

COCHRAN COUNTY, TEXAS  
ANNUAL FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2008

COCHRAN COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDING DECEMBER 31, 2008

TABLE OF CONTENTS

	<u>Page</u>
COUNTY OFFICIALS .....	4
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	5-10
FINANCIAL SECTION	
<u>Independent Auditor’s Report</u>	
Unqualified Opinion on Basic Financial Statements Accompanied by Required Supplementary Information and Other Supplementary Information .....	12-13
<u>Basic Financial Statements</u>	
Statement of Net Assets .....	15
Statement of Activities.....	16-17
Balance Sheet – Governmental Funds .....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	21
Statement of Fiduciary Net Assets .....	22
Notes to the Financial Statements.....	23-40

COCHRAN COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDING DECEMBER 31, 2008

TABLE OF CONTENTS (Cont.)

	<u>Page</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual -- General Fund.....Exhibit G-1	42
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual -- Road and Bridge Fund .....Exhibit G-2	43
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<u>Non-Major Governmental Funds</u>	
Combining Balance Sheet -- Non-Major Governmental Funds.....	46-47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds.....	48-49
<u>Agency Funds</u>	
Combining Balance Sheet – Agency Funds.....	51-52
<u>Other Schedules</u>	
Schedule of Delinquent Taxes Receivable.....	54-55
Reconciliation of Current Year Tax Roll.....	56
Schedule of Risk Management Provisions .....	57-58
Schedule of Fidelity and Surety Bonds.....	59-60
<b>OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	62-63

# COCHRAN COUNTY, TEXAS

## COUNTY OFFICIALS

Harold Phelan..... Judge, 286<sup>th</sup> Judicial District  
James St. Clair ..... County Judge  
Gerald Ramsey.....Commissioner, Precinct 1  
Margaret Allen .....Commissioner, Precinct 2  
Stacey Dunn .....Commissioner, Precinct 3  
Jimmy Mullinax .....Commissioner, Precinct 4  
R. W. Stalcup ..... County Sheriff  
J. Collier Adams, Jr..... County Attorney  
Nadene Baker .....Justice of the Peace, Precinct 1  
Gary Goff ..... District Attorney  
Benton C. Davis ..... Constable  
Rita Tyson ..... County & District Clerk  
Doris Sealy..... County Treasurer  
Linda Huckabee .....County Tax Assessor-Collector  
Danny Wiseley ..... County Auditor

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the management of Cochran County, Texas, discuss and analyze the County's financial performance for the fiscal year ended December 31, 2008. Please read it in conjunction with the independent auditor's report and the County's basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- At the close of the most recent fiscal year, Cochran County's assets exceeded its liabilities by \$7,619,491. Of this amount, \$5,859,335 was unrestricted net assets.
- The County's net assets increased by \$822,731, or 12.12% as a result of this year's operations.
- During the year, the County had expenditures of \$3,642,653, which were \$283,741 less than the \$3,926,394 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenditures by \$197,166.
- The General Fund ended the year with a fund balance of \$2,313,279. The fund balance of the General Fund is unreserved and undesignated and is 92.61% of total General Fund expenditures.
- The resources available for appropriation were \$237,511 more than budgeted for the General Fund. This is due to higher tax collections and additional miscellaneous income received in 2008.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. 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 remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's General Fund and major special revenue fund (Road & Bridge Fund) budget compliance and other supplementary information for additional analysis that is not required to be reported under generally accepted accounting principles including combining schedules for the non-major governmental funds and agency funds, a schedule of delinquent taxes receivable, a reconciliation of the current year tax roll, and schedules regarding insurance and fidelity bonding coverage.

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

The analysis of the County's overall financial condition and operations is presented in the government-wide statements. The primary purpose of the government-wide statements 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 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.

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, such as grants provided by federal and state agencies and fees for services (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

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

In the Statement of Net Assets and the Statement of Activities, the County contains one kind of activity:

- I. **Governmental activities** – Most of the County's basic services are reported here, including general administration, public safety, justice system, road and bridge maintenance, cemetery, parks, airport, and library services. Property taxes and vehicle registration fees finance most of these activities.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Following each of the governmental fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Net assets of the County's governmental activities increased from \$6,789,673 to \$7,619,491. 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 – was \$5,859,335 at December 31, 2008. This increase in governmental net assets was mainly the result of additional miscellaneous revenue, acquisition of capital equipment, an increase in ad valorem tax revenue, and efforts to minimize operating expenditures.

<b>Table I</b>		
<b>Cochran County, Texas</b>		
<b>NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets:</b>		
Current and Other Assets	5,967,214	5,204,378
Capital Assets	1,732,073	1,624,346
<b>Total Assets</b>	<b>7,699,287</b>	<b>6,828,724</b>
<b>Liabilities:</b>		
Other Liabilities	79,796	39,051
<b>Total Liabilities</b>	<b>79,796</b>	<b>39,051</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,732,073	1,624,346
Restricted	28,083	28,083
Unrestricted	5,859,335	5,137,244
<b>Total Net Assets</b>	<b>7,619,491</b>	<b>6,789,673</b>

<b>Table II</b>		
<b>Cochran County, Texas</b>		
<b>CHANGES IN NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	415,999	427,472
Operating Grants and Contributions	17,304	162,242
Capital Grants and Contributions	6,439	57,476
<b>General Revenues:</b>		
Property Taxes	3,580,492	3,064,247
Penalty and Interest	24,337	30,757
Grants and Contributions Not Restricted	83,191	73,972
Miscellaneous Revenue	148,096	72,052
Investment Earnings	88,886	167,572
<b>Total Revenue</b>	<b>4,364,744</b>	<b>4,055,790</b>
<b>Expenses:</b>		
General Government	1,578,202	1,747,190
Public Safety	893,788	887,675
Highways And Streets	767,442	680,194
Culture and Recreation	302,581	386,189
<b>Total Expenses</b>	<b>3,542,013</b>	<b>3,701,248</b>
<b>Increase in Net Assets Before Transfers and Special Items</b>	<b>822,731</b>	<b>354,542</b>
Transfers	0	0
Special Items	0	0
<b>Increase in Net Assets</b>	<b>822,731</b>	<b>354,542</b>
<b>Net Assets at the Beginning of the Year</b>	<b>6,789,673</b>	<b>6,461,485</b>
<b>Prior Period Adjustment</b>	<b>7,087</b>	<b>(26,354)</b>
<b>Net Assets at the End of the Year</b>	<b>7,619,491</b>	<b>6,789,673</b>

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

1. Mineral and Related taxable values increased substantially. Local property taxable values were up slightly but were consistent with values over the last several years. Overall, we had a 13.4% increase in valuations from the previous year's figures. Appraised valuation as of January 1, 2007 (basis for 2008 budget) was \$570,783,830, but was still \$382 million less than the peak in 1984.
2. Property tax revenues were up about 16.8% from the past year.
3. County personnel numbers are the same as the previous year.

The cost of all governmental activities this year was \$3,542,013. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$2,782,098 because some of the costs were paid with charges for services of \$415,999, grants and contributions of \$106,934, and other various general revenues of \$236,982.

### **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$3,231,885, which is above last year's total of \$2,944,574. Included in this year's total change in fund balance is an increase of \$343,259 in the County's General Fund. This increase is primarily due to an increase in tax collections and additional miscellaneous revenues.



For fiscal year 2008, actual expenditures on a budgetary basis for the General Fund were \$2,485,493, compared to the original budget expenditures of \$3,350,812. Actual revenue on a budgetary basis was \$2,909,248 compared to the original budget of \$2,671,737. Reasons for the actual numbers varying from the budget follow:

1. Continued favorable results from County loss control programs, and benefits derived from participation in the Texas Association of Counties Risk Pools for liability coverage led to lower premiums. Good fortune was again realized in regard to claims and judgments, roof and building systems replacement, and expensive equipment breakdowns.
2. Falling interest rates nationally had a negative effect on earnings realized during the year. The same conservative estimates of interest earnings that led to earnings close to 127% of the budgeted amount in the two major funds last year resulted in a shortfall of 49% in 2008.
3. Substantial savings continue to be realized from the cancellation of heating, ventilation, and air conditioning mechanical maintenance contracts on the main County buildings. Repair and maintenance of these systems is being provided on a time and materials basis by other contractors. Several heating and air units were found to have been "patched" by the employees of the former mechanical maintenance contractors when they should have been replaced under the contracts. These units have been replaced by new, more energy efficient units.
4. Group health insurance costs saw an almost unheard-of decrease during 2007. The lower rates provided late in 2007 and the minimal increase in late 2008 meant an overall decline in health coverage expenditures for the year. Again, the County benefited from participation in a Texas Association of Counties group program.

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

- the County increased capital outlay for grant funds received during the year and added them to the budget
- the County shifted funds budgeted to capital outlay to other accounts as projected purchases were not made and other expenditures were
- and the County shifted funds budgeted to other accounts to capital outlay as projected expenditures were not made and purchases were.

Exhibits G-1 and G-2 provide a detailed comparison of these changes.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At the end of fiscal year 2008, the County had \$6,437,005 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure.

Major capital asset acquisitions during the current fiscal year included the following:

- the purchase of one van for the Senior Citizens' Center;
- the purchase of one vehicle for the sheriff's office;
- the purchase of video cameras for the sheriff's office;
- the purchase of a water-trailer, two graders, a shredder, and one pickup for road work;
- software system in the clerk's office;
- homeland security equipment for the sheriff's office;
- airport improvements;
- build a 40' x 80' peak on the roof of the museum; and

- three compressors for the courthouse air conditioning system.

The County's fiscal year 2009 capital budget calls for expenditures of around \$617,800. This includes the following:

- two sheriff vehicles;
- file cabinet in clerk's office;
- constable vehicle;
- extension agent vehicle;
- tractor-trailers for road work;
- replacement of mowers at county park and cemetery;
- possible roof replacement at the courthouse and the activity building;
- possible replacement of courthouse heating and air conditioning equipment; and
- replacement of two motor graders.

There are no plans to issue any debt to finance these expenditures. More detailed information about the County's capital assets is presented in Note IV, Item F to the financial statements.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2009 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values are expected to increase again this year. Local real and personal property taxable values are expected to decline slightly but will be consistent with values over the last several years. Overall, a 26.7% increase in valuations is expected from last year's figures. The increase in valuations will increase money in the General Fund for needed repairs to the courthouse, a cost-of-living adjustment to salaries, vehicles, and equipment while lowering the tax rate by 4.00 cents to 49.34 cents (\$0.4934) per one hundred dollars valuation.
2. Projected General Fund revenues are expected to increase about 17% from last year, due to the additional revenue provided by increased valuations, even using the lower tax rate.
3. The budget allows for 53 full-time positions (including elected officials) and 9 part-time positions, the same number of personnel as the previous year.
4. Capital expenditures in the 2009 Road & Bridge Fund anticipate the replacement of another aging dump truck with a tractor-trailer rig if a suitable used truck-tractor can be obtained at reasonable cost. The replacement of a worn-out crawler loader is also anticipated. The other special revenue funds are projecting no major changes.
5. The agriculture industry and the oil industry in our area have had successful years but continue to be very unpredictable. These two industries remain the largest parts of our local business activity and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population numbers for Cochran County. Possibilities that will help strengthen and expand existing business and industry remain a focal point for economic development, along with seeking and pursuing opportunities not directly linked to oil and agriculture to help create stability and diversification for our local economy.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, consumers, and investors and creditors with a general overview of Cochran County's finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact County Auditor, Cochran County, Texas, 100 North Main St., Morton, Texas, 79346.

## FINANCIAL SECTION

# MYATT, BLUME AND FIDALEO, LTD., L.L.P.

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MEMBERS  
TEXAS SOCIETY AND AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION

### Independent Auditor's Report

To the Cochran County Commissioners Court  
Cochran County, Texas  
100 North Main  
Morton, Texas 79346

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas (the County) as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

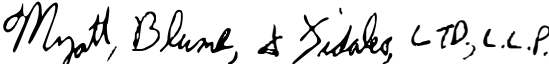
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas as of December 31, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Respectfully submitted,



Myatt, Blume, & Fidaleo, LTD., L.L.P.  
Certified Public Accountants  
Levelland, Texas 79336

December 22, 2009

## BASIC FINANCIAL STATEMENTS

COCHRAN COUNTY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

EXHIBIT A-1

		Primary Government
		Governmental Activities
<b>ASSETS</b>		
Cash & Cash Equivalents	\$	1,048,467
Investments - Current		2,176,674
Receivables (Net of Allowance for Uncollectibles)		2,667,300
Due from Agency Funds		74,773
Capital Assets:		
Land		73,544
Buildings & Building Improvements, Net		701,544
Land Improvements, Net		158,120
Machinery & Equipment, Net		794,530
Construction in Progress		4,335
Total Assets		7,699,287
<b>LIABILITIES</b>		
Accounts Payable & Other Current Liabilities		79,796
Total Liabilities		79,796
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		1,732,073
Restricted for Library Endowment		28,083
Unrestricted Net Assets		5,859,335
Total Net Assets	\$	7,619,491

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

COCHIRAN COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,578,202	\$ 159,620	\$ 6,576
Public Safety	893,788	11,194	6,748
Highways and Streets	767,442	242,847	-
Culture and Recreation	302,581	2,338	3,980
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 3,542,013</b>	<b>\$ 415,999</b>	<b>\$ 17,304</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes  
Penalty and Interest  
Grants and Contributions Not Restricted  
Miscellaneous Revenue  
Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets--Beginning  
Prior Period Adjustment  
Net Assets--Ending

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



		Net (Expense) Revenue and Changes in Net Assets	
	Capital Grants and Contributions		Primary Government Governmental
\$	-	\$	(1,412,006)
	-		(875,846)
	-		(524,595)
	6,439		(289,824)
\$	6,439		(3,102,271)

	3,580,492
	24,337
	83,191
	148,096
	88,886
	3,925,002
	822,731
	6,789,673
	7,087
\$	7,619,491

COCHRAN COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 828,449	\$ (2,245)	\$ 222,263	\$ 1,048,467
Investments - Current	1,497,459	645,302	33,913	2,176,674
Taxes Receivable	2,152,670	583,184	-	2,735,854
Allowance for Uncollectible Taxes (Credit)	(192,229)	(50,897)	-	(243,126)
Other Receivables (Net)	-	-	11,767	11,767
Due from Other Funds	57,517	16,990	844	75,351
Total Assets	\$ 4,343,866	\$ 1,192,334	\$ 268,787	\$ 5,804,987
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 33,224	\$ 10,228	\$ -	\$ 43,452
Accrued Payroll Liabilities	36,344	-	-	36,344
Due to Other Funds	578	-	-	578
Deferred Revenues	1,960,441	532,287	-	2,492,728
Total Liabilities	2,030,587	542,515	-	2,573,102
Fund Balances:				
Unreserved Designated For:				
Library Endowment	-	-	28,083	28,083
Unreserved and Undesignated:				
Reported in the General Fund	2,313,279	-	-	2,313,279
Reported in the Special Revenue Fund	-	649,819	240,704	890,523
Total Fund Balances	2,313,279	649,819	268,787	3,231,885
Total Liabilities and Fund Balances	\$ 4,343,866	\$ 1,192,334	\$ 268,787	\$ 5,804,987

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

COCHRAN COUNTY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

<b>Total Fund Balances - Governmental Funds</b>	\$ 3,231,885
<p>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 \$6,335,380 and the accumulated depreciation was \$4,711,034. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.</p>	1,624,346
<p>Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2008 capital outlays is to increase net assets.</p>	459,113
<p>The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>	(358,473)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting the allowance for uncollectible taxes to full accrual, eliminating interfund transactions, and correcting for prior period adjustments to capital assets. The net effect of these reclassifications and recognitions is to increase net assets.</p>	2,662,620
<b>Net Assets of Governmental Activities</b>	\$ 7,619,491

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

COCHRAN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 2,473,941	\$ 671,771	\$ -	\$ 3,145,712
Penalty and Interest on Taxes	19,170	5,167	-	24,337
Licenses and Permits	6,475	160,937	-	167,412
Intergovernmental Revenue and Grants	83,336	-	21,371	104,707
Charges for Services	141,032	27,131	8,952	177,115
Fines	5,093	67,963	4,892	77,948
Investment Earnings	65,641	22,408	837	88,886
Rents and Royalties	18,835	-	3,600	22,435
Contributions & Donations from Private Sources	-	-	2,227	2,227
Other Revenue	95,725	18,693	1,197	115,615
<b>Total Revenues</b>	<b>2,909,248</b>	<b>974,070</b>	<b>43,076</b>	<b>3,926,394</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,291,105	215,663	8,820	1,515,588
Public Safety	829,858	-	-	829,858
Highways and Streets	-	580,440	-	580,440
Culture and Recreation	238,208	-	19,446	257,654
Capital Outlay:				
Capital Outlay	138,601	227,357	93,155	459,113
<b>Total Expenditures</b>	<b>2,497,772</b>	<b>1,023,460</b>	<b>121,421</b>	<b>3,642,653</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	411,476	(49,390)	(78,345)	283,741
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	1,783	1,787	-	3,570
Transfers In	-	-	70,000	70,000
Transfers Out (Use)	(70,000)	-	-	(70,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(68,217)</b>	<b>1,787</b>	<b>70,000</b>	<b>3,570</b>
Net Change in Fund Balances	343,259	(47,603)	(8,345)	287,311
Fund Balance - January 1 (Beginning)	1,970,020	697,422	277,132	2,944,574
Fund Balance - December 31 (Ending)	\$ 2,313,279	\$ 649,819	\$ 268,787	\$ 3,231,885

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

COCHIRAN COUNTY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2008

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	287,311
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2008 capital outlays is to increase net assets.		459,113
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.		(358,473)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the 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 and the adjustment to the allowance for uncollectible taxes, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.		434,780
<b>Change in Net Assets of Governmental Activities</b>	\$	822,731

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

COCHRAN COUNTY  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2008

EXHIBIT E-1

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 398,528
Investments - Current	8,855
Accounts Receivable-Net of Uncollectible Allowance	730
Total Assets	\$ 408,113
<b>LIABILITIES</b>	
Accounts Payable	\$ 254,750
Intergovernmental Payable	78,590
Due to Other Funds	74,773
Total Liabilities	\$ 408,113

The accompanying notes are an integral part of this statement.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cochran County, Texas (the "County") was created in 1924 under the provisions of the State of Texas. The County operates under an elected Commissioners Court form of government. The County's major operations include county road maintenance, law enforcement, court system maintenance, and health and social services.

The County prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies the County utilizes to prepare its basic financial statements.

**A. REPORTING ENTITY**

The members of the County's Commissioners Court ("Court") are elected by the public, and the Court has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity.

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

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of Cochran County, Texas' non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The County currently 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. Examples include charges for collecting taxes for the surrounding cities/districts and record management services provided by the County Clerk. The "grants and contributions" columns include amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. Examples include grants for emergency response equipment. If revenues are not considered program revenues, they are considered general revenues used to support all of the County's functions. Taxes are always general revenues.

Interfund activities within governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions within governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Assets.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column for each major fund. The County currently has no proprietary funds.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**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, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end. Revenues not considered available are recorded as deferred revenues.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, monies are expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other type, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenue in the year for which the taxes are levied if they will be collected within 60 days of the end of the fiscal year. Sales tax, fines and forfeitures, and 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 sometimes require the County to refund all or part of the unused amount.

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Pursuant to GASB Statement No. 20, the County applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these



COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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

pronouncements conflict with or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**D. FUND ACCOUNTING**

1. Governmental funds are used to account for the County's expendable financial resources and related liabilities. Currently, the County maintains a general fund and several special revenue funds. The County reports the General Fund and the Road & Bridge Fund as major funds. 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.
2. Additionally, the County reports the following fund type(s):

Governmental Funds:

- a. **Special Revenue Funds** – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Some federal and state financial assistance is accounted for in special revenue funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The County has eleven funds designated as special revenue funds. The County reports one of these funds, the Road & Bridge Fund, as a major fund.
- b. **Debt Service Funds** – The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in debt service funds. The County at this time has no debt service funds.
- c. **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 capital projects funds. The County at this time has no capital projects funds.
- d. **Permanent Funds** – The County accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the County's programs in permanent funds. The County at this time has no permanent funds.

Proprietary Funds:

- a. **Enterprise Funds** – The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in enterprise funds. The County at this time has no enterprise funds.
- b. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the County on a cost reimbursement basis are accounted for in internal service funds. The County at this time has no internal service funds.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**D. FUND ACCOUNTING (Cont.)**

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

Fiduciary Funds:

- a. **Private Purpose Trust Funds** – The County accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the County in private purpose trust funds. The County at this time has no private purpose trust funds.
- b. **Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the County in lieu of or in addition to the Texas County and District Retirement System. The County at this time has no pension trust funds.
- c. **Investment Trust Funds** – These funds are ones in which the County holds assets in trust for other entities participating in an investment program managed by the County. The County at this time has no investment trust funds.
- d. **Agency Funds** – The County accounts for resources held in a custodial capacity in agency funds. This includes amounts received for County operations but not transferred to the governmental funds. The County has ten agency funds.

**E. OTHER ACCOUNTING POLICIES**

- 1. For cash flow purposes, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
- 2. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. All appropriations lapse at the end of each fiscal year, and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget. Encumbrances do not constitute expenditures or liabilities.
- 3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest 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 issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**E. OTHER ACCOUNTING POLICIES (Cont.)**

4. County employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. Three years ago, the County adopted a policy creating a sick leave pool. This pool is used for employees who have suffered a catastrophic illness or injury and have exhausted all other paid and compensatory time. The pool gains hours from employees contributing excess sick leave that they have not used.
5. Capital assets, which include land, buildings, furniture, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Land is always capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building and Land Improvements	15-25
Infrastructure	20-25
Vehicles	5
Office Equipment	5-10
Machinery & Equipment	5-30
Water Rights	12-40

6. Since internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the County as a whole.
7. 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. Designations of fund balance represent tentative management plans that are subject to change.
8. 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.
9. Any inventory or materials and supplies on hand at year-end are considered insignificant, and, therefore, not reflected in the financial statements.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

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

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

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the Beginning</u> <u>of the Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	\$ 73,544	\$ 0	\$ 73,544	
Land Improvements	179,401	60,797	118,604	
Infrastructure	1,209,959	1,209,959	0	
Buildings & Building Imprvs	1,888,895	1,152,905	735,990	
Machinery & Equipment	<u>2,983,581</u>	<u>2,287,373</u>	<u>696,208</u>	
Change in Net Assets				\$ <u>1,624,346</u>
 <u>Long-term Liabilities</u> <u>at the Beginning of the Year</u>			<u>Payable at the</u> <u>Beginning of the Year</u>	
None				
Net Adjustment to Net Assets				\$ <u>1,624,346</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes</u> <u>in Net Assets</u>	<u>Adjustments to Net</u> <u>Assets</u>
<u>Current Year Capital Outlay</u>			
Land Improvements	\$ 46,703	\$ 46,703	\$ 46,703
Buildings & Building Improvements	18,000	18,000	18,000
Machinery & Equipment	390,075	390,075	390,075
Construction in Progress	4,335	4,335	4,335
Total Capital Outlay	<u>\$ 459,113</u>	<u>\$ 459,113</u>	<u>\$ 459,113</u>
 <u>Debt Principal Payments</u>			
None	\$ 0	\$ 0	\$ 0
Total Principal Payments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Adjustment to Net Assets	\$ 459,113	\$ 459,113	\$ 459,113

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

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

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont.)**

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

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ (2,186,504)	\$ (2,186,504)	\$ 0
Uncollected Taxes (assumed collectible) from Current Year Levy	2,554,797	2,554,797	2,554,797
Uncollected Taxes (assumed collectible) from Prior Year Levy	100,736	0	100,736
Change in Estimate of Collectibility of Prior Year Tax Revenues	66,487	66,487	0
<u>Reclassify Proceeds of Bonds, Loans &amp; Capital Leases</u>			
None	0	0	0
<u>Reclassify Certain Expenditures to Prepaid Assets</u>			
None	0	0	0
<u>Other Reclassifications and Eliminations</u>			
Prior Period Adjustment to Add Additions to Airport	7,087	0	7,087
Total Adjustments		\$ 434,780	\$ 2,662,620

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

**BUDGETARY DATA**

The State of Texas requires annual budgets to be prepared for the General and special revenue funds. The budgets are prepared on the cash basis (budget basis) in order to comply with the Constitution of the State of Texas. The County Commissioners Court on a category basis exercises budgetary controls over expenditures. The actual results of operations for the County's major funds are presented in Exhibits G-1 and G-2 in accordance with the budget (cash) basis to provide a meaningful comparison of actual results with the original and final budget. The differences between the cash basis (budget basis) and the modified accrual basis (generally accepted accounting principles [GAAP] basis) are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).

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

1. As required by the State of Texas, the County Judge, assisted by the County Auditor, prepares an annual budget prior to the beginning of the fiscal year. Budgeted funds include the General and special revenue funds. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is filed in the County Clerk's office and is open to public inspection. The Commissioners Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. The budget is then adopted at the conclusion of the last public hearing by the favorable votes of a majority of the members of the Commissioners Court. The original budget was adopted by the Commissioners Court on August 27, 2007, in accordance with the above process. The final fiscal 2008 budget revision was adopted by the Commissioners Court on January 12, 2009.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont.)**

**BUDGETARY DATA (Cont.)**

4. The Commissioners Court approves all revisions of the budget, including transfers of budgeted amounts between departments within a specific fund, transfers between funds, and increases to total expenditures of any fund.
5. The fiscal 2008 budget was prepared on the cash basis using estimated beginning and ending cash balances. There is not a significant difference in the budgeted revenues and expenditures between the cash basis and modified accrual basis.

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

**A. DEPOSITS AND INVESTMENTS**

County Policies and Legal and Contractual Provisions Governing Deposits:

*Custodial Credit Risk for Deposits* – State statute requires that public funds in the County’s depository institution be secured by eligible securities, as defined by **V.T.C.A., Local Government Code, Chapter 2257**, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **V.T.C.A., Local Government Code, Chapter 116**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The County's depository agreement provides that as security for the deposits of the County their bank will pledge to the County securities at 100% of the amount of County funds on deposit including interest accrued to date. Value of the securities comprising the pledge will be set at the lower of par value or estimated market value. The securities pledged must satisfy the requirements of Article 2560 of the Texas Revised Civil Statutes Annotated. Furthermore, the pledged securities are subject to the approval of the Commissioners Court as to type and value. Substitutions of securities or change of total amounts of securities may be made only by and with proper written authorization by the County. A copy of the safekeeping receipts for securities pledged will be issued to the County at the conclusion of each investment transaction.

At December 31, 2008, the carrying amount of the County's deposits (cash and certificates of deposit) was \$1,445,999. The County's cash deposits at December 31, 2008 and during the year ended December 31, 2008 were properly secured at all times by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

*Foreign Currency Risk for Deposits* The County does not carry any foreign deposits, and therefore carries no foreign currency risk.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**A. DEPOSITS AND INVESTMENTS (Cont.)**

County Policies and Legal and Contractual Provisions Governing Investments:

**Compliance with the Public Funds Investment Act**

The County's investment policies are governed by State statutes. The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County's investment policies further limit State statutes such that eligible investments include the following:

- Time deposits;
- Certificates of deposit;
- Negotiable Order of Withdrawal (NOW) accounts;
- Eligible SEC-registered money market funds;
- United States Treasury Notes, Bills, and Bonds;
- Direct repurchase agreements fully collateralized by U. S. Treasury securities or other U. S. agency securities;
- Securities issued and guaranteed by various governmental agencies and instrumentalities;
- Certain bankers' acceptances as defined by the policy; and
- Investment pools.

The County is in substantial compliance with the requirements of the **Public Funds Investment Act** and with local policies.

Investments by the County in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 2008, Cochran County, Texas had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of Deposit	\$ 325,000	\$ 325,000	\$ 0	\$ 0	\$ 0
Investment Pools	<u>2,188,124</u>	<u>2,185,523</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>2,513,124</u>	\$ <u>2,510,523</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**A. DEPOSITS AND INVESTMENTS (Cont.)**

County Policies and Legal and Contractual Provisions Governing Investments (Cont.):

Additional policies and contractual provisions governing deposits and investments for Cochran County, Texas are specified below:

Credit Risk – To limit the risk that an insurer or other counter-party to an investment will not fulfill its obligations, the County limits investments in commercial paper, corporate bonds, and mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2008, the County's investments were rated AAA or higher by Standard & Poor's.

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counter-party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the County requires counter-parties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions. All of the securities are in the County's name and held by the County's agent.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the County has set its policy to attempt to diversify its investments. The County currently achieves this through its investments in TexPool, which has a diversified portfolio.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County allows the investment officer to only place funds in investments with maturities of one year or less. The Commissioners Court may approve investments with maturities of greater than one year.

Foreign Currency Risk for Investments – The County does not carry any foreign investments, and therefore carries no foreign currency risk.

**B. TEXPOOL**

During 1986 the 69<sup>th</sup> Texas Legislature authorized the State Treasurer to incorporate a special-purpose trust company called the Texas Treasury Safekeeping Trust Company. The Trust has direct access to the services of the Federal Reserve Bank and performs other trust company activities. It is specifically authorized to manage, disburse, transfer, safe-keep, and invest public funds and securities more efficiently and economically (Sec. 404.102 et seq., Texas Government Code). The trust created the Texas Local Government Investment Pool ("TexPool") as a public funds investment pool. TexPool is established as a trust fund, segregated from all other trustors, investments and activities of the Trust Company. Only local governments having contracted to participate in TexPool have an investment interest in its pool of assets.

The primary objective of TexPool is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments. While safety is the primary goal of TexPool, liquidity is a simultaneous objective. After meeting the first two objectives, TexPool seeks to provide a competitive yield for the invested funds. As of December 31, 2008, the County had investments totaling \$2,185,523 with TexPool. These investments had a market value of \$2,188,124.



COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**C. PROPERTY TAXES**

In accordance with state law, all appraisals of County property for tax purposes are made by the county-wide appraisal authority, Cochran Central Appraisal District. Assessed values are based upon 100 percent of appraised market value and are reviewed every three years. Taxpayers have the right to challenge the assessed value.

The County's property taxes are levied each October 1 based upon 100 percent of the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property by state law to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the County's fiscal year.

The tax rate for fiscal 2009 (2008 tax levy) was \$0.3879 per \$100 assessed value for County General Fund operations and \$0.1055 per \$100 assessed value for County Road and Bridge Fund operations. The maximum allowable tax rate for the County is \$1.10 for each \$100 assessed value. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year, as defined by statute, by 8%.

The original appraised taxable values upon which the 2008 tax levy was based were \$723,022,660 and \$720,658,080 for the General Fund tax rate and the Road and Bridge tax rate, respectively. Current tax collections for the fiscal year 2009 were approximately 27% of the tax levy.

Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. INTERFUND BALANCES AND TRANSFERS**

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures, or expenses in the funds involved. Reimbursements from one fund to another for expenditures or expenses already made are recorded as expenditures or expenses in the reimbursing fund. Non-recurring or non-routine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other transfers are treated as operating transfers and are included in the results of operations of the governmental funds.

During the year ended December 31, 2008, the County's General Fund transferred \$70,000 to its Airport Fund (a non-major special revenue fund).

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**D. INTERFUND BALANCES AND TRANSFERS (Cont.)**

The County also had the following interfund balances as of the end of the year:

Fund	Due From	Due To
<u>General Fund</u>		
Road & Bridge Fund	\$ 0	\$ 578
Agency Funds	57,517	0
<u>Road &amp; Bridge Fund</u>		
General Fund	578	0
Agency Funds	16,412	0
<u>Non-major Special Revenue Funds</u>		
Agency Funds	844	0
<u>Agency Funds</u>		
General Fund	0	57,517
Road & Bridge Fund	0	16,412
Non-major Special Revenue Funds	0	844
<b>Total All Funds</b>	<b>\$ 75,351</b>	<b>\$ 75,351</b>

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at December 31, 2008, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 2,152,670	\$ 0	\$ 57,517	\$ 0	\$ 2,210,187
Road & Bridge Fund	583,184	0	16,412	0	599,596
Non-major Special Revenue Funds	0	0	844	11,767	12,611
<b>Total - Governmental Activities</b>	<b>\$ 2,735,854</b>	<b>\$ 0</b>	<b>\$ 74,773</b>	<b>\$ 11,767</b>	<b>\$ 2,822,394</b>
Amounts not scheduled for collection during the subsequent year	\$ 80,321	0	0	0	\$ 80,321

Payables at December 31, 2008, were as follows:

	<u>Accounts</u>	<u>Salaries &amp; Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 33,224	\$ 36,344	\$ 0	\$ 0	\$ 69,568
Road & Bridge Fund	10,228	0	0	0	10,228
Non-major Special Revenue Funds	0	0	0	0	0
<b>Total - Governmental Activities</b>	<b>\$ 43,452</b>	<b>\$ 36,344</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 79,796</b>
Amounts not scheduled for payment during the subsequent year	\$ 0	0	0	0	\$ 0

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 73,544	\$ 0	\$ 0	\$ 73,544
Land Improvements	186,488	46,703	0	233,191
Infrastructure - Roads	1,209,959	0	0	1,209,959
Buildings & Building Improvements	1,888,895	18,000	0	1,906,895
Machinery & Equipment	2,983,581	390,075	(364,575)	3,009,081
Construction in Progress	<u>0</u>	<u>4,335</u>	<u>0</u>	<u>4,335</u>
Totals at Historic Cost	<u>6,342,467</u>	<u>459,113</u>	<u>(364,575)</u>	<u>6,437,005</u>
Less Accumulated Depreciation:				
Land Improvements	(60,797)	(14,274)	0	(75,071)
Infrastructure - Roads	(1,209,959)	0	0	(1,209,959)
Buildings & Building Improvements	(1,152,905)	(52,446)	0	(1,205,351)
Machinery & Equipment	<u>(2,287,373)</u>	<u>(291,753)</u>	<u>364,575</u>	<u>(2,214,551)</u>
Total Accumulated Depreciation	<u>(4,711,034)</u>	<u>(358,473)</u>	<u>364,575</u>	<u>(4,704,932)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,631,433</u>	<u>\$ 100,640</u>	<u>\$ 0</u>	<u>\$ 1,732,073</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 62,614
Public Safety	63,930
Highways and Streets	187,002
Culture and Recreation	<u>44,927</u>
Total	<u>\$ 358,473</u>

**G. EMPLOYEE PENSION PLAN**

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a cash balance-account type defined-benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide, agent multiple-employer, public employee retirement system consisting of 574 cash balance-like defined-benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions for the County (employer) are adopted by the Commissioners Court, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**G. EMPLOYEE PENSION PLAN (Cont.)**

1. Plan Description (Cont.)

the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but their accumulated deposits and allocated interest must remain in the plan to receive any employer-financed benefit. Members who withdraw their personal account balance in a lump sum prior to retirement are not entitled to any pension benefits provided by the employer. The County has not elected the partial lump-sum payment option.

Benefit amounts are determined by the employee's personal account balance and employer-financed monetary credits. The level of these monetary credits has been adopted by the Commissioners Court within the actuarial constraints imposed by the TCDRS Act so that the expected benefits can 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 personal account balance and the employer-financed monetary credits to a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

2. Funding Policy

Cochran County's Commissioners Court has elected the variable-rate plan provisions of the TCDRS Act. The plan is funded monthly from employee deposits and from employer contributions based on the covered payroll of employee members. Under variable-rate plan provisions, the contribution rate of the employer is actuarially determined annually. As allowed by the provisions of the TCDRS Act, the Commissioners Court elected to pay the rate of 12% for calendar year 2008, which was in excess of the calculated rate for that year. The deposit rate payable by employee members is the rate of 7% as adopted by the Commissioners Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners Court within the options available in the TCDRS Act.

3. Annual Pension Cost

The tables on the following pages present an overview of actuarial methods and assumptions employed during the last three years to develop costs of benefits for County employees, present annual pension costs for the past three years, and reflect the funding progress made by the County over the last three years. For the County's fiscal year ending December 31, 2008, the annual pension cost for the TCDRS plan for its employees was \$181,906 and the actual contributions were \$181,906. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2006, the basis for the contribution rate for calendar year 2008. The December 31, 2007 actuarial valuation is the most recent valuation.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**G. EMPLOYEE PENSION PLAN (Cont.)**

3. Annual Pension Cost (Cont.)

**Actuarial Methods and Assumptions for the Retirement Plan  
 For the Employees of Cochran County, Texas**

Actuarial valuation date	12-31-05	12-31-06	12-31-07
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	19.3 years	13.6 years	11.9 years
Asset valuation method	long-term appreciation with adjustment	SAF: 10-year smoothed value ESF: fund value	SAF: 10-year smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return <sup>1</sup>	8.00%	8.00%	8.00%
Projected salary increases <sup>1</sup>	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

**Trend Information for the Retirement Plan  
 For the Employees of Cochran County, Texas**

Accounting Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12-31-05	\$154,403	100%	\$ .00
12-31-06	\$161,170	100%	\$ .00
12-31-07	\$175,702	100%	\$ .00

<sup>1</sup> Includes inflation at the stated rate

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**G. EMPLOYEE PENSION PLAN (Cont.)**

3. Annual Pension Cost (Cont.)

**Funding Progress for the Retirement Plan  
 For the Employees of Cochran County, Texas**

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 <sup>1</sup> (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
12-31-05 <sup>2</sup>	\$ 3,789,593	\$ 4,840,566	\$1,050,973	78.29%	\$1,286,691	81.68%
12-31-06	4,156,939	5,004,949	848,010	83.06%	1,343,082	63.14%
12-31-07	4,307,614	5,258,652	951,038	81.91%	1,464,186	64.95%

**H. EMPLOYEE DEFERRED COMPENSATION PLAN**

The employees of Cochran County also participate in a deferred compensation plan administered by Nationwide Retirement Solutions. The County does not contribute to the plan. Fourteen of the County employees were participating in the plan at the end of 2008.

Net Assets Available for Participants \$ 450,732

**I. MEDICAL/HEALTH CARE COVERAGE**

The County has established a third party insurance plan with the Texas Association of Counties Health and Employee Benefits Pool. Benefits are paid based on four categories of medical service. The plan allows employees the option to purchase additional coverage for spouses, children, and families through payroll deductions. The plan is renewable October 1 annually. The maximum lifetime benefits cannot exceed two million dollars. Annual deductible limits per employee are two hundred fifty or five hundred dollars and coinsurance percentages vary depending on whether the services are provided by a network or non-network provider. Employees are eligible to remain on the medical and health plan in accordance with laws established by COBRA. Such laws provide different time limits depending on whether the employment separation was due to voluntary or involuntary termination.

As of December 31, 2008, the County was paying \$548 per employee for medical and health insurance benefits. The total expense incurred by the County for the calendar year was \$301,439.

Additional information can be attained by contacting:

Texas Association of Counties Health Benefits Pool (TAC HEBP)  
 P.O. Box 911968  
 Dallas, Texas 75391-1968

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

<sup>2</sup> Funding information may differ from prior year compliance data due to plan changes effective 1/1/2007.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2008

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**J. CAPITAL LEASES**

The County had no capital leases as of December 31, 2008.

**K. RESTRICTED NET ASSETS**

During 2002 and 2003, Cochran County's Love Memorial Library Fund (a non-major special revenue fund) received a total bequest of \$28,083. These funds are a permanent endowment according to the stipulation of the will and only the interest earned on the funds can be used for operations of the library. The base funds cannot be used at all. On Exhibit C-1, this amount is considered as Fund Balance Designated for Library Endowment. On Exhibit A-1 this amount is classified as Net Assets Restricted for Library Endowment.

**L. PRIOR PERIOD ADJUSTMENT**

During the year, the County made an adjustment to correct fixed assets related to prior year transactions. The result of this adjustment was an increase to Net Assets for governmental activities of \$7,087.

**M. FEDERAL AWARDS**

The County had no expenditures of Federal awards for the year ended December 31, 2008.

**N. STATE AWARDS**

The County had \$17,088 in expenditures of State awards for the year ended December 31, 2008. The State expenditures were as follows:

Project Number	State Grantor Program Title	Expenditures, Indirect Cost and Refunds
09-07782	Office of the Attorney General: Texas VINE Grant	\$ 6,739
442-08344	Texas State Library and Archives Commission: Loan Star Libraries Grant	3,910
182106	Texas Parks and Wildlife: Shooting Range Grant	<u>6,439</u>
	Total All Programs	<u>\$ 17,088</u>

**V. ESTIMATES**

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

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2008

**VI. COMMITMENTS AND CONTINGENCIES**

The County participates in Federally-assisted programs. In connection with grants under these programs, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the County has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the County expects the resulting liability to be immaterial.

**VII. CONTINGENT LIABILITY**

The County had no contingent liabilities as of December 31, 2008.

**VIII. SUBSEQUENT EVENTS**

No subsequent events occurred after December 31, 2008 that were material to these financial statements.

**IX. CONCENTRATIONS OF CREDIT RISK**

During the year, the County collected approximately 27% of its property tax revenue from one oil and gas company operating within the County. This poses a potential risk to the County, which could be adversely affected if a situation arose where this company could or would not pay the assessed taxes.



REQUIRED SUPPLEMENTARY INFORMATION

COCHRAN COUNTY  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive or (Negative)
<b>REVENUES:</b>						
Taxes:						
Property Taxes	\$ 2,325,244	\$ 2,325,244	\$ 2,473,941	\$ -	\$ 2,473,941	148,697
Penalty and Interest on Taxes	20,000	20,000	19,170	-	19,170	(830)
Licenses and Permits	4,000	4,000	6,475	-	6,475	2,475
Intergovernmental Revenue and Grants	56,550	56,550	83,336	-	83,336	26,786
Charges for Services	131,300	131,300	141,032	-	141,032	9,732
Fines	3,393	3,393	5,093	-	5,093	1,700
Investment Earnings	110,000	110,000	65,641	-	65,641	(44,359)
Rents and Royalties	16,050	16,050	18,835	-	18,835	2,785
Contributions & Donations from Private	200	200	-	-	-	(200)
Other Revenue	5,000	5,000	95,725	-	95,725	90,725
<b>Total Revenues</b>	<b>2,671,737</b>	<b>2,671,737</b>	<b>2,909,248</b>	<b>-</b>	<b>2,909,248</b>	<b>237,511</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	1,563,625	1,541,740	1,291,105	(6,933)	1,284,172	257,568
Public Safety	1,014,867	1,024,679	829,858	6,369	836,227	188,452
Culture and Recreation	274,470	285,743	238,208	(8,715)	229,493	56,250
Capital Outlay:						
Capital Outlay	497,850	505,089	138,601	(3,000)	135,601	369,488
<b>Total Expenditures</b>	<b>3,350,812</b>	<b>3,357,251</b>	<b>2,497,772</b>	<b>(12,279)</b>	<b>2,485,493</b>	<b>871,758</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(679,075)	(685,514)	411,476	12,279	423,755	1,109,269
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Real and Personal Property	1,000	1,000	1,783	-	1,783	783
Transfers Out (Use)	(80,000)	(80,000)	(70,000)	-	(70,000)	10,000
<b>Total Other Financing Sources (Uses)</b>	<b>(79,000)</b>	<b>(79,000)</b>	<b>(68,217)</b>	<b>-</b>	<b>(68,217)</b>	<b>10,783</b>
Change in Fund Balance	(758,075)	(764,514)	343,259	12,279	355,538	1,120,052
Fund Balance - January 1 (Beginning)	1,985,956	1,985,956	1,970,020	15,936	1,985,956	-
Fund Balance - December 31 (Ending)	\$ 1,227,881	\$ 1,221,442	\$ 2,313,279	\$ 28,215	\$ 2,341,494	\$ 1,120,052

**COCHRAN COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - ROAD & BRIDGE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

EXHIBIT G-2

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive or (Negative)
<b>REVENUES:</b>						
Taxes:						
Property Taxes	\$ 635,304	\$ 635,304	\$ 671,771	\$ -	\$ 671,771	\$ 36,467
Penalty and Interest on Taxes	6,000	6,000	5,167	-	5,167	(833)
Licenses and Permits	150,000	150,000	160,937	-	160,937	10,937
Charges for Services	27,500	27,500	27,131	-	27,131	(369)
Fines	48,000	48,000	67,963	-	67,963	19,963
Investment Earnings	80,000	80,000	22,408	-	22,408	(57,592)
Other Revenue	1,000	1,000	18,693	-	18,693	17,693
<b>Total Revenues</b>	<b>947,804</b>	<b>947,804</b>	<b>974,070</b>	<b>-</b>	<b>974,070</b>	<b>26,266</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	231,615	236,284	215,663	(24)	215,639	20,645
Highways and Streets	668,630	684,099	580,440	(4,901)	575,539	108,560
Capital Outlay:						
Capital Outlay	425,000	404,862	227,357	-	227,357	177,505
<b>Total Expenditures</b>	<b>1,325,245</b>	<b>1,325,245</b>	<b>1,023,460</b>	<b>(4,925)</b>	<b>1,018,535</b>	<b>306,710</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(377,441)	(377,441)	(49,390)	4,925	(44,465)	332,976
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Real and Personal Property	500	500	1,787	-	1,787	1,287
<b>Total Other Financing Sources (Uses)</b>	<b>500</b>	<b>500</b>	<b>1,787</b>	<b>-</b>	<b>1,787</b>	<b>1,287</b>
Change in Fund Balance	(376,941)	(376,941)	(47,603)	4,925	(42,678)	334,263
Fund Balance - January 1 (Beginning)	702,725	702,725	697,422	5,303	702,725	-
Fund Balance - December 31 (Ending)	\$ 325,784	\$ 325,784	\$ 649,819	\$ 10,228	\$ 660,047	\$ 334,263

## OTHER SUPPLEMENTARY INFORMATION

**NON-MAJOR GOVERNMENTAL FUNDS**

COCHIRAN COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2008

	Love Memorial Library Fund	Personal Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,479	\$ 15,897	\$ -	\$ 161,752
Investments - Current	33,913	-	-	-
Other Receivables (Net)	-	-	-	-
Due from Other Funds	-	-	40	-
Total Assets	\$ 36,392	\$ 15,897	\$ 40	\$ 161,752
<b>Fund Balances:</b>				
<b>Unreserved Designated For:</b>				
Library Endowment	28,083	-	-	-
<b>Unreserved and Undesignated:</b>				
Reported in the Special Revenue Fund	8,309	15,897	40	161,752
Total Fund Balances	36,392	15,897	40	161,752
Total Liabilities and Fund Balances	\$ 36,392	\$ 15,897	\$ 40	\$ 161,752

Clerk Records Management & Preservation	County Records M & P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ 4,618	\$ 688	\$ 19,886	\$ 1,366	\$ 9,167	\$ 6,410	\$ 222,263
-	-	-	-	-	-	33,913
-	-	-	-	11,767	-	11,767
395	45	319	45	-	-	844
\$ 5,013	\$ 733	\$ 20,205	\$ 1,411	\$ 20,934	\$ 6,410	\$ 268,787
-	-	-	-	-	-	28,083
5,013	733	20,205	1,411	20,934	6,410	240,704
5,013	733	20,205	1,411	20,934	6,410	268,787
\$ 5,013	\$ 733	\$ 20,205	\$ 1,411	\$ 20,934	\$ 6,410	\$ 268,787

COCHRAN COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Love Memorial Library Fund	Personal Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
<b>REVENUES:</b>				
Intergovernmental Revenue and Grants	\$ 3,910	\$ -	\$ -	\$ 17,461
Charges for Services	-	210	550	-
Fines	-	-	-	-
Investment Earnings	837	-	-	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	1	-	-	-
<b>Total Revenues</b>	<b>4,748</b>	<b>210</b>	<b>550</b>	<b>17,461</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	639	580	-
Culture and Recreation	2,660	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	46,452
<b>Total Expenditures</b>	<b>2,660</b>	<b>639</b>	<b>580</b>	<b>46,452</b>
<b>Excess (Deficiency) of Revenues Over (Under)     Expenditures</b>	<b>2,088</b>	<b>(429)</b>	<b>(30)</b>	<b>(28,991)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>2,088</b>	<b>(429)</b>	<b>(30)</b>	<b>(28,991)</b>
Fund Balance - January 1 (Beginning)	34,304	16,326	70	190,743
Fund Balance - December 31 (Ending)	\$ 36,392	\$ 15,897	\$ 40	\$ 161,752



Clerk Records Management & Preservation	County Records M & P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,371
5,985	1,582	-	-	-	625	8,952
-	-	4,397	495	-	-	4,892
-	-	-	-	-	-	837
-	-	-	-	3,600	-	3,600
-	-	-	-	-	2,227	2,227
-	-	-	-	976	220	1,197
5,985	1,582	4,397	495	4,576	3,072	43,076
3,372	2,100	1,527	602	-	-	8,820
-	-	-	-	11,411	5,375	19,446
-	-	-	-	46,703	-	93,155
3,372	2,100	1,527	602	58,114	5,375	121,421
2,613	(518)	2,870	(107)	(53,538)	(2,303)	(78,345)
-	-	-	-	70,000	-	70,000
-	-	-	-	70,000	-	70,000
2,613	(518)	2,870	(107)	16,462	(2,303)	(8,345)
2,400	1,251	17,335	1,518	4,472	8,713	277,132
\$ 5,013	\$ 733	\$ 20,205	\$ 1,411	\$ 20,934	\$ 6,410	\$ 268,787

## AGENCY FUNDS

COCHRAN COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 AGENCY FUNDS  
 DECEMBER 31, 2008

	<u>COUNTY CLERK</u>	<u>DISTRICT CLERK</u>	<u>COUNTY SHERIFF</u>	<u>COUNTY TAX ASSESSOR- COLLECTOR</u>	<u>JUSTICE OF THE PEACE PRECINCT ONE</u>
<b><u>ASSETS</u></b>					
<b><u>Current Assets:</u></b>					
Petty Cash/Cash on Hand	\$ 100	\$ -	\$ 730	\$ 200	\$ -
Cash in Bank	4,471	32,046	6,782	279,802	9,748
Deposits in TexPool	-	-	-	-	-
Accounts Receivable	-	-	4	726	-
Due from State	-	-	-	-	-
Due from Agency Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 4,571</u></b>	<b><u>\$ 32,046</u></b>	<b><u>\$ 7,516</u></b>	<b><u>\$ 280,728</u></b>	<b><u>\$ 9,748</u></b>
<b><u>LIABILITIES</u></b>					
<b><u>Liabilities:</u></b>					
Accounts Payable	\$ -	\$ 30,686	\$ 215	\$ 214,994	\$ -
Due to State	-	-	-	9,796	-
Due to General Fund	3,758	813	5,928	44,719	2,299
Due to Agency Funds	152	291	1,373	-	2,329
Due to Special Revenue Funds	661	256	-	11,219	5,120
<b>TOTAL LIABILITIES</b>	<b><u>\$ 4,571</u></b>	<b><u>\$ 32,046</u></b>	<b><u>\$ 7,516</u></b>	<b><u>\$ 280,728</u></b>	<b><u>\$ 9,748</u></b>

COCHRAN CO.					
JUVENILE PROBATION	L.E.O.S.E. ALLOCATION	D.A. FORFEITURE	SHERIFF FORFEITURE	STATE FEE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,030
15,462	13,125	1,712	21,738	12,612	397,498
8,855	-	-	-	-	8,855
-	-	-	-	-	730
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 24,317</u>	<u>\$ 13,125</u>	<u>\$ 1,712</u>	<u>\$ 21,738</u>	<u>\$ 12,612</u>	<u>\$ 408,113</u>
\$ 8,855	\$ -	\$ -	\$ -	\$ -	\$ 254,750
15,462	13,125	1,712	21,738	16,757	78,590
-	-	-	-	-	57,517
-	-	-	-	(4,145)	-
-	-	-	-	-	17,256
<u>\$ 24,317</u>	<u>\$ 13,125</u>	<u>\$ 1,712</u>	<u>\$ 21,738</u>	<u>\$ 12,612</u>	<u>\$ 408,113</u>

## OTHER SCHEDULES

COCHRAN COUNTY, TEXAS  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
DECEMBER 31, 2008

YEAR ENDED DECEMBER 31,	TAX RATES		ASSESSED/ APPRAISED VALUE TAX PURPOSES
	LOCAL	ROAD & BRIDGE	
1999 AND PRIOR	\$ VARIOUS	\$ VARIOUS	\$ VARIOUS
2000	\$ 0.5787	\$ 0.1666	\$ 278,229,649
2001	\$ 0.4900	\$ 0.1650	\$ 334,116,400
2002	\$ 0.5280	\$ 0.2000	\$ 300,828,670
2003	\$ 0.5352	\$ 0.2026	\$ 305,188,560
2004	\$ 0.5352	\$ 0.2026	\$ 324,185,930
2005	\$ 0.5200	\$ 0.1500	\$ 381,497,480
2006	\$ 0.4390	\$ 0.1200	\$ 503,042,040
2007	\$ 0.4191	\$ 0.1143	\$ 570,479,440
2008	\$ 0.3879	\$ 0.1055	\$ 723,022,660

TOTALS

<u>BEGINNING BALANCE 1/1/2008</u>	<u>CURRENT YEAR'S TOTAL LEVY</u>	<u>TOTAL COLLECTIONS</u>	<u>ADJUSTMENTS</u>	<u>ENDING BALANCE 12/31/2008</u>
\$ 34,599	\$ -	\$ 1,771	\$ (273)	\$ 32,555
7,955	-	763	-	7,192
8,819	-	972	-	7,847
12,148	-	1,489	-	10,659
13,681	-	2,336	-	11,345
14,853	-	2,971	-	11,882
17,097	-	4,214	-	12,883
25,264	-	10,883	-	14,381
2,182,553	-	2,161,108	(1,271)	20,174
-	3,564,119	959,205	2,022	2,606,936
<u>\$ 2,316,969</u>	<u>\$ 3,564,119</u>	<u>\$ 3,145,712</u>	<u>\$ 478</u>	<u>\$ 2,735,854</u>

COCHIRAN COUNTY, TEXAS  
LINDA HUCKABEE, TAX ASSESSOR-COLLECTOR  
RECONCILIATION OF CURRENT YEAR TAX ROLL  
FOR THE YEAR ENDED DECEMBER 31, 2008

TAX ROLL

2008 Assessed Tax Roll	\$	3,564,119
Add (Deduct): Adjustments		<u>2,022</u>
 2008 ADJUSTED TAX ROLL	 \$	 <u><u>3,566,141</u></u>
 Valuations/\$100 x Tax Rate of \$0.4934	 \$	 3,566,141
 Current Year Collections		 <u>(959,205)</u>
 UNPAID CURRENT YEAR TAXES	 \$	 <u><u>2,606,936</u></u>
 Percent of Current Taxes Collected Through December 31, 2008		  <u>26.90%</u>



COCHRAN COUNTY, TEXAS  
SCHEDULE OF RISK MANAGEMENT PROVISIONS  
DECEMBER 31, 2008

CARRIER	DOCUMENT NUMBER	EFFECTIVE DATE	RENEWAL DATE
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	WC-0400	06/25/74	01/01/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	99-991884-0	01/04/78	01/01/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	GL 0400 2008 01 15	01/15/87	01/15/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	AL 0400 2008 01 15	01/15/87	01/15/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PR 0400 2008 07 01	02/13/90	07/01/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	CR 0400 2008 02 01	02/01/92	02/01/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	P0 0400 2008 04 11	04/11/88	04/11/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	P0 0400 2008 04 11	04/11/88	04/11/08
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	LE 0400 2008 04 11	04/11/88	04/11/08
RETAINED RISK	N/A	N/A	N/A
RETAINED RISK	N/A	N/A	N/A

RISK COVERED	AMOUNT OF COVERAGE	2008 CONTRIBUTION
WORKER'S COMPENSATION	STATUTORY BENEFITS	\$ 14,400
UNEMPLOYMENT COMPENSATION	STATUTORY BENEFITS	\$ 1,421
COMPREHENSIVE GENERAL LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$ 6,844
AUTOMOBILE LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$ 5,351
BUILDINGS, STRUCTURES, PERSONAL PROPERTY, BOILER - ALL-RISK FORM	\$4,801,908 \$1,000 - \$25,000 DED.	\$ 23,216
CRIME COVERAGE	\$5,000 - \$100,000 \$1,000 DED.	\$ 1,437
PUBLIC OFFICIALS LIABILITY	\$2,000,000 \$5,000 DEDUCTIBLE	\$ 4,983
CLERK'S ERRORS & OMISSIONS	\$30,000/\$20,000 \$5,000 DEDUCTIBLE	INCLUDED IN P.O.
LAW ENFORCEMENT LIABILITY	\$2,000,000 \$5,000 DEDUCTIBLE	\$ 8,109
AUTOMOBILE PHYSICAL DAMAGE	N/A	N/A
MOBILE EQUIPMENT PHYSICAL DAMAGE	N/A	N/A

COCHIRAN COUNTY, TEXAS  
SCHEDULE OF FIDELITY AND SURETY BONDS  
DECEMBER 31, 2008

SURETY	DOCUMENT NUMBER	OFFICE/PRINCIPAL
WESTERN SURETY	13739211	COUNTY JUDGE/JAMES ST. CLAIR
WESTERN SURETY	68560326	COUNTY COMMISSIONER/GERALD RAMSEY
WESTERN SURETY	70403944	COUNTY COMMISSIONER/MARGARET ALLEN
WESTERN SURETY	70630758	COUNTY COMMISSIONER/STACEY DUNN
WESTERN SURETY	70426099	COUNTY COMMISSIONER/JIMMY MULLINAX
WESTERN SURETY	12382532	COUNTY ATTORNEY/J. COLLIER ADAMS, JR.
WESTERN SURETY	15485611	COUNTY TREASURER/DORIS SEALY
WESTERN SURETY	68555986	COUNTY SHERIFF/WALLACE STALCUP
WESTERN SURETY	18158676	DISTRICT CLERK/RITA TYSON
WESTERN SURETY	18158677	COUNTY CLERK/RITA TYSON
WESTERN SURETY	18019730	PUBLIC EMPLOYEES FAITHFUL PERFORMANCE BLANKET POSITION
WESTERN SURETY	69095963	TAX COLLECTOR/LINDA HUCKABEE
WESTERN SURETY	69095974	TAX COLLECTOR/LINDA HUCKABEE
WESTERN SURETY	68562579	DEPUTY TAX ASSESSOR/SUSAN WISELEY
WESTERN SURETY	69095990	DEPUTY TAX ASSESSOR/TREVA JACKSON
WESTERN SURETY	01481267	CONSTABLE/CLEON DAVIS
WESTERN SURETY	70403919	JUSTICE OF PEACE/NADENE BAKER
OLD REPUBLIC	LPO1036980	COUNTY AUDITOR/DANNY WISELEY
WESTERN SURETY	68595171	RESERVE DEPUTY/JAMES P. HENRY
WESTERN SURETY	69383673	RESERVE DEPUTY/GLENDON BURTON
WESTERN SURETY	70585148	RESERVE DEPUTY/MAX VILLANUEVA
WESTERN SURETY	70441489	RESERVE DEPUTY/BENITO RODRIGUEZ
WESTERN SURETY	70212516	RESERVE DEPUTY/TONY DE LA CRUZ
WESTERN SURETY	70129304	RESERVE DEPUTY/CLARENCE ROBERTS, JR.

AMOUNT	OBLIGEE	APPROVED BY	PREMIUM
\$ 5,000	COUNTY TREASURER	COMMISSIONERS COURT	\$ 50
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 50
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 50
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 178
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 50
\$ 2,500	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 50,000	COUNTY JUDGE	COMMISSIONERS COURT	\$ 250
\$ 5,000	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 5,000	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 5,000	COUNTY	COMMISSIONERS COURT	\$ 50
\$ 5,000	COUNTY	COMMISSIONERS COURT	\$ 160
\$ 15,000	GOVERNOR OF TEXAS	GOVERNOR OF TEXAS	\$ 75
\$ 100,000	COMMISSIONERS COURT	COMMISSIONERS COURT	\$ 500
\$ 10,000	COUNTY TAX ASSESSOR	COUNTY TAX ASSESSOR	\$ 50
\$ 10,000	COUNTY TAX ASSESSOR	COUNTY TAX ASSESSOR	\$ 50
\$ 1,500	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 2,500	COUNTY JUDGE	NOT SPECIFIED	\$ 50
\$ 5,000	DISTRICT JUDGE	DISTRICT JUDGE	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50

**OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION**

# MYATT, BLUME AND FIDALEO, LTD., L.L.P.

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MEMBERS  
TEXAS SOCIETY AND AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

## 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*

### Independent Auditor's Report

To the Cochran County Commissioners Court  
Cochran County, Texas  
100 North Main  
Morton, Texas 79346

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of and for the year ended December 31, 2008, which collectively comprise Cochran County, Texas' basic financial statements and have issued our report thereon dated December 22, 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 Cochran County, Texas' 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 Cochran County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cochran County, Texas' 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 Cochran County, Texas' 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 Cochran County, Texas' financial statements that is more than inconsequential will not be prevented or detected by Cochran County, Texas' internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Respectfully submitted,

*Myatt, Blume, and Fidaleo, LTD., L.L.P.*

Myatt, Blume, and Fidaleo, LTD., L.L.P.  
Certified Public Accountants  
Levelland, Texas 79336

December 22, 2009