

MIDLAND COUNTY, TEXAS

FINANCIAL REPORT

SEPTEMBER 30, 2010

**Prepared by the Department of County Auditor
Veronica Morales - County Auditor**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

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

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

The financial statements do not include and expense and related liability for "Other Post Employment Benefits" as required by the Governmental Accounting Standards Board Statement 45, which is effective for Midland County for the fiscal year ended September 30, 2010. The amount of this departure affects the liabilities and net assets of the governmental activities by \$5,765,313 and the current year expenses by \$2,944,051. For further information see Note 8.

In our opinion, except for the effect of not recording Other Post Employment Benefits expense and liability as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of Midland County, Texas, as of September 30, 2010, 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.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Midland County, Texas, as of September 30, 2010 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 Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2011 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 54 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements, and statistical section, 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 as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
May 16, 2011

MIDLAND COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Midland County, Texas (County) is intended to be an easily readable analysis of the County's financial activities based on currently known facts, decisions or conditions for the fiscal year ended September 30, 2010. The MD&A should be read in conjunction with the accompanying basic financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$120,175,158 (net assets). Of this amount, \$55,514,056 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the County's fund designation and fiscal policies. The County's total net assets increased by \$6,311,904.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$60,793,702. Of this total amount, \$59,392,688 or 98% is unreserved and available for use within the County's designation and fiscal policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$38,659,881 or 98% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred in regards to interfund activity, payables, and receivables.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Government-Wide Financial Statements – Continued

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

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues, governmental activities, from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general administration, judicial, financial administration, elections, public safety and corrections, health and welfare, culture and recreation, conservation and natural resources, highways and roads, and interest on long-term debt.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

Governmental Funds – Continued

The County maintains and reports eighty six individual governmental funds of which seventy six are special revenue funds, four capital projects funds, three debt service funds, three internal service funds and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Road and Bridge Fund, the Debt Service Fund, and the Capital Projects Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund, a component of proprietary funds, is used to report activities that provide supplies and services for other programs and activities – such as the County's self-funded liability insurance fund, self-funded health insurance fund and vehicle maintenance fund. Because these services benefit governmental functions, the Internal Service Fund is reported with governmental activities in the government-wide financial statements.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the general fund and other major fund budgetary schedules and also includes notes to the supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicators of the County's financial position. In the case of the County, assets exceeded liabilities by \$120,175,158 at the close of this fiscal year.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

Statement of Net Assets
Governmental Activities

| | <u>2009</u> | <u>2010</u> |
|---|---------------------------|---------------------------|
| Current and Other Assets | \$ 85,323,117 | \$ 79,476,933 |
| Capital Assets, Net of Accumulated Depreciation | <u>67,293,465</u> | <u>81,142,299</u> |
| Total Assets | <u>152,616,582</u> | <u>160,619,232</u> |
| Current and Other Liabilities | 4,983,718 | 8,132,991 |
| Noncurrent Liabilities | <u>33,769,610</u> | <u>32,311,083</u> |
| Total Liabilities | <u>38,753,328</u> | <u>40,444,074</u> |
| Net Assets: | | |
| Invested in Capital Assets, Net of Related Debt | 55,495,757 | 64,661,102 |
| Unrestricted Net Assets | <u>58,367,497</u> | <u>55,514,056</u> |
| Total Net Assets | <u>\$ 113,863,254</u> | <u>\$ 120,175,158</u> |

The largest portion of the County's current fiscal year net assets is unrestricted net assets. The unrestricted portion of the County's net assets, 45.8%, represents those assets which may be used to meet the ongoing obligations to the County's citizens or creditors.

An additional portion of the County's net assets, 53.8%, reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

At the end of the fiscal year, the County reported positive net assets in all three categories of net assets. The net assets increased from the prior fiscal year by \$6,311,904. The following table provides a summary of the County's operations for years ended September 30, 2009 and 2010.

| Statement of Activities | | | | |
|---|----------------------------|------------------------|----------------------------|------------------------|
| For the Years Ended September 30, 2009 and 2010 | | | | |
| | 2009 | | 2010 | |
| | Governmental Activities | Percentage of Total | Governmental Activities | Percentage of Total |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for services | \$ 10,330,433 | 18.5% | \$ 8,889,810 | 15.5% |
| Operating grants and contributions | 1,886,721 | 3.4% | 2,723,498 | 4.7% |
| Capital grants and contributions | 109,478 | 0.2% | - | 0.0% |
| General Revenues | | | | |
| Property taxes | 22,993,225 | 41.2% | 24,896,103 | 43.4% |
| Sales tax | 18,268,325 | 32.8% | 18,822,713 | 32.8% |
| Bingo tax | 81,934 | 0.1% | 85,129 | 0.1% |
| Mixed beverage tax | 397,514 | 0.7% | 419,508 | 0.7% |
| Hotel-Motel tax | 351,198 | 0.6% | 310,784 | 0.5% |
| Unrestricted investment earnings | 852,730 | 1.5% | 499,822 | 0.9% |
| Miscellaneous | 492,028 | 0.9% | 715,000 | 1.2% |
| Total Revenues | 55,763,586 | 100.0% | 57,362,367 | 100.0% |
| Expenses: | | | | |
| General administration | 6,412,572 | 14.0% | 8,774,777 | 17.2% |
| Judicial | 10,439,343 | 22.7% | 11,493,494 | 22.5% |
| Financial administration | 2,149,279 | 4.7% | 2,141,795 | 4.2% |
| Elections | 446,817 | 1.0% | 505,182 | 1.0% |
| Public safety and corrections | 17,293,520 | 37.6% | 18,123,535 | 35.5% |
| Health and welfare | 872,397 | 1.9% | 824,170 | 1.6% |
| Cultural and recreation | 3,050,567 | 6.6% | 2,883,345 | 5.6% |
| Conservation and natural resources | 198,467 | 0.4% | 238,694 | 0.5% |
| Highways and roads | 4,216,759 | 9.2% | 4,536,358 | 8.9% |
| Interest on long-term debt | 867,549 | 1.9% | 1,529,113 | 3.0% |
| Total Expenses | 45,947,270 | 100.0% | 51,050,463 | 100.0% |
| Change in Net Assets | 9,816,316 | | 6,311,904 | |
| Net Assets - Beginning of the Year | 104,046,938 | | 113,863,254 | |
| Net Assets - End of the Year | \$ 113,863,254 | | \$120,175,158 | |

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

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

Governmental Funds – Net assets of the governmental activities increased \$ 6,311,904 during the year. In General Revenues, property taxes increased by \$1,902,878 or 8.3% primarily due to an increase in the taxable value of property in Midland County and sales tax increased by \$554,388. Unrestricted investment earnings decreased by 41.4% due to lower interest rates in the global financial markets. There was a decrease in charges for services of \$1,440,623 or 13.9% due to the slight economic slowdown due to the lower price of oil that occurred temporarily during 2010.

Total Expenses increased from the prior year by 11.1% primarily due to the general administration, judicial and public safety and corrections expenses. With an increase in population in Midland County, there has also been an increase in judicial and public safety and correctional services. The 36.8% increase in general administration has to do with the non-capital expenses for the new county courthouse.

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's fiscal management and accountability.

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$60,793,702. The unreserved fund balances of \$59,392,688, used as a management and budgetary tool, are available for spending at the County's discretion. The remainder of the fund balances is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service, \$484,634, to pay prior period encumbrances, \$479,090 and to cover inventory, \$437,290.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$38,659,881 as compared to \$36,961,858 in the prior year. As a measure of the general fund's liquidity, we compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 98% of total fund expenditures, while total fund balance represents 98.3% of total fund expenditures.

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

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS – CONTINUED

The Road and Bridge Fund reflects a fund balance of \$2,833,110 which represents an increase of \$218,287 as compared with the prior year.

The Debt Service Fund has a total fund balance of \$484,634 as compared to \$346,824 in the prior year. The increase of \$137,810 is due to the success of collections in property taxes. All of the Debt Service Fund fund balance is reserved for the payment of debt service.

The Capital Projects Fund accounts for receipts and disbursements relating to the acquisition and construction of major capital projects. At the end of the fiscal year, the fund balance is \$15,891,033, a decrease of \$10,348,336. The decrease resulted from the proceeds of the General Obligation Bonds purchased in fiscal year 2009 being used to construct a new jail facility and improve, renovate and equip existing jail facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

A deficit budget was adopted for fiscal year 2010 in the amount of \$7,771,353. The deficit was to be appropriated from the unreserved fund balance.

However, the actual revenues exceeded the final budget by \$5,599,870. Included in this amount are \$3,822,713 in unanticipated sales tax revenue and an increase in charges for current services of \$672,228.

The original budgeted expenditures differ from the final budgeted expenditures by a decrease of \$780,970 which is attributable to the budgetary transfers made to other funds. The favorable variance of \$3,891,928 between actual and final budgeted expenditures is mainly due to the County departments being conservative, holding expenditures to a minimum to support the overall County budget.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term Debt – At September 30, 2010, the County had a total long-term debt outstanding in the amount of \$32,311,083. According to the Texas statutes, the County has a debt limit of \$2,250,774,010.

The County's bond rating is "AA" from Standard & Poor's, "Aa" from Moody's and a AAA rating from Fitch for general obligation debt.

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

DEBT ADMINISTRATION AND CAPITAL ASSETS – CONTINUED

The following represents the activity of the long-term debt of the County for FY2010:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|----------------------------|------------------------------|------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| Certificates of obligation | \$ 1,255,000 | \$ - | \$ 610,000 | \$ 645,000 |
| General obligation bond | 29,765,000 | - | 155,000 | 29,610,000 |
| Compensated absences | <u>2,367,779</u> | <u>-</u> | <u>311,696</u> | <u>2,056,083</u> |
| Total | <u>\$ 33,387,779</u> | <u>\$ -</u> | <u>\$1,076,696</u> | <u>\$ 32,311,083</u> |

DEBT ADMINISTRATION AND CAPITAL ASSETS – CONTINUED

Capital Assets – The capital assets of the County are those assets (land, buildings and improvements, roads, machinery and equipment and construction in progress), which are used in the performance of the County's functions including infrastructure assets. At September 30, 2010, net capital assets of the governmental activities totaled \$81,142,299 reflecting a net increase of \$13,848,834 in asset additions less retirements and adjustments. Depreciation on capital assets is recognized in the Government-wide financial statements. Annual depreciation for buildings and improvements, infrastructure and machinery and equipment totaled \$4,157,366.

Additional information on the County's capital assets and debt can be found in Notes 6 and 11 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The final FY2011 budget was adopted on September 13, 2010 with total general fund expenditures of \$43,529,376 a 15% decrease from the FY2010 budgeted expenditures. The County's combined tax rate is .2118 for FY2011. The Commissioners Court adopted a budget net income of \$4,660,724 with the excess to be appropriated to the unreserved fund balance.

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

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the County Auditor at P.O. Box 421, Midland, Texas 79702, 432-688-4860, or visit the County's web site at www.co.midland.tx.us.

BASIC FINANCIAL STATEMENTS

**MIDLAND COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

| | <u>Primary Government Governmental Activities</u> |
|---|---|
| ASSETS | |
| Cash and cash equivalents | \$ 7,081,923 |
| Certificates of deposit | 16,355,367 |
| Investments | 43,214,460 |
| Receivables (net of allowance for uncollectibles) | 7,412,739 |
| Inventory | 437,290 |
| Prepaid expenses | 366,275 |
| Due from other governments | 4,245,046 |
| Deferred charge | 363,833 |
| Capital assets (net of accumulated depreciation): | |
| Land | 2,734,366 |
| Buildings and improvements | 17,648,152 |
| Construction in progress | 39,492,778 |
| Infrastructure | 15,032,618 |
| Machinery and equipment | 6,234,385 |
| | <u>160,619,232</u> |
| LIABILITIES | |
| Accounts payable and other current liabilities | 6,963,310 |
| Accrued interest payable | 145,383 |
| Due to other governments | 482,417 |
| Other liabilities | 180,146 |
| Noncurrent liabilities: | |
| Due within one year | 1,690,000 |
| Due in more than one year | 30,982,818 |
| | <u>40,444,074</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 64,661,102 |
| Unrestricted | 55,514,056 |
| | <u>\$ 120,175,158</u> |

The Notes to Financial Statements are an integral part of these statements.

**MIDLAND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

Functions/programs

Primary Government:

Certificates of deposit

Governmental activities:

General administration

Judicial

Financial administration

Elections

Public safety and corrections

Health and welfare

Culture and recreation

Conservation and natural resources

Highways and roads

Interest on long-term debt

Total governmental activities

Total primary government

| <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Changes in</u> <u>Net Assets</u> |
|----------------------|---------------------------------------|---|---|---|
| | <u>Charges for</u> <u>Services</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Capital</u> <u>Grants and</u> <u>Contributions</u> | <u>Primary</u> <u>Government</u> <u>Total</u> |
| \$ 8,774,777 | \$ 659,537 | \$ 148,910 | \$ - | \$ (7,966,330) |
| 11,493,494 | 4,691,923 | 288,063 | - | (6,513,508) |
| 2,141,795 | - | - | - | (2,141,795) |
| 505,182 | 39,300 | 101,142 | - | (364,740) |
| 18,123,535 | 1,303,540 | 1,340,659 | - | (15,479,336) |
| 824,170 | 26,875 | - | - | (797,295) |
| 2,883,345 | 41,782 | 325,016 | - | (2,516,547) |
| 238,694 | - | - | - | (238,694) |
| 4,536,358 | 2,126,853 | 519,708 | - | (1,889,797) |
| 1,529,113 | - | - | - | (1,529,113) |
| <u>51,050,463</u> | <u>8,889,810</u> | <u>2,723,498</u> | <u>-</u> | <u>(39,437,155)</u> |
| <u>\$ 51,050,463</u> | <u>\$ 8,889,810</u> | <u>\$ 2,723,498</u> | <u>\$ -</u> | <u>(39,437,155)</u> |

GENERAL REVENUES

| | |
|----------------------------------|-------------------|
| Property taxes | 24,896,103 |
| Sales tax | 18,822,713 |
| Bingo tax | 85,129 |
| Mixed beverage tax | 419,508 |
| Hotel-motel tax | 310,784 |
| Unrestricted investment earnings | 499,822 |
| Miscellaneous | 715,000 |
| Total general revenues | <u>45,749,059</u> |

Change in net assets 6,311,904

NET ASSETS, beginning of year 113,863,254

NET ASSETS, end of year \$ 120,175,158

**MIDLAND COUNTY, TEXAS
GOVERNMENTAL FUNDS
BALANCE SHEETS
SEPTEMBER 30, 2010**

| | <u>General Fund</u> |
|--|-----------------------------|
| ASSETS | |
| Assets | |
| Cash and cash equivalents | \$ 37,323 |
| Certificates of deposit | 9,259,365 |
| Investments | 31,767,839 |
| Property taxes receivable, (net of allowance for uncollectibles) | 970,869 |
| Accounts receivable, (net of allowance for uncollectibles) | 6,054,180 |
| Due from other funds | 184,575 |
| Due from other governmental agencies | 4,021,131 |
| Inventory | - |
| Prepaid expenses | 84,526 |
| | <hr/> |
| TOTAL ASSETS | <u>\$ 52,379,808</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Accounts payable | \$ 2,512,029 |
| Benefits payable | 448,765 |
| Due to other funds | 3,444,778 |
| Due to other governmental agencies | 481,939 |
| Deferred tax revenue | 895,751 |
| Deferred other revenue | 5,788,931 |
| Other liabilities | 35,380 |
| | <hr/> |
| Total liabilities | <u>13,607,573</u> |
| Fund balances: | |
| Reserved for inventories | - |
| Reserved for encumbrances | 112,354 |
| Reserved for debt service | - |
| Unreserved | |
| Designated for subsequent year's expenditures | - |
| Undesignated | 38,659,881 |
| | <hr/> |
| Total fund balances | <u>38,772,235</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 52,379,808</u> |

The Notes to Financial Statements are an integral part of these statements.

| <u>Road and Bridge Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-------------------------------------|----------------------------------|--------------------------------------|--|---|
| \$ 454,177 | \$ 12,599 | \$ 5,137,686 | \$ 1,288,240 | \$ 6,930,025 |
| - | - | 7,096,002 | - | 16,355,367 |
| 1,983,489 | 591,942 | 3,434,445 | 1,580,169 | 39,357,884 |
| - | 83,415 | - | - | 1,054,284 |
| - | - | - | 62,692 | 6,116,872 |
| 20,971 | 1,984 | 2,639,953 | 22,439 | 2,869,922 |
| - | - | - | 223,915 | 4,245,046 |
| 437,290 | - | - | - | 437,290 |
| - | - | - | 794 | 85,320 |
| <u>\$ 2,895,927</u> | <u>\$ 689,940</u> | <u>\$ 18,308,086</u> | <u>\$ 3,178,249</u> | <u>\$ 77,452,010</u> |

| | | | | |
|---------------|----------------|------------------|----------------|-------------------|
| \$ 46,599 | \$ - | \$ 2,417,053 | \$ 174,168 | \$ 5,149,849 |
| 16,218 | - | - | 14,317 | 479,300 |
| - | 83,336 | - | 113,209 | 3,641,323 |
| - | - | - | 478 | 482,417 |
| - | 73,992 | - | - | 969,743 |
| - | - | - | 63,387 | 5,852,318 |
| - | 47,978 | - | - | 83,358 |
| <u>62,817</u> | <u>205,306</u> | <u>2,417,053</u> | <u>365,559</u> | <u>16,658,308</u> |

| | | | | |
|---------------------|-------------------|----------------------|---------------------|-------------------|
| 437,290 | - | - | - | 437,290 |
| - | - | 202,715 | 164,021 | 479,090 |
| - | 484,634 | - | - | 484,634 |
| 629,760 | - | 15,688,318 | 419,353 | 16,737,431 |
| <u>1,766,060</u> | <u>-</u> | <u>-</u> | <u>2,229,316</u> | <u>42,655,257</u> |
| <u>2,833,110</u> | <u>484,634</u> | <u>15,891,033</u> | <u>2,812,690</u> | <u>60,793,702</u> |
| <u>\$ 2,895,927</u> | <u>\$ 689,940</u> | <u>\$ 18,308,086</u> | <u>\$ 3,178,249</u> | |

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

| | |
|---|-----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 81,142,299 |
| Other long-term assets, are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 6,725,273 |
| Internal service funds, are used by management to charge the costs of fleet management and self-insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 3,968,252 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (32,454,368) |
| Net Assets of governmental activities | <u>\$ 120,175,158</u> |

**MIDLAND COUNTY, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2010**

REVENUES

Property tax, penalties and interest
Sales tax
Hotel-motel tax
Fines and forfeitures
Licenses and permits
Intergovernmental charges
Charges for current services
Investment income
Other revenue

Total revenues

EXPENDITURES

Current
 General administration
 Judicial
 Financial administration
 Elections
 Public safety and corrections
 Health and welfare
 Culture and recreation
 Conservation and natural resources
 Highways and roads
Capital outlay
Debt service

Total expenditures

Excess (deficiency) of revenues over expenditures

Other financing sources (uses)

Transfers in
Transfers (out)

Total other financing sources (uses)

Net change in fund balances

FUND BALANCES, beginning of year

FUND BALANCES, end of year

| <u>General Fund</u> | <u>Road and Bridge Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Non Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------|-----------------------------|--------------------------|------------------------------|-------------------------------------|---------------------------------|
| \$ 22,138,587 | \$ - | \$ 2,750,722 | \$ - | \$ - | \$ 24,889,309 |
| 18,822,713 | - | - | - | - | 18,822,713 |
| 310,784 | - | - | - | - | 310,784 |
| 1,876,805 | - | - | - | 132,832 | 2,009,637 |
| 419,508 | 2,126,854 | - | - | - | 2,546,362 |
| 846,597 | 24,519 | - | - | 1,506,196 | 2,377,312 |
| 3,673,128 | - | - | - | 851,087 | 4,524,215 |
| 229,118 | 6,648 | 2,481 | 247,466 | 3,920 | 489,633 |
| 724,630 | 534,594 | - | - | 105,211 | 1,364,435 |
| <u>49,041,870</u> | <u>2,692,615</u> | <u>2,753,203</u> | <u>247,466</u> | <u>2,599,246</u> | <u>57,334,400</u> |
| 7,730,003 | - | - | - | 14,204 | 7,744,207 |
| 10,165,270 | - | - | - | 882,730 | 11,048,000 |
| 2,124,291 | - | - | - | 6,447 | 2,130,738 |
| 320,068 | - | - | - | 136,870 | 456,938 |
| 15,666,198 | - | - | - | 1,237,549 | 16,903,747 |
| 397,601 | - | - | - | 404,251 | 801,852 |
| 2,097,301 | - | - | - | 18,095 | 2,115,396 |
| 233,535 | - | - | - | - | 233,535 |
| - | 2,480,858 | - | - | - | 2,480,858 |
| 718,688 | 243,470 | - | 16,859,802 | 225,347 | 18,047,307 |
| - | - | 2,615,393 | - | - | 2,615,393 |
| <u>39,452,955</u> | <u>2,724,328</u> | <u>2,615,393</u> | <u>16,859,802</u> | <u>2,925,493</u> | <u>64,577,971</u> |
| <u>9,588,915</u> | <u>(31,713)</u> | <u>137,810</u> | <u>(16,612,336)</u> | <u>(326,247)</u> | <u>(7,243,571)</u> |
| 10,870 | 250,000 | - | 6,404,300 | 191,345 | 6,856,515 |
| (8,192,381) | - | - | (140,300) | (146,847) | (8,479,528) |
| <u>(8,181,511)</u> | <u>250,000</u> | <u>-</u> | <u>6,264,000</u> | <u>44,498</u> | <u>(1,623,013)</u> |
| 1,407,404 | 218,287 | 137,810 | (10,348,336) | (281,749) | (8,866,584) |
| <u>37,364,831</u> | <u>2,614,823</u> | <u>346,824</u> | <u>26,239,369</u> | <u>3,094,439</u> | <u>69,660,286</u> |
| <u>\$ 38,772,235</u> | <u>\$ 2,833,110</u> | <u>\$ 484,634</u> | <u>\$ 15,891,033</u> | <u>\$ 2,812,690</u> | <u>\$ 60,793,702</u> |

**MIDLAND COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010**

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

| | |
|--|---------------------|
| Net change in fund balances-total governmental funds (page 18) | \$ (8,866,584) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 13,889,941 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | (41,105) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | 58,885 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 763,551 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | 634,423 |
| Internal service funds are used by management to charge the costs of the garage, warehouse and self-insurance funds to individual funds. The net income of certain activities of internal service funds is reported with governmental activities | <u>(127,207)</u> |
| Change in net assets of governmental activities (page 14) | <u>\$ 6,311,904</u> |

**MIDLAND COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010**

| | Governmental Activities Internal Service Funds |
|----------------------------------|---|
| ASSETS | |
| Current assets | |
| Cash | \$ 151,898 |
| Investments | 3,856,576 |
| Accounts receivable | 11,618 |
| Due from other funds | 1,305,695 |
| Prepaid assets | 280,955 |
| | |
| Total current assets | 5,606,742 |
| | |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 1,334,161 |
| Due to other funds | 304,329 |
| | |
| Total current liabilities | 1,638,490 |
| | |
| NET ASSETS | |
| Unrestricted | 3,968,252 |
| | |
| TOTAL NET ASSETS | \$ 3,968,252 |
| | |

The Notes to Financial Statements are an integral part of these statements.

**MIDLAND COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 YEAR ENDED SEPTEMBER 30, 2010**

| | Governmental Activities Internal Service Funds |
|---------------------------------------|---|
| OPERATING REVENUES | |
| Charges for current services | \$ 5,979,722 |
| Total operating revenues | <u>5,979,722</u> |
| OPERATING EXPENSES | |
| Fleet maintenance | 445,871 |
| Claims expense | 5,479,960 |
| Administration costs | 831,260 |
| Premium costs | 981,384 |
| Professional services | 1,656 |
| Total operating expenses | <u>7,740,131</u> |
| OPERATING (LOSS) | <u>(1,760,409)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Investment income | 10,189 |
| Operating transfers in (out) | 1,623,013 |
| Total other financing sources | <u>1,633,202</u> |
| CHANGE IN NET ASSETS | (127,207) |
| NET ASSETS, beginning of year | <u>4,095,459</u> |
| NET ASSETS, end of year | <u><u>\$ 3,968,252</u></u> |

The Notes to Financial Statements are an integral part of these statements.

**MIDLAND COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Governmental Activities Internal Service Funds</u> |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from charges for services | \$ 6,031,740 |
| Cash paid for services | <u>(8,489,160)</u> |
| Net cash used by operating activities | <u>(2,457,420)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfer in | <u>1,623,013</u> |
| Net cash provided by noncapital financing activities | <u>1,623,013</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | (347,780) |
| Investment income received | 10,189 |
| Proceeds from sale of investments | <u>900,140</u> |
| Net cash provided by investing activities | <u>562,549</u> |
| Net decrease in cash | (271,858) |
| CASH, beginning of year | <u>423,756</u> |
| CASH, end of year | <u><u>\$ 151,898</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating loss | \$ (1,760,409) |
| Adjustments to reconcile operating loss to net cash used by operating activities | |
| (Increase) Decrease in accounts receivable | 52,018 |
| Decrease (Increase) in due from other funds | (1,305,695) |
| Decrease (Increase) in prepaid assets | (198,312) |
| Increase (Decrease) in accounts payable | <u>754,978</u> |
| Total adjustments | <u>(697,011)</u> |
| Net cash used by operating activities | <u><u>\$ (2,457,420)</u></u> |

The Notes to Financial Statements are an integral part of these statements.

**MIDLAND COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2010**

| | Agency Funds |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 3,835,586 |
| Accounts receivable | 143,238 |
| Due from other funds | 25,019 |
| Investments | 3,317,294 |
| Total assets | \$ 7,321,137 |
| LIABILITIES | |
| Accounts payable | \$ 17,076 |
| Due to other funds | 254,984 |
| Due to other governmental agencies | 373,790 |
| Other liabilities | 4,015 |
| Funds held for others | 6,671,272 |
| Total liabilities | \$ 7,321,137 |

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

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**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midland County, Texas (the County) is a body, corporate and political, created under Article IX, Section 1, of the Constitution of the State of Texas. The County operates under the State of Texas statutes, and provides such services as are authorized by state law to advance the welfare, health, morals, comfort, safety and convenience of the County and its inhabitants. The Commissioners' Court, consisting of four County Commissioners and the County Judge, as elected, is the policy making body of the County.

The financial statements of the County are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, The County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Reporting Entity

Generally accepted accounting principles require that these financial statements present the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

In addition, Governmental Accounting Standards Board Statement No. 39, states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units.

If these certain organizations were excluded, they would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. Reporting Entity – Continued

- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity.

The component units discussed in this note are included in the County's reporting entity because of the nature and significance of their operational or financial relationships with the County.

- Blended Component Units: There are no blended component units.
- Discrete Component Units: The Midland County Housing Finance Corporation (the Finance Corporation) is a nonprofit corporation created pursuant to the Development Corporation Act of 1979, as amended, to issue bonds and offer below market rates to qualifying individuals. A majority of the Finance Corporation's board is appointed by the County's Commissioners Court, and the Court can impose will. The Finance Corporation has no material assets of financial activity other than conduit debt thus are not included in the County's basic financial statements. The financial information for the discretely presented component unit's conduit debt is included in Note 9 to the financial statements.

B. Government-Wide and Fund Financial Statements

The basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities for the financial reporting entity of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

The government-wide statement of net assets reports all financial and capital resources of the County and is presented in an “assets minus liabilities equal net assets” format with net assets reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the County’s functions (General Administration, Judicial, Financial Administration, Elections, Public Safety and Corrections, Health and Welfare, Cultural and Recreation, Conservation of Natural Resources, and Highways and Roads). Direct expenses are clearly identifiable expenses that can be specifically associated with a function or segment. Program revenues are revenues derived directly from the function or segment or from other sources which reduce the net cost of the function to be financed from general government revenues.

Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function or segment and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function or segment and, 3) grants and contributions restricted to capital requirements of a function or segment. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function or segment.

The effect of internal service fund activities in the government-wide statements is eliminated to the extent possible to avoid the effect of “doubling up” internal service fund activity. Internal service funds report activities which provide goods or services to the financial reporting entity on a cost reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit to the extent possible. Any residual assets of internal service funds are reported with governmental activities at the entity-wide level.

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds, and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County’s programs.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

A major fund is defined by GASB Statement No. 34, paragraph 76, as amended by GASB Statement No. 37, paragraph 15, as a fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined. Additionally, any fund deemed particularly important by the County may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column, on either the governmental or proprietary fund financial statements. The fund level statements for proprietary funds also contain combined totals for all internal service funds. This information is presented in a separate column immediately to the right of the total column for all enterprise fund activity.

The focus of fiduciary funds is on net assets and changes in net assets. These funds report assets held in a trustee or agency capacity by the County for the benefit of others and cannot be used to support County activities.

Governmental Funds

The following major funds are used by the County:

General Fund – the General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – this fund is used to account for funds restricted for use in improving county highways and lateral streets and roadways.

Debt Service Fund – the Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Financing is provided by property tax levies.

Capital Projects Fund – the Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type activities).

Other Governmental Funds – the non major governmental funds include:

Special Revenue Funds – the Special Revenue Funds account for revenues derived from earmarked revenue sources that are legally restricted to expenditures for a specific purpose.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Fund Types

Internal Service Funds account for the fleet management services and insurance provided to other departments or agencies of the County or to other governments, on a cost reimbursement basis. Internal service funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a internal service fund's principal ongoing operations. Operating expenses for the internal service funds include the cost of personnel and contractual services and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

Agency Funds are used to report assets which cannot be used to support County activities and are held in an agency capacity by the County for the benefit of others.

C. Measurement Focus and Basis of Accounting

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the County gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs.

Nonexchange transactions, transactions in which the County gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB No. 33, as amended by GASB Statement Nos. 34 and 36. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the County's depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt,

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

compensated absences, and claims and judgments are recorded only when payment is due. Property taxes, fines, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental fund level revenues which have been accrued based upon the susceptible to accrual concept are:

- General Fund – ad valorem taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.
- Special Revenue Funds – federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.
- Debt Service Fund – ad valorem taxes and interest.
- Capital Projects Fund – interest.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total assets view of increases (revenues) and decreases (expenses) in the fund.

These funds apply all applicable GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

Transactions resulting in nonoperating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include most nonexchange and exchange-like revenues.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Investments

The County's investments are stated at fair value, except for external pools. Fair value is based on quoted market prices as of the valuation date. Management's intent is to hold all investments to maturity and thereby recover the full value of the various investments made. The gain/loss resulting from valuation will be reported within the "Investment Income" account on the Statement of Revenues, Expenditures and Changes in Fund Balance (Equity).

The portfolio did hold investments in external pools that are not SEC-registered. The external investment pools are:

TEXPOOL – The State Comptroller of Public Accounts oversees TexPool (the Texas Local Government Investment Pool), but Leman Brothers and Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TexPool operates in a manner consistent with the SEC's 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

MBIA – MBIA is a provider of financial guarantees and investment management services in the public sector. MBIA offers full-service investment management designed to provide safe investments while providing competitive rates. MBIA maintains AAA ratings from Standard & Poor's, Moody's and Fitch, and is traded publicly on the New York Stock Exchange. MBIA invests public-sector funds only in securities allowed by the Texas Funds Investment Act and carries a letter of credit that assures the integrity of the fund. Investments must also be permitted by SEC Rule 2a-7.

TexStar – TexStar is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexStar is a local government investment pool created under the Interlocal Cooperation Act and is rated AAAM by Standard and Poor's. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Fund Investment Act.

E. Receivables, Payables and Interfund Transactions

Short-term loans between funds are reported as interfund receivables in the fund making the loan and as interfund payables in the fund receiving the loan. Arms length transactions between funds for goods and services are reported as revenues in the selling fund and as expenses/expenditures in the acquiring fund. Any unpaid amounts are appropriately recorded as interfund receivables/payables. Flows or assets from one fund to another with no requirement for repayment or without an equivalent flow of assets in return are accounted for as transfers.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Inventories

Inventories are stated at the lower cost or market using the first-in, first-out method. Donated inventory is stated at fair market value at the time of donation. Inventories for all funds consist of expendable supplies held for consumption, and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

G. Capital Assets

Capital Assets are defined as a purchase, construction or other acquisition of any equipment, facilities or other similar assets, the cost, of which, is in excess of \$5,000 and has a useful life of more than one year. These assets include property, plant, equipment, infrastructure, and all other tangible and intangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost or estimated historical cost. Infrastructure assets, which include streets and associated drainage, sidewalks, bridges, drainage systems, water and sewer systems, lighting systems and other similar type assets, have been recorded at historical or estimated historical cost. Donated assets are recorded at estimated fair market value at the time of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital has not been significant and, therefore, not capitalized.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | | | |
|--------------|---------------|-------------------------|--------------|
| Buildings | 20 - 30 Years | Machinery and Equipment | 3 - 20 Years |
| Improvements | 20 - 30 Years | Infrastructure | 20 Years |

H. Federal and State Grants and Entitlements

Grants, entitlements and shared revenues may be accounted for within any of the fund types. The purpose and requirements of each grant or entitlement are carefully analyzed to determine the proper fund type in which to record the related transactions. Grants or entitlements received for purposes normally financed through a particular fund type may be accounted for in that type provided that applicable legal restrictions can be appropriately satisfied. Such revenues received for purposes normally financed through the governmental general fund are accounted for within the Special Revenue Funds.

Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable Capital Projects Fund.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Accrued Employee Benefits Payable

All regular full-time employees are eligible to accrue paid vacation leave by a prescribed formula based on the number of years of service. The maximum amount of vacation leave which may be carried forward by an employee from one year to the next is equal to the amount of leave accrued in the prior twelve month period. Upon leaving employment of the County, the employee is eligible to be paid for accrued unused vacation leave.

Eligible employees also accrue sick leave at an average rate of eight hours per month. Sick leave accumulates up to a maximum of 120 days and upon termination may be eligible for payment based upon a formula that is based on the number of years of service.

All employees of the County who are entitled to accrue sick leave and have completed twelve months of continuous service with the County are eligible to use and to be compensated for personal leave from a sick leave pool for catastrophic illnesses or injuries by the employee or a member of the employees' immediate family. Employees may use pool leave after exhausting all personal sick, vacation, and compensatory leave. An employee may receive up to 90 days or one-third of the balance of the hours in the sick leave pool, whichever is less. The sick leave pool consists of hours of sick leave contributed by County employees. Employees are not required to contribute sick leave to the pool and are not required to reimburse the pool for pool leave used.

Compensatory time is also accrued for eligible employees up to a maximum of 240 hours, and 480 hours for public safety employees. The employee is eligible to be paid for accrued compensatory time upon termination of employment.

J. Long-Term Obligations

General Obligation Bonds and Certificates of Obligation which have been issued to fund purchases and capital projects of the general government that are to be repaid from tax revenues of the County are reported in the government-wide statement of net assets.

The government-wide level statements defer bond premiums, discounts and issuance costs and amortize these items over the life of the issue using the effective interest rate method. In the fund level statements, governmental fund types recognize these items in the current period.

K. Fund Equity

In the fund financial statements, the County records reserves to indicate that a portion of the fund equity is legally segregated for a specific future use. Designations of fund balance set aside portions of fund balance for possible future uses.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Fund Equity – Continued

The following is a list of all reserved and designated fund equity balances used by the County in their fund financial statements and a description of each:

Reserve for Inventories - represents assets held as inventories.

Reserve for Encumbrances - represents encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the County but not completed as of the close of the fiscal year.

Reserve for Debt Service - represents assets in excess of legally required minimums to be used for long-term debt principal and interest payments.

Designated for Subsequent Years Expenditures - funds designated by the County Commissioners Court for use in the budget for the year ended September 30, 2011.

L. Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time unless the half payment option is elected, in which case one-half of the assessed tax is due November 30th and the balance is due on the following June 30th. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

For fund financial statements, property tax revenues are recognized when they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. This is no longer than sixty days after year-end.

For fund financial statements, property taxes are reserved as uncollectible if not received within sixty days after the end of the fiscal year. For government-wide financial statements, an allowance equal to 4% of the outstanding taxes at September 30, 2010 has been reported. The tax is levied based on the estimated market values as determined by the Midland County Appraisal District.

M. Use Of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

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

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

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

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

The details of this \$(32,454,368) difference are as follows:

| | |
|--|------------------------|
| Bonds and certifications of obligations payable | \$ (30,255,000) |
| Deferred charge for issuance cost | 363,833 |
| Accrued interest payable | (145,383) |
| Bond premium liability | (361,735) |
| Compensated absences | <u>(2,056,083)</u> |
| | |
| Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u>\$ (32,454,368)</u> |

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred funds.” The details of this \$6,725,273 difference are as follows:

| | |
|--|---------------------|
| Deferred property taxes receivable | \$ 969,743 |
| Deferred court fines receivable | <u>5,755,530</u> |
| | |
| Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i> | <u>\$ 6,725,273</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.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation *between net changes in fund balances – total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

- 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. – Continued

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$13,889,941 difference are as follows:

| | |
|--|----------------------|
| Capital outlay | \$ 18,047,307 |
| Depreciation expense | <u>(4,157,366)</u> |
| | |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ 13,889,941</u> |

Another element of that reconciliation states that, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.”

The details of this \$(41,105) difference are as follows:

| | |
|--|--------------------|
| The statement of activities reports gains/losses arising from the trade-in of capital assets. Conversely, governmental funds do not report any gain or loss on trade-ins | \$ (41,105) |
| | |
| Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | <u>\$ (41,105)</u> |

Another element of that reconciliation states that the, “Issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.”

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

- 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. – Continued

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$763,551 difference are as follows:

| | |
|---|--------------------------|
| Principal repayments: | |
| General obligation refunding bonds | \$ 765,000 |
| Amortization of bond premium | 20,096 |
| Amortization of bond issuance costs | <u>(21,545)</u> |
| | |
| <i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i> | <u><u>\$ 763,551</u></u> |

Another element of that reconciliation states that “Some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$634,423 difference are as follows:

| | |
|---|--------------------------|
| Net change in interest accrual | \$ 322,727 |
| Compensated absences | <u>311,696</u> |
| | |
| <i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i> | <u><u>\$ 634,423</u></u> |

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

There were no deficit fund balances at September 30, 2010.

NOTE 4. CASH AND INVESTMENTS

For purposes of the statements of cash flows, the County considers highly liquid debt instruments which have an original maturity of less than three months to be cash equivalents.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The County’s deposits were fully insured or collateralized as required by the state statutes at September 30, 2010. At year-end, the carrying amount of the County’s deposits was \$10,917,509 in cash and cash equivalents; (\$7,081,923 in pooled cash and \$3,835,586 in agency funds cash). Certificates of Deposits of \$16,355,367 are not considered cash and cash equivalents as their maturity date is greater than three months and the intent is to hold to maturity. The respective bank balances totaled \$28,879,215. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$7,346,012 and \$21,533,203 was covered by collateral held by the pledging bank’s agent for the County in the County’s name. The County also held \$3,187,347 of Certificates of Deposit and Money Market accounts, in trust, that are covered under separate individuals’ collateralization.

Investments – State statutes and county policies authorize the County’s investments. The County is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of this state or its agencies and instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States with ten years or less stated final maturity (cannot be an inverse floater, a principal only or interest only), obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, no-load, SEC registered mutual funds with a weighted average stated maturity of less than two years that are invested in allowable securities, obligations or Texas and its agencies, fully collateralized repurchase agreements and reverse repurchase agreements, prime domestic commercial paper, prime domestic banker’s acceptances, insured or collateralized certificates of deposit, government pools and no-load SEC registered money market funds consisting of any of these securities listed.

| | <u>Fair Value</u> | <u>Effective Duration</u> | <u>Credit Risk</u> |
|--------------------------|----------------------|---------------------------|--------------------|
| Investments: | | | |
| U. S. Treasury Bills | \$ 13,992,174 | 6 Months | |
| Investment Pools: | | | |
| TexPool | 5,593,983 | | AAAm - S & P |
| TexStar | 9,649,322 | | AAAm - S & P |
| MBIA Municipal Investors | 13,978,981 | | AAAm - S & P |
| | <u>\$ 43,214,460</u> | | |
| Total Fair Value: | | | |
| | | <u>6 to 24 Months</u> | |
| Portfolio Duration: | | | |

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Interest Rate Risk – In compliance with the County’s investment policy, as of September 30, 2010, the County minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit rating of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

Credit Risk – In compliance with the County’s investment policy, as of September 30, 2010, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in US Treasury Notes and Bills that were rated AAA, AAA, and Aaa by Standard & Poor’s, Fitch and Moody’s, respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

NOTE 5. RECEIVABLES

Receivables as of September 30, 2010 for the County's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

| | General | Debt Service | Non Major Funds | Internal Service Fund | Agency Funds | Total |
|------------------------------------|---------------------|------------------|--------------------|-----------------------------|-------------------|---------------------|
| Receivables: | | | | | | |
| Property taxes | \$ 1,011,322 | \$ 86,891 | \$ - | \$ - | \$ - | \$ 1,098,213 |
| Accounts receivable | 23,320,770 | - | 62,692 | 11,618 | 229,965 | 23,625,045 |
| Gross receivables | 24,332,092 | 86,891 | 62,692 | 11,618 | 229,965 | 24,723,258 |
| Less: allowance for uncollectibles | (17,307,043) | (3,476) | - | - | - | (17,310,519) |
| Net total receivables | <u>\$ 7,025,049</u> | <u>\$ 83,415</u> | <u>\$ 62,692</u> | <u>\$ 11,618</u> | <u>\$ 229,965</u> | <u>\$ 7,412,739</u> |

General fund accounts receivable includes \$229,965 which is due from agency funds and was reclassified in the government-wide statements from due from other funds to accounts receivable for proper presentation.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. CAPITAL ASSETS

Capital asset acquisition and disposal of the reporting entity was restricted to activities of the primary government only Capital asset activity for the year ended September 30, 2010 was as follows:

| | Beginning Balance | Additions/ Completions | Retirements/ Adjustments | Ending Balance |
|--|----------------------|---------------------------|-----------------------------|----------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,734,366 | \$ - | \$ - | \$ 2,734,366 |
| Construction in progress | 22,944,114 | 16,559,503 | (10,839) | 39,492,778 |
| Total capital assets, not being depreciated | <u>25,678,480</u> | <u>16,559,503</u> | <u>(10,839)</u> | <u>42,227,144</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 40,628,760 | 251,073 | - | 40,879,833 |
| Infrastructure | 35,963,996 | 68,513 | - | 36,032,509 |
| Machinery and equipment | 17,272,220 | 1,174,709 | (503,684) | 17,943,245 |
| Total assets being depreciated | <u>93,864,976</u> | <u>1,494,295</u> | <u>(503,684)</u> | <u>94,855,587</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (22,330,678) | (901,003) | - | (23,231,681) |
| Infrastructure | (19,307,816) | (1,692,075) | - | (20,999,891) |
| Machinery and equipment | (10,611,497) | (1,564,288) | 466,925 | (11,708,860) |
| Total accumulated depreciation | <u>(52,249,991)</u> | <u>(4,157,366)</u> | <u>466,925</u> | <u>(55,940,432)</u> |
| Total capital assets, being depreciated, net | <u>41,614,979</u> | <u>(2,663,071)</u> | <u>(36,759)</u> | <u>38,915,149</u> |
| Governmental activities capital assets, net | <u>\$ 67,293,465</u> | <u>\$ 13,896,432</u> | <u>\$ (47,598)</u> | <u>\$ 81,142,299</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General administration | \$ 882,801 |
| Judicial | 84,384 |
| Financial administration | 26,180 |
| Elections | 51,487 |
| Public safety and corrections | 461,851 |
| Health and welfare | 17,388 |
| Cultural and recreation | 630,365 |
| Highways and roads | 1,996,093 |
| Conservation and natural resources | 6,817 |
| Total depreciation expense - governmental activities | <u>\$ 4,157,366</u> |

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. EMPLOYEE RETIREMENT BENEFITS

Plan Description - Midland County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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

The employer contribution rates for 2009 and 2010 were determined considering the commitment by the Midland County Hospital District to assume the obligation within the Midland County plan attributable to services performed by certain hospital district employees while they were County employees. This commitment is being carried out by an annual transfer from the hospital district's plan in TCDRS to the County's plan determined each year according to a written agreement.

Funding Policy - The employer has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 11.50% for the months of the fiscal year in 2010, and 9.50% for the months of the fiscal year in 2009.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

The deposit rate payable by the employee members for calendar year 2010 is the rate of 7.0% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost - For the employer's accounting year ended September 30, 2010 the required annual pension cost determined by TCDRS for the plan for the County's employees was \$2,232,255 and the County's actual contributions were \$2,232,255.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2009 and 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

| Actuarial valuation date | 12/31/2007 | 12/31/2008 | 12/31/2009 |
|---|---|---|---|
| Actuarial cost method | entry age | entry age | entry age |
| Amortization method | level percentage of payroll, closed | level percentage of payroll, closed | level percentage of payroll, closed |
| Amortization period | 12.8 | 20 | 13.4 |
| Asset valuation method | SAF: 10-yr smoothed value ESF: Fund value | SAF: 10-yr smoothed value ESF: Fund value | SAF: 10-yr smoothed value ESF: Fund value |
| Actuarial assumptions: | | | |
| Investment return ¹ | 8.0% | 8.0% | 8.0% |
| Projected salary increases ¹ | 5.3% | 5.3% | 5.4% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

¹Includes inflation at the stated rate

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

Trend Information
for the Retirement Plan for the Employees of Midland County

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------|------------------------------|----------------------------------|---------------------------|
| 9/30/2008 | \$ 1,755,586 | 100% | \$ - |
| 9/30/2009 | 1,899,306 | 100% | - |
| 9/30/2010 | 2,232,255 | 100% | - |

Schedule of Funding Progress for the Retirement Plan
for the Employees of Midland County

| 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 ¹ (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------|--|--|--------------------------------------|--------------------------|--|---|
| 12/31/05 | \$47,492,310 | \$56,471,030 | \$8,978,720 | 84.10% | \$17,590,412 | 51.04% |
| 12/31/06 | 53,880,626 | 61,138,951 | 7,258,325 | 88.13 | 19,028,497 | 38.14 |
| 12/31/07 | 58,811,095 | 66,783,548 | 7,972,453 | 88.06 | 20,988,650 | 37.98 |
| 12/31/08 | 58,262,129 | 71,011,042 | 12,748,913 | 82.05 | 22,164,723 | 57.52 |
| 12/31/09 | 64,286,908 | 76,406,832 | 12,119,924 | 84.14 | 23,000,218 | 52.69 |

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

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to providing pension benefits (described in Note 7), the County provides certain post-employment health care benefits. Substantially all of the County's employees may become eligible for those benefits if they are considered retired under TCDRS rules and requirements. Currently, 118 retirees meet those eligibility requirements and participate in the plan. The plan provides medical and prescription drug, and dental benefits.

Funding Policy

Local Government Code Section 157.1010 assigns the authority to establish and amend benefit provisions to Commissioners' Court. The County is under no legal obligation to pay these premiums, and the decision to provide these benefits is made by the Commissioners' Court on a year-to-year basis.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Funding Policy – Continued

Participants are obligated to pay for dependent coverage only, if applicable, and a portion of the retiree contribution of approximately \$145 per month. Currently there are 118 retirees eligible to receive the post-employment health care benefits. During the year, the County contributed approximately \$327,031 to the health care fund for post-retirement health care for 103 employees. Additionally, a medical supplement for 15 employees was paid by the County in approximate amount of \$38,707.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, creating accounting standards for other postemployment benefits (OPEB) provided by governmental entities separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable required supplemental information (RSI) in the financial reports of state and local governments. The County has not implemented the requirements of GASB Statement No. 45 during the fiscal year ended September 30, 2010. However, the County is providing all required disclosures related to other postemployment benefits.

Annual OPEB Cost

For 2010, the County's annual OPEB cost (expense) of \$3,309,789 for the postemployment healthcare plan was equal to the annual required contributions (ARC). The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

Midland County Trend Information

| Fiscal Year Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|---------------------------|--|------------------------|
| 9/30/2009 | \$ 3,165,958 | \$ 344,696 | 10.9% | \$ 2,821,262 |
| 9/30/2010 | 3,309,789 | 365,738 | 11.1% | 5,765,313 |

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Funded Status and Funding Progress

The funded status of the plan as of September 30, 2010 was as follows:

Schedule of Funding

| | |
|---|---------------|
| Actuarial Accrued Liability (AAL) | \$ 35,127,859 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | 35,127,859 |
| Funded ratio (Actuarial Value of Plan Assets/AAL) | 0% |
| Covered Payroll (Active Plan Members) | N/A |
| Unfunded Actuarial Accrued Liability (UAAL) as Percentage of Covered Payroll | N/A |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. Due to this being the second year of required implementation, fiscal year ended September 30, 2010, prior year information is unavailable.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trends and interest rates.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Actuarial Methods and Assumptions – Continued

| | |
|--------------------------------------|---|
| Actuarial cost method: | Projected unit credit cost method |
| Amortization method: | Level percentage of payroll, closed |
| Amortization period in years: | 30 |
| Asset valuation method: | First year-not required |
| Actuarial assumptions: Discount Rate | Pay-as-you-go: 4.0% effective annual rate If Pre-funded: 7.25% effective annual rate |
| Payroll: | 3.5% per year |
| Healthcare trend rate: | 9.0% |

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the county by permitting covered employees to purchase continued health benefits coverage in retirement. Texas Law does not require counties to fund all or any portion of such coverage.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the county follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt, and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Midland County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the costs associated with OPEB on a current "pay as you go" basis for a single fiscal year through an annual appropriation authorized by Commissioners Court during the County's annual budget adoption process.

GASB 45 requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB even though it may not have a legally enforceable obligation to pay OPEB benefits.

The County did not implement GASB 45 during fiscal year 2010. However, information and amounts presented in the County's Financial Report relative to OPEB note disclosures and supplementary information are only intended to achieve compliance with the requirements of the State of Texas and does constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Additional Disclosures – Continued

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Annual Covered Payroll | Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|-----------------------------------|---|-----------------|------------------------------|---|
| 10/1/2008 | \$ - | \$32,495,398 | \$ 32,495,398 | 0.00% | N/A | N/A |
| 10/1/2009 | - | 35,127,859 | 35,127,859 | 0.00% | N/A | N/A |

Note: This is the first year of required implementation of GASB 45, which requires 3 years of data in this table. Additional years will be added to the disclosure as they become available.

NOTE 9. DISCRETE COMPONENT UNIT

As discussed in Note 1A, the Midland Housing Finance Corporation is a component unit of the County. The Finance Corporation issued several bond issues. As of September 30, 2010, one issue was still outstanding. Even though the bonds are outstanding, there is no liability to either the Finance Corporation or the County (conduit debt), as all liability transfers to the trustee of the bond issue. There are no other material assets or liabilities of the Finance Corporation that do not follow the debt.

In 1994, a refunding bond issue was offered to refinance the outstanding debt at a lower interest rate. This refinancing yielded net proceeds to the Finance Corporation of approximately \$300,000. The proceeds have been invested along with funds of the City of Midland's Housing Corporation, into a Midland Housing Trust Fund that is administered by a local area foundation.

At September 30, 2010 the bond issue still outstanding had an approximate principal balance of \$210,000, at an effective interest rate of 6.388%.

NOTE 10. INTERFUND TRANSACTIONS

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary-type funds financial statements generally reflect such transactions as transfers. The internal service funds record charges for service to County departments as operating revenue.

All County funds record these payments to the internal service funds as operating expenses. The proprietary funds record operating subsidies as other income whereas the fund paying the subsidy records it as either an expenditure or transfer.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10. INTERFUND TRANSACTIONS – CONTINUED

Individual fund interfund receivable and payable balances at September 30, 2010, arising from these transactions were as follows:

| | Interfund | |
|---|---------------------|---------------------|
| | Receivable | Payable |
| General Fund | \$ 184,575 | \$ 3,444,778 |
| Special Revenue Funds | | |
| Road and Bridge Fund | 20,971 | - |
| Law Library Fund | 350 | - |
| County Clerk Records Management Fund | 2,853 | 2,626 |
| Records Preservation Fund | 532 | 2,909 |
| District Clerk Records Management Fund | 30 | - |
| Juvenile Probation Fee Account Fund | 1,067 | - |
| Courthouse Security Fund | 2,790 | - |
| County Clerk Vital Stat Preservation Fund | 51 | 652 |
| Voter Registration Chapter 19 Fund | - | 250 |
| Dealer Inventory Fund | 73 | - |
| Justice Court Building Security Fund | 130 | - |
| Juvenile Case Management Fund | 650 | - |
| Pretrial Intervention Program Fund | 7,500 | - |
| Court Records Preservation | 63 | - |
| Appellate Justice System Fund | 50 | - |
| Guardianship Fund | 50 | - |
| District Court Records Technology Fund | 25 | - |
| County and District Court Technology Fund | 48 | - |
| Justice Court Technology Fund | 520 | - |
| District Attorney Drug Forfeiture Fund | 5,657 | - |
| Sheriff - Federal Forfeiture Fund | - | 17,076 |
| Juvenile Accountability Incentive Block Grants Fund | - | 10,106 |
| Crime Victims Coordinator Fund | - | 3,412 |
| Office of Court Administration Fund | - | 3,282 |
| High Intensity Drug Trafficking Area Fund | - | 2,738 |
| Other Victims' Assistance Fund | - | 9,428 |
| Mental Health Deputies Fund | - | 3,850 |
| Crime Victim Services Fund | - | 9,168 |
| Helping America Vote Fund | - | 47,712 |
| Debt Service Fund | 1,984 | 83,336 |
| Capital Projects Fund | 2,639,953 | - |
| Internal Service Fund | 1,305,695 | 304,329 |
| Agency Funds | | |
| District Clerk | | 9,655 |
| County Clerk | - | 31,130 |
| District Attorney | - | 14,147 |
| Sheriff | - | 4,106 |
| Justice of the Peace Precinct #1 | - | 11,927 |
| Justice of the Peace Precinct #2 | - | 9,824 |
| Justice of the Peace Precinct #3 | - | 8,826 |
| Justice of the Peace Precinct #4 | - | 2,105 |
| Tax Collector Assessor | 25,019 | 163,264 |
| | <u>25,019</u> | <u>163,264</u> |
| TOTAL | <u>\$ 4,200,636</u> | <u>\$ 4,200,636</u> |

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10. INTERFUND TRANSACTIONS – CONTINUED

Interfund transfers for the year ended September 30, 2010 are as follows:

| | Interfund | |
|--|---------------------|---------------------|
| | Transfers In | Transfers Out |
| General fund | \$ 10,870 | \$ 8,192,381 |
| Road and bridge | 250,000 | - |
| Special revenue funds: | | |
| Juvenile case management | - | 102,347 |
| Abandoned motor vehicles | - | 30,000 |
| Justice court technology | - | 14,500 |
| Juvenile accountability incentive block grants | 108,977 | - |
| Mental health deputies | 82,368 | - |
| Internal service fund | 1,623,013 | - |
| Capital projects fund | 6,404,300 | 140,300 |
| Total | \$ 8,479,528 | \$ 8,479,528 |

NOTE 11. LONG-TERM DEBT

Governmental Activities:

The following is a summary of debt transactions for governmental activities of the County for the year ended September 30, 2010:

| | Balance October 1, 2009 | Additions | Reductions | Balance September 30, 2010 | Due Within One Year |
|--|----------------------------|-------------|---------------------|-------------------------------|------------------------|
| Certificates of Obligation-Series 1996 | \$ 1,255,000 | \$ - | \$ 610,000 | \$ 645,000 | \$ 645,000 |
| General Obligation Bonds-Series 2004 | 7,770,000 | - | 155,000 | 7,615,000 | 160,000 |
| General Obligation Bonds-Series 2009 | 21,995,000 | - | - | 21,995,000 | 385,000 |
| Unamortized Premium on General Obligation Bonds Series 2009 | 381,831 | - | 20,096 | 361,735 | - |
| Compensated Absences | 2,367,779 | - | 311,696 | 2,056,083 | 500,000 |
| | \$ 33,769,610 | \$ - | \$ 1,096,792 | \$ 32,672,818 | \$ 1,690,000 |

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. LONG-TERM DEBT – CONTINUED

Certificates of Obligation and Refunding Bonds at September 30, 2010 consist of the following:

| | |
|--|----------------------|
| \$3,400,000 Certificates of Obligation, Series 1996, annual installments beginning 2006 with final installment in 2011, interest at 5.10% to 5.65% | \$ 645,000 |
| \$8,920,000 General Obligation Bonds, Series 2004, annual installments beginning 2005 through 2024, interest at 3.50% to 4.65% | 7,615,000 |
| \$21,995,000 General Obligation Bonds, Series 2009, annual installments beginning 2011 through 2029, interest at 4.00% to 5.00% | <u>21,995,000</u> |
| Total | <u>\$ 30,255,000</u> |

Principal payments are due annually for Certificates of Obligation and Refunding Bonds on February 15 and interest payments are due semiannually on February 15 and August 15. The annual requirements to amortize all bonded debt outstanding as of September 30, 2010 follows:

| Certificates of Obligation Bonds, Series 1996 | Principal | Interest | Total |
|--|------------------|-----------------|---------------|
| Year Ending September 30, 2010 | \$ 645,000 | \$ 36,443 | \$ 681,443 |
| | \$ 645,000 | \$ 36,443 | \$ 681,443 |
| <u>Certificates of Obligation Bonds, Series 2004</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| Year Ending September 30, | | | |
| 2011 | \$ 160,000 | \$ 329,808 | \$ 489,808 |
| 2012 | 440,000 | 324,208 | 764,208 |
| 2013 | 460,000 | 306,608 | 766,608 |
| 2014-2018 | 2,605,000 | 1,233,338 | 3,838,338 |
| 2019-2024 | 3,950,000 | 654,805 | 4,604,805 |
| | \$ 7,615,000 | \$ 2,848,767 | \$ 10,463,767 |
| <u>Certificates of Obligation Bonds, Series 2009</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| Year Ending September 30, | | | |
| 2011 | \$ 385,000 | \$ 974,744 | \$ 1,359,744 |
| 2012 | 820,000 | 950,644 | 1,770,644 |
| 2013 | 850,000 | 917,244 | 1,767,244 |
| 2014 | 885,000 | 882,544 | 1,767,544 |
| 2015-2019 | 4,895,000 | 3,935,963 | 8,830,963 |
| 2020-2024 | 6,100,000 | 2,734,608 | 8,834,608 |
| 2025-2029 | 8,060,000 | 1,042,307 | 9,102,307 |
| | \$ 21,995,000 | \$ 11,438,054 | \$ 33,433,054 |

MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 11. LONG-TERM DEBT – CONTINUED

The County issued the Series 2009 General Obligation Bond for the purpose of constructing, improving, renovating and equipping existing County Jail facilities and the payment of costs of issuance related thereto.

There are a number of limitations and restrictions contained in the bond and note indentures. The County is in compliance with all significant limitations and restrictions.

NOTE 12. DEFERRED COMPENSATION PLAN

The County offers its officials and employees three deferred compensation plans established in accordance with Internal Revenue Code Section 457. Federal law requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Assets of the County's plan are administered by a private corporation under contract with the County. The private administrator amended the plan as of January 1, 1997, to comply with the new federal law. Consequently, the plan's assets and liabilities are not included in the County's financial statements.

NOTE 13. HEALTH CARE

For several years the County has maintained a Medical/Dental Self-Insurance Fund. The purpose of this fund is to pay medical and dental claims for the County officials, employees, retirees and their covered dependents and to minimize the cost of medical and dental insurance for the employees and the County. Medical claims exceeding \$125,000 per covered individual and approximately \$5,164,683 in aggregate for all covered individuals are covered through a private insurance carrier. The County does accrue liabilities for claims which are foreseeable and probable.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims and judgments is reported in each of the internal service funds as accounts payable.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 13. HEALTH CARE – CONTINUED

Changes in the balances of claims liabilities during the past two years are as follows:

| | |
|-----------------------------------|--------------------|
| Unpaid claims, September 30, 2008 | \$ 422,570 |
| Insured claims (including (IBNRs) | 3,580,536 |
| Claim payments | <u>(3,435,799)</u> |
| Unpaid claims, September 2009 | 567,307 |
| Insured claims (including (IBNRs) | 4,917,347 |
| Claim payments | <u>(4,749,350)</u> |
| Unpaid claims, September 30, 2010 | <u>\$ 735,304</u> |

NOTE 14. CONTINGENCIES

Federally Assisted Programs – Compliance Audits

The County participates in numerous state and federally assisted programs, on both a direct and state pass-through basis. In connection with these grants, 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 grantors and their representatives, including audits under the "single audit" concept and compliance examinations which build upon such audits.

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 exist. In the event of such disallowance of claimed expenditures, the County expects the resulting liability not to have a material adverse effect to its financial position.

Litigation

The County is party to several legal actions arising in the ordinary course of its business. In the opinion of the County's management, upon advice of the County Attorney, and the County's outside legal counsel, the County has adequate legal defense and/or insurance coverage regarding most of these actions and does not believe that they will materially affect the County's financial position. The potential losses of these lawsuits that are determinable at this time have been accrued.

**MIDLAND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 15. NEW PRONOUNCEMENTS

GASB issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying existing governmental fund type definitions. This statement is effective for financial statements for reporting period beginning after June 15, 2010.

Midland County's management is reviewing the implementation process of this standard and gathering required information.

REQUIRED SUPPLEMENTARY INFORMATION

**MIDLAND COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

Revenues

- Property tax, penalties and interest
- Sales tax
- Hotel-motel tax
- Fines and forfeitures
- Licenses and permits
- Intergovernmental charges
- Charges for current services
- Investment income
- Other

Total revenues

Expenditures

- Current
 - General administration
 - Judicial
 - Financial administration
 - Elections
 - Public safety and corrections
 - Health and welfare
 - Culture and recreation
 - Conservation and natural resources
- Capital outlay

Total expenditures

Excess (deficiency) of revenues over expenditures

Other financing sources (uses)

- Transfers in
- Transfers (out)

Total other financing sources (uses)

Net change in fund balance

FUND BALANCE, beginning of year

FUND BALANCE, end of year

| Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|----------------------------|-------------------------|----------------------|---|
| \$ 21,540,000 | \$ 21,540,000 | \$ 22,138,587 | \$ 598,587 |
| 15,000,000 | 15,000,000 | 18,822,713 | 3,822,713 |
| 360,000 | 360,000 | 310,784 | (49,216) |
| 1,590,000 | 1,590,000 | 1,876,805 | 286,805 |
| 823,000 | 823,000 | 419,508 | (403,492) |
| 546,500 | 554,000 | 846,597 | 292,597 |
| 3,000,900 | 3,000,900 | 3,673,128 | 672,228 |
| 400,000 | 400,000 | 229,118 | (170,882) |
| 174,100 | 174,100 | 724,630 | 550,530 |
| <u>43,434,500</u> | <u>43,442,000</u> | <u>49,041,870</u> | <u>5,599,870</u> |
| 9,989,573 | 9,425,938 | 7,730,003 | 1,695,935 |
| 11,159,360 | 11,304,911 | 10,165,270 | 1,139,641 |
| 2,232,676 | 2,238,324 | 2,124,291 | 114,033 |
| 425,078 | 430,025 | 320,068 | 109,957 |
| 16,393,979 | 16,662,074 | 15,666,198 | 995,876 |
| 426,442 | 457,433 | 397,601 | 59,832 |
| 2,231,494 | 2,255,556 | 2,097,301 | 158,255 |
| 219,410 | 221,730 | 233,535 | (11,805) |
| 1,047,841 | 348,892 | 718,688 | (369,796) |
| <u>44,125,853</u> | <u>43,344,883</u> | <u>39,452,955</u> | <u>3,891,928</u> |
| (691,353) | 97,117 | 9,588,915 | 9,491,798 |
| - | 10,870.00 | 10,870 | - |
| <u>(7,080,000)</u> | <u>(8,192,381)</u> | <u>(8,192,381)</u> | <u>-</u> |
| <u>(7,080,000)</u> | <u>(8,181,511)</u> | <u>(8,181,511)</u> | <u>-</u> |
| (7,771,353) | (8,084,394) | 1,407,404 | 9,491,798 |
| <u>37,364,831</u> | <u>37,364,831</u> | <u>37,364,831</u> | <u>-</u> |
| <u>\$ 29,593,478</u> | <u>\$ 29,280,437</u> | <u>\$ 38,772,235</u> | <u>\$ 9,491,798</u> |

**MIDLAND COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

Revenues

- Licenses
- Intergovernmental charges
- Investment income
- Other revenues

Total revenues

Expenditures

- Highways and roads
 - Salaries
 - Employee benefits
 - Departmental supplies and expenses
 - Maintenance and repair
 - Contract services
 - Utilities
- Road maintenance and materials
- Capital outlay

Total expenditures

Excess (deficiency) of revenues over expenditures

Other financing sources (uses)

- Transfers in

Total other financing sources (uses)

Net change in fund balance

Fund balance, beginning of year

Fund balance, end of year

| Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|----------------------------|-------------------------|---------------------|---|
| \$ 1,853,000 | \$ 1,853,000 | \$ 2,126,854 | \$ 273,854 |
| 24,000 | 24,000 | 24,519 | 519 |
| 5,000 | 5,000 | 6,648 | 1,648 |
| 8,000 | 8,000 | 534,594 | 526,594 |
| <u>1,890,000</u> | <u>1,890,000</u> | <u>2,692,615</u> | <u>802,615</u> |
| 939,200 | 939,200 | 925,045 | 14,155 |
| 428,780 | 428,780 | 413,220 | 15,560 |
| 247,758 | 273,458 | 183,051 | 90,407 |
| 199,500 | 204,700 | 196,378 | 8,322 |
| 413,000 | 404,100 | 267,370 | 136,730 |
| 6,000 | 8,500 | 5,365 | 3,135 |
| 1,400,000 | 1,343,852 | 490,429 | 853,423 |
| 215,000 | 253,248 | 243,470 | 9,778 |
| <u>3,849,238</u> | <u>3,855,838</u> | <u>2,724,328</u> | <u>1,131,510</u> |
| (1,959,238) | (1,965,838) | (31,713) | 1,934,125 |
| <u>251,000</u> | <u>250,000</u> | <u>250,000</u> | <u>-</u> |
| <u>251,000</u> | <u>250,000</u> | <u>250,000</u> | <u>-</u> |
| (1,708,238) | (1,715,838) | 218,287 | 1,934,125 |
| <u>2,614,823</u> | <u>2,614,823</u> | <u>2,614,823</u> | <u>-</u> |
| <u>\$ 906,585</u> | <u>\$ 898,985</u> | <u>\$ 2,833,110</u> | <u>\$ 1,934,125</u> |

**MIDLAND COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL**

A. BUDGETARY INFORMATION

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

- (1) Prior to the beginning of each fiscal year, the County Judge submits to the Commissioners' Court a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
- (3) The budget for the next fiscal year is legally enacted by the Commissioners' Court through the passage of a court order.
- (4) The Commissioners' Court has the authority to transfer appropriation balances and encumbrance appropriation balances, or portions thereof, from one expenditure account to another within a single office, department or agency of the County. During the year, several supplementary appropriations were necessary. These changes are reflected in the budget amounts presented.
- (5) The level at which expenditures may not legally exceed appropriations is the legally adopted annual operating budget for each fund in total.
- (6) Annual budgets are legally adopted for all governmental funds. These budgets are adopted on a generally accepted accounting principle (GAAP) basis.
- (7) At the close of each fiscal year, all appropriations lapse.

SUPPLEMENTARY INFORMATION

**MAJOR FUNDS
DEBT SERVICE FUND AND CAPITAL PROJECTS FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for revenues derived from earmarked revenue sources that are legally restricted to expenditures for a specific purpose. The following are the County's Special Revenue Funds:

| | |
|---|--|
| District Attorney Hot Check | Donations Emergency Management |
| County Attorney Hot Check | L.E.O.S.E. Funds |
| Law Library | District Attorney Abell Hanger |
| County Clerk Records Management | District Attorney Drug Forfeiture |
| Records Preservation | Sheriff Abell Hanger |
| District Clerk Records Management | Sheriff Local Drug Forfeiture |
| Juvenile Probation Fees | Sheriff Federal Forfeiture |
| Courthouse Security | Paving Projects |
| County Clerk Records Archive | Juvenile Accountability Incentive Block Grants |
| County Clerk Vital Statistics | Crime Victims Coordinator |
| Voter Registration Chapter 19 | Indigent Defense Improvement Grant |
| Employee Activity | Office of Court Administration Grant |
| Dealer Inventory | High Intensity Drug Trafficking Area Grant |
| Justice Court Building Security | Other Victims Assistance Grant |
| Juvenile Case Management | Mental Health Deputies |
| County Attorney State Supplement | Oilfield Theft Task Force Grant |
| Juvenile Delinquency Prevention | Texas Vine Grant |
| Pre-Trial Intervention Program | Crime Victim Services Grant |
| Election Contracts | Donation SO Bulletproof Vest |
| Court Records Preservation | Donation Dare Lioness Club |
| Child Abuse Prevention | Donation CIU Volunteer Support |
| Appellate Justice System | Donation Teen Leadership Account |
| Guardianship | Donation Constable |
| Abandoned Motor Vehicles | Donation Fire Marshall |
| Rabies Control | Title IV-E Federal Foster Care |
| District Court Records Technology | Juvenile Probation State Grants |
| County and District Court Technology | State Homeland Security |
| Justice Court Technology | Helping America Vote Act Grant |
| Local Emergency Planning Commission | Justice Assistance Grants |
| Donations SO Mounted Patrol | Gates Public Access Comp HUG |
| Donations Constable 4 Bullet Proof Vest | Donation Cemetery Care |
| Donation Horseshoe Proctor | Donation Library |
| Donations Sheriff's Office | Lone Star Libraries Grant |
| Donations Constable 4 | |

**MIDLAND COUNTY, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

| | |
|---|----------|
| Revenues | . |
| Property tax, penalties and interest | |
| Investment income | . |
| Total revenues | . |
| | |
| Expenditures | |
| Debt service | |
| 1996 Certificates of obligation - principal | |
| 1996 Certificates of obligation - interest and fiscal charges | |
| 2004 Certificates of obligation - principal | |
| 2004 Certificates of obligation - interest and fiscal charges | |
| 2009 Certificates of obligation - interest and fiscal charges | . |
| Total expenditures | . |
| Net change in fund balance | |
| | |
| FUND BALANCE, beginning of year | . |
| FUND BALANCE, end of year | . |

| Original Budget | Final Budget | Actual | Variance - Favorable (Unfavorable) |
|----------------------------|-------------------------|-------------------|---|
| \$ 2,715,000 | \$ 2,715,000 | \$ 2,750,722 | \$ 35,722 |
| 23,000 | 23,000 | 2,481 | (20,519) |
| <u>2,738,000</u> | <u>2,738,000</u> | <u>2,753,203</u> | <u>15,203</u> |
| 610,000 | 610,000 | 610,000 | - |
| 75,000 | 75,000 | 71,013 | 3,987 |
| 150,000 | 155,000 | 155,000 | - |
| 345,000 | 340,000 | 335,533 | 4,467 |
| <u>1,558,000</u> | <u>1,558,000</u> | <u>1,443,847</u> | <u>114,153</u> |
| <u>2,738,000</u> | <u>2,738,000</u> | <u>2,615,393</u> | <u>122,607</u> |
| - | - | 137,810 | 137,810 |
| <u>346,824</u> | <u>346,824</u> | <u>346,824</u> | <u>-</u> |
| <u>\$ 346,824</u> | <u>\$ 346,824</u> | <u>\$ 484,634</u> | <u>\$ 137,810</u> |

**MIDLAND COUNTY, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2010**

REVENUES

Investment income

Total revenues

EXPENDITURES

Highways and roads

Capital outlay

Total expenditures

**Excess (deficiency) of revenues
over expenditures**

OTHER FINANCING SOURCES (USES)

Transfers in

Transfers out

Total other financing sources

Net change in fund balance

FUND BALANCE, beginning of year

FUND BALANCE, end of year

| <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance - Favorable (Unfavorable)</u> |
|----------------------------|-------------------------|----------------------|---|
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 247,466</u> | <u>\$ 247,466</u> |
| <u>-</u> | <u>-</u> | <u>247,466</u> | <u>247,466</u> |
| <u>621,065</u> | <u>482,765</u> | <u>-</u> | <u>482,765</u> |
| <u>33,004,000</u> | <u>32,614,214</u> | <u>16,859,802</u> | <u>15,754,412</u> |
| <u>33,625,065</u> | <u>33,096,979</u> | <u>16,859,802</u> | <u>16,237,177</u> |
| <u>(33,625,065)</u> | <u>(33,096,979)</u> | <u>(16,612,336)</u> | <u>16,484,643</u> |
| <u>6,829,000</u> | <u>7,042,300</u> | <u>6,404,300</u> | <u>(638,000)</u> |
| <u>(2,000)</u> | <u>(140,300)</u> | <u>(140,300)</u> | <u>-</u> |
| <u>6,827,000</u> | <u>6,902,000</u> | <u>6,264,000</u> | <u>(638,000)</u> |
| <u>(26,798,065)</u> | <u>(26,194,979)</u> | <u>(10,348,336)</u> | <u>15,846,643</u> |
| <u>26,239,369</u> | <u>26,239,369</u> | <u>26,239,369</u> | <u>-</u> |
| <u>\$ (558,696)</u> | <u>\$ 44,390</u> | <u>\$ 15,891,033</u> | <u>\$ 15,846,643</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

| | <u>District Attorney Hot Check</u> | <u>County Attorney Hot Check</u> | <u>Law Library</u> | <u>County Clerk Records Management</u> |
|---|--|--|------------------------|--|
| ASSETS | | | | |
| Cash | \$ 3,894 | \$ - | \$ 3,142 | \$ - |
| Investments | 219,776 | 8,271 | 106,434 | 306,106 |
| Accounts receivable | - | - | - | 762 |
| Due from other governmental agencies | - | - | - | - |
| Due from other funds | - | - | 350 | 2,853 |
| Prepaid expenses | - | - | - | - |
| Total assets | <u>\$ 223,670</u> | <u>\$ 8,271</u> | <u>\$ 109,926</u> | <u>\$ 309,721</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,821 | \$ 1,634 | \$ 4,799 | \$ - |
| Benefits payable | 1,367 | - | 709 | 1,610 |
| Due to other funds | - | - | - | 2,626 |
| Due to other governmental agencies | - | - | - | - |
| Deferred grant revenue | - | - | - | - |
| Total liabilities | <u>3,188</u> | <u>1,634</u> | <u>5,508</u> | <u>4,236</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | - | - | - | 17,574 |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | - | 5,000 | 30,260 | 43,211 |
| Undesignated | 220,482 | 1,637 | 74,158 | 244,700 |
| Total fund balances | <u>220,482</u> | <u>6,637</u> | <u>104,418</u> | <u>305,485</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 223,670</u> | <u>\$ 8,271</u> | <u>\$ 109,926</u> | <u>\$ 309,721</u> |

| <u>Records Preservation</u> | <u>District Clerk Records Management</u> | <u>Juvenile Probation Fees</u> | <u>Courthouse Security</u> | <u>County Clerk Records Archive</u> | <u>County Clerk Vital Statistics</u> |
|---------------------------------|--|--|--------------------------------|---|--|
| \$ - | \$ 86,140 | \$ 3,610 | \$ 1,396 | \$ 70,101 | \$ - |
| 168,365 | - | 43,111 | 34,181 | 307,574 | 98,378 |
| - | - | 90 | - | 3,702 | - |
| - | - | - | - | - | - |
| 532 | 30 | - | 1,067 | 2,790 | 51 |
| - | - | - | - | - | - |
| <u>\$ 168,897</u> | <u>\$ 86,170</u> | <u>\$ 46,811</u> | <u>\$ 36,644</u> | <u>\$ 384,167</u> | <u>\$ 98,429</u> |
| | | | | | |
| \$ - | \$ - | \$ - | \$ 7,468 | \$ - | \$ - |
| - | - | - | 923 | 228 | 21 |
| 2,909 | - | - | - | - | 652 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>2,909</u> | <u>-</u> | <u>-</u> | <u>8,391</u> | <u>228</u> | <u>673</u> |
| | | | | | |
| 27,724 | - | - | 9,157 | - | 97,756 |
| - | 34,200 | 1,500 | 19,096 | 17,080 | - |
| 138,264 | 51,970 | 45,311 | - | 366,859 | - |
| <u>165,988</u> | <u>86,170</u> | <u>46,811</u> | <u>28,253</u> | <u>383,939</u> | <u>97,756</u> |
| <u>\$ 168,897</u> | <u>\$ 86,170</u> | <u>\$ 46,811</u> | <u>\$ 36,644</u> | <u>\$ 384,167</u> | <u>\$ 98,429</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – CONTINUED
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

| | <u>Voter Registration Chapter 19</u> | <u>Employee Activity</u> | <u>Dealer Inventory</u> | <u>Justice Court Building Security</u> |
|---|--|------------------------------|-----------------------------|--|
| ASSETS | | | | |
| Cash | \$ - | \$ 1 | \$ 208 | \$ 41,246 |
| Investments | - | 17,669 | 45,306 | - |
| Accounts receivable | - | 740 | - | - |
| Due from other governmental agencies | 296 | - | - | - |
| Due from other funds | - | - | 73 | 130 |
| Prepaid expenses | - | - | - | - |
| Total assets | <u>\$ 296</u> | <u>\$ 18,410</u> | <u>\$ 45,587</u> | <u>\$ 41,376</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 49 | \$ - | \$ - |
| Benefits payable | 46 | - | 55 | - |
| Due to other funds | 250 | - | - | - |
| Due to other governmental agencies | - | - | - | - |
| Deferred grant revenue | - | - | - | - |
| Total liabilities | <u>296</u> | <u>49</u> | <u>55</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | - | - | - | - |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | - | 14,085 | 14,200 | 17,600 |
| Undesignated | - | 4,276 | 31,332 | 23,776 |
| Total fund balances | <u>-</u> | <u>18,361</u> | <u>45,532</u> | <u>41,376</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 296</u> | <u>\$ 18,410</u> | <u>\$ 45,587</u> | <u>\$ 41,376</u> |

| <u>Juvenile Case Management</u> | <u>County Attorney State Supplement</u> | <u>Juvenile Delinquency Prevention</u> | <u>Pretrial Intervention Program</u> | <u>Election Contracts</u> | <u>Court Records Preservation</u> | <u>Child Abuse Prevention</u> |
|---|---|--|--|-------------------------------|---|---------------------------------------|
| \$ 50,042 | \$ 65,969 | \$ 45 | \$ 225,876 | \$ 57,176 | \$ 15,733 | \$ 600 |
| - | - | - | - | - | - | - |
| - | - | - | - | 725 | - | - |
| 650 | - | - | 7,500 | - | 63 | - |
| - | - | - | - | - | - | - |
| <u>\$ 50,692</u> | <u>\$ 65,969</u> | <u>\$ 45</u> | <u>\$ 233,376</u> | <u>\$ 57,901</u> | <u>\$ 15,796</u> | <u>\$ 600</u> |
| | | | | | | |
| \$ - | \$ 3,439 | \$ - | \$ - | \$ 13,885 | \$ - | \$ - |
| - | 32 | - | 398 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 3,471 | - | 398 | 13,885 | - | - |
| | | | | | | |
| - | 690 | - | - | - | - | - |
| 11,614 | 36,700 | - | - | - | - | - |
| 39,078 | 25,108 | 45 | 232,978 | 44,016 | 15,796 | 600 |
| <u>50,692</u> | <u>62,498</u> | <u>45</u> | <u>232,978</u> | <u>44,016</u> | <u>15,796</u> | <u>600</u> |
| <u>\$ 50,692</u> | <u>\$ 65,969</u> | <u>\$ 45</u> | <u>\$ 233,376</u> | <u>\$ 57,901</u> | <u>\$ 15,796</u> | <u>\$ 600</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – CONTINUED
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

| | <u>Appellate Justice System</u> | <u>Guardianship</u> | <u>Abandoned Motor Vehicles</u> | <u>Rabies Control</u> |
|---|---|---------------------|---|---------------------------|
| ASSETS | | | | |
| Cash | \$ 1,035 | \$ 21,939 | \$ 2,448 | \$ 29,615 |
| Investments | - | - | - | - |
| Accounts receivable | - | - | - | - |
| Due from other governmental agencies | - | - | - | - |
| Due from other funds | 50 | 50 | - | - |
| Prepaid expenses | - | - | - | - |
| Total assets | <u>\$ 1,085</u> | <u>\$ 21,989</u> | <u>\$ 2,448</u> | <u>\$ 29,615</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,085 | \$ - | \$ - | \$ - |
| Benefits payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Due to other governmental agencies | - | - | - | - |
| Deferred grant revenue | - | - | - | - |
| Total liabilities | <u>1,085</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | - | - | - | - |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | - | 12,000 | - | - |
| Undesignated | - | 9,989 | 2,448 | 29,615 |
| Total fund balances | <u>-</u> | <u>21,989</u> | <u>2,448</u> | <u>29,615</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,085</u> | <u>\$ 21,989</u> | <u>\$ 2,448</u> | <u>\$ 29,615</u> |

| <u>District Court Records Technology</u> | <u>County and District Court Technology</u> | <u>Justice Court Technology</u> | <u>Local Emergency Planning Commission</u> | <u>Donations SO Mounted Patrol</u> | <u>Donations Const 4 Bullet Proof Vest</u> | <u>Donation Horseshoe Proctor</u> | <u>Donations Sheriff's Office</u> |
|--|---|---------------------------------|--|------------------------------------|--|-----------------------------------|-----------------------------------|
| \$ 10,355 | \$ 805 | \$ 210,520 | \$ 424 | \$ 6,758 | \$ 500 | \$ 166,872 | \$ 33,308 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 50,000 | - |
| - | - | - | - | - | - | - | - |
| 25 | 48 | 520 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 10,380</u> | <u>\$ 853</u> | <u>\$ 211,040</u> | <u>\$ 424</u> | <u>\$ 6,758</u> | <u>\$ 500</u> | <u>\$ 216,872</u> | <u>\$ 33,308</u> |
| | | | | | | | |
| \$ - | \$ - | \$ 13,600 | \$ - | \$ 815 | \$ - | \$ - | \$ 2,236 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 13,600 | - | 815 | - | - | 2,236 |
| | | | | | | | |
| - | - | - | - | 495 | - | 7,245 | 1,616 |
| - | - | 42,475 | - | 5,448 | - | 50,000 | - |
| 10,380 | 853 | 154,965 | 424 | - | 500 | 159,627 | 29,456 |
| <u>10,380</u> | <u>853</u> | <u>197,440</u> | <u>424</u> | <u>5,943</u> | <u>500</u> | <u>216,872</u> | <u>31,072</u> |
| | | | | | | | |
| <u>\$ 10,380</u> | <u>\$ 853</u> | <u>\$ 211,040</u> | <u>\$ 424</u> | <u>\$ 6,758</u> | <u>\$ 500</u> | <u>\$ 216,872</u> | <u>\$ 33,308</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – CONTINUED
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

| | <u>Donations Constable 4</u> | <u>Donations Emergency Management</u> | <u>L.E.O.S.E. Funds</u> | <u>District Attorney Abell Hanger</u> |
|---|----------------------------------|---|-----------------------------|---|
| ASSETS | | | | |
| Cash | \$ 481 | \$ 553 | \$ 15,823 | \$ - |
| Investments | - | - | - | 4,430 |
| Accounts receivable | - | - | - | - |
| Due from other governmental agencies | - | - | - | - |
| Due from other funds | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Total assets | <u>\$ 481</u> | <u>\$ 553</u> | <u>\$ 15,823</u> | <u>\$ 4,430</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ 2 | \$ - |
| Benefits payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Due to other governmental agencies | - | - | - | - |
| Deferred grant revenue | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>2</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | - | - | - | - |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | 481 | - | - | 3,100 |
| Undesignated | - | 553 | 15,821 | 1,330 |
| Total fund balances | <u>481</u> | <u>553</u> | <u>15,821</u> | <u>4,430</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 481</u> | <u>\$ 553</u> | <u>\$ 15,823</u> | <u>\$ 4,430</u> |

| <u>District Attorney Drug Forfeiture</u> | <u>Sheriff Abell Hanger</u> | <u>Sheriff Local Drug Forfeiture</u> | <u>Sheriff Federal Forfeiture</u> | <u>Paving Projects</u> | <u>Juvenile Accountability Incentive Block Grants</u> | <u>Crime Victims Coordinator</u> | <u>Indigent Defense Improvement Grant</u> |
|--|-----------------------------|--------------------------------------|-----------------------------------|------------------------|---|----------------------------------|---|
| \$ 1,664 | \$ 756 | \$ 20,453 | \$ - | \$ 19,500 | \$ - | \$ - | \$ 6,033 |
| 56,293 | 2,098 | - | 47,113 | - | - | - | - |
| - | - | - | - | - | - | 203 | - |
| - | - | - | - | - | 15,664 | 3,893 | - |
| 5,657 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 275 | - |
| <u>\$ 63,614</u> | <u>\$ 2,854</u> | <u>\$ 20,453</u> | <u>\$ 47,113</u> | <u>\$ 19,500</u> | <u>\$ 15,664</u> | <u>\$ 4,371</u> | <u>\$ 6,033</u> |
| | | | | | | | |
| \$ 3,143 | \$ - | \$ - | \$ 1,012 | \$ - | \$ 3,286 | \$ - | \$ - |
| - | - | - | - | - | 2,271 | 481 | - |
| - | - | - | 17,076 | - | 10,106 | 3,412 | - |
| - | - | - | - | - | - | 478 | - |
| - | - | - | - | - | - | - | - |
| <u>3,143</u> | <u>-</u> | <u>-</u> | <u>18,088</u> | <u>-</u> | <u>15,663</u> | <u>4,371</u> | <u>-</u> |
| | | | | | | | |
| - | 487 | - | 11 | - | 1 | - | - |
| 39,011 | 2,366 | - | - | - | - | - | 6,033 |
| 21,460 | 1 | 20,453 | 29,014 | 19,500 | - | - | - |
| <u>60,471</u> | <u>2,854</u> | <u>20,453</u> | <u>29,025</u> | <u>19,500</u> | <u>1</u> | <u>-</u> | <u>6,033</u> |
| <u>\$ 63,614</u> | <u>\$ 2,854</u> | <u>\$ 20,453</u> | <u>\$ 47,113</u> | <u>\$ 19,500</u> | <u>\$ 15,664</u> | <u>\$ 4,371</u> | <u>\$ 6,033</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – CONTINUED
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

| | <u>Office of Court Administration Grant</u> | <u>High Intensity Drug Trafficking Area</u> | <u>Other Victims' Assistance Grant</u> | <u>Mental Health Deputies</u> |
|---|---|---|--|---------------------------------------|
| ASSETS | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Investments | - | - | - | - |
| Accounts receivable | 3 | - | - | 5,833 |
| Due from other governmental agencies | 3,449 | 3,069 | 9,925 | - |
| Due from other funds | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Total assets | <u>\$ 3,452</u> | <u>\$ 3,069</u> | <u>\$ 9,925</u> | <u>\$ 5,833</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 331 | \$ - | \$ - |
| Benefits payable | 170 | - | 497 | 1,983 |
| Due to other funds | 3,282 | 2,738 | 9,428 | 3,850 |
| Due to other governmental agencies | - | - | - | - |
| Deferred grant revenue | - | - | - | - |
| Total liabilities | <u>3,452</u> | <u>3,069</u> | <u>9,925</u> | <u>5,833</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | - | - | - | - |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | - | - | - | - |
| Undesignated | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 3,452</u> | <u>\$ 3,069</u> | <u>\$ 9,925</u> | <u>\$ 5,833</u> |

| <u>Oilfield Theft Task Force Grant</u> | <u>Texas VINE Grant</u> | <u>Crime Victim Services Grant</u> | <u>Donation SO Bullet Proof Vest</u> | <u>Donation Dare Lioness Club</u> | <u>Donation CIU Volunteer Support</u> |
|--|-----------------------------|--|--|---|---|
| \$ 334 | \$ - | \$ - | \$ 5,053 | \$ 100 | \$ 760 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 505 | 26,333 | 9,771 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 839</u> | <u>\$ 26,333</u> | <u>\$ 9,771</u> | <u>\$ 5,053</u> | <u>\$ 100</u> | <u>\$ 760</u> |
| | | | | | |
| \$ - | \$ 26,333 | \$ - | \$ - | \$ - | \$ - |
| 839 | - | 603 | - | - | - |
| - | - | 9,168 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>839</u> | <u>26,333</u> | <u>9,771</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | | |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 5,053 | 100 | 760 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>5,053</u> | <u>100</u> | <u>760</u> |
| | | | | | |
| - | - | - | 5,053 | 100 | 760 |
| <u>\$ 839</u> | <u>\$ 26,333</u> | <u>\$ 9,771</u> | <u>\$ 5,053</u> | <u>\$ 100</u> | <u>\$ 760</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – CONTINUED
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

| | <u>Donation Teen Leadership Account</u> | <u>Donation Constable</u> | <u>Donation Fire Marshall</u> | <u>Title IV-E Federal Foster Care</u> |
|---|---|-------------------------------|-----------------------------------|---|
| ASSETS | | | | |
| Cash | \$ 9,143 | \$ 10 | \$ 70 | \$ 6,554 |
| Investments | - | - | - | 115,064 |
| Accounts receivable | - | - | - | - |
| Due from other governmental agencies | - | - | - | 32,193 |
| Due from other funds | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Total assets | <u>\$ 9,143</u> | <u>\$ 10</u> | <u>\$ 70</u> | <u>\$ 153,811</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Benefits payable | - | - | - | 774 |
| Due to other funds | - | - | - | - |
| Due to other governmental agencies | - | - | - | - |
| Deferred grant revenue | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>774</u> |
| FUND BALANCES | | | | |
| Reserved for encumbrances | 1,250 | - | - | - |
| Unreserved | | | | |
| Designated for subsequent year's expenditures | 7,893 | - | - | - |
| Undesignated | - | 10 | 70 | 153,037 |
| Total fund balances | <u>9,143</u> | <u>10</u> | <u>70</u> | <u>153,037</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 9,143</u> | <u>\$ 10</u> | <u>\$ 70</u> | <u>\$ 153,811</u> |

| <u>Juvenile Probation State Grants</u> | <u>State Homeland Security Grant</u> | <u>Helping America Vote Act Grant</u> | <u>Justice Assistance Grants</u> | <u>Gates Public Access Comp HUG</u> | <u>Donation Cemetery Care</u> |
|--|--|---|--|---|---------------------------------------|
| \$ 13,096 | \$ 571 | \$ - | \$ 50,876 | \$ 1,217 | \$ 743 |
| - | - | - | - | - | - |
| 367 | - | - | - | - | - |
| 71,104 | - | 47,713 | - | - | - |
| - | - | - | - | - | - |
| 519 | - | - | - | - | - |
| <u>\$ 85,086</u> | <u>\$ 571</u> | <u>\$ 47,713</u> | <u>\$ 50,876</u> | <u>\$ 1,217</u> | <u>\$ 743</u> |
| | | | | | |
| \$ 83,776 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1,310 | - | - | - | - | - |
| - | - | 47,712 | - | - | - |
| - | - | - | - | - | - |
| - | 571 | - | 50,776 | - | - |
| <u>85,086</u> | <u>571</u> | <u>47,712</u> | <u>50,776</u> | <u>-</u> | <u>-</u> |
| | | | | | |
| - | - | 1 | - | - | - |
| | | | | | |
| - | - | - | 100 | 1,217 | 743 |
| | | | | | |
| - | - | 1 | 100 | 1,217 | 743 |
| <u>\$ 85,086</u> | <u>\$ 571</u> | <u>\$ 47,713</u> | <u>\$ 50,876</u> | <u>\$ 1,217</u> | <u>\$ 743</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – CONTINUED
COMBINING BALANCE SHEET
SEPTEMBER 30, 2010**

| | <u>Donation Library</u> | <u>Lone Star Libraries Grant</u> | <u>Totals</u> |
|---|-----------------------------|--|---------------------|
| ASSETS | | | |
| Cash | \$ 7,359 | \$ 17,333 | \$ 1,288,240 |
| Investments | - | - | 1,580,169 |
| Accounts receivable | 267 | - | 62,692 |
| Due from other governmental agencies | - | - | 223,915 |
| Due from other funds | - | - | 22,439 |
| Prepaid expenses | - | - | 794 |
| Total assets | <u>\$ 7,626</u> | <u>\$ 17,333</u> | <u>\$ 3,178,249</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 175 | \$ 5,279 | \$ 174,168 |
| Benefits payable | - | - | 14,317 |
| Due to other funds | - | - | 113,209 |
| Due to other governmental agencies | - | - | 478 |
| Deferred grant revenue | - | 12,040 | 63,387 |
| Total liabilities | <u>175</u> | <u>17,319</u> | <u>365,559</u> |
| FUND BALANCES | | | |
| Reserved for encumbrances | - | 14 | 164,021 |
| Unreserved | | | |
| Designated for subsequent year's expenditures | 6,000 | - | 419,353 |
| Undesignated | 1,451 | - | 2,229,316 |
| Total fund balances | <u>7,451</u> | <u>14</u> | <u>2,812,690</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 7,626</u> | <u>\$ 17,333</u> | <u>\$ 3,178,249</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>District Attorney Hot Check</u> | <u>County Attorney Hot Check</u> | <u>Law Library</u> | <u>County Clerk Records Management</u> |
|--|--|--|------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 100,459 | \$ - | \$ 95,206 | \$ 131,730 |
| Investment income | - | - | - | 546 |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | 34,450 | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>134,909</u> | <u>-</u> | <u>95,206</u> | <u>132,276</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General administration | - | - | - | - |
| Judicial | 159,054 | 1,639 | 100,408 | 118,783 |
| Financial administration | - | - | - | - |
| Elections | - | - | - | - |
| Public safety and corrections | - | - | - | - |
| Health and welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>159,054</u> | <u>1,639</u> | <u>100,408</u> | <u>118,783</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(24,145)</u> | <u>(1,639)</u> | <u>(5,202)</u> | <u>13,493</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (24,145) | (1,639) | (5,202) | 13,493 |
| FUND BALANCES, beginning of year | <u>244,627</u> | <u>8,276</u> | <u>109,620</u> | <u>291,992</u> |
| FUND BALANCES, end of year | <u>\$ 220,482</u> | <u>\$ 6,637</u> | <u>\$ 104,418</u> | <u>\$ 305,485</u> |

| <u>Records Preservation</u> | <u>District Clerk Records Management</u> | <u>Juvenile Probation Fees</u> | <u>Courthouse Security</u> | <u>County Clerk Records Archive</u> | <u>County Clerk Vital Statistics</u> |
|---------------------------------|--|--|--------------------------------|---|--|
| \$ 62,628 | \$ 13,298 | \$ 11,005 | \$ 75,445 | \$ 126,531 | \$ 11,165 |
| 508 | - | - | 359 | 994 | 239 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 5,867 | - |
| <u>63,136</u> | <u>13,298</u> | <u>11,005</u> | <u>75,804</u> | <u>133,392</u> | <u>11,404</u> |
| - | - | - | - | - | - |
| 25,203 | 1,102 | 25,694 | 191,273 | 105,772 | 2,482 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 164,643 | - | - | - | - | - |
| <u>189,846</u> | <u>1,102</u> | <u>25,694</u> | <u>191,273</u> | <u>105,772</u> | <u>2,482</u> |
| <u>(126,710)</u> | <u>12,196</u> | <u>(14,689)</u> | <u>(115,469)</u> | <u>27,620</u> | <u>8,922</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (126,710) | 12,196 | (14,689) | (115,469) | 27,620 | 8,922 |
| 292,698 | 73,974 | 61,500 | 143,722 | 356,319 | 88,834 |
| <u>\$ 165,988</u> | <u>\$ 86,170</u> | <u>\$ 46,811</u> | <u>\$ 28,253</u> | <u>\$ 383,939</u> | <u>\$ 97,756</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Voter Registration Chapter 19</u> | <u>Employee Activity</u> | <u>Dealer Inventory</u> | <u>Justice Court Building Security</u> |
|--|--|------------------------------|-----------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 8,754 | \$ 13,940 | \$ - | \$ - |
| Investment income | - | - | 614 | - |
| Fines and forfeitures | - | - | 5,155 | 8,492 |
| Intergovernmental | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>8,754</u> | <u>13,940</u> | <u>5,769</u> | <u>8,492</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General administration | - | 14,204 | - | - |
| Judicial | - | - | - | - |
| Financial administration | - | - | 6,447 | - |
| Elections | 8,754 | - | - | - |
| Public safety and corrections | - | - | - | - |
| Health and welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>8,754</u> | <u>14,204</u> | <u>6,447</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(264)</u> | <u>(678)</u> | <u>8,492</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | (264) | (678) | 8,492 |
| FUND BALANCES, beginning of year | <u>-</u> | <u>18,625</u> | <u>46,210</u> | <u>32,884</u> |
| FUND BALANCES, end of year | <u>\$ -</u> | <u>\$ 18,361</u> | <u>\$ 45,532</u> | <u>\$ 41,376</u> |

| <u>Juvenile Case Management</u> | <u>County Attorney State Supplement</u> | <u>Juvenile Delinquency Prevention</u> | <u>Pretrial Intervention Program</u> | <u>Election Contracts</u> | <u>Court Records Preservation</u> | <u>Child Abuse Prevention</u> |
|---------------------------------|---|--|--------------------------------------|---------------------------|-----------------------------------|-------------------------------|
| \$ - | \$ - | \$ - | \$ 118,000 | \$ 39,300 | \$ 15,796 | \$ 200 |
| - | - | - | - | - | - | - |
| 42,500 | - | - | - | - | - | - |
| - | 62,500 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>42,500</u> | <u>62,500</u> | <u>-</u> | <u>118,000</u> | <u>39,300</u> | <u>15,796</u> | <u>200</u> |
| - | - | - | - | - | - | - |
| - | 63,067 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 35,728 | - | - |
| - | - | - | 28,522 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>63,067</u> | <u>-</u> | <u>28,522</u> | <u>35,728</u> | <u>-</u> | <u>-</u> |
| <u>42,500</u> | <u>(567)</u> | <u>-</u> | <u>89,478</u> | <u>3,572</u> | <u>15,796</u> | <u>200</u> |
| - | - | - | - | - | - | - |
| <u>(102,347)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>(102,347)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (59,847) | (567) | - | 89,478 | 3,572 | 15,796 | 200 |
| <u>110,539</u> | <u>63,065</u> | <u>45</u> | <u>143,500</u> | <u>40,444</u> | <u>-</u> | <u>400</u> |
| <u>\$ 50,692</u> | <u>\$ 62,498</u> | <u>\$ 45</u> | <u>\$ 232,978</u> | <u>\$ 44,016</u> | <u>\$ 15,796</u> | <u>\$ 600</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Appellate Justice System</u> | <u>Guardianship</u> | <u>Abandoned Motor Vehicles</u> | <u>Rabies Control</u> |
|--|---|---------------------|---|---------------------------|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ 3,653 | \$ 12,744 |
| Investment income | - | - | 17 | - |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | - | 8,360 | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>-</u> | <u>8,360</u> | <u>3,670</u> | <u>12,744</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General administration | - | - | - | - |
| Judicial | - | - | - | - |
| Financial administration | - | - | - | - |
| Elections | - | - | - | - |
| Public safety and corrections | - | - | 1,531 | - |
| Health and welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>1,531</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>8,360</u> | <u>2,139</u> | <u>12,744</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers (out) | - | - | (30,000) | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(30,000)</u> | <u>-</u> |
| Net change in fund balances | - | 8,360 | (27,861) | 12,744 |
| FUND BALANCES, beginning of year | <u>-</u> | <u>13,629</u> | <u>30,309</u> | <u>16,871</u> |
| FUND BALANCES, end of year | <u>\$ -</u> | <u>\$ 21,989</u> | <u>\$ 2,448</u> | <u>\$ 29,615</u> |

| <u>District Court Records Technology</u> | <u>County and District Court Technology</u> | <u>Justice Court Technology</u> | <u>Local Emergency Planning Commission</u> | <u>Donations SO Mounted Patrol</u> | <u>Donations Const 4 Bullet Proof Vest</u> | <u>Donation Horseshoe Proctor</u> | <u>Donations Sheriff's Office</u> |
|--|---|---------------------------------|--|------------------------------------|--|-----------------------------------|-----------------------------------|
| \$ 10,380 | \$ 853 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | 35,914 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 4,860 | - | 50,000 | 35,200 |
| <u>10,380</u> | <u>853</u> | <u>35,914</u> | <u>-</u> | <u>4,860</u> | <u>-</u> | <u>50,000</u> | <u>35,200</u> |
| - | - | - | - | - | - | - | - |
| - | - | 11,970 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 3,828 | - | - | 20,237 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 4,467 | - |
| - | - | 25,606 | - | - | - | - | 12,495 |
| - | - | <u>37,576</u> | <u>-</u> | <u>3,828</u> | <u>-</u> | <u>4,467</u> | <u>32,732</u> |
| <u>10,380</u> | <u>853</u> | <u>(1,662)</u> | <u>-</u> | <u>1,032</u> | <u>-</u> | <u>45,533</u> | <u>2,468</u> |
| - | - | - | - | - | - | - | - |
| - | - | (14,500) | - | - | - | - | - |
| - | - | <u>(14,500)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>10,380</u> | <u>853</u> | <u>(16,162)</u> | <u>-</u> | <u>1,032</u> | <u>-</u> | <u>45,533</u> | <u>2,468</u> |
| - | - | 213,602 | 424 | 4,911 | 500 | 171,339 | 28,604 |
| <u>\$ 10,380</u> | <u>\$ 853</u> | <u>\$ 197,440</u> | <u>\$ 424</u> | <u>\$ 5,943</u> | <u>\$ 500</u> | <u>\$ 216,872</u> | <u>\$ 31,072</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Donations Constable 4</u> | <u>Donations Emergency Management</u> | <u>L.E.O.S.E. Funds</u> | <u>District Attorney Abell Hanger</u> |
|--|----------------------------------|---|-----------------------------|---|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Investment income | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | - | - | 13,537 | - |
| Miscellaneous | - | 600 | - | - |
| | <u>-</u> | <u>600</u> | <u>13,537</u> | <u>-</u> |
| Total revenues | <u>-</u> | <u>600</u> | <u>13,537</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General administration | - | - | - | - |
| Judicial | - | - | - | 5 |
| Financial administration | - | - | - | - |
| Elections | - | - | - | - |
| Public safety and corrections | - | 99 | 17,095 | - |
| Health and welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| | <u>-</u> | <u>99</u> | <u>17,095</u> | <u>5</u> |
| Total expenditures | <u>-</u> | <u>99</u> | <u>17,095</u> | <u>5</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>501</u> | <u>(3,558)</u> | <u>(5)</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers (out) | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | - | 501 | (3,558) | (5) |
| FUND BALANCES, beginning of year | <u>481</u> | <u>52</u> | <u>19,379</u> | <u>4,435</u> |
| FUND BALANCES, end of year | <u>\$ 481</u> | <u>\$ 553</u> | <u>\$ 15,821</u> | <u>\$ 4,430</u> |

| <u>District Attorney Drug Forfeiture</u> | <u>Sheriff Abell Hanger</u> | <u>Sheriff Local Drug Forfeiture</u> | <u>Sheriff Federal Forfeiture</u> | <u>Paving Projects</u> | <u>Juvenile Accountability Incentive Block Grants</u> | <u>Crime Victims Coordinator</u> | <u>Indigent Defense Improvement Grant</u> |
|--|-----------------------------|--------------------------------------|-----------------------------------|------------------------|---|----------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 59 | - | - | - | - |
| 3,828 | - | - | 36,943 | - | - | - | - |
| - | - | - | - | - | 90,160 | 16,125 | - |
| - | - | - | - | - | - | - | - |
| <u>3,828</u> | <u>-</u> | <u>-</u> | <u>37,002</u> | <u>-</u> | <u>90,160</u> | <u>16,125</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| 3,047 | - | - | - | - | - | - | 724 |
| - | - | - | - | - | - | - | - |
| - | 557 | 1,089 | 34,637 | - | 199,136 | 16,125 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 5,303 | - | - | - | - |
| <u>3,047</u> | <u>557</u> | <u>1,089</u> | <u>39,940</u> | <u>-</u> | <u>199,136</u> | <u>16,125</u> | <u>724</u> |
| <u>781</u> | <u>(557)</u> | <u>(1,089)</u> | <u>(2,938)</u> | <u>-</u> | <u>(108,976)</u> | <u>-</u> | <u>(724)</u> |
| - | - | - | - | - | 108,977 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 108,977 | - | - |
| 781 | (557) | (1,089) | (2,938) | - | 1 | - | (724) |
| <u>59,690</u> | <u>3,411</u> | <u>21,542</u> | <u>31,963</u> | <u>19,500</u> | <u>-</u> | <u>-</u> | <u>6,757</u> |
| <u>\$ 60,471</u> | <u>\$ 2,854</u> | <u>\$ 20,453</u> | <u>\$ 29,025</u> | <u>\$ 19,500</u> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ 6,033</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Office of Court Administration Grant</u> | <u>High Intensity Drug Trafficking Area</u> | <u>Other Victims' Assistance Grant</u> | <u>Mental Health Deputies</u> |
|--|---|---|--|---------------------------------------|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Investment income | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | 20,036 | 15,087 | 39,717 | 70,000 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>20,036</u> | <u>15,087</u> | <u>39,717</u> | <u>70,000</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General administration | - | - | - | - |
| Judicial | 20,036 | - | - | - |
| Financial administration | - | - | - | - |
| Elections | - | - | - | - |
| Public safety and corrections | - | 15,087 | - | - |
| Health and welfare | - | - | 39,717 | 152,368 |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>20,036</u> | <u>15,087</u> | <u>39,717</u> | <u>152,368</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>(82,368)</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | - | - | 82,368 |
| Operating transfers (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>82,368</u> |
| Net change in fund balances | - | - | - | - |
| FUND BALANCES, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| <u>Oilfield Theft Task Force Grant</u> | <u>Texas VINE Grant</u> | <u>Crime Victim Services Grant</u> | <u>Donation SO Bullet Proof Vest</u> | <u>Donation Dare Lioness Club</u> | <u>Donation CIU Volunteer Support</u> |
|--|-----------------------------|--|--|---|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| 13,461 | 26,333 | 37,386 | - | - | - |
| - | - | - | 4,608 | - | 105 |
| <u>13,461</u> | <u>26,333</u> | <u>37,386</u> | <u>4,608</u> | <u>-</u> | <u>105</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 13,461 | - | - | 720 | - | - |
| - | 26,333 | 37,386 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>13,461</u> | <u>26,333</u> | <u>37,386</u> | <u>720</u> | <u>-</u> | <u>-</u> |
| - | - | - | 3,888 | - | 105 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 3,888 | - | 105 |
| - | - | - | 1,165 | 100 | 655 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,053</u> | <u>\$ 100</u> | <u>\$ 760</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Donation Teen Leadership Account</u> | <u>Donation Constable</u> | <u>Donation Fire Marshall</u> | <u>Title IV-E Federal Foster Care</u> |
|--|---|-------------------------------|-----------------------------------|---|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Investment income | - | - | - | 445 |
| Fines and forfeitures | - | - | - | - |
| Intergovernmental | - | - | - | 15,492 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,937</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General administration | - | - | - | - |
| Judicial | - | - | - | - |
| Financial administration | - | - | - | - |
| Elections | - | - | - | - |
| Public safety and corrections | - | - | - | - |
| Health and welfare | 3,399 | - | - | 145,048 |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | 17,300 |
| Total expenditures | <u>3,399</u> | <u>-</u> | <u>-</u> | <u>162,348</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,399)</u> | <u>-</u> | <u>-</u> | <u>(146,411)</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (3,399) | - | - | (146,411) |
| FUND BALANCES, beginning of year | <u>12,542</u> | <u>10</u> | <u>70</u> | <u>299,448</u> |
| FUND BALANCES, end of year | <u>\$ 9,143</u> | <u>\$ 10</u> | <u>\$ 70</u> | <u>\$ 153,037</u> |

| <u>Juvenile Probation State Grants</u> | <u>State Homeland Security Grant</u> | <u>Helping America Vote Act Grant</u> | <u>Justice Assistance Grants</u> | <u>Gates Public Access Comp HUG</u> | <u>Donation Cemetery Care</u> |
|--|--|---|--|---|---------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 125 | - | - |
| - | - | - | - | - | - |
| 885,425 | - | 92,389 | 52,267 | 1,217 | - |
| - | - | - | - | - | - |
| <u>885,425</u> | <u>-</u> | <u>92,389</u> | <u>52,392</u> | <u>1,217</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | 52,471 | - | - |
| - | - | - | - | - | - |
| - | - | 92,388 | - | - | - |
| 885,425 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>885,425</u> | <u>-</u> | <u>92,388</u> | <u>52,471</u> | <u>-</u> | <u>-</u> |
| - | - | 1 | (79) | 1,217 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 1 | (79) | 1,217 | - |
| - | - | - | 179 | - | 743 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ 100</u> | <u>\$ 1,217</u> | <u>\$ 743</u> |

**MIDLAND COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CONTINUED
YEAR ENDED SEPTEMBER 30, 2010**

| | <u>Donation Library</u> | <u>Lone Star Libraries Grant</u> | <u>Totals</u> |
|--|-----------------------------|--|---------------------|
| REVENUES | | | |
| Charges for services | \$ - | \$ - | \$ 851,087 |
| Investment income | - | 14 | 3,920 |
| Fines and forfeitures | - | - | 132,832 |
| Intergovernmental | - | 12,254 | 1,506,196 |
| Miscellaneous | 3,971 | - | 105,211 |
| Total revenues | <u>3,971</u> | <u>12,268</u> | <u>2,599,246</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General administration | - | - | 14,204 |
| Judicial | - | - | 882,730 |
| Financial administration | - | - | 6,447 |
| Elections | - | - | 136,870 |
| Public safety and corrections | - | - | 1,237,549 |
| Health and welfare | - | - | 404,251 |
| Culture and recreation | 1,374 | 12,254 | 18,095 |
| Capital outlay | - | - | 225,347 |
| Total expenditures | <u>1,374</u> | <u>12,254</u> | <u>2,925,493</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,597</u> | <u>14</u> | <u>(326,247)</u> |
| Other financing sources (uses) | | | |
| Operating transfers in | - | - | 191,345 |
| Operating transfers (out) | - | - | (146,847) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>44,498</u> |
| Net change in fund balances | 2,597 | 14 | (281,749) |
| FUND BALANCES, beginning of year | <u>4,854</u> | <u>-</u> | <u>3,094,439</u> |
| FUND BALANCES, end of year | <u>\$ 7,451</u> | <u>\$ 14</u> | <u>\$ 2,812,690</u> |

INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The three Internal Service Funds are:

- Risk Management
- Health Care
- Fleet Maintenance

**MIDLAND COUNTY, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

| | <u>Risk Management</u> | <u>Health Care</u> | <u>Fleet Maintenance</u> | <u>Total</u> |
|--------------------------|----------------------------|--------------------------|------------------------------|----------------------------|
| ASSETS | | | | |
| Cash | \$ 826 | \$ - | \$ 151,072 | \$ 151,898 |
| Investments | 3,856,370 | 206 | - | 3,856,576 |
| Accounts receivable | - | 11,618 | - | 11,618 |
| Due from other funds | - | 1,258,989 | 46,706 | 1,305,695 |
| Prepaid assets | <u>252,293</u> | <u>2,000</u> | <u>26,662</u> | <u>280,955</u> |
| Total assets | <u>4,109,489</u> | <u>1,272,813</u> | <u>224,440</u> | <u>5,606,742</u> |
| LIABILITIES | | | | |
| Accounts payable | 488,261 | 802,808 | 43,092 | 1,334,161 |
| Due to other funds | <u>304,329</u> | <u>-</u> | <u>-</u> | <u>304,329</u> |
| Total liabilities | <u>792,590</u> | <u>802,808</u> | <u>43,092</u> | <u>1,638,490</u> |
| NET ASSETS | | | | |
| Unrestricted | <u>3,316,899</u> | <u>470,005</u> | <u>181,348</u> | <u>3,968,252</u> |
| Total net assets | <u><u>\$ 3,316,899</u></u> | <u><u>\$ 470,005</u></u> | <u><u>\$ 181,348</u></u> | <u><u>\$ 3,968,252</u></u> |

**MIDLAND COUNTY, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2010**

OPERATING REVENUES

Charges for services

Total operating revenues

OPERATING EXPENSES

Fleet maintenance

Claims expense

Administration costs

Premium cost

Professional services

Total operating expenses

OPERATING INCOME (LOSS)

OTHER FINANCING SOURCES (USES)

Investment income

Operating transfers in (out)

Total other financing sources (uses)

CHANGE IN NET ASSETS

NET ASSETS , beginning of year

NET ASSETS, end of year

| <u>Risk Management</u> | <u>Health Care</u> | <u>Fleet Maintenance</u> | <u>Totals</u> |
|------------------------|--------------------|--------------------------|---------------------|
| \$ 965,134 | \$ 4,560,288 | \$ 454,300 | \$ 5,979,722 |
| <u>965,134</u> | <u>4,560,288</u> | <u>454,300</u> | <u>5,979,722</u> |
| - | - | 445,871 | 445,871 |
| - | 5,479,960 | - | 5,479,960 |
| 367,938 | 463,322 | - | 831,260 |
| 573,800 | 407,584 | - | 981,384 |
| <u>375</u> | <u>1,281</u> | <u>-</u> | <u>1,656</u> |
| <u>942,113</u> | <u>6,352,147</u> | <u>445,871</u> | <u>7,740,131</u> |
| <u>23,021</u> | <u>(1,791,859)</u> | <u>8,429</u> | <u>(1,760,409)</u> |
| 9,280 | 909 | - | 10,189 |
| <u>-</u> | <u>1,623,013</u> | <u>-</u> | <u>1,623,013</u> |
| 9,280 | 1,623,922 | - | 1,633,202 |
| 32,301 | (167,937) | 8,429 | (127,207) |
| <u>3,284,598</u> | <u>637,942</u> | <u>172,919</u> | <u>4,095,459</u> |
| <u>\$ 3,316,899</u> | <u>\$ 470,005</u> | <u>\$ 181,348</u> | <u>\$ 3,968,252</u> |

**MIDLAND COUNTY, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from charges for services
Cash paid for services

Net cash provided (used) by operating activities

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in (out)

Net cash provided (used) by noncapital financing activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments
Investment income received
Proceeds from sale of investments

Net cash provided (used) by investing activities

Net change in cash

CASH, beginning of year

CASH, end of year

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating income (loss)

Adjustments to reconcile operating income (loss) to net cash

Provided (used) by operating activities
(Increase) Decrease in accounts receivable
(Increase) Decrease in due from other funds
(Increase) Decrease in prepaid assets
(Decrease) Increase in accounts payable

Total adjustments

Net cash provided (used) by operation activities

| <u>Risk Management</u> | <u>Health Care</u> | <u>Fleet Maintenance</u> | <u>Totals</u> |
|--------------------------------|---|------------------------------|---|
| \$ 965,134 (650,164) | \$ 4,612,306 (7,387,478) | \$ 454,300 (451,518) | \$ 6,031,740 (8,489,160) |
| <u>314,970</u> | <u>(2,775,172)</u> | <u>2,782</u> | <u>(2,457,420)</u> |
| - | 1,623,013 | - | 1,623,013 |
| - | 1,623,013 | - | 1,623,013 |
| (347,780) 9,280 - | - 909 900,140 | - - - | (347,780) 10,189 900,140 |
| <u>(338,500)</u> | <u>901,049</u> | <u>-</u> | <u>562,549</u> |
| (23,530) | (251,110) | 2,782 | (271,858) |
| <u>24,356</u> | <u>251,110</u> | <u>148,290</u> | <u>423,756</u> |
| <u>\$ 826</u> | <u>\$ -</u> | <u>\$ 151,072</u> | <u>\$ 151,898</u> |
| | | | |
| <u>\$ 23,021</u> | <u>\$ (1,791,859)</u> | <u>\$ 8,429</u> | <u>\$ (1,760,409)</u> |
| - - (196,312) 488,261 | 52,018 (1,258,989) (2,000) 225,658 | - (46,706) - 41,059 | 52,018 (1,305,695) (198,312) 754,978 |
| <u>291,949</u> | <u>(983,313)</u> | <u>(5,647)</u> | <u>(697,011)</u> |
| <u>\$ 314,970</u> | <u>\$ (2,775,172)</u> | <u>\$ 2,782</u> | <u>\$ (2,457,420)</u> |

AGENCY FUNDS

Agency funds are used to account for funds held or collected for the benefit of other funds, governments or individuals. These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. They are as follows:

District Clerk
County Clerk
District Attorney
Sheriff
Justice of the Peace Precinct #1
Justice of the Peace Precinct #2
Justice of the Peace Precinct #3
Justice of the Peace Precinct #4
Juvenile Probation
Tax Assessor Collector
Constable Precinct 3
Constable Precinct 4
Unclaimed Property Fund
CS&CD Supervision
CS&CD Court Residential Treatment Center
CS&CD Community Corrections
CS&CD Treatment Alternative Incarceration Program
Bail Security Fund

**MIDLAND COUNTY, TEXAS
AGENCY FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010**

| | <u>District Clerk</u> | <u>County Clerk</u> | <u>District Attorney</u> | <u>Sheriff</u> |
|------------------------------------|----------------------------|----------------------------|------------------------------|--------------------------|
| ASSETS | | | | |
| Cash | \$ 1,363,176 | \$ 726,334 | \$ 209,609 | \$ 412,867 |
| Accounts receivable | - | 4,697 | - | - |
| Due from other funds | - | - | - | - |
| Investments | <u>1,691,371</u> | <u>1,616,371</u> | <u>-</u> | <u>-</u> |
| Total assets | <u><u>\$ 3,054,547</u></u> | <u><u>\$ 2,347,402</u></u> | <u><u>\$ 209,609</u></u> | <u><u>\$ 412,867</u></u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 9,655 | 31,130 | 14,147 | 4,106 |
| Due to other governmental agencies | - | 64 | - | - |
| Other liabilities | - | 4,002 | - | - |
| Funds held for others | <u>3,044,892</u> | <u>2,312,206</u> | <u>195,462</u> | <u>408,761</u> |
| Total liabilities | <u><u>\$ 3,054,547</u></u> | <u><u>\$ 2,347,402</u></u> | <u><u>\$ 209,609</u></u> | <u><u>\$ 412,867</u></u> |

| <u>Justice of the Peace Precinct #1</u> | <u>Justice of the Peace Precinct #2</u> | <u>Justice of the Peace Precinct #3</u> | <u>Justice of the Peace Precinct #4</u> | <u>Juvenile Probation</u> |
|---|---|---|---|-------------------------------|
| \$ 21,789 | \$ 15,039 | \$ 18,115 | \$ 3,470 | \$ 11,982 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 21,789</u> | <u>\$ 15,039</u> | <u>\$ 18,115</u> | <u>\$ 3,470</u> | <u>\$ 11,982</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 11,927 | 9,824 | 8,826 | 2,105 | - |
| - | - | - | - | - |
| - | 3 | - | - | - |
| 9,862 | 5,212 | 9,289 | 1,365 | 11,982 |
| <u>\$ 21,789</u> | <u>\$ 15,039</u> | <u>\$ 18,115</u> | <u>\$ 3,470</u> | <u>\$ 11,982</u> |

**MIDLAND COUNTY, TEXAS
AGENCY FUNDS
COMBINING STATEMENT OF NET ASSETS – CONTINUED
SEPTEMBER 30, 2010**

| | <u>Tax Assessor Collector</u> | <u>Constable Precinct 3</u> | <u>Constable Precinct 4</u> | <u>Unclaimed Property Fund</u> |
|------------------------------------|---------------------------------------|---------------------------------|---------------------------------|--|
| ASSETS | | | | |
| Cash | \$ 835,081 | \$ 2,629 | \$ 103 | \$ - |
| Accounts receivable | 137,094 | - | - | - |
| Due from other funds | 25,019 | - | - | - |
| Investments | - | - | - | 9,552 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 997,194</u> | <u>\$ 2,629</u> | <u>\$ 103</u> | <u>\$ 9,552</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 163,264 | - | - | - |
| Due to other governmental agencies | 373,726 | - | - | - |
| Other liabilities | - | - | - | - |
| Funds held for others | 460,204 | 2,629 | 103 | 9,552 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>\$ 997,194</u> | <u>\$ 2,629</u> | <u>\$ 103</u> | <u>\$ 9,552</u> |

| <u>CS&CD Supervision</u> | <u>CS&CD Court Residential Treatment Center</u> | <u>CS&CD Community Corrections</u> | <u>CS&CD Treatment Alternative Incarceration Program</u> | <u>Bail Security Fund</u> | <u>Totals</u> |
|----------------------------------|---|--|--|-----------------------------------|---------------------|
| \$ 77,236 | \$ 28,464 | \$ 125 | \$ 13,962 | \$ 95,605 | \$ 3,835,586 |
| - | 1,447 | - | - | - | 143,238 |
| - | - | - | - | - | 25,019 |
| - | - | - | - | - | 3,317,294 |
| <u>\$ 77,236</u> | <u>\$ 29,911</u> | <u>\$ 125</u> | <u>\$ 13,962</u> | <u>\$ 95,605</u> | <u>\$ 7,321,137</u> |
| \$ 12,268 | \$ 4,561 | \$ - | \$ 247 | \$ - | \$ 17,076 |
| - | - | - | - | - | 254,984 |
| - | - | - | - | - | 373,790 |
| 10 | - | - | - | - | 4,015 |
| 64,958 | 25,350 | 125 | 13,715 | 95,605 | 6,671,272 |
| <u>\$ 77,236</u> | <u>\$ 29,911</u> | <u>\$ 125</u> | <u>\$ 13,962</u> | <u>\$ 95,605</u> | <u>\$ 7,321,137</u> |

STATISTICAL DATA

(Unaudited)

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 1
MIDLAND COUNTY, TEXAS
NET ASSET INFORMATION ^{1,2}
Last Eight Fiscal Years

| | Fiscal Year | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Governmental Activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 9,000,353 | \$ 10,868,218 | \$ 12,122,531 | \$ 18,721,143 | \$ 41,600,943 | \$ 49,483,673 | \$ 55,495,757 | \$ 64,661,102 |
| Restricted | 102,178 | 125,457 | 172,698 | 255,630 | 290,012 | 334,702 | - | |
| Unrestricted | 22,516,541 | 26,358,912 | 35,030,589 | 38,853,407 | 46,236,268 | 54,228,563 | 58,367,497 | 55,514,056 |
| Total governmental activities net assets | <u>\$ 31,619,072</u> | <u>\$ 37,352,587</u> | <u>\$ 47,325,818</u> | <u>\$ 57,830,180</u> | <u>\$ 88,127,223</u> | <u>\$ 104,046,938</u> | <u>\$ 113,863,254</u> | <u>\$ 120,175,158</u> |

Source: Current and prior years' financial statements

¹ This schedule reports using the modified accrual basis of accounting.

² Reporting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or Federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County, as is the case with several special revenue funds restricted to the purposes of the fund. Public trust net assets are restricted by applicable trust and bond indentures to the purposes of the trust, appropriately reported in separate funds at the fund reporting level.

³ The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

MIDLAND COUNTY, TEXAS STATISTICAL DATA

Table 2
MIDLAND COUNTY, TEXAS
CHANGES IN NET ASSETS INFORMATION
Last Eight Fiscal Years ¹

| | Fiscal Year | | | | | | | |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Program Revenues | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Fees, fines, and charges for services: | | | | | | | | |
| General Administration | \$ 709,445 | \$ 635,184 | \$ 651,414 | \$ 655,213 | \$ 852,800 | \$ 657,461 | \$ 645,373 | \$ 659,537 |
| Judicial | 3,375,799 | 4,002,898 | 4,142,704 | 4,790,859 | 5,610,758 | 5,877,651 | 5,289,739 | 4,691,923 |
| Financial Administration | - | - | - | - | - | - | - | - |
| Elections | - | - | - | 33,367 | 29,581 | 38,585 | 43,444 | 39,300 |
| Public Safety and Corrections | 804,873 | 812,878 | 758,877 | 950,413 | 1,158,026 | 1,485,117 | 1,512,307 | 1,303,540 |
| Health and Welfare | 41,801 | 24,191 | 22,400 | 91,812 | 23,225 | 25,000 | 33,268 | 26,875 |
| Culture and Recreation | 34,043 | 36,238 | 29,934 | 15,950 | 184,077 | 253,525 | 313,888 | 41,782 |
| Conservation and Natural Resources | - | - | - | - | - | - | - | - |
| Highways and Roads | 2,202,961 | 2,267,191 | 2,303,724 | 2,840,532 | 2,557,178 | 2,584,791 | 2,492,414 | 2,126,853 |
| Interest on Long-Term Debt | - | - | - | - | - | - | - | - |
| Operating Grants and Contributions | 1,692,429 | 1,787,502 | 1,919,582 | 2,123,384 | 1,712,774 | 1,929,944 | 1,886,721 | 2,723,498 |
| Capital Grants and Contributions | - | - | 1,583,440 | 131,996 | - | 596,536 | 109,478 | - |
| Total Primary Government Program Revenue | 8,861,351 | 9,566,082 | 11,412,075 | 11,633,526 | 12,128,419 | 13,448,610 | 12,326,632 | 11,613,308 |
| Expenses | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General Administration | 3,944,207 | 3,899,665 | 4,604,171 | 4,598,481 | 5,018,395 | 5,842,303 | 6,412,572 | 8,774,777 |
| Judicial | 7,605,271 | 7,608,017 | 7,892,786 | 8,839,459 | 9,404,107 | 9,477,608 | 10,439,343 | 11,493,494 |
| Financial Administration | 1,716,008 | 1,749,850 | 1,860,240 | 1,746,971 | 1,983,328 | 2,029,845 | 2,149,279 | 2,141,795 |
| Elections | 323,222 | 334,939 | 263,873 | 486,447 | 361,518 | 639,164 | 446,817 | 505,182 |
| Public Safety and Corrections | 12,041,794 | 12,311,822 | 13,304,994 | 14,653,714 | 16,129,867 | 15,492,378 | 17,293,520 | 18,123,535 |
| Health and Welfare | 298,878 | 306,437 | 320,623 | 328,326 | 305,340 | 1,442,134 | 872,397 | 824,170 |
| Culture and Recreation | 1,306,096 | 1,307,112 | 1,415,549 | 2,286,966 | 2,811,288 | 2,885,955 | 3,050,567 | 2,883,345 |
| Conservation and Natural Resources | 165,655 | 177,897 | 170,982 | 193,120 | 228,454 | 226,154 | 198,467 | 238,694 |
| Highways and Roads | 2,193,532 | 2,039,546 | 2,188,735 | 2,345,030 | 2,325,364 | 3,881,097 | 4,216,759 | 4,536,358 |
| Interest on Long-Term Debt | 305,910 | 299,746 | 608,892 | 541,794 | 511,488 | 479,385 | 867,549 | 1,529,113 |
| Total Primary Government Expenses | 29,900,573 | 30,035,031 | 32,630,845 | 36,020,308 | 39,079,149 | 42,396,023 | 45,947,270 | 51,050,463 |
| Net Expense | | | | | | | | |
| Governmental Activities | (21,039,222) | (20,468,949) | (21,218,770) | (24,386,782) | (26,950,730) | (28,947,413) | (33,620,638) | (39,437,155) |
| Total Primary Government Net Expense | (21,039,222) | (20,468,949) | (21,218,770) | (24,386,782) | (26,950,730) | (28,947,413) | (33,620,638) | (39,437,155) |
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes | 14,108,144 | 16,063,957 | 17,556,992 | 19,413,568 | 19,974,748 | 21,331,835 | 22,993,225 | 24,896,103 |
| Sales Tax | 7,940,800 | 8,987,925 | 10,442,192 | 13,036,196 | 16,075,863 | 20,037,587 | 18,268,325 | 18,822,713 |
| Bingo Tax | 45,624 | 63,751 | 58,947 | 61,508 | 59,877 | 104,935 | 81,934 | 85,129 |
| Mixed Beverage Tax | 207,301 | 242,014 | 240,484 | 286,278 | 246,808 | 457,680 | 397,514 | 419,508 |
| Occupancy Tax | - | - | - | - | 57,708 | 373,465 | 351,198 | 310,784 |
| Unrestricted Investment Earnings | 309,171 | 304,431 | 988,386 | 1,695,942 | 2,237,413 | 1,744,727 | 852,730 | 499,822 |
| Gain on Sale of Assets | - | 35,713 | 42,994 | 116,742 | - | 41,710 | - | - |
| Miscellaneous | 311,766 | 504,673 | 445,304 | 250,911 | 307,846 | 775,189 | 492,028 | 715,000 |
| Total Governmental Activities | 22,922,806 | 26,202,464 | 29,775,299 | 34,861,145 | 38,960,263 | 44,867,129 | 43,436,954 | 45,749,059 |
| Change in Net Assets | | | | | | | | |
| Governmental Activities | 1,883,584 | 5,733,515 | 8,556,529 | 10,474,363 | 12,009,533 | 15,919,716 | 9,816,316 | 6,311,904 |
| Total Primary Government | \$ 1,883,584 | \$ 5,733,515 | \$ 8,556,529 | \$ 10,474,363 | \$ 12,009,533 | \$ 15,919,716 | \$ 9,816,316 | \$ 6,311,904 |

Source: Current and prior years' financial statements

¹ The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

² Midland County began collecting the Hotel Occupancy tax August 2007.

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 3
MIDLAND COUNTY, TEXAS
GOVERNMENTAL FUND BALANCES
Last Eight Fiscal Years ¹
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Fund: | | | | | | | | |
| Reserved | \$ 148,335 | \$ 285,443 | \$ 611,373 | \$ 309,507 | \$ 371,250 | \$ 427,825 | \$ 402,973 | \$ 112,354 |
| Unreserved | <u>12,050,713</u> | <u>16,268,113</u> | <u>21,427,980</u> | <u>27,835,459</u> | <u>32,137,292</u> | <u>35,019,362</u> | <u>36,961,858</u> | <u>38,659,881</u> |
| Total General Fund | <u>12,199,048</u> | <u>16,553,556</u> | <u>22,039,353</u> | <u>28,144,966</u> | <u>32,508,542</u> | <u>35,447,187</u> | <u>37,364,831</u> | <u>38,772,235</u> |
| All Other Governmental Funds: | | | | | | | | |
| Reserved | 270,029 | 206,371 | 3,230,220 | 316,825 | 755,605 | 434,493 | 355,992 | 1,288,660 |
| Unreserved, reported in: | | | | | | | | |
| Road and Bridge Fund | 1,237,691 | 1,535,099 | 1,605,866 | 2,012,075 | 2,522,149 | 2,708,620 | 2,610,223 | 2,395,820 |
| Capital Projects Fund | 2,100,518 | 10,486,144 | 1,334,839 | 153,224 | 407,115 | 4,840,875 | 26,234,801 | 15,688,318 |
| Nonmajor Governmental Funds | <u>1,484,598</u> | <u>1,828,923</u> | <u>1,859,824</u> | <u>2,329,011</u> | <u>2,752,969</u> | <u>3,020,470</u> | <u>3,094,439</u> | <u>2,648,669</u> |
| Total All Other Governmental Funds | <u>5,092,836</u> | <u>14,056,537</u> | <u>8,030,749</u> | <u>4,811,135</u> | <u>6,437,838</u> | <u>11,004,458</u> | <u>32,295,455</u> | <u>22,021,467</u> |
| Total Governmental Funds | <u>\$ 17,291,884</u> | <u>\$ 30,610,093</u> | <u>\$ 30,070,102</u> | <u>\$ 32,956,101</u> | <u>\$ 38,946,380</u> | <u>\$ 46,451,645</u> | <u>\$ 69,660,286</u> | <u>\$ 60,793,702</u> |

Source: Current and past years' financial statements

¹ The County implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

MIDLAND COUNTY, TEXAS STATISTICAL DATA

Table 4
MIDLAND COUNTY, TEXAS
GOVERNMENTAL FUNDS - CHANGES IN FUND BALANCES
Last Eight Fiscal Years

| | Fiscal Year | | | | | | | |
|---|-----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Revenues | | | | | | | | |
| Property Tax, Penalties and Interest | \$ 14,111,047 | \$ 16,065,568 | \$ 17,556,696 | \$ 19,339,640 | \$ 19,872,329 | \$ 21,398,919 | \$ 22,867,523 | \$ 24,889,309 |
| Sales Tax | 7,940,800 | 8,987,925 | 10,442,192 | 13,036,196 | 16,075,863 | 20,037,587 | 18,268,325 | 18,822,713 |
| Hotel-Motel Tax | | | | | | 373,465 | 351,198 | 310,784 |
| Fines and Forfeitures | 1,335,858 | 1,639,732 | 1,710,630 | 1,994,165 | 2,268,117 | 2,332,403 | 2,151,251 | 2,009,637 |
| Licenses and Permits | 2,408,457 | 2,507,605 | 2,542,968 | 2,736,608 | 2,802,386 | 3,040,871 | 2,889,928 | 2,546,362 |
| Intergovernmental Charges | 1,934,682 | 1,939,937 | 3,658,269 | 2,414,811 | 1,875,990 | 2,640,635 | 2,567,444 | 2,377,312 |
| Charges for Current Services | 2,900,009 | 3,228,839 | 3,267,007 | 4,096,699 | 4,606,567 | 4,800,892 | 4,748,265 | 4,524,215 |
| Investment Income | 266,379 | 268,368 | 927,672 | 1,579,069 | 2,059,858 | 1,613,680 | 813,005 | 489,633 |
| Other Revenue | 472,899 | 580,849 | 564,702 | 691,084 | 788,040 | 758,784 | 1,037,094 | 1,364,435 |
| Total Revenues | 31,370,131 | 35,218,823 | 40,670,136 | 45,888,272 | 50,349,150 | 56,997,236 | 55,694,033 | 57,334,400 |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General Administration | 3,292,868 | 3,202,774 | 3,886,077 | 3,928,284 | 4,322,255 | 5,021,117 | 5,439,838 | 7,744,207 |
| Judicial | 7,414,913 | 7,435,146 | 7,548,230 | 8,691,508 | 9,275,626 | 9,454,647 | 10,230,743 | 11,048,000 |
| Financial Administration | 1,696,175 | 1,742,143 | 1,853,654 | 1,742,756 | 1,945,522 | 2,001,282 | 2,108,277 | 2,130,738 |
| Elections | 319,477 | 333,654 | 262,943 | 481,892 | 305,555 | 586,315 | 392,544 | 456,938 |
| Public Safety and Corrections | 11,626,222 | 11,951,854 | 12,566,393 | 14,101,058 | 15,764,953 | 15,166,751 | 16,556,160 | 16,903,747 |
| Health and Welfare | 282,004 | 292,825 | 303,097 | 316,154 | 294,213 | 1,431,383 | 846,705 | 801,852 |
| Culture and Recreation | 1,265,390 | 1,266,353 | 1,312,559 | 2,010,642 | 2,327,600 | 2,325,765 | 2,374,571 | 2,115,396 |
| Conservation and Natural Resources | 163,734 | 176,612 | 170,379 | 196,706 | 212,250 | 213,994 | 186,067 | 233,535 |
| Highways and Roads | 1,797,055 | 1,791,842 | 1,873,173 | 2,031,230 | 2,053,548 | 2,346,135 | 2,308,222 | 2,480,858 |
| Capital Outlay | 4,181,447 | 1,347,095 | 9,708,134 | 7,727,397 | 6,132,830 | 9,955,488 | 12,651,896 | 18,047,307 |
| Debt Service | 1,161,255 | 2,466,086 | 1,175,488 | 1,174,646 | 1,174,520 | 1,172,606 | 1,487,296 | 2,615,393 |
| Total Expenditures | 33,200,540 | 32,006,384 | 40,660,127 | 42,402,273 | 43,808,872 | 49,675,483 | 54,582,319 | 64,577,971 |
| Other Financing Sources (Uses) | | | | | | | | |
| Certificates of Obligation Issued | - | 8,920,000 | - | - | - | - | 21,995,000 | - |
| Reoffering Premium | - | - | - | - | - | - | 401,927 | - |
| Transfers In | 133,226 | 1,225,411 | 1,637,029 | 2,292,389 | 5,205,212 | 12,842,482 | 10,147,679 | 6,856,515 |
| Transfers (Out) | (133,226) | (50,411) | (2,187,029) | (2,892,389) | (5,755,212) | (12,658,970) | (10,447,679) | (8,479,528) |
| Total Other Financing Sources (Uses) | - | 10,095,000 | (550,000) | (600,000) | (550,000) | 183,512 | 22,096,927 | (1,623,013) |
| NET CHANGE IN FUND BALANCES | \$ (1,830,409) | \$ 13,307,439 | \$ (539,991) | \$ 2,885,999 | \$ 5,990,278 | \$ 7,505,265 | \$ 23,208,641 | \$ (8,866,584) |
| Debt Service as a percent of non-capital expenditures | 4.00% | 8.04% | 3.80% | 3.39% | 3.12% | 2.95% | 3.55% | 5.62% |

Source: Current and past years' financial statements

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 5
Midland County, Texas
Assessed Value of Taxable Property
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Total Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|------------------------|----------------------|------------------------------|---------------------------------|--------------------------------------|
| 2001 | \$ 3,681,639,278 | \$ 995,212,201 | \$ 4,676,851,479 | 0.257000 |
| 2002 | 4,353,539,246 | 1,029,669,003 | 5,383,208,249 | 0.232500 |
| 2003 | 4,232,777,819 | 1,042,887,604 | 5,275,665,423 | 0.263700 |
| 2004 | 4,374,423,221 | 1,038,504,910 | 5,412,928,131 | 0.293870 |
| 2005 | 4,742,525,022 | 1,149,318,001 | 5,891,843,023 | 0.293870 |
| 2006 | 5,362,837,744 | 1,255,165,339 | 6,618,003,083 | 0.288500 |
| 2007 | 6,299,486,330 | 1,548,889,200 | 7,848,375,530 | 0.248772 |
| 2008 | 7,304,008,729 | 1,875,544,850 | 9,179,553,579 | 0.230505 |
| 2009 | 8,665,947,068 | 2,300,407,520 | 10,966,354,588 | 0.207455 |
| 2010 | 9,122,177,496 | 2,507,110,450 | 11,629,287,946 | 0.211805 |

Source: Midland County Appraisal District

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 6
Midland County, Texas
Direct and Overlapping Property Tax Rates
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

| Fiscal Year | Midland County Texas | | | | Overlapping Rates | | | | |
|----------------|----------------------|------------------|-----------------|----------------|-------------------|--------------------|----------------------|--------------------|-----------------------|
| | General | Road & Bridge | Debt Service | Total Funds | MISD | City of Midland | Hospital District | Midland College | Total all Entities |
| 2001 | \$ 0.2348 | - | \$ 0.0222 | \$ 0.2570 | \$ 1.6390 | \$ 0.6510 | \$ 0.1571 | \$ 0.1633 | \$ 2.8674 |
| 2002 | 0.2108 | - | 0.0217 | 0.2325 | 1.6100 | 0.6510 | 0.1381 | 0.1832 | 2.8148 |
| 2003 | 0.2431 | - | 0.0206 | 0.2637 | 1.6050 | 0.6464 | 0.1412 | 0.1906 | 2.8469 |
| 2004 | 0.2722 | - | 0.0217 | 0.2939 | 1.6269 | 0.6464 | 0.1499 | 0.1906 | 2.9077 |
| 2005 | 0.2737 | - | 0.0202 | 0.2939 | 1.6425 | 0.6424 | 0.1715 | 0.1906 | 2.9409 |
| 2006 | 0.2707 | - | 0.0150 | 0.2885 | 1.6275 | 0.6420 | 0.1684 | 0.2247 | 2.9511 |
| 2007 | 0.2337 | - | 0.0150 | 0.2488 | 1.4575 | 0.5870 | 0.1571 | 0.2062 | 2.6566 |
| 2008 | 0.2177 | - | 0.0128 | 0.2305 | 1.1681 | 0.5386 | 0.14225 | 0.19112 | 2.2705 |
| 2009 | 0.1968 | - | 0.0107 | 0.2075 | 1.1651 | 0.4859 | 0.1202 | 0.1729 | 2.1515 |
| 2010 | 0.1882 | - | 0.0236 | 0.2118 | 1.1526 | 0.4568 | 0.1813 | 0.1719 | 2.1744 |

Source: Midland County Budget

MIDLAND COUNTY, TEXAS STATISTICAL DATA

Table 7
MIDLAND COUNTY TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

| 2010 | | | 2001 | | |
|------------------------------|-------------------------|--|------------------------------------|------------------------|--|
| Taxpayer | Taxable Assessed Value | Percentage of Total Taxable Assessed Value | Taxpayer | Taxable Assessed Value | Percentage of Total Taxable Assessed Value |
| Pioneer Natural Res -WI- | \$ 787,330,040 | 6.77% | Pioneer Natural Resources | \$ 339,124,920 | 7.25% |
| Endeavor Energy Resources LP | 404,453,870 | 3.48% | Texaco E & P Inc | 131,621,540 | 2.81% |
| Chevron | 161,488,720 | 1.39% | Arco Permian | 113,906,420 | 2.44% |
| BP America Prod Co | 125,995,790 | 1.08% | Southwestern Bell Telephone | 64,178,610 | 1.37% |
| Henry Resources LLC | 111,113,020 | 0.96% | Texas Utilities Electric Co | 57,784,020 | 1.24% |
| Fasken Land & Minereals LTD | 108,843,160 | 0.94% | Mobil Production TX & NM - DEV/GAS | 48,548,640 | 1.04% |
| COG Operating | 100,093,000 | 0.86% | Endeavor Energy Resources LP | 29,434,840 | 0.63% |
| TRA Midland Properties LLC | 75,717,530 | 0.65% | Mobil Production TX & NM | 28,566,870 | 0.61% |
| TXU | 64,229,330 | 0.55% | Duke Energy Field Services | 28,005,240 | 0.60% |
| Mobil Prod TX & NM | 56,921,860 | 0.49% | Simon Property Group | 24,571,280 | 0.53% |
| Total | \$ 1,996,186,320 | 17.17% | Total | \$ 865,742,380 | 18.51% |

Source: Midland County Tax Office

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 8
Midland County, Texas
Property Tax Levies and Collections
and Fiscal Years ended September 30, 2001 through 2010

| Fiscal Year | Assessed Value | Tax Rate | Tax Levy | Collections | | | | Uncollected | |
|-------------|------------------|-------------|---------------|------------------|-----------------|--------------|-----------------|------------------------|-----------------|
| | | | | October-December | Percent of Levy | January-June | Percent of Levy | June 30th of Next Year | Percent of Levy |
| 2001 | \$ 4,676,851,479 | \$ 0.257000 | \$ 12,019,508 | \$ 4,204,883 | 34.98% | \$ 7,337,788 | 61.05% | \$ 476,837 | 3.97% |
| 2002 | 5,383,208,249 | \$ 0.232500 | 12,515,959 | 5,056,602 | 40.40% | 6,915,992 | 55.26% | 543,365 | 4.34% |
| 2003 | 5,275,665,423 | \$ 0.263700 | 13,911,930 | 4,673,608 | 33.59% | 8,606,924 | 61.87% | 631,398 | 4.54% |
| 2004 | 5,412,928,131 | \$ 0.293870 | 15,906,996 | 5,002,121 | 31.45% | 10,257,594 | 64.48% | 647,281 | 4.07% |
| 2005 | 5,891,843,023 | \$ 0.293870 | 17,314,359 | 4,555,699 | 26.31% | 12,138,634 | 70.11% | 620,026 | 3.58% |
| 2006 | 6,618,003,083 | \$ 0.288500 | 19,092,939 | 6,984,395 | 36.58% | 11,617,115 | 60.85% | 491,429 | 2.57% |
| 2007 | 7,848,375,530 | \$ 0.248772 | 19,524,561 | 4,290,975 | 21.98% | 14,741,485 | 75.50% | 492,101 | 2.52% |
| 2008 | 9,179,553,579 | \$ 0.230505 | 21,159,330 | 9,016,684 | 42.61% | 11,345,243 | 53.62% | 797,403 | 3.77% |
| 2009 | 10,966,354,588 | \$ 0.207455 | 22,750,251 | 6,714,509 | 29.51% | 15,200,289 | 66.81% | 835,452 | 3.67% |
| 2010 | 11,629,287,946 | \$ 0.211805 | 24,631,413 | 11,015,095 | 44.72% | 12,861,320 | 52.22% | 754,999 | 3.07% |

Source: Midland County Tax Office

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 9
MIDLAND COUNTY, TEXAS
RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years

| Fiscal Year | Certificates of Obligation | Total Primary Government | Percentage of Personal Income | Per Capita |
|----------------|-------------------------------|--------------------------------|-------------------------------------|---------------|
| 2001 | \$ 7,135,000 | \$ 7,135,000 | 0.19% | \$ 61.46 |
| 2002 | 6,325,000 | 6,325,000 | 0.17% | 53.85 |
| 2003 | 5,475,000 | 5,475,000 | 0.14% | 46.06 |
| 2004 | 12,320,000 | 12,320,000 | 0.30% | 102.37 |
| 2005 | 11,750,000 | 11,750,000 | 0.27% | 98.21 |
| 2006 | 11,115,000 | 11,115,000 | 0.20% | 89.36 |
| 2007 | 10,450,000 | 10,450,000 | 0.16% | 82.41 |
| 2008 | 9,755,000 | 9,755,000 | 0.14% | 77.17 |
| 2009 | 31,020,000 | 31,020,000 | 0.47% | 239.55 |
| 2010 | 30,255,000 | 30,255,000 | N/A ¹ | 233.42 |

¹ Numbers are not yet available through the Bureau fo Economic Analysis

Sources: Current and past years' financial statements
See Table 14 for personal income and population data.

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 10

Midland County, Texas
Ration of Net Bonded Debt to Assessed Value
& Net Bonded Debt per Capita
Last Ten Fiscal Years

| Fiscal Year | Population | Assessed Value | Gross Bonded Debt | Debt Service Designated Funds | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed | Net Bonded Debt per Capita |
|-------------|------------|------------------|-------------------|-------------------------------|-----------------|--------------------------------------|----------------------------|
| 2001 | 116,086 | \$ 4,676,851,479 | \$ 7,135,000 | \$ 107,794 | \$ 7,027,206 | 0.150 | \$ 60.22 |
| 2002 | 117,448 | 5,383,208,249 | 6,325,000 | 141,142 | 6,183,858 | 0.115 | 52.99 |
| 2003 | 118,866 | 5,275,665,423 | 5,475,000 | 102,178 | 5,372,822 | 0.102 | 45.84 |
| 2004 | 120,344 | 5,412,928,131 | 12,320,000 | 125,457 | 12,194,543 | 0.225 | 104.05 |
| 2005 | 119,636 | 5,891,843,023 | 11,750,000 | 172,698 | 11,577,302 | 0.196 | 98.78 |
| 2006 | 124,380 | 6,618,003,083 | 11,115,000 | 225,631 | 10,889,369 | 0.165 | 87.55 |
| 2007 | 126,801 | 7,848,375,530 | 10,450,000 | 290,013 | 10,159,987 | 0.129 | 80.13 |
| 2008 | 126,408 | 9,179,553,579 | 9,025,000 | 334,703 | 8,690,297 | 0.095 | 68.75 |
| 2009 | 129,494 | 10,966,354,588 | 31,020,000 | 346,823 | 30,673,177 | 0.280 | 236.87 |
| 2010 | 136,872 | 11,629,287,946 | 30,255,000 | 484,636 | 29,770,364 | 0.256 | 217.51 |

Source: US Census Bureau, Current and past years' financial statements

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 11
MIDLAND COUNTY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2010

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|--|---------------------|---------------------------------------|---|
| Debt Repaid with Property Taxes | | | |
| City of Midland | \$ 29,029,787 | 100% | \$ 29,029,787 |
| Midland Independent School District | 123,843,253 | 100% | 123,843,253 |
| Midland Community College | 35,799,651 | 100% | 35,799,651 |
| Midland County Hospital District | 114,995,000 | 100% | 114,995,000 |
| Greenwood Independent School District | 14,235,000 | 100% | 14,235,000 |
| City of Odessa | 33,611,801 | 8% | 2,733,974 |
| Subtotal, overlapping debt | | | 320,636,665 |
| Midland County (direct debt) | | | 30,255,000 |
| Total direct and overlapping debt | | | <u>\$ 350,891,665</u> |

Sources: Financial statements of the various governmental agencies.

Note: Overlapping governments are those that coincide, at least partly, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Midland County. This process recognizes that when considering the county's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

MIDLAND COUNTY, TEXAS STATISTICAL DATA

Table 12
Midland County, Texas
Debt Limitations
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | |
|--|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Debt Limit | \$920,409,820 | \$ 1,058,194,455 | \$ 1,058,194,455 | \$ 1,093,605,805 | \$ 1,185,631,256 | \$ 1,340,709,436 | \$ 1,574,871,583 | \$ 1,826,002,182 |
| Total net debt applicable to limit | 7,027,206 | 6,183,858 | 5,372,822 | 12,194,543 | 11,577,302 | 10,889,369 | 10,159,988 | 8,690,297 |
| Debt margin | <u>\$ 913,382,614</u> | <u>\$ 1,052,010,597</u> | <u>\$ 1,052,821,633</u> | <u>\$ 1,081,411,262</u> | <u>\$ 1,174,053,954</u> | <u>\$ 1,329,820,067</u> | <u>\$ 1,564,711,595</u> | <u>\$ 1,817,311,885</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.77% | 0.59% | 0.51% | 1.13% | 0.99% | 0.82% | 0.65% | 0.48% |

Debt Margin Calculation for Fiscal Year 2010

| | |
|---|-------------------------|
| Assessed Value of Real Property | \$9,122,177,496 |
| Assessed Value of Personal & Other Property | <u>2,507,110,450</u> |
| Total Assessed Value | <u>\$11,629,287,946</u> |
| Debt Limit, 25% of Real Property Assessed Value (1) | \$2,280,544,374 |
| Amount of Debt Applicable to Debt Limit: | |
| Total Bonded Debt | 30,255,000 |
| Less: Assets in Debt Service Funds Available for Payment of Principal | <u>484,636</u> |
| Total Amount of Debt Applicable to Debt Limit | <u>29,770,364</u> |
| Legal Debt Margin | <u>\$2,250,774,010</u> |

Source: Current and past years' financial statements

Note 1: Limit is set by provisions under Article III, Section 52 of the Texas State Constitution

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 13
MIDLAND COUNTY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Population</u> | <u>Personal Income (in thousands)</u> | <u>Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|--------------------|-------------------|---|---|------------------------------|
| 2001 | 116,086 | \$ 3,673,893 | \$ 34,798 | 3.8 |
| 2002 | 117,448 | 3,783,321 | 32,344 | 4.8 |
| 2003 | 118,866 | 3,951,614 | 33,900 | 4.9 |
| 2004 | 120,344 | 4,161,121 | 36,899 | 4.4 |
| 2005 | 119,636 | 4,390,316 | 40,855 | 3.7 |
| 2006 | 124,380 | 5,631,000 | 45,274 | 3.4 |
| 2007 | 126,801 | 6,610,000 | 52,294 | 2.9 |
| 2008 | 126,408 | 6,970,000 | 53,968 | 2.2 |
| 2009 | 129,494 | 6,542,000 | 49,441 | 5.4 |
| 2010 | 129,614 | N/A | N/A | 6.4 |

Sources: Population figures provided by the US Census Bureau, Personal Income and Per Capita Personal Income are from the US Bureau of Economic Analysis, and Texas Workforce Commission provided data on Unemployment Rates.

http://www.bea.gov/scb/pdf/2010/09%20September/0910_metro.pdf

http://www.google.com/publicdata?ds=usunemployment&met=unemployment_rate&idim=county:CN483290&dl=en&hl=en&q=midland+tx+unemployment+rate

N/A - Not Available

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 14
MIDLAND COUNTY, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

| 2010 | | | 2001 | | |
|-------------------------------------|--------------|---|-------------------------------------|--------------|---|
| Employer | Employees | Percentage of Total County Employment | Employer | Employees | Percentage of Total County Employment |
| Midland Independent School District | 3,000 | 4.28% | Midland Independent School District | 2,817 | 4.38% |
| Midland Memorial Hospital | 1,500 | 2.14% | Midland Memorial Hospital | 1,512 | 2.35% |
| City of Midland | 980 | 1.40% | City of Midland | 882 | 1.37% |
| Midland College | 800 | 1.14% | Key Energy | 800 | 1.24% |
| Midland County | 624 | 0.89% | Midland County | 524 | 0.81% |
| Pioneer Natural Gas | 600 | 0.86% | Burlington Resources | 504 | 0.78% |
| Texas Health and Human Services | 500 | 0.71% | U.S. Postal Service | 394 | 0.61% |
| Key Energy Services | 480 | 0.68% | Albertson's | 385 | 0.60% |
| Basic Energy | 476 | 0.68% | Wal-Mart Super Center | 375 | 0.58% |
| Warren Equipment Services | 464 | 0.66% | Kent Distributors | 345 | 0.54% |
| Total | 9,424 | 13.44% | Total | 8,538 | 13.27% |

Source: Midland Economic Development Board/City of Midland

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 15
MIDLAND COUNTY, TEXAS
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION / PROGRAM
Last Five Fiscal Years

| <u>Function / Program</u> | Fiscal Year | | | | |
|------------------------------------|-------------|-------------|-------------|--------------|-------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| General Administration | 18 | 20 | 18 | 25 | 22 |
| Judicial | 115 | 117 | 118.5 | 128.5 | 151 |
| Financial Administration | 30 | 32.5 | 38 | 34 | 26 |
| Elections | 4 | 4 | 4.5 | 6 | 5 |
| Public Safety and Corrections | 308 | 306 | 307 | 326 | 322 |
| Health and Welfare | 3 | 3 | 3 | 3 | 3 |
| Culture and Recreation | 39 | 37.5 | 40 | 36.5 | 33 |
| Conservation and Natural Resources | 6 | 6 | 6 | 6 | 6 |
| Highways and Roads | 21 | 21 | 28 | 31 | 30 |
| Total | <u>544</u> | <u>547</u> | <u>563</u> | <u>595.5</u> | <u>598</u> |

Source: Midland County Treasurers Office

MIDLAND COUNTY, TEXAS STATISTICAL DATA

Table 16
MIDLAND COUNTY, TEXAS
OPERATION INDICATORS INFORMATION

| FUNCTION / PROGRAM | Fiscal Year | | | | |
|---|-------------|--------|--------|--------|--------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Government | | | | | |
| Commissioners Court | | | | | |
| Number of Official Public Meetings | | | | | |
| Regular Sessions | 26 | 26 | 26 | 24 | 26 |
| Special Sessions (Work Sessions) | 10 | 7 | 7 | 11 | 7 |
| Public Safety | | | | | |
| Inmates Booked | 11,216 | 11,183 | 10,527 | 10,380 | 10,458 |
| Arrests | 11,921 | 11,914 | 11,145 | 12,190 | 11,881 |
| Judicial | | | | | |
| District Courts | | | | | |
| Civil Cases Filed | 2,721 | 2,438 | 2,477 | 2,648 | 2,697 |
| Civil Cases Disposed | 2,511 | 2,303 | 2,093 | 2,843 | 2,617 |
| Criminal Cases Filed | 1,869 | 2,118 | 1,821 | 1,995 | 1,800 |
| Criminal Cases Disposed | 1,728 | 2,303 | 1,785 | 1,904 | 1,897 |
| County Courts-at-Law | | | | | |
| Civil Cases Filed | 1,958 | 2,030 | 712 | 1,728 | 1,725 |
| Civil Cases Disposed | 1,720 | 1,545 | 721 | 1,652 | 1,807 |
| Criminal Cases Filed | 5,276 | 6,307 | 5,189 | 4,932 | 4,801 |
| Criminal Cases Disposed | 5,167 | 5,684 | 5,641 | 5,085 | 5,153 |
| Juvenile Cases Filed | 163 | 157 | 149 | 155 | 138 |
| Juvenile Cases Disposed | 214 | 183 | 131 | 162 | 131 |
| Probate and Mental Health Cases Filed | 454 | 462 | 447 | 414 | 442 |
| Probate and Mental Health Cases Disposed | 417 | 376 | N/A | N/A | N/A |
| Justice of the Peace Courts | | | | | |
| Civil Cases Filed | 694 | 714 | 1,384 | 1,190 | 956 |
| Civil Cases Disposed | 272 | 182 | 260 | 496 | 572 |
| Criminal Cases Filed | 14,268 | 13,228 | 13,905 | 10,995 | 11,060 |
| Criminal Cases Disposed | 13,068 | 12,992 | 13,023 | 12,508 | 10,782 |
| Juvenile Cases Filed | 1,357 | 1,515 | 2,293 | 2,329 | 1,727 |
| Culture and Recreation | | | | | |
| Events Held | 32 | 87 | 106 | 121 | 112 |
| Elections | | | | | |
| Number of Registered Voters | 71,965 | 70,521 | 70,709 | 71,173 | 68,309 |
| Highways | | | | | |
| Permits Granted | 141 | 174 | 108 | 76 | 104 |
| Work Requests | 70 | 89 | 55 | 122 | 95 |

Sources: Office of Court Administration and various county departments

N/A Not Available

**MIDLAND COUNTY, TEXAS
STATISTICAL DATA**

Table 17
MIDLAND COUNTY, TEXAS
CAPITAL ASSETS INFORMATION BY FUNCTION / PROGRAM

| FUNCTION / PROGRAM | Fiscal Years | | | | |
|----------------------------|--------------|------|------|------|------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Buildings | | | | | |
| General Admin | 1 | 1 | 1 | 1 | 1 |
| Judicial | 2 | 3 | 3 | 3 | 3 |
| Public Safety | 5 | 5 | 5 | 5 | 5 |
| Highways | 1 | 1 | 1 | 1 | 1 |
| Culture and Recreation | 5 | 5 | 5 | 5 | 5 |
| Patrol Cars | 30 | 34 | 33 | 31 | 32 |
| Elections | | | | | |
| Electronic Voting Machines | 150 | 150 | 250 | 252 | 252 |
| Highways | | | | | |
| Miles of Roads Maintained | 371 | 369 | 371 | 335 | 351 |

Source: Various county departments.

INTERNAL CONTROL AND COMPLIANCE REPORT

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*

The Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midland County, Texas, as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

The Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. This report is intended solely for the information and use of management, Commissioner's court and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
May 16, 2011