less: Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value
2004	\$ 2,929,383,081	\$ 23,740,000	\$ 762,200	\$ 22,977,800	0.78%
2005	2,991,951,875	31,465,000	836,696	30,628,304	1.02%
2006	3,224,808,212	39,630,000	1,115,641	38,514,359	1.19%
2007	3,443,472,539	37,755,000	1,343,625	36,411,375	1.06%
2008	3,616,768,347	35,915,000	1,136,419	34,778,581	0.96%

Note: Debt financed and paid for in the Bastrop County Road District No. 3 Special Revenue Fund is not included in the above figures.

**BASTROP COUNTY, TEXAS  
VALUATION, EXEMPTIONS AND  
DEBT OBLIGATIONS  
SEPTEMBER 30, 2008  
(Unaudited)**

2007 Taxable Assessed Valuation (100% of estimated market value)	<u>\$ 3,616,768,347</u>
County Funded Debt Payable from Ad Valorem Taxes (as of 9/30/08):	
Certificates of Obligation - 1999A	2,845,000
Certificates of Obligation - 1999B	1,240,000
Tax Notes 2002	75,000
Certificates of Obligation - 2002A	6,735,000
Certificates of Obligation - 2002B	1,410,000
Certificates of Obligation - 2003	5,240,000
Limited Tax Refunding Bonds - 2003	345,000
Certificates of Obligation - 2005	9,145,000
Certificates of Obligation - 2006	<u>8,880,000</u>
Funded Debt Payable from Ad Valorem Taxes	<u>\$ 35,915,000</u>
Interest and Sinking Fund (as of 9/30/08)	<u>\$ 1,136,419</u>
Ratio of Funded Debt to Taxable Assessed Valuation	<u>0.99%</u>

Note: Debt financed and paid for in the Bastrop County Road District No.3 Special Revenue Fund is not included in the above figures.

**BASTROP COUNTY, TEXAS  
VALUATION AND FUNDED  
DEBT HISTORY  
SEPTEMBER 30, 2008  
(Unaudited)**

2008 Estimated Population - 72,248  
Per Capita Assessed Valuation - \$50,060  
Per Capita Funded Debt - \$481  
Land Area - 890 Square Miles

Fiscal Year Ended 9/30	Taxable Assessed Valuation	* Funded Debt Outstanding at End of Year	Ratio Funded Debt to Taxable Assessed Valuation
1989	\$ 1,053,848,903	\$ 8,725,000	0.83%
1990	989,006,882	8,540,000	0.86%
1991	932,958,441	8,330,000	0.89%
1992	951,792,471	8,050,000	0.85%
1993	914,983,108	9,255,000	1.01%
1994	922,867,695	8,785,000	0.95%
1995	1,012,333,193	8,335,000	0.82%
1996	1,071,100,804	7,850,000	0.73%
1997	1,290,007,525	7,750,000	0.60%
1998	1,439,225,538	7,140,000	0.50%
1999	1,530,344,447	14,650,000	0.96%
2000	1,692,712,600	13,700,000	0.81%
2001	1,934,033,379	12,245,000	0.63%
2002	2,328,086,351	20,590,000	0.88%
2003	2,717,093,763	25,125,000	0.92%
2004	2,929,383,081	23,740,000	0.81%
2005	2,991,951,875	31,465,000	1.05%
2006	3,224,808,212	39,400,000	1.22%
2007	3,443,472,539	37,755,000	1.10%
2008	3,616,768,347	35,915,000	0.99%

\*Does not include Bastrop County Road District #3 Unlimited Tax Road Bonds in the amount of \$180,000.

**BASTROP COUNTY, TEXAS  
TAX RATE, LEVY AND  
COLLECTION HISTORY  
SEPTEMBER 30, 2008  
(Unaudited)**

Fiscal Year Ended 9/30	Tax Rate	Road and Bridge	General Fund	Interest and Sinking Fund	Tax Levy (1)	% Current Collections	% Total Collections
1989	\$ 0.3986	\$ 0.1081	\$ 0.2136	\$ 0.0769	\$ 3,061,431	85.15%	91.67%
1990	0.4340	0.1182	0.2364	0.0794	3,123,284	89.71%	99.21%
1991	0.5186	0.1370	0.2746	0.1070	3,560,169	87.99%	99.40%
1992	0.5186	0.1376	0.2936	0.0874	3,626,329	90.39%	98.05%
1993	0.5367	0.1434	0.3060	0.0873	3,598,629	91.20%	99.85%
1994	0.5817	0.1370	0.3574	0.0873	4,103,993	90.85%	96.99%
1995	0.5809	0.1481	0.3508	0.0820	4,381,378	92.86%	98.93%
1996	0.6042	0.1414	0.3750	0.0878	4,957,055	95.33%	101.20%
1997	0.5734	0.1259	0.3783	0.0692	5,772,784	92.84%	98.71%
1998	0.5900	0.1200	0.4102	0.0698	6,764,360	93.55%	99.00%
1999	0.5817	0.1150	0.4161	0.0506	7,121,344	93.08%	105.71%
2000	0.6441	0.1216	0.4161	0.1064	8,865,303	94.48%	100.00%
2001	0.5990	0.1110	0.4018	0.0862	11,317,388	94.21%	100.00%
2002	0.5850	0.1109	0.3951	0.0790	13,314,049	94.15%	100.00%
2003	0.6061	0.1135	0.4098	0.0828	16,261,624	93.79%	100.91%
2004	0.6061	0.1145	0.4037	0.0879	17,261,513	92.98%	96.79%
2005	0.6334	0.1158	0.4364	0.0812	15,869,982	93.73%	98.98%
2006	0.6383	0.1230	0.4080	0.1073	20,502,571	95.16%	99.91%
2007	0.6283	0.1250	0.4036	0.0997	21,140,762	96.85%	101.65%
2008	0.6192	0.1260	0.4076	0.0856	22,478,414	96.05%	100.52%

(1) Does not include the Bastrop County Road District No. 3 Levy

**BASTROP COUNTY, TEXAS  
TEN LARGEST TAXPAYERS  
SEPTEMBER 30, 2008**

Name of Taxpayer	Nature of Property	2008 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Gentex Power Corp.	Electric Utility	\$ 117,387,950	2.99%
Bastrop Energy Partners, LP	Electric Utility	85,487,457	2.18%
LCRA Transmission Services Corp.	Electric Transmission	29,094,920	0.74%
Acme Brick Co.	Brick Manufacturer	26,634,323	0.68%
Flint Hills Resources	Commercial	22,655,860	0.58%
Southwestern Bell Telephone	Telephone Utility	22,091,120	0.56%
Bluebonnet Electric Coop., Inc.	Electric Utility	20,039,033	0.51%
Hanson Brick	Brick Manufacturer	17,859,150	0.46%
AT&T Mobility	Telephone Utility	17,241,800	0.44%
Union Pacific	Railroad	16,400,768	0.42%
		\$ 374,892,381	9.56%

**BASTROP COUNTY, TEXAS**  
**ESTIMATED DIRECT AND OVERLAPPING DEBT STATEMENT**  
**SEPTEMBER 30, 2008**  
**(Unaudited)**

Other taxing units that have boundaries which overlap the County have outstanding debt paid from ad valorem taxes levied on property within the County. These taxing units are independent of the County and may incur borrowing to finance their expenditures. The following statement of direct and estimated overlapping ad valorem bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated below, and such entities may have programs requiring the future issuance of substantial amounts of additional bonds, the amounts of which cannot be determined. The following table reflects the estimated share of overlapping funded debt of these various taxing bodies.

Political Subdivision	Outstanding Tax Supported Gross Debt	As of	Estimated % Overlapping	Amount Overlapping
Bastrop County Road District #3	\$ 150,000	9/30/08	100.00%	\$ 150,000
Bastrop County MUD #1	1,960,000	9/30/08	100.00%	1,960,000
Bastrop, City of	26,045,000	9/30/08	100.00%	26,045,000
Elgin, City of	14,973,000	9/30/08	83.13%	12,447,055
Bastrop ISD	147,641,626	9/30/08	100.00%	147,641,626
McDade ISD	1,235,000	9/30/08	100.00%	1,235,000
Elgin ISD	81,567,694	9/30/08	75.63%	61,689,647
Lexington ISD	2,954,133	9/30/08	0.44%	12,998
Smithville, City of	8,640,000	9/30/08	100.00%	8,640,000
Smithville ISD	15,139,991	9/30/08	97.57%	14,772,089
				<u>274,593,415</u>
 Bastrop County	 35,915,000	 9/30/08	 100.00%	 <u>35,915,000</u>
Total Direct and Overlapping Debt				<u>\$ 310,508,415</u>
 Ratio of Direct and Overlapping Funded Debt to 2008 Taxable Assessed Valuation				 8.59%
Per Capita Overlapping Funded Debt				<u>\$ 4,298</u>

**BASTROP COUNTY, TEXAS**  
**GENERAL FUND COMPARATIVE STATEMENT OF**  
**REVENUES AND EXPENDITURES**  
**SEPTEMBER 30, 2008**  
**(UNAUDITED)**

	Fiscal Year Ended September 30,				
	2008	2007	2006	2005	2004
Total Undesignated Fund Balance at Beginning of Year	\$ 9,581,224	\$ 7,644,711	\$ 6,289,491	\$ 4,637,839	\$ 4,571,319
<u>Revenues</u>					
Taxes	17,680,546	16,578,181	15,679,245	15,449,380	13,723,745
Intergovernmental	752,364	439,667	800,039	442,722	476,593
Charges for Services	4,799,446	3,496,666	2,630,985	3,384,140	2,455,060
Fines and Forfeits	1,032,407	1,114,177	1,087,579	1,034,604	1,010,952
Miscellaneous	1,392,525	1,914,437	1,805,146	1,136,035	974,236
Total Revenues	<u>25,657,288</u>	<u>23,543,128</u>	<u>22,002,994</u>	<u>21,446,881</u>	<u>18,640,586</u>
<u>Expenditures</u>					
General Government	10,848,221	9,031,383	9,311,162	8,490,087	6,123,990
Public Safety	11,547,336	9,354,474	9,131,541	8,753,861	10,066,846
Conservation	-	-	-	-	110,235
Health and Welfare	2,503,665	3,042,419	2,075,121	1,987,048	1,916,647
Culture and Recreation	149,061	147,145	-	-	-
Miscellaneous	-	-	135,603	125,489	430,583
Total Expenditures	<u>25,048,283</u>	<u>21,575,421</u>	<u>20,653,427</u>	<u>19,356,485</u>	<u>18,648,301</u>
Excess (Deficit) Revenues Over Expenditures	<u>609,005</u>	<u>1,967,707</u>	<u>1,349,567</u>	<u>2,090,396</u>	<u>(7,715)</u>
Interfund Transfers	-	-	-	-	74,228
Prior Period Adjustments	-	-	-	-	-
Total Revenue and Fund Balance at End of Year	<u>\$ 10,190,229</u>	<u>\$ 9,612,418</u>	<u>\$ 7,639,058</u>	<u>\$ 6,728,235</u>	<u>\$ 4,637,832</u>



	Fiscal Year Ended September 30,				
	2003	2002	2001	2000	1999
Total Undesignated Fund Balance at Beginning of Year	\$ 3,783,314	\$ 3,670,261	\$ 3,214,415	\$ 2,201,995	\$ 2,101,216
<u>Revenues</u>					
Taxes	13,127,786	10,912,798	9,290,054	8,526,248	7,527,640
Intergovernmental	1,070,055	894,075	904,227	584,564	817,887
Charges for Services	2,606,534	2,343,059	3,101,860	3,253,308	2,804,740
Fines and Forfeits	1,779,440	1,489,762	689,381	582,676	466,753
Miscellaneous	368,943	153,194	759,177	1,201,733	1,132,197
Total Revenues	18,952,758	15,792,888	14,744,699	14,148,529	12,749,217
<u>Expenditures</u>					
General Government	6,688,420	5,830,863	6,999,771	5,203,428	4,417,848
Public Safety	9,411,425	8,351,299	6,158,491	6,495,433	7,210,527
Conservation	105,910	-	-	151,616	134,057
Health and Welfare	1,592,153	1,199,731	994,560	1,023,853	880,135
Culture and Recreation	-	-	-	-	-
Miscellaneous	350,171	402,359	199,822	261,779	-
Total Expenditures	18,148,079	15,784,252	14,352,644	13,136,109	12,642,567
Excess (Deficit) Revenues Over Expenditures	804,679	8,636	392,055	1,012,420	106,650
Interfund Transfers	(16,666)	169,610	63,791	-	-
Prior Period Adjustments	-	(97,397)	-	-	(5,871)
Total Revenue and Fund Balance at End of Year	\$ 4,571,327	\$ 3,751,110	\$ 3,670,261	\$ 3,214,415	\$ 2,201,995



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

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

We have audited the financial statements of Bastrop County, Texas (the "County") as of and for the year ended September 30, 2008, and have issued our report thereon dated May 14, 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.

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

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

Our consideration of internal control over financial reporting was for the limited purposed described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did note however some conditions present in the County's internal controls over financial reporting that are deemed to be significant deficiencies and which have been reported in the Schedule of Findings and Questioned Costs section of this report.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bastrop County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

*Singleton, Moore & Company, LLP*

Singleton, Moore & Co., LLP  
Cedar Park, Texas

May 14, 2009



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

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

Compliance

We have audited the compliance of Bastrop County, Texas (the "County") 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 that 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 of 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 the County 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 of 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 a 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 for the information of the County's administration, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

*Singleton, Moore & Company, LLP*

Singleton, Moore & Co., LLP  
Cedar Park, Texas

May 14, 2009

**BASTROP COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Homeland Security</u></b>			
<b><u>Passed through Governor's Division of Emergency Mgmt.</u></b>			
Homeland Security Grant Program	97.067	2007-GE-T7-0024	\$ 249,453
Homeland Security Grant Program	97.042	2008-EM-E8-0013	30,000
Total Passed through Governor's Division of Emergency Mgmt.			<u>279,453</u>
Total Passed through Governor's Division of Emergency Mgmt.			<u>279,453</u>
Total U.S. Department of Homeland Security			<u>279,453</u>
<b><u>U.S. Department of Justice</u></b>			
<b><u>Direct Programs</u></b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0921	17,986
Family Crisis Center Grant	16.590	2005-WE-AX-0018	171,032
Total Direct Programs			<u>189,018</u>
Total U.S. Department of Justice			<u>189,018</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b><u>Passed through Texas State Office of Rural Community Affairs</u></b>			
Community Development Block Grant	14.228	Contract No. 727040	127,592
Community Development Block Grant	14.228	Contract No. 727125	34,000
Total Passed through Texas State Office of Rural Com. Affairs			<u>161,592</u>
Total U.S. Office of Rural Community Affairs			<u>161,592</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 630,063</u></u>

BASTROP COUNTY, TEXAS  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. For all Federal programs, the County uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund, which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

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

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes      None reported

Noncompliance material to financial statements noted?      Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?      Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?      Yes   X   None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?      Yes   X   No

Identification of major program(s): Homeland Security Grant Program, CFDA# 97.067, passed through the Governor’s Division of Emergency Management.

**Section II – Financial Statement Findings**

2008-1 Bank Reconciliations

It is an important control over cash that the bank accounts are reconciled to the General Ledger each month. During the fiscal year, bank account reconciliations were prepared, however, the accounts were not always completely reconciled. We noted that in several different months of the year, the bank reconciliations were unable to be balanced, and the unidentified variance was simply recorded to a miscellaneous account. Failing to completely reconcile the bank accounts does not provide the County with assurance that bank errors, improperly recorded transactions, or fraud issues have not occurred. Also, if troublesome variances in the bank reconciliations are not investigated promptly, over time they can build up to a significant amount that is even more difficult to reconcile later.



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

2008-1 Bank Reconciliations (continued)

We are required to classify this condition, as well as each one that follows, as a *control deficiency*, a *significant control deficiency*, or a *material weakness*. We have classified this condition as a *significant control deficiency* over cash. We recommend that the County implement procedures to ensure that shortly after the end of each month, each bank account is completely reconciled.

2008-2 Due To / Due From Accounts

The County is required under Governmental Accounting Standards to practice *fund accounting* whereby certain resources and activities are accounted for in separate accounting units called *funds*. The County practices fund accounting and operates approximately 50 different *funds*. With the practice of fund accounting, it is common, for efficiency reasons, to have the General Fund process and pay most bills on behalf of the other funds of the organization and receive cash reimbursement later. It is also a common practice to utilize a Payroll Clearing Fund to handle the processing and paying of all payroll transactions.

While these practices contribute to efficiency in processing the County's payments to employees and vendors, they unfortunately result in a more complicated set of transaction flows in the accounting system. Inter-fund "I.O.U.'s", known as "Due To / Due From" balances, are continually being created and paid off throughout each month of the fiscal year. These accounts must be monitored closely to ensure that they are in balance at all times throughout the year, i.e. – all funds reporting they are *owed* money net with all funds reporting they *owe* money.

During our review of the Due To / Due From accounts during the audit, we noted that they were not in balance and did not appear to have been monitored regularly during the year. Extensive analysis time was required during the audit to bring these accounts into balance. We recommend that the County implement procedures to ensure that the Due To / Due From accounts are checked monthly to verify that they are in balance.

We have determined this condition to be a *significant control deficiency*.

2008-3 Accounts Payable

The County operates a software package called INCODE for all of its accounting functions, including the Accounts Payable function that handles payment of County bills and invoices. The INCODE system can generate a report called an "Open Items Report" to provide a detailed listing of all outstanding bills and invoices that are pending payment as of a given date. This Open Items Report should always agree to the total amount reported for Accounts Payable on the County's books, or "General Ledger".

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

2008-3 Accounts Payable (Continued)

We noted during the audit that there were significant variances between the Accounts Payable total per the Open Items Report and the Accounts Payable total per the General Ledger. Investigation and resolution of this variance during the audit required an extensive amount of analysis. We recommend that the County implement procedures to ensure that the Open Items Report is balanced to the General Ledger each month to enable causes of variances to be investigated as they arise.

We have determined this condition to be a *control deficiency*.

2008-4 Capital Assets

The County currently has in place a \$5,000 capitalization policy. This policy dictates that any individual item that is valued at \$5,000 or more with an estimated useful life of greater than one year gets recorded as an asset and depreciated over its useful life expectancy (hereafter "capitalized"). Items not meeting the \$5,000 criteria are intended to not be recorded as assets and are expensed in the year of purchase, and therefore not depreciated.

We noted during the testing of capital assets that the County does not currently have in place a procedure to identify and record separately purchases of items that meet the \$5,000 capitalization policy. Without this procedure in place assets that should be capitalized are comingled within the same expenditure accounts as items that are not intended to be capitalized. During our audit procedures, we reviewed and assembled assets that met the \$5,000 capitalization policy. This however is an internal accounting activity that would more appropriately be conducted on a monthly basis throughout the year. We recommend that the County implement procedures to ensure that capital assets are identified and coded appropriately at the time of purchase as well as tracked on a supporting schedule that would facilitate the County's external reporting of capital asset activity.

We have determined this condition to be a *control deficiency*.

2008-5 Old Outstanding Checks

We noted that many old outstanding checks, some over one year old, are being carried on monthly bank reconciliations. This causes additional time to be spent by personnel to reconcile the bank accounts each month. We recommend that checks that are over one year old be investigated and removed from the bank reconciliation and that the original transaction be reversed. Research should be done periodically to eliminate large numbers of old checks being carried from month to month.

We have determined this condition to be a *control deficiency*.

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

2008-6 Credit Card Charges

Standard internal controls over credit card charges, due to their inherent risk of being used for unauthorized charges, call for all individual charges appearing on the credit card statements to be supported with a detailed receipt or invoice to clearly substantiate and identify the charge appearing on the card.

We noted during our review of credit card statements that receipts are not consistently present to support the charges made on the credit cards. While we did note that charges appeared to be for legitimate and reasonable County business, we recommend that the County implement procedures to ensure that all receipts are turned in by users of the County's credit cards for purchases.

We have determined this condition to be a *control deficiency*.

**Section III – Federal Award Findings and Questioned Costs**

None.

**BASTROP COUNTY, TEXAS  
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

There were no prior year audit findings.

**BASTROP COUNTY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

The financial statement findings from the Schedule of Findings and Questioned Costs section of this report are restated here along with proposed corrective actions for each item.

2008-1 Bank Reconciliations

It is an important control over cash that the bank accounts are reconciled to the General Ledger each month. During the fiscal year, bank account reconciliations were prepared, however, the accounts were not always completely reconciled. We noted that in several different months of the year, the bank reconciliations were unable to be balanced, and the unidentified variance was simply recorded to a miscellaneous account. Failing to completely reconcile the bank accounts does not provide the County with assurance that bank errors, improperly recorded transactions, or fraud issues have not occurred. Also, if troublesome variances in the bank reconciliations are not investigated promptly, over time they can build up to a significant amount that is even more difficult to reconcile later.

Corrective Action Planned:

Bank Reconciliations are prepared by the Bastrop County Treasurer's office. The County Treasurer is in agreement that the bank reconciliation process is a critical internal control in preventing bank errors, improperly recorded transactions, and in detecting potential fraud issues. The County Treasurer has agreed that each month the Bank Reconciliations will be completed in a timely manner and that all variances will be thoroughly investigated, resolved, and posted to appropriate accounts.

2008-2 Due To / Due From Accounts

The County is required under Governmental Accounting Standards to practice *fund accounting* whereby certain resources and activities are accounted for in separate accounting units called *funds*. The County practices fund accounting and operates approximately 50 different *funds*. With the practice of fund accounting, it is common, for efficiency reasons, to have the General Fund process and pay most bills on behalf of the other funds of the organization and receive cash reimbursement later. It is also a common practice to utilize a Payroll Clearing Fund to handle the processing and paying of all payroll transactions.

While these practices contribute to efficiency in processing the County's payments to employees and vendors, they unfortunately result in a more complicated set of transaction flows in the accounting system. Inter-fund "I.O.U.'s", known as "Due To / Due From" balances, are continually being created and paid off throughout each month of the fiscal year. These accounts must be monitored closely to ensure that they are in balance at all times throughout the year, i.e. – all funds reporting they are *owed* money net with all funds reporting they *owe* money.

**BASTROP COUNTY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

During our review of the Due To / Due From accounts during the audit, we noted that they were not in balance and did not appear to have been monitored regularly during the year. Extensive analysis time was required during the audit to bring these accounts into balance. We recommend that the County implement procedures to ensure that the Due To / Due From accounts are checked monthly to verify that they are in balance.

Corrective Action Planned:

Bastrop County clearly understands and concurs with the significance of balancing the Due to/Due from accounts on a monthly basis. The inter-fund transfers utilizing these accounts are created primarily by the Accounts Payable and Payroll functions which are processed within the Treasurer's office. The County Treasurer will implement procedures to ensure the accountability of each of these accounts. The Auditor's office will require monthly reports from the Treasurer ensuring these accounts are being monitored on a monthly basis.

2008-3 Accounts Payable

The County operates a software package called INCODE for all of its accounting functions, including the Accounts Payable function that handles payment of County bills and invoices. The INCODE system can generate a report called an "Open Items Report" to provide a detailed listing of all outstanding bills and invoices that are pending payment as of a given date. This Open Items Report should always agree to the total amount reported for Accounts Payable on the County's books, or "General Ledger".

We noted during the audit that there were significant variances between the Accounts Payable total per the Open Items Report and the Accounts Payable total per the General Ledger. Investigation and resolution of this variance during the audit required an extensive amount of analysis. We recommend that the County implement procedures to ensure that the Open Items Report is balanced to the General Ledger each month to enable causes of variances to be investigated as they arise.

Corrective Action Planned:

The Accounts Payable function in Bastrop County is processed through the Treasurer's office. The Treasurer recognizes the importance of reconciling the "Open Items Report". The Treasurer will implement procedures to ensure that the "Open Items Report" stays in agreement with the Accounts Payable balance shown on the General Ledger. This will primarily be accomplished by discontinuing all manual journal entries to the General Ledger Accounts Payable account. The Auditor's office will require monthly reports from the Treasurer ensuring these accounts are being monitored on a monthly basis.

**BASTROP COUNTY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

2008-4 Capital Assets

The County currently has in place a \$5,000 capitalization policy. This policy dictates that any individual item that is valued at \$5,000 or more with an estimated useful life of greater than one year gets recorded as an asset and depreciated over its useful life expectancy (hereafter “capitalized”). Items not meeting the \$5,000 criteria are intended to not be recorded as assets and are expensed in the year of purchase, and therefore not depreciated.

We noted during the testing of capital assets that the County does not currently have in place a procedure to identify and record separately purchases of items that meet the \$5,000 capitalization policy. Without this procedure in place assets that should be capitalized are comingled within the same expenditure accounts as items that are not intended to be capitalized. During our audit procedures, we reviewed and assembled assets that met the \$5,000 capitalization policy. This however is an internal accounting activity that would more appropriately be conducted on a monthly basis throughout the year. We recommend that the County implement procedures to ensure that capital assets are identified and coded appropriately at the time of purchase as well as tracked on a supporting schedule that would facilitate the County’s external reporting of capital asset activity.

Corrective Action Planned:

Bastrop County will implement in the accounting process a line item in each department within each Fund to reflect Capital Outlay activity. All items meeting the County’s capitalization criteria (individual items valued at \$5,000 or more and a useful life of greater than one year) will be recorded to these newly created line items. Implementation of this process will be immediate.

2008-5 Old Outstanding Checks

We noted that many old outstanding checks, some over one year old, are being carried on monthly bank reconciliations. This causes additional time to be spent by personnel to reconcile the bank accounts each month. We recommend that checks that are over one year old be investigated and removed from the bank reconciliation and that the original transaction be reversed. Research should be done periodically to eliminate large numbers of old checks being carried from month to month.

Corrective Action Planned:

Bastrop County will not carry outstanding checks which are categorized as older than one year on the monthly bank reconciliations. All Departments will adhere to this implemented procedure. The Auditor’s office will monitor all bank reconciliations to ensure compliance.

**BASTROP COUNTY, TEXAS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

2008-6 Credit Card Charges

Standard internal controls over credit card charges, due to their inherent risk of being used for unauthorized charges, call for all individual charges appearing on the credit card statements to be supported with a detailed receipt or invoice to clearly substantiate and identify the charge appearing on the card.

We noted during our review of credit card statements that receipts are not consistently present to support the charges made on the credit cards. While we did note that charges appeared to be for legitimate and reasonable County business, we recommend that the County implement procedures to ensure that all receipts are turned in by users of the County's credit cards for purchases.

**Corrective Action Planned:**

Bastrop County has implemented procedures to ensure that all receipts reconciled to credit card statements will be itemized. The Auditor's office will continue to monitor compliance to these procedures.