

Zapata County, Texas

**Financial Statements
And Supplementary Information**

For the Year Ended September 30, 2008

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Financial Statements
And Supplementary Information
For the Year Ended September 30, 2008**

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL STATEMENTS	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Assets – Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Statement of Fiduciary Net Assets	13
Notes to Financial Statements	14
 COMBINING AND INDIVIDUAL FUND STATEMENTS	
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	29
Special Revenue Funds:	
Combining Balance Sheet	32
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances	35
Debt Service Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	38
Capital Projects Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance -- Budget and Actual	39
Fiduciary Funds:	
Combining Balance Sheet	40

TABLE OF CONTENTS
(Continued)

SINGLE AUDIT SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Independent Auditor's Report on Compliance with Requirements Applicable To Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	43
Schedules of Expenditures of Federal and State Awards	45
Schedule of State Financial Assistance – Texas Juvenile Probation Commission	46
Notes to Schedule of Expenditures of Federal and State Awards	47
Schedule of Findings and Questioned Costs	48
Schedule of Prior Year Findings and Questioned Costs	49
AUDITOR'S LETTER TO MANAGEMENT	50

FINANCIAL STATEMENTS

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Gloria E. 'Gigi' Flores, CPA

Jorge C. Flores, Manager

INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
The Honorable Members of the Commissioners Court
Zapata, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Zapata County, Texas, as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Zapata County, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Zapata County, Texas, as of September 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2009, on our consideration of Zapata County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 3 and 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Zapata County, Texas's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Flores Auditing, PLLC

Flores Auditing, PLLC
Laredo, Texas
April 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Zapata County, Texas, we offer readers of the County's financial statements, this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2008. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning on page 4).

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

- The assets of Zapata County exceeded its liabilities at the close of the fiscal year 2008 by \$49,673,617 (total net assets). Of this amount, \$10,752,073 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$6,325,998 (15%) during 2008.
- The governmental net assets increased by \$6,470,282 (15%) and the business-type net assets decreased by \$144,284 (-2%) during 2008.

Highlights for Fund Financial Statements

- As of the close of the current fiscal year, Zapata County's governmental funds reported a combined ending fund balance of \$29,880,628, a decrease of \$2,623,824 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$9,970,312, an increase of \$1,614,778 in comparison with the prior year. Reserved fund balance for the general fund was \$8,803,769, an increase of \$948,352 in comparison with the prior year. Total fund balance was \$18,774,081, an increase of \$2,563,130, in the general fund.

Zapata County, Texas
Statement of Net Assets
September 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 30,635,306	\$ 17,100	\$ 30,652,406
Receivables	23,964,075	61,999	24,026,074
Internal balances	-	905,205	905,205
Due from other governmental agencies	1,815,216	-	1,815,216
Capital assets			
Land	1,554,640	645,520	2,200,160
Infrastructure	-	5,929,211	5,929,211
Buildings and improvements	31,038,848	1,608,350	32,647,198
Equipment and furniture	6,709,600	2,807,370	9,516,970
Construction in Progress	9,889,461	-	9,889,461
Less: accumulated depreciation	(14,169,381)	(5,531,820)	(19,701,201)
Total capital assets	<u>35,023,168</u>	<u>5,458,631</u>	<u>40,481,799</u>
Total assets	<u>91,437,765</u>	<u>6,442,935</u>	<u>97,880,700</u>
LIABILITIES			
Accounts payable and accrued expenses	1,693,334	664,636	2,357,970
Deferred revenues	22,135,373	-	22,135,373
Internal balances	905,205	-	905,205
Due to other governmental agencies	554	-	554
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	22,536,150	-	22,536,150
Compensated absences	252,256	19,575	271,831
Total liabilities	<u>47,522,872</u>	<u>684,211</u>	<u>48,207,083</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,552,597	5,458,631	19,011,228
Restricted for:			
Capital projects	9,247,781	-	9,247,781
Debt service	303,507	-	303,507
Other purposes	10,359,028	-	10,359,028
Unrestricted	10,451,980	300,093	10,752,073
Total net assets	<u>\$ 43,914,893</u>	<u>\$ 5,758,724</u>	<u>\$ 49,673,617</u>

The accompanying notes are an integral part of these financial statements

Zapata County, Texas
Statement of Activities
For the Year Ended September 30, 2008

	Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	Total
				Governmental Activities	Business-type Activities
Functions/Programs					
Primary Government					
Governmental activities					
General government	\$ 6,880,451	\$ 288,011	\$ 1,213,729	\$ (5,378,711)	\$ (5,378,711)
Public safety	5,678,342	-	1,042,235	(4,636,107)	(4,636,107)
Justice system	1,126,391	-	-	(1,126,391)	(1,126,391)
Health and human services	3,028,715	-	783,395	(2,245,320)	(2,245,320)
Infrastructure and environmental services	2,944,046	-	1,097,253	(1,846,793)	(1,846,793)
Correction and rehabilitation	2,771,579	2,029,573	177,279	(564,727)	(564,727)
Community and economic development	3,423,208	-	5,188	(3,418,020)	(3,418,020)
Interest on long-term debt	964,692	-	-	(964,692)	(964,692)
Total governmental activities	<u>26,817,424</u>	<u>2,317,584</u>	<u>3,221,826</u>	<u>(20,180,761)</u>	<u>(20,180,761)</u>
Business-type activities					
Water plant	2,656,282	1,821,203	-	(835,079)	(835,079)
Airport	239,786	71,681	-	(168,105)	(168,105)
Sheriff commissary	124,768	75,020	-	(49,748)	(49,748)
Total business-type activities	<u>3,020,836</u>	<u>1,967,904</u>	<u>-</u>	<u>(1,052,932)</u>	<u>(1,052,932)</u>
Total primary government	<u>\$ 29,838,260</u>	<u>\$ 4,285,488</u>	<u>\$ 3,221,826</u>	<u>(20,180,761)</u>	<u>(21,233,693)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				21,149,127	21,149,127
Property taxes, levied for debt service				1,961,029	1,961,029
Investment earnings				1,146,212	1,149,655
Miscellaneous				2,697,629	2,697,629
Other Financing Sources/(Uses)				(302,954)	602,251
Total general revenues, special items, and transfers				<u>26,651,043</u>	<u>27,559,691</u>
Change in net assets				(6,470,282)	6,325,998
Net Assets-beginning				37,444,611	43,347,619
Net Assets-ending				<u>\$ 43,914,893</u>	<u>\$ 49,673,617</u>

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

Zapata County, Texas
Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 18,426,670	\$ 1,551,655	\$ 303,507	\$ 10,353,474	\$ 30,635,306
Taxes receivable, net	19,686,875	2,397,858	1,850,143	-	23,934,876
Accounts receivable	-	29,199	-	-	29,199
Due from other funds	1,080,980	-	-	-	1,080,980
Receivable from other governments	802,091	1,013,125	-	-	1,815,216
Total assets	<u>39,996,616</u>	<u>4,991,837</u>	<u>2,153,650</u>	<u>10,353,474</u>	<u>57,495,577</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bank Overdraft	-	1,007,051	-	-	1,007,051
Accounts payable	630,455	31,115	-	24,713	686,283
Due to other funds	905,205	-	-	1,080,980	1,986,185
Due to other governments	-	554	-	-	554
Deferred revenue	19,686,875	2,397,858	1,850,143	-	23,934,876
Total liabilities	<u>21,222,535</u>	<u>3,436,578</u>	<u>1,850,143</u>	<u>1,105,693</u>	<u>27,614,949</u>
Fund balances:					
Unreserved, reported in:					
General fund	9,970,312	-	-	-	9,970,312
General fund	8,803,769	-	-	-	8,803,769
Debt service	-	-	303,507	-	303,507
Capital projects	-	-	-	9,247,781	9,247,781
Special revenues	-	1,555,259	-	-	1,555,259
Total fund balances	<u>18,774,081</u>	<u>1,555,259</u>	<u>303,507</u>	<u>9,247,781</u>	<u>29,880,628</u>
Total liabilities and fund balances	<u>\$ 39,996,616</u>	<u>\$ 4,991,837</u>	<u>\$ 2,153,650</u>	<u>\$ 10,353,474</u>	<u>\$ 57,495,577</u>

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

Zapata County, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

Total fund balance, governmental funds \$ 29,880,628

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Add - capital assets	49,192,549
Deduct - accumulated depreciation	(14,169,381)

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Taxes receivable, deferred	1,799,503
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Some liabilities, (such as Notes payable, Capital lease contract payable, Long-term compensated absences and Bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

(22,788,406)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 43,914,893

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

Zapata County, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2008

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property taxes	\$ 19,273,078	\$ 1,876,049	\$ 1,961,029	\$ -	\$ 23,110,156
Fees and fines	5,440	304,989	-	-	310,429
Intergovernmental	759,986	3,559,093	-	-	4,319,079
Charges for services	257,996	24,575	-	-	282,571
Investment earnings	660,838	21,452	66,723	397,199	1,146,212
Miscellaneous	3,750,670	347,513	-	-	4,098,183
Total revenues	<u>24,708,008</u>	<u>6,133,671</u>	<u>2,027,752</u>	<u>397,199</u>	<u>33,266,630</u>
EXPENDITURES					
Current:					
General government	5,714,763	297,755	-	-	6,012,518
Public safety	4,181,116	1,109,541	-	-	5,290,657
Justice system	1,116,448	-	-	-	1,116,448
Health and human services	1,837,380	1,038,303	-	-	2,875,683
Infrastructure and environmental services	665,176	2,278,870	-	-	2,944,046
Corrections and rehabilitation	2,460,859	233,409	-	-	2,694,268
Community and economic development	2,052,016	1,172,253	-	-	3,224,269
Debt service:					
Principal	-	-	1,065,579	-	1,065,579
Interest and other charges	-	-	964,692	-	964,692
Capital outlay	3,211,915	-	-	6,236,386	9,448,301
Total expenditures	<u>21,239,673</u>	<u>6,130,131</u>	<u>2,030,271</u>	<u>6,236,386</u>	<u>35,636,461</u>
Excess (deficiency) of revenues over expenditures	<u>3,468,335</u>	<u>3,540</u>	<u>(2,519)</u>	<u>(5,839,187)</u>	<u>(2,369,831)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(905,205)	-	-	-	(905,205)
Other financing sources	-	-	-	602,251	602,251
Total other financing sources and uses	<u>(905,205)</u>	<u>-</u>	<u>-</u>	<u>602,251</u>	<u>(302,954)</u>
Net change in fund balances	2,563,130	3,540	(2,519)	(5,236,936)	(2,672,785)
Fund balances - beginning	16,210,951	1,551,719	306,026	14,484,717	32,553,413
Fund balances - ending	<u>\$ 18,774,081</u>	<u>\$ 1,555,259</u>	<u>\$ 303,507</u>	<u>\$ 9,247,781</u>	<u>\$ 29,880,628</u>

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

Zapata County, Texas
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2008

Net change in fund balances - total governmental funds:	\$	(2,672,785)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay \$9,448,301 exceeded depreciation \$1,442,587 in the current period		8,005,714
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		72,353
Governmental funds report bond proceeds as current financial resources, In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.		
Repayments:		
Principal payments		1,065,000
Change in net assets of governmental activities	\$	6,470,282

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

Zapata County, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2008

	Enterprise Funds			Total Proprietary Funds
	Water Plant	Airport	Sheriff Commissary	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 17,100	\$ 17,100
Due from other funds	777,871	127,334	-	905,205
Receivables, net	61,999	-	-	61,999
Total current assets	<u>839,870</u>	<u>127,334</u>	<u>17,100</u>	<u>984,304</u>
Non-current assets:				
Capital assets:				
Land	645,520	-	-	645,520
Infrastructure	5,929,211	-	-	5,929,211
Buildings and improvements	1,551,540	56,810	-	1,608,350
Equipment and furniture	2,807,370	-	-	2,807,370
Less accumulated depreciation	<u>(5,509,748)</u>	<u>(22,072)</u>	<u>-</u>	<u>(5,531,820)</u>
Total non-current assets	<u>5,423,893</u>	<u>34,738</u>	<u>-</u>	<u>5,458,631</u>
Total assets	<u><u>6,263,763</u></u>	<u><u>162,072</u></u>	<u><u>17,100</u></u>	<u><u>6,442,935</u></u>
LIABILITIES				
Current liabilities:				
Accounts Payable	470,368	35,185	-	505,553
Due to Other Funds	-	-	-	-
Compensated absences	19,575	-	-	19,575
Customer Deposits & Water Rights	159,083	-	-	159,083
Bonds, notes and loans payable	-	-	-	-
Total current liabilities	<u>649,026</u>	<u>35,185</u>	<u>-</u>	<u>684,211</u>
Non-current liabilities				
Bonds, notes and loans payable	-	-	-	-
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>649,026</u></u>	<u><u>35,185</u></u>	<u><u>-</u></u>	<u><u>684,211</u></u>
NET ASSETS				
Invested in capital assets, net of related debt	5,423,893	34,738	-	5,458,631
Unrestricted	190,844	92,149	17,100	300,093
Total net assets	<u><u>\$ 5,614,737</u></u>	<u><u>\$ 126,887</u></u>	<u><u>\$ 17,100</u></u>	<u><u>\$ 5,758,724</u></u>

The accompanying notes are an integral part of these financial statements

Zapata County, Texas
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
September 30, 2008

	Enterprise Funds			Total Proprietary Funds
	Water Plant	Airport	Sheriff Commissary	
REVENUES				
Charges for services	\$ 1,821,203	\$ 71,681	\$ -	\$ 1,892,884
Sales of products	-	-	75,020	75,020
Total operating revenues	<u>1,821,203</u>	<u>71,681</u>	<u>75,020</u>	<u>1,967,904</u>
OPERATING EXPENSES				
Personal services	1,231,916	94,253	-	1,326,169
Contractual services	15,328	32,005	-	47,333
Utilities	251,862	-	-	251,862
Repairs and maintenance	460,892	39,946	-	500,838
Other supplies and expenses	481,191	72,162	124,768	678,121
Depreciation	215,093	1,420	-	216,513
Total Operating expenses	<u>2,656,282</u>	<u>239,786</u>	<u>124,768</u>	<u>3,020,836</u>
Operating income (loss)	<u>(835,079)</u>	<u>(168,105)</u>	<u>(49,748)</u>	<u>(1,052,932)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	1,200	2,243	-	3,443
Interest expense	-	-	-	-
Total non-operating revenue (expenses)	<u>1,200</u>	<u>2,243</u>	<u>-</u>	<u>3,443</u>
Income (loss) before contributions and transfers	<u>(833,879)</u>	<u>(165,862)</u>	<u>(49,748)</u>	<u>(1,049,489)</u>
TRANSFERS IN	777,871	127,334	-	905,205
TRANSFERS OUT	-	-	-	-
Change in net assets	<u>(56,008)</u>	<u>(38,528)</u>	<u>(49,748)</u>	<u>(144,284)</u>
Total net assets - beginning	<u>5,670,745</u>	<u>165,415</u>	<u>66,848</u>	<u>5,903,008</u>
Total net assets - ending	<u>\$ 5,614,737</u>	<u>\$ 126,887</u>	<u>\$ 17,100</u>	<u>\$ 5,758,724</u>

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

Zapata County, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2008

	Enterprise Funds			Total Proprietary Funds
	Water Plant	Airport	Sheriff Commissary	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,821,203	\$ 71,681	\$ 75,020	\$ 1,967,904
Payments to employees	(1,231,916)	(94,253)	-	(1,326,169)
Payments to vendors, suppliers, and insurance administrators	(717,357)	(108,928)	(124,768)	(951,053)
Internal transactions	-	-	-	-
Net cash provided by operating activities	<u>(128,070)</u>	<u>(131,500)</u>	<u>(49,748)</u>	<u>(309,318)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	-
Net cash provided by non capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Short term loan payable	-	-	-	-
Interest paid on debt	-	-	-	-
Customer Deposits & Water Rights	-	-	-	-
Long term notes payable	-	-	-	-
Net cash provided by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment earnings	1,200	2,243	-	3,443
Capital Contributions	-	-	-	-
Net cash provided by investing activities	<u>1,200</u>	<u>2,243</u>	<u>-</u>	<u>3,443</u>
Net increase (decrease) in cash and cash equivalents	(126,870)	(129,257)	(49,748)	(305,875)
Cash and pooled investments, beginning of year	126,870	129,257	66,848	322,975
Cash and pooled investments, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,100</u>	<u>\$ 17,100</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (loss)	(833,879)	(165,862)	(49,748)	(1,049,489)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	215,093	1,420	-	216,513
Change in assets and liabilities:				
Receivables, net	-	-	-	-
Accounts and other payables	490,716	32,942	-	523,658
Net cash provided by operating activities	<u>\$ (128,070)</u>	<u>\$ (131,500)</u>	<u>\$ (49,748)</u>	<u>\$ (309,318)</u>

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

Zapata County, Texas
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,873,734
Total current assets	<u>1,873,734</u>
LIABILITIES	
Due to other funds	-
Due to other governments	525,280
Refunds payable and others	<u>1,348,454</u>
Total liabilities	<u>\$ 1,873,734</u>

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

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

NOTE 1 GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or as major individual funds (within the fund financial statements).

Both the government-wide and fund financial statements within the basic financial statements categorize primary activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional categories (public safety, public works, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines and forfeitures, licenses and permit fees, taxes and charges for services. The operating grants include operating-specific and discretionary (either operating or capital grants while the capital grants columns reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or use taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The County does not currently employ an indirect cost allocation system.

This government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the governmental or business-type categories. Management has elected to treat all governmental funds as major funds.

Business-type activity fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the sources and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The focus of the revised model is on the County as a whole and the fund statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

NOTE 2 MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

1. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual:

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the County receives cash.

Modified Accrual:

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule is that debt service expenditures, compensated absences and claims and judgments, are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should under most circumstances, be reported as advances by the provider and deferred revenues by the recipient.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

2. FINANCIAL STATEMENT PRESENTATION

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures, or expenses as appropriate. The various funds are reported by generic classification within the financial statements. Governmental resources allocated to, and accounted for, in the individual funds are based on the specific activities in accordance with laws, regulations, or other restrictions.

GOVERNMENTAL FUNDS:

The focus of Governmental Funds measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the County:

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.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of funds for the periodic payment of principal and interest on governmental bonds, loans, and capital leases.

Capital Projects Funds are used to account for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Business-type/Proprietary Funds).

PROPRIETARY FUND TYPES:

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by pledge of the net revenues, (b) has third party requirements that the costs, be of providing services including capital costs, be recovered with fees and charges or (c) has pricing policy designed for the fees and charges to recover similar costs. The County may additionally elect to treat other County business similarly.

FIDUCIARY FUNDS:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds.

Trust and Agency Funds are used to account for the trust (either pension, investments [held for third parties] or private purpose) or agencies, which are custodial in nature.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

Non-Current Governmental Assets/Liabilities:

GASB Statement #34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

NOTE 3 ASSETS, LIABILITIES AND FUND EQUITY

1. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT

The County has defined Cash and Cash Equivalents to include change funds, demand deposits, certificates of deposit, and money market certificates.

2. INVENTORIES

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds.

3. CAPITAL ASSETS AND DEPRECIATION

Capital Assets which include property, plant, equipment and infrastructure assets (e.g. roads and similar immovable items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight-line method over the estimated useful life of the assets as follows:

Buildings and improvements	15 to 40 years
Equipment (computer, office and vehicles)	5 years
Infrastructure-roads (paved, caliche, or dirt)	15 to 40 years
Infrastructure-water and wastewater lines and pump stations	40 years

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

4. INTERFUND TRANSACTIONS

During the course of normal operations, the County has many transactions between funds. The accompanying Fund Level financial statements reflect as transfers the expenditures and transfers of resources to provide services, construct assets and meet debt service requirements. The effect of interfund activity has been eliminated in the Government-wide financial statements, except for transactions between the governmental and business-type activities.

5. DUE FROM OTHER GOVERNMENTAL UNITS

To recognize resources available for Special Revenue Funds and Capital Projects Funds, the County records amounts due from grantors upon receipt of the award and records the award as deferred revenue. For grants that require expenditures for eligible grant purposes in order to earn the award, revenues are recognized when expenditures are made. For other grants and financial assistance, the amounts due from other governmental units and deferred revenue are reduced upon receipt of payment and revenues are then recognized.

6. FUND EQUITY

Certain fund balances or portions thereof have been reserved to indicate amounts that are not appropriated for expenditures or are legally segregated for a specific future purpose. Designation of a portion of the fund balance is established to indicate tentative plans for financial resource utilization in a future period.

7. CAPITAL GRANT

Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary funds, are accounted for in the applicable Capital Projects Funds. Grant monies restricted for acquisition of Enterprise Fund capital assets are recorded as contributed equity in the applicable enterprise fund. Therefore, depreciation expense relating to fixed assets contributed or acquired with grant monies is deducted from the applicable contributed capital.

8. BUDGETARY INFORMATION

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

1. The County Judge is the budget officer and has the responsibility of preparing the County's budgeted expenditures.
2. All County departments and organizations submit their budget requests to the County Judge for the fiscal year commencing the following October 1, by July 1.
3. During July, Commissioners Court conducts informal budget workshops with each department head to discuss their budget requests.
4. On or about July 31, the County Judge prepares a proposed budget to cover all proposed expenditures of the County for the current year. Copies of the proposed budget are filed with the County Clerk. The proposed budget is available for inspection by taxpayers.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

5. After the filing of the proposed budget, on a date after August 15th, but prior to September 30 of the current year, Commissioners Court conducts a public hearing on the County's proposed budget. Any taxpayer of the County of Zapata had the right to present and participate in the hearing. At the conclusion of the hearing, the proposed budget, as prepared by the County Judge, is acted upon by the Commissioners Court. The Court had the authority to make such changes in the budget, as in its judgment the facts and the law warrant and the interest of the taxpayers demand, provided the amounts budgeted for current expenditures from the various funds for the County do not exceed the balances in these funds as of October 1 plus the anticipated revenue for the current year for which the budget is made, as estimated by the County Judge.
6. Under no circumstances can Commissioners Court authorize expenditures that will exceed appropriations. Commissioners Court must authorize budget amendments transferring funds among different departments within the same fund.

Anytime any revisions are necessary that alter the total appropriations of any fund, Commissioners Court must enter an order setting forth how the budget is to be amended, declaring an emergency, finding that grave public necessity exists to meet unusual and unforeseen conditions which could not, by reasonably diligent thought and attention, have been included in the original budget.

Budgets adopted on an annual basis are consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, non-grant special revenue, and debt service funds. All annual appropriations lapse at fiscal year end. Budgetary integration is not employed for capital projects funds, because they include projects which extend over a period of several years.

NOTE 4 DEPOSITS AND INVESTMENTS

Cash deposits held at financial institutions can be categorized into the following three categories of credit risk:

Category 1 - Deposits which are insured or collateralized with securities held by the entity or by its agents in the entity's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Deposits which are not collateralized.

Based on three levels of risk, all of the County's cash deposits are classified as Category 1.

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposit. The County's deposits, including certificates of deposits, were fully insured or collateralized as required by the state statutes at September 30, 2008. At year-end, the carrying amount of the County's deposits was \$32,257,403 and the respective bank balances totaled \$19,361,359 and TexPool balances of \$16,912,985. Included in the bank balances are certificates of deposits totaling \$11,937,900. Of the total bank balance, \$100,000 was covered by Federal Depository Insurance, the remainder was covered by collateral with a value of \$46,463,282. The collateral is held

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

by the Federal Reserve Bank of Dallas in the County's name under a joint safekeeping agreement with Zapata National Bank of Zapata, Texas.

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; and (5) 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.

The County did not have any investments during the year or at September 30, 2008.

NOTE 5 TAXES RECEIVABLE

A summary of taxes receivable at September 30, 2008 follows:

	General Funds	Special Revenue Funds	Debt Service Funds	Totals
Taxes receivable delinquent	\$ 21,874,305	\$ 2,664,287	\$ 2,055,714	\$ 26,594,306
Allowance for uncollectible accounts	<u>(2,187,430)</u>	<u>(266,429)</u>	<u>(205,571)</u>	<u>(2,659,430)</u>
Taxes receivable, net of allowance for uncollectible accounts	<u>\$ 19,686,875</u>	<u>\$ 2,397,858</u>	<u>\$ 1,850,143</u>	<u>\$ 23,934,876</u>

Property taxes attach as an enforceable lien as of January 1. The taxes are levied each October 1 based on the assessed value listed as of the date the enforceable lien attaches. Appraised values are established by the Zapata County Appraisal District, assessed at 100% of appraised value, and certified by the Appraisal Review Board. These taxes are due from October 1 of the year in which levied until January 31 of the following year without interest or penalty. On February 1 of each year, the taxes are subject to simple interest and penalties.

The current tax levy, reduced by an allowance for uncollectible taxes receivable, is recognized in the accounts when levied October 1, and is recorded as deferred revenue at that time. Such deferred revenues are recognized as revenues when they are collected.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables at September 30, 2008 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,080,980	\$ 905,205
Capital Projects	0	1,080,980
Proprietary Funds	905,205	0
	\$ 1,986,185	\$ 1,986,185

NOTE 7 OPERATING TRANSFERS

Operating transfers during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 905,205
Special Revenue	0	0
Debt Service	0	0
Capital Projects	0	0
Proprietary Funds	905,205	0
	\$ 905,205	\$ 905,205

NOTE 8 DUE FROM OTHER GOVERNMENTS

Significant amounts due from other governments as of September 30, 2008 include:

<u>Due From</u>	<u>Amount</u>
<i>General Fund</i>	
U.S. Marshal	\$ 802,091
U.S Department of Housing and Community Affairs (ORCA)	220,278
Texas Department of Transportation	512,505

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

NOTE 9 CAPITAL ASSETS

Governmental Activities

Details of changes in capital assets for the year September 30, 2008 are as follows:

	<u>Balance 10/1/2007</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Balance 9/30/2008</u>
Land	\$ 1,554,640	\$ 0	\$ 0	\$ 1,554,640
Buildings and Improvements	30,910,118	128,730	0	31,038,848
Furniture and Equipment	6,510,661	198,939	0	6,709,600
Construction in Progress	<u>768,829</u>	<u>9,120,632</u>	<u>0</u>	<u>9,889,461</u>
	\$ 39,744,248	\$ 9,448,301	\$ 0	\$ 49,192,549
Less accumulated depreciation				<u>(14,169,381)</u>
 Totals				 <u>\$ 35,023,168</u>

- (1) During August of 2000, the County hired a professional firm to prepare a complete inventory and valuation of their land, buildings and improvements and furniture and equipment. Replacement cost was used for all unknown values.
- (2) Depreciation expense for governmental activities for the year September 30, 2008 was \$1,442,587.

Business-type Activities

	<u>Waterplant</u>	<u>Airport</u>	<u>Total</u>
Land	\$ 645,520	\$ 0	\$ 645,520
Buildings and Improvements	1,551,540	56,810	1,608,350
Furniture and Equipment	2,807,370	0	2,807,370
Infrastructure	<u>5,929,211</u>	<u>0</u>	<u>5,929,211</u>
	\$ 10,933,641	\$ 56,810	\$ 10,990,451
Less accumulated depreciation	<u>(5,509,748)</u>	<u>(22,072)</u>	<u>(5,531,820)</u>
 Totals	 <u>\$ 5,423,893</u>	 <u>\$ 34,738</u>	 <u>\$ 5,458,631</u>

The County recognized \$216,513 of depreciation expense related to the Proprietary Funds in fiscal year 2008.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

NOTE 10 LONG-TERM DEBT

The following is a summary of changes in general ledger in general long-term debt of the County for the year ended September 30, 2008:

	Balance 10/1/2007	Additions	Retirement	Balance 9/30/2008
Primary Government:				
Bonds Payable-2006	\$ 14,656,150	\$ 0	\$ 510,000	\$ 14,146,150
Bonds Payable-2005	8,945,000	0	555,000	8,390,000
Totals	<u>\$ 23,601,150</u>	<u>\$ 0</u>	<u>\$ 1,065,000</u>	<u>\$ 22,536,150</u>

Bonds Payable

Bonds payable at September 30, 2008 are comprised of the following issues:

	<u>Primary Government General Long- Term Debt</u>	<u>Waterplant Enterprise Fund Debt</u>	<u>Total</u>
Limited tax refunding Bonds, Series 2005 Due in annual installments ranging from \$495,000 to \$855,000 through 2020; interest at 3.0% to 4.25%	\$ 8,390,000		\$ 8,390,000
Unlimited tax Road Bonds, Series 2006 Due in annual installments ranging from \$385,000 to \$1,110,000 through 2026; interest at 4.0% to 5.125%	<u>\$ 14,146,150</u>		<u>\$ 14,146,150</u>
Total Bonds Payable	<u>\$ 22,536,150</u>		<u>\$ 22,536,150</u>

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

The annual debt service requirements to amortize general obligations bonds outstanding at September 30, 2008 are as follows:

<u>Maturity</u>	<u>Principal</u>
2009	\$ 1,105,000
2010	1,145,000
2011	1,190,000
2012	1,235,000
2013	1,285,000
Thereafter	16,576,150
Totals	<u>\$ 22,536,150</u>

All bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County.

All bonds may be prepaid or redeemed prior to their respective scheduled due dates as per provisions in the bond agreements.

There were no authorized and unissued general obligation bonds at September 30, 2008. The County is in compliance with all bond covenants on outstanding general obligation bonded debt.

Primary Government

The maturity schedule of the 2005 and 2006 bond series is as follows:

<u>Year Ended September 30</u>	<u>2005 Series Principal</u>	<u>2006 Series Principal</u>	<u>Total</u>
2009	\$ 570,000	\$ 535,000	\$ 1,105,000
2010	590,000	555,000	1,145,000
2011	610,000	580,000	1,190,000
2012	630,000	605,000	1,235,000
2013	655,000	630,000	1,285,000
Thereafter	5,335,000	11,241,150	16,576,150
	<u>\$ 8,390,000</u>	<u>\$14,146,150</u>	<u>\$22,536,150</u>

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

NOTE 11 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS LIABILITY

State and federal laws and regulations require the County to place final covers on its landfill site when it stops accepting waste at these sites. The County will also be required to perform certain maintenance and monitoring functions for thirty years at the landfill site.

The Governmental Accounting Standards Board (GASB) Statement Number 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs," addresses the financial statement effect of complying with EPA and state requirements. GASB Statement 18 requires that all closure and postclosure care costs be recognized during the operating life of the landfill. Accordingly, a portion of the total estimated closure and postclosure care costs, based on the ratio of landfill capacity, should be recognized as an expense and/or liability each period the landfill accepts waste.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The County established a separate account in October 1997 for these purposes. It is anticipated that future inflation costs will be paid in part from interest earnings on this account. However, if additional postclosure care requirements are determined (due changes in technology or applicable laws or regulations, for example) or interest earnings are inadequate, these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 12 EMPLOYEE RETIREMENT BENEFITS

Texas County and District Retirement System

A. Plan Description:

The District 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 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 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 20 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 contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

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

B. Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 7.38 % for calendar year 2008. The contribution rate payable by the employee members is the rate of 7 % as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

C. Annual Pension Cost

For the employer's accounting year ending September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$729,232 and the actual contributions were \$691,683.

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

Actuarial Valuation Information

Actuarial valuation date	12/31/05	12/31/06	12/31/07
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period (yrs)	30	30	0
Amortization valuation method	Long term-appreciation with adjustments	SAF: 10 yr Smoothed value ESF: Fund value	SAF: 10 yr Smoothed value ESF: Fund value
Actuarial assumptions:			
Investment Return	8.00%	8.00%	8.00%
Projected salary increases	5.3%	5.3%	5.3%
Inflation:	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	\$729,232	100%	\$0

D. Transition Disclosure:

It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at the transition to that statement effective January 1, 2001, because all actuarially required contributions for the accounting years for the period January 1, 1987 through December 31, 2008 have been paid. There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported pension liability is zero.

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

Actuarial valuation date	12/31/05	12/31/06	12/31/07
Actuarial value of assets	16,266,476	18,256,862	20,271,761
Actuarial accrued liability (AAL)	15,817,301	17,100,711	19,120,384
Unfunded actuarial accrued liability (UAAL)	(449,175)	(1,156,151)	(1,151,377)
Funded ratio	102.84%	106.76%	106.02%
Annual covered payroll (actuarial)	7,487,078	8,230,839	9,140,115
UAAL as a percentage of covered payroll	(6.00%)	(14.05%)	(12.60%)

NOTE 13 CONTINGENCIES

A. Litigation

Various lawsuits are pending against the County involving general liability, civil rights actions and various contractual matters. In the opinion of County management, the potential claims against the County not covered by insurance resulting from such litigation will not materially affect the financial position of the County.

B. Federally Assisted Programs

The County participates in a number of federally assisted grant programs. Although the County's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 and OMB Circular A-133 through September 30, 2008, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Zapata County, Texas
Notes to the Financial Statements
September 30, 2008

B. Federally Assisted Programs

The County participates in a number of federally assisted grant programs. Although the County's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 and OMB Circular A-133 through September 30, 2008, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

GENERAL FUND

The **General Fund** is used to account for resources traditionally associated with governments, which are not required to be accounted for in another fund.

ZAPATA COUNTY, TEXAS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2008

	2008			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
REVENUES:				
Taxes:				
Current Property Taxes	\$ 17,930,352	\$ 17,930,352	\$ 18,791,863	\$ 861,511
Delinquent property taxes	250,000	250,000	306,061	56,061
Penalties and interest on taxes	150,000	150,000	175,154	25,154
Total taxes	18,330,352	18,330,352	19,273,078	942,726
Licenses and permits:				
Business and license and permits	8,000	8,000	5,440	(2,560)
Total licenses and permits	8,000	8,000	5,440	(2,560)
Intergovernmental				
Zapata I.S.D. shared tax office	101,563	101,563	176,094	74,531
Grant revenue	-	-	501,007	501,007
Water connections	20,000	20,000	82,885	62,885
Total intergovernmental	121,563	121,563	759,986	638,423
Charges for services:				
Sheriff fees	4,000	4,000	5,420	1,420
Bond fees	-	-	1,928	1,928
County clerk fees	80,000	80,000	178,364	98,364
Tax assessor/collector's fees	10,000	10,000	2,800	(7,200)
District clerk fees	30,000	30,000	69,484	39,484
Total charges for services	124,000	124,000	257,996	133,996
Interest	70,000	70,000	660,838	590,838
Other:				
Rent-Civic Center	4,500	4,500	5,632	1,132
Pavilion	9,000	9,000	11,166	2,166
Zapata Community Center	28,000	28,000	28,205	205
Swimming pool	400	400	480	80
Jail	2,200,000	2,200,000	1,724,584	(475,416)
Jail Telephone Commission	60,000	60,000	19,054	(40,946)
Landfill	15,000	15,000	192,300	177,300
Emergency Medical Service	200,000	200,000	335,079	135,079
Oil and Gas Royalty	600,000	600,000	1,185,104	585,104
Miscellaneous	200,000	200,000	249,066	49,066
Total Other	3,316,900	3,316,900	3,750,670	433,770
TOTAL REVENUES	\$ 21,970,815	\$ 21,970,815	\$ 24,708,008	\$ 2,737,193

(CONTINUED)

ZAPATA COUNTY, TEXAS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2008

	2008			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
EXPENDITURES:				
Judicial:				
Justices of the Peace	\$ 379,945	\$ 379,945	\$ 355,375	\$ 24,570
County Attorney	407,476	407,476	407,451	25
49th District Court	208,279	213,758	166,881	46,877
District Clerk	214,266	214,266	186,741	27,525
Total Judicial	1,209,966	1,215,445	1,116,448	98,997
Executive:				
County Judge	435,311	435,311	390,636	44,675
County Commissioners	268,432	268,432	229,313	39,119
Total Executive	703,743	703,743	619,949	83,794
Financial Administration:				
Appraisal District	165,755	165,755	191,170	(25,415)
County Auditor	228,312	228,312	208,180	20,132
Tax Assessor/Collector	369,845	379,844	331,508	48,336
County Clerk	287,038	287,038	301,323	(14,285)
County Treasurer	329,678	329,678	301,271	28,407
Personnel department	41,454	41,454	39,588	1,866
Total Financial Administration	1,422,082	1,432,081	1,373,040	59,041
Law Enforcement:				
Sheriff Department	2,525,723	2,525,723	2,173,300	352,423
CSI Specialist	76,377	76,377	71,983	4,394
County Jail	758,446	758,446	638,320	120,126
Regional Jail	1,998,177	1,998,177	1,822,539	175,638
Constables	114,199	114,199	85,858	28,341
Total Law Enforcement	5,472,922	5,472,922	4,792,000	680,922
Fire Fighting:				
Fire Fighting and Ambulance Services	2,011,378	2,019,378	1,849,975	169,403
Total Fire Fighting	2,011,378	2,019,378	1,849,975	169,403
Other Protection:				
Safety and Risk Management	23,549	23,549	16,335	7,214
Total Other Protection	23,549	23,549	16,335	7,214
Health and Welfare:				
Indigent Health Care	1,830,717	1,830,717	1,062,396	768,321
Health Care Clinic	229,156	229,156	88,302	140,854
Total Health and Welfare	2,059,873	2,059,873	1,150,698	909,175
Culture and Recreation				
Civic Centers	204,187	204,187	167,315	36,872
Parks and Buildings	755,742	800,242	624,672	175,570
County Library System	212,946	212,946	172,904	40,042
Total Culture and Recreation	1,172,875	1,217,375	964,891	252,484

(CONTINUED)

ZAPATA COUNTY, TEXAS

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2008

EXPENDITURES: (CONTINUED)

	2008			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
Conservation of natural resources				
Agriculture and livestock	72,013	72,013	55,001	17,012
Soil and conservation	11,000	11,000	11,000	-
Total conservation of natural resources	83,013	83,013	66,001	17,012
Sanitation:				
Recycling	99,646	99,416	86,639	12,777
Code Enforcement	92,344	92,344	43,080	49,264
Environmental Health	595,912	596,142	556,963	39,179
Total Sanitation	787,902	787,902	686,682	101,220
Other:				
Contingencies	5,000	5,000	4,928	72
Attorney fees	100,000	102,159	137,268	(35,109)
Audit fees	20,000	20,000	20,000	-
CACST rental building	8,200	8,200	-	8,200
Consulting fees	150,000	142,363	127,068	15,295
County property repairs	65,000	119,964	118,444	1,520
Supplies	30,000	30,000	27,217	2,783
Grant Matching & other contributions	1,834,287	1,814,287	1,686,300	127,987
Computer programs	122,498	112,498	119,201	(6,703)
Insurance	420,000	420,000	325,709	94,291
Telephone	250,000	250,000	352,439	(102,439)
Utilities	800,000	800,000	1,072,827	(272,827)
Commissioners contract services and supplies	-	397,335	334,477	62,858
Non-department- Other	967,561	912,597	843,758	68,839
Custodial & maintenance	243,725	243,725	222,103	21,622
Capital Outlay	2,467,054	2,434,554	3,211,915	(777,361)
Total Other	7,483,325	7,812,682	8,603,654	(790,972)
TOTAL EXPENDITURES	22,430,628	22,827,963	21,239,673	1,588,290
Excess (deficiency) of revenues over expenditures	(459,813)	(857,148)	3,468,335	4,325,483
Other Financing Sources (Uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(905,205)	(905,205)	(905,205)	-
Other financing uses	-	-	-	-
Net other financing sources (uses)	(905,205)	(905,205)	(905,205)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,365,018)	(1,762,353)	2,563,130	4,325,483
FUND BALANCE AT BEGINNING OF YEAR	16,210,951	16,210,951	16,210,951	-
FUND BALANCE AT END OF YEAR	\$ 14,845,933	\$ 14,448,598	\$ 18,774,081	\$ 4,325,483

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for resources allocated to specific purposes. A special revenue fund continues in existence as long as governmental resources are allocated to its specific purposes.

**ZAPATA COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	GENERAL ROAD AND BRIDGE	SPECIAL ROAD AND BRIDGE	LATERAL ROADS	TEXAS JUVENILE PROBATION	ORCA 727115	CITY OF LAREDO TASK FORCE	SHERIFF'S BORDER STAR	COUNTY ATTORNEY FUND	NUTRITION & I & A	HOTEL- MOTEL TAX
ASSETS										
Cash	\$ 4,624	\$ 331,506	\$ -	\$ 96,951	\$ -	\$ -	\$ -	\$ 257,606	\$ -	\$ 11,767
Certificates of Deposit	-	-	107,188	-	-	-	-	-	-	-
Taxes Receivable, Net	-	2,397,858	-	-	-	-	-	-	-	-
Accounts Receivable	-	29,199	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-
Due from Other Governments	-	-	-	12,178	220,278	101,171	104,578	-	-	-
Other Receivables	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 4,624	\$ 2,758,563	\$ 107,188	\$ 109,129	\$ 220,278	\$ 101,171	\$ 104,578	\$ 257,606	\$ -	\$ 11,767
LIABILITIES AND FUND BALANCES										
Bank Overdraft	\$ -	\$ -	\$ 6,104	\$ -	\$ 220,278	\$ 101,171	\$ 104,578	\$ -	\$ -	\$ -
Accounts Payable	-	26,669	-	-	-	-	-	-	-	-
Due to Other Governments	-	-	-	554	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-	-
Due to Others	-	-	-	-	-	-	-	-	-	-
Deferred Revenues - Taxes	-	2,397,858	-	-	-	-	-	-	-	-
Deferred Revenues - Grants	-	-	-	-	-	-	-	-	-	-
Deferred Revenues - Other	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	2,424,527	6,104	554	220,278	101,171	104,578	-	-	-
FUND BALANCES:										
Unreserved - Undesignated	4,624	334,036	101,084	108,575	-	-	-	257,606	-	11,767
Total Fund Balances	4,624	334,036	101,084	108,575	-	-	-	257,606	-	11,767
Total Liabilities and Fund Balances	\$ 4,624	\$ 2,758,563	\$ 107,188	\$ 109,129	\$ 220,278	\$ 101,171	\$ 104,578	\$ 257,606	\$ -	\$ 11,767

(CONTINUED)

**ZAPATA COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	COUNTY LIBRARY	COUNTY RECORDS MANAGEMENT	OFFICE OF THE GOVERNOR		TX DEPT OF PUBLIC SAFETY BORDER SECURITY	OFFICE OF THE GOVERNOR JA07J	SERINIDAD	BORDER COLONIA ACCESS	OPERATION LINEBACKER
			SF08J	TOBACCO SETTLEMENT					
ASSETS									
Cash	\$ 15,185	\$ 215,393	\$ -	\$ 358,981	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	-	-	-	-	-	-	-	-	-
Taxes Receivable, Net	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	4,553	-	-	17,269	-	-	-
Due from Other Governments	-	-	-	-	-	-	512,505	-	-
Other Receivables	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Total Assets	\$ 15,185	\$ 215,393	\$ 4,553	\$ 358,981	\$ -	\$ 17,269	\$ -	\$ 512,505	\$ -
LIABILITIES AND FUND BALANCES									
Bank Overdraft	\$ -	\$ -	\$ 4,553	\$ -	\$ -	\$ 17,269	\$ -	\$ 512,505	\$ -
Accounts Payable	-	-	-	4,446	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	-
Due to Others	-	-	-	-	-	-	-	-	-
Deferred Revenues - Taxes	-	-	-	-	-	-	-	-	-
Deferred Revenues - Grants	-	-	-	-	-	-	-	-	-
Deferred Revenues - Other	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	4,553	4,446	-	17,269	-	512,505	-
FUND BALANCES:									
Unreserved - Undesignated	15,185	215,393	-	354,535	-	-	-	-	-
Total Fund Balances	15,185	215,393	-	354,535	-	-	-	-	-
Total Liabilities and Fund Balances	\$ 15,185	\$ 215,393	\$ 4,553	\$ 358,981	\$ -	\$ 17,269	\$ -	\$ 512,505	\$ -

**ZAPATA COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008**

	SHERIFF FORFEITURE	EMS FIRE MARSHAL	JUSTICE COURT TECHNOLOGY	COURTHOUSE SECURITY	HOUSING PRESERVATION	TOTALS
ASSETS						
Cash	\$ 40,064	\$ -	\$ 39,376	\$ 73,014	\$ -	\$ 1,444,467
Certificates of Deposit	-	-	-	-	-	107,188
Taxes Receivable, Net	-	-	-	-	-	2,397,858
Accounts Receivable	-	-	-	-	-	29,199
Due from Other Funds	-	-	-	-	-	21,822
Due from Other Governments	-	-	-	-	40,593	991,303
Other Receivables	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	\$ 40,064	\$ -	\$ 39,376	\$ 73,014	\$ 40,593	\$ 4,991,837
LIABILITIES AND FUND BALANCES						
Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ 40,593	\$ 1,007,051
Accounts Payable	-	-	-	-	-	31,115
Due to Other Governments	-	-	-	-	-	554
Due to Other Funds	-	-	-	-	-	-
Due to Others	-	-	-	-	-	-
Deferred Revenues - Taxes	-	-	-	-	-	2,397,858
Deferred Revenues - Grants	-	-	-	-	-	-
Deferred Revenues - Other	-	-	-	-	-	-
Total Liabilities	-	-	-	-	40,593	3,436,578
FUND BALANCES:						
Unreserved - Undesignated	40,064	-	39,376	73,014	-	1,555,259
Total Fund Balances	40,064	-	39,376	73,014	-	1,555,259
Total Liabilities and Fund Balances	\$ 40,064	\$ -	\$ 39,376	\$ 73,014	\$ 40,593	\$ 4,991,837

ZAPATA COUNTY, TEXAS
SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 SEPTEMBER 30, 2008

	GENERAL ROAD AND BRIDGE	SPECIAL ROAD AND BRIDGE	LATERAL ROADS	TEXAS JUVENILE PROBATION	ORCA 727115	CITY OF LAREDO TASK FORCE	LOCAL BORDER SECURITY	COUNTY ATTORNEY FUND	NUTRITION & I & A	HOTEL-MOTEL TAX
Revenues:										
Taxes	\$ -	\$ 1,599,198	\$ 1,511	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,340
License and permits	-	347,513	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	156,029	492,300	145,727	480,320	-	403,622	-
Charges for Services	-	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	176,031	-	-	-	-	-	99,482	-	-
Interest	142	17,522	3,788	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total Revenues	142	2,140,264	5,299	156,029	492,300	145,727	480,320	99,482	403,622	275,340

Expenditures:

Current:										
Judicial	-	-	-	-	-	-	-	-	-	-
Law Enforcement	-	-	-	-	-	145,727	480,320	-	-	-
Corrections	-	-	-	178,825	-	-	-	-	-	-
Highways and Streets	-	2,264,693	14,177	-	-	-	-	-	403,622	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-
Economic and Urban Development	-	-	-	-	492,300	-	-	-	-	-
Other	-	-	-	-	-	-	-	11,870	-	276,277
Total Expenditures	-	2,264,693	14,177	178,825	492,300	145,727	480,320	11,870	403,622	276,277

Excess (deficiency) of Revenues over Expenditures

Other Financing Sources (Uses):
 Operating transfers in
 Operating transfers out

Net Other Financing Sources (Uses)

Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

Fund Balances at Beginning of Year

Fund Balances at End of Year

142	(124,429)	(8,878)	(22,796)	-	-	-	-	87,612	-	(937)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
142	(124,429)	(8,878)	(22,796)	-	-	-	-	87,612	-	(937)
4,482	458,465	109,962	131,371	-	-	-	-	169,994	-	12,704
\$ 4,624	\$ 334,036	\$ 101,084	\$ 108,575	\$ -	\$ -	\$ -	\$ -	\$ 257,606	\$ -	\$ 11,767

ZAPATA COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2008

	COUNTY LIBRARY	COUNTY RECORDS MANAGEMENT	OFFICE OF THE GOVERNOR SF08J	TOBACCO SETTLEMENT	TX DEPT OF PUBLIC SAFETY BORDER SECURITY	OFFICE OF THE GOVERNOR JA07J	SERINIDAD	BORDER COLONIA ACCESS	OPERATION LINEBACKER
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	5,188	-	21,250	143,926	235,146	33,334	564,469	604,953	147,708
Charges for Services	-	24,575	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Revenues	5,188	24,575	21,250	143,926	235,146	33,334	564,469	604,953	147,708
Expenditures:									
Current:									
Judicial	-	-	-	-	-	-	-	-	-
Law Enforcement	-	-	-	-	235,146	-	-	-	147,708
Corrections	-	-	21,250	-	-	33,334	-	-	-
Highways and Streets	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	20,091	-	-	564,469	-	-
Economic and Urban Development	-	-	-	-	-	-	-	604,953	-
Other	5,210	4,398	-	-	-	-	-	-	-
Total Expenditures	5,210	4,398	21,250	20,091	235,146	33,334	564,469	604,953	147,708
Excess (deficiency) of Revenues over Expenditures	(22)	20,177	-	123,835	-	-	-	-	-
Other Financing Sources (Uses):									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(22)	20,177	-	123,835	-	-	-	-	-
Fund Balances at Beginning of Year	15,207	195,216	-	230,700	-	-	-	-	-
Fund Balances at End of Year	\$ 15,185	\$ 215,393	\$ -	\$ 354,535	\$ -	\$ -	\$ -	\$ -	\$ -

ZAPATA COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2008

	SHERIFF FORFEITURE	EMS FIRE MARSHAL	JUSTICE COURT TECHNOLOGY	COURTHOUSE SECURITY	HOUSING PRESERVATION	TOTALS
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	1,876,049
License and permits	-	-	-	-	-	347,513
Intergovernmental	-	50,121	-	-	75,000	3,559,093
Charges for Services	-	-	-	-	-	24,575
Fines and Forfeitures	23,888	-	2,607	2,981	-	304,989
Interest	-	-	-	-	-	21,452
Other	-	-	-	-	-	-
Total Revenues	23,888	50,121	2,607	2,981	75,000	6,133,671
Expenditures:						
Current:						
Judicial	-	-	-	-	-	-
Law Enforcement	40,895	-	59,745	-	-	1,109,541
Corrections	-	-	-	-	-	233,409
Highways and Streets	-	-	-	-	-	2,278,870
Health and Welfare	-	50,121	-	-	-	1,038,303
Economic and Urban Development	-	-	-	-	75,000	1,172,253
Other	-	-	-	-	-	297,755
Total Expenditures	40,895	50,121	59,745	-	75,000	6,130,131
Excess (deficiency) of Revenues over Expenditures	(17,007)	-	(57,138)	2,981	-	3,540
Other Financing Sources (Uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(17,007)	-	(57,138)	2,981	-	3,540
Fund Balances at Beginning of Year	57,071	-	96,514	70,033	-	1,551,719
Fund Balances at End of Year	\$ 40,064	\$ -	\$ 39,376	\$ 73,014	\$ -	\$ 1,555,259

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 fiscal agent fees. The resources of this fund are generated by tax levies based upon property values.

ZAPATA COUNTY, TEXAS
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance-- favorable (Unfavorable)</u>
REVENUES:			
Taxes:			
Current property taxes	\$ 2,289,894	\$ 1,924,734	\$ (365,160)
Delinquent property taxes	4,000	24,771	20,771
Penalty and Interest on taxes	2,500	11,524	9,024
Total taxes	<u>2,296,394</u>	<u>1,961,029</u>	<u>(335,365)</u>
Interest	12,000	66,723	54,723
TOTAL REVENUES	<u>2,308,394</u>	<u>2,027,752</u>	<u>(280,642)</u>
EXPENDITURES:			
Debt Service:			
Principal Retirement	1,065,000	1,065,579	(579)
Interest and Fiscal Charges	981,292	964,692	16,600
Total Debt Service	<u>2,046,292</u>	<u>2,030,271</u>	<u>16,021</u>
TOTAL EXPENDITURES	<u>2,046,292</u>	<u>2,030,271</u>	<u>16,021</u>
Excess (deficiency) of revenues over Expenditures	<u>262,102</u>	<u>(2,519)</u>	<u>(264,621)</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures Other Financing Uses	262,102	(2,519)	(264,621)
Fund Balance at Beginning of Year	<u>306,026</u>	<u>306,026</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 568,128</u>	<u>\$ 303,507</u>	<u>\$ (264,621)</u>

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for all resources to be used for the acquisition and/or construction of major capital facilities, which are not financed by proprietary fund types.

ZAPATA COUNTY, TEXAS
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Road Bonds	Water Plant	Total
REVENUES:			
Intergovernmental	\$ -	\$ -	\$ -
Interest	397,199	-	397,199
Total Revenues	<u>397,199</u>	<u>-</u>	<u>397,199</u>
EXPENDITURES:			
Issuance Costs	-	-	-
Construction in Process	5,634,135	602,251	6,236,386
Total Expenditures	<u>5,634,135</u>	<u>602,251</u>	<u>6,236,386</u>
Excess (deficiency) of revenues over expenditures	<u>(5,236,936)</u>	<u>(602,251)</u>	<u>(5,839,187)</u>
Other Financing Sources (Uses):			
Loan Proceeds	-	602,251	602,251
Net Other Financing Sources (Uses)	<u>-</u>	<u>602,251</u>	<u>602,251</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(5,236,936)</u>	<u>-</u>	<u>(5,236,936)</u>
Fund Balance at beginning of year	<u>14,484,717</u>	<u>-</u>	<u>14,484,717</u>
Fund balance at end of year	<u>\$ 9,247,781</u>	<u>\$ -</u>	<u>\$ 9,247,781</u>

FIDUCIARY FUNDS

Trust and Agency Funds – Trust Funds are used to account for assets held by the County in a trustee capacity. Agency Funds are used to account for assets held by the County as the agent for individuals, private organizations, other governments, and/or other funds.

ZAPATA COUNTY, TEXAS
 FIDUCIARY FUNDS
 COMBINING BALANCE SHEET
 SEPTEMBER 30, 2008

AGENCY FUNDS

	County Clerk Trust	District Clerk Trust	Tax Assessor Collector	Jail Inmates	Appellate Judicial	Payroll Clearing	Cemetery	Employee Christmas Fund	Totals
\$	18,954	\$ 341,779	\$ 524,814	\$ 255,826	\$ 466	\$ 318,802	\$ 42,750	\$ 370,343	\$ 1,873,734
	18,954	341,779	524,814	255,826	466	318,802	42,750	370,343	1,873,734
	18,954	341,779	-	255,826	-	318,802	42,750	370,343	731,895
\$	18,954	\$ 341,779	\$ 524,814	\$ 255,826	\$ 466	\$ 318,802	\$ 42,750	\$ 370,343	\$ 1,873,734

ASSETS

Cash and cash equivalents
TOTAL ASSETS

LIABILITIES

Due to other funds
 Due to other governments
 Due to others
 Held in trust
TOTAL LIABILITIES

SINGLE AUDIT SECTION

This section contains information regarding grant activity for the year ended September 30, 2003, which was audited under the guidelines of the Single Audit Act Amendments of 1996 and the United States Office of the Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the provisions of the State of Texas *Uniform Grant and Contract Management Standards*

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Gloria E. 'Gigi' Flores, CPA

Jorge C. Flores, Manager

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

To the Zapata County Commissioners Court
Zapata, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Zapata County, Texas, as of and for the year ended September 30, 2008, which collectively comprise Zapata County, Texas's basic financial statements and have issued our report thereon dated April 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Zapata County, Texas'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 Zapata County, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Zapata County, Texas's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Zapata County, Texas, in a separate letter dated April 17, 2009.

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

Flores Auditing, PLLC

Flores Auditing, PLLC

Laredo, Texas

April 17, 2009

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Jorge C. Flores, Manager

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

To the Zapata County Commissioners Court
Zapata County, Texas

Compliance

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

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

In our opinion, Zapata County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

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

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

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

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

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

Flores Auditing, PLLC

Flores Auditing, PLLC

Laredo, Texas

April 17, 2009

Zapata County, Texas
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/STATE GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL/ STATE EXPENDITURES	PASS THROUGH AMOUNT TO SUBRECIPIENTS
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Passed Through South Texas Development Council			
Nutrition Program for the Elderly - C1, C2, USDA	10.570	\$ 75,580	\$ -
Passed Through Rural Development			
Housing Preservation	10.500	75,000	-
Total U.S. Department of Agriculture		<u>150,580</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through ORCA			
Raw Water Line 727115	14.228	492,300	-
Passed Through Texas Department of Transportation			
Border Colonia Access Program	14.200	604,953	-
Total U.S. Department of Housing and Urban Development		<u>1,097,253</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Serving Children & Adolescents in Need			
Serenidad	93.959	564,469	-
Passed Through Community Action Council of South Texas			
Elderly and Disable Program	93.044	25,143	-
Total U.S. Department of Health and Human Services		<u>589,612</u>	<u>-</u>
<u>U.S. Environmental Protection Agency</u>			
Passed Through Water Development Board			
Drinking Water State Revolving Fund Project 61275	66.468	602,251	-
Total U.S. Department of Health and Human Services		<u>602,251</u>	<u>-</u>
<u>U.S. Department of Justice</u>			
Passed Through Texas Dept. of Public Safety			
Border Security	16.000	235,146	-
Local Border Security	16.000	480,320	-
Passed Through City of Laredo, Texas			
Financial Task Force	16.574	145,727	-
Passed Through Office of the Governor Criminal Justice Division			
Juvenile Justice Alternatives	16.000	33,334	-
Juvenile Treatment Project 1952201	16.540	21,250	-
Operation Linebacker DJ-05-A10-18161-01	16.738	147,708	-
Total U.S. Department of Justice		<u>1,063,485</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 3,503,181</u>	<u>\$ -</u>
STATE AWARDS			
<u>Texas Juvenile Probation Commission</u>			
TJPC- Probation (Schedule of State Financial Assistance attached)	N/A	\$ 178,825	\$ -
Total Texas Juvenile Probation Commission		<u>178,825</u>	<u>-</u>
<u>Other Texas Grants</u>			
Lone Star Library Grant	N/A	5,188	-
Parks and Wildlife	N/A	400,000	-
Total Other Texas Grants		<u>405,188</u>	<u>-</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>584,013</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u>\$ 4,087,194</u>	<u>\$ -</u>

Zapata County, Texas
Schedule of State Financial Assistance
Texas Juvenile Probation Commission
For the Year Ended September 30, 2008

State Granting Agency	Grantor's Number	Program or Award Amount	Accrued or (Deferred) Revenue at 10/1/2007	Receipts or Revenue Recognized	Disbursements Expenditures	Accrued or (Deferred) Revenue at 9/30/2008
Texas Juvenile Probation Commission						
IV-E Contracts	E-253	\$ -	\$ (131,371)	\$ 17,361	\$ 40,157	\$ (108,575)
State Aid	A-2008-253	29,701	(2,434)	24,751	27,185	-
Progressive Sanctions JPO's	F-2008-253	44,358	(3,673)	36,965	40,638	-
Progressive Sanctions 123	G-2008-253	8,453	(686)	7,044	7,730	-
Community Corrections Assistance	Y-2008-253	41,947	(3,473)	34,956	38,429	-
Salary Adjustment	Z-2008-253	14,250	(1,187)	11,875	12,508	(554)
State Aid	A-2009-253	29,701	-	-	2,663	2,663
Progressive Sanctions JPO's	F-2009-253	44,358	-	-	3,888	3,888
Progressive Sanctions 123	G-2009-253	8,453	-	-	751	751
Diversionsary H	H-2009-253	32,832	-	-	-	-
ICBP Regional	X-2009-253	6,063	-	-	-	-
Community Corrections Assistance	Y-2009-253	41,947	-	-	3,675	3,675
Salary Adjustment	Z-2009-253	14,250	-	-	1,201	1,201
			\$ (142,824)	\$ 132,952	\$ 178,825	\$ (96,951)

ZAPATA COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

(1) General

The accompanying Schedule of Expenditures of Federal and State Awards presents the federal and state grant activity for the Zapata County, Texas (the County). The reporting entity is defined in Note 1 to the County's financial statements.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the County's notes to financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations and the State of Texas Uniform Grant & Contract Management Standards (UGCMS)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

(3) Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal and State financial reports filed with the grantor agencies because of accruals made in the schedule, which will be included in the future reports filed with the agencies.

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

Section I – Summary of Auditor’s Results	Description
Financial Statements	
Type of auditor’s report issued:	Unqualified
Internal control over financial reporting - Material weakness(es) identified ? - Reportable condition(s) identified not considered to be material weaknesses?	No No
Noncompliance material to financial Statements noted?	No
FEDERAL AWARDS	
Internal Control over major programs: - Material weakness(es) identified ? - Reportable condition(s) identified not considered to be material weaknesses?	No No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section.510(a) ?	No
Dollar threshold used to distinguish Between Type A and Type B programs:	\$500,000
Auditee qualified as low risk auditee?	Yes
Identification of Major Federal Programs:	93.959 Serenidad Grant 14.200 U.S Department of Housing & Urban Development passed through Texas Dept. of Transportation 66.468 U. S. Environment Protection Agency Passed through Water Development Board
STATE AWARDS	
Internal Control over Compliance: - Material weakness(es) identified? - Were reportable condition(s) identified that were not considered to be material weaknesses?	No No
Type of auditor’s report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with UGCMS?	No
Dollar threshold used to determine Type A programs:	\$300,000
Auditee as low-risk auditee?	N/A
Identification of major programs:	N/A

Section II – Financial Statement Findings

None

Section III – Schedule of Federal and State Award Findings and Questioned Costs

None

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

No prior year finding noted.

Zapata County, Texas
Auditors' Letter to Management
For the Year Ended September 30, 2008

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Gloria E. 'Gigi' Flores, CPA

Jorge C. Flores, Manager

April 17, 2009

To the Honorable County Judge
And the Honorable Commissioners' Court
Zapata County, Texas

In planning and performing our audit of the financial statements of Zapata County, Texas for the year ended September 30, 2008, we considered the County's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated April 17, 2009 on the financial statements of Zapata County, Texas. We will review the status of these comments during our next audit engagement.

Current Year Comments

- 1) Zapata County has an increasing number of grants and projects being developed. Accounting for these grants and projects should be kept separate. In some instances, the county accounts for grants from the same funding source in the same fund. All grants should be kept in separate funds. In the case of projects with various funding sources (example: a project funded by a grant and by the general fund), expenditures are shown in both the general fund and in another fund for the same project. Projects should also be accounted for in the same fund.
- 2) Additionally, certain grant reimbursements are deposited back into the expenditure accounts that were originally charged (example: reimbursements for fuel are deposited back into the fuel expenditure account). All grants should have revenue and expenditure budgets. Any reimbursements should be deposited into a revenue account and not an expenditure account.
- 3) The Waterworks Department needs to work with their software company to ensure that the printouts available from the system are set up properly to provide the necessary information for analysis by management. Certain printouts run by Waterworks Department staff did not reflect necessary information. Training by the software provider should be provided to Waterworks staff to properly set up the necessary information.

County's Response

- 1) The county uses Hill Country Software for its financial systems. Hill Country Software allows only two digits for its fund numbers. With the number of funds the county has, it has become increasingly difficult to allow each grant and each project its own fund number. Hill Country is having a major upgrade to its system which will allow up to four digits for its fund number. We should be receiving the upgrade within the next few weeks.
- 2) Once we have the computer software upgrade, all grants will have their own fund with revenue and expenditure line items.
- 3) Waterworks Department staff is working with their software provider to correct this finding.

General Comments

We would like to point out that this letter is, by its very nature, critical and does not point out many strong features in your system of internal accounting control.

This report is intended solely for the information and use of the Honorable Commissioners Court, management, and others within the County and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon its acceptance, is a matter of public record.

We would like to acknowledge the cooperation and assistance given to us by your personnel and the many courtesies extended to us during the course of the examination. Should you have questions regarding this letter or the implementation of any of the suggestions mentioned, please contact us at your convenience.

Flores Auditing, PLLC

Flores Auditing, PLLC