

**Red River County, Texas**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**For the year ended September 30, 2007**

Red River County, Texas  
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 Year ended September 30, 2007

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

Independent Auditor's Report

The Honorable Judge and  
County Commissioners  
Red River County, Texas  
Clarksville, Texas

We have audited the accompanying financial statements of the government activities, the business type activities, each major fund, and the aggregate remaining fund information of Red River County, Texas as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County, Texas, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows 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 December 7, 2007 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 compliance. The report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages three through eleven are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards 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.

Arnold, Walker, Arnold & Co., P.C.

December 7, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Red River County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2007. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

### FINANCIAL HIGHLIGHTS

The County's total combined net assets were \$16.76 million at September 30, 2007. \$14.6 million of the net assets is invested in capital assets, net of related debt. A prior period adjustment is made to record the net value of county roads at \$8 million as required by GASB34. During the year, the County's expenses were \$157 thousand more than the \$5.47 million generated in taxes, charges for services and other revenues from governmental activities.

The total cost of all the County's activities was about \$561 thousand or 11% more than the prior year. Public safety costs increased \$250 thousand. Highways, streets, and bridges department costs increased \$153 thousand. Revenues were \$104 thousand or 2% more than the previous year.

The general fund balance is \$613 thousand at September 30, 2007, which is an increase of \$2 thousand.

During the year, \$230 thousand of fixed assets were added. Only \$164 thousand of new debt was obtained. \$254 thousand of principal was paid on debt.

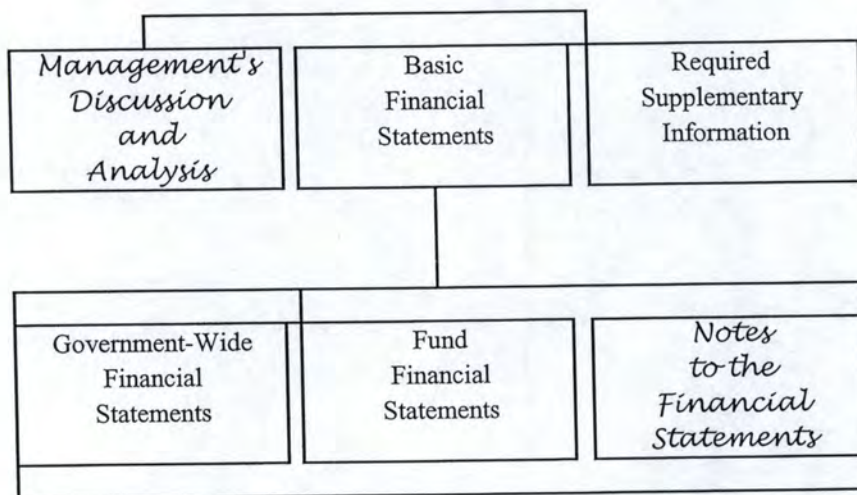
Approximately 95% of the taxes levied for 2006-07 were collected by September 30, 2007.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as a commissary operation.
  - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. This fund contains trust funds.

Figure A-1. Required Components of the County's Annual Financial Report



Summary ⇄ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

Figure A-2. Major Features of the County's Government-wide Fund Financial Statements				
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: self insurance	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, Expenditures & changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## Government-wide Statements

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

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

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

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

## Fund Financial Statements

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

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

The County has three kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the County charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the County's other programs and activities. The County has no internal service funds.
- *Fiduciary funds*—The County is the trustee, of *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's combined net assets were approximately \$16.76 million at September 30, 2007.

Table A-1  
The County's Net Assets  
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	3,313	3,355	478	335	3,791	3,690
Capital and non-current assets	13,641	5,883	1,206	1,239	14,847	7,122
<b>TOTAL ASSETS</b>	<u>16,954</u>	<u>9,238</u>	<u>1,684</u>	<u>1,574</u>	<u>18,638</u>	<u>10,812</u>
Long-term liabilities	242	331	-	-	242	331
Other liabilities	1,630	1,569	-	-	1,630	1,569
<b>TOTAL LIABILITIES</b>	<u>1,872</u>	<u>1,900</u>	<u>-</u>	<u>-</u>	<u>1,872</u>	<u>1,900</u>
Invested in capital assets net of related debt	13,399	5,552	1,206	1,239	14,605	6,791
Restricted	901	1,006	-	-	901	1,006
Unrestricted	782	780	478	335	1,260	1,115
<b>TOTAL NET ASSETS</b>	<u>15,082</u>	<u>7,338</u>	<u>1,684</u>	<u>1,574</u>	<u>16,766</u>	<u>8,912</u>

Net assets invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$1.26 million of unrestricted net assets represents resources available to fund the programs of the County for the next fiscal year.

The \$901 thousand is restricted as follows:

Restricted for debt service	1
Restricted for special revenue funds	<u>900</u>
	<u>901</u>

Net assets of the County increased from \$8.9 million to \$16.76 million. Reasons for this change are as follows. A prior period adjustment is made to add the net value of roads at \$8 million. Governmental accounting standards required the value of roads be reflected in the financial statements this year. The County recorded depreciation of \$347 thousand. \$165 thousand of new debt was obtained. \$254 thousand of debt was paid off.



Changes in net assets.

The County's total revenues were \$5.47 million. 48% of this came from property taxes, 13% came from sales taxes and other taxes, 22% came from charges for services, and 10% came from operating grants and contributions.

The total cost of all programs was \$5.64 million. Approximately 28% of this was for public safety and 24% was for highways, streets and bridges.

Net assets decreased by \$158 thousand because of the excess of expenses over revenues.

Table A-2  
The County's Changes in Net Assets  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Services	630	520	582	525	1,212	1,045
Operating Grants and Contributions	566	731	-	-	566	731
<u>General Revenues</u>						
Property Taxes	2,638	2,563	-	-	2,638	2,563
Other taxes	691	809	-	-	691	809
Investment earnings	114	98	20	11	134	109
Other	226	93	-	13	226	106
<b>Total Revenues</b>	<u>4,865</u>	<u>4,814</u>	<u>602</u>	<u>549</u>	<u>5,467</u>	<u>5,363</u>
<b>Expenses</b>						
General government	358	165	-	-	358	165
Judicial	394	368	-	-	394	368
Legal	95	102	-	-	95	102
Financial	307	295	-	-	307	295
Public facility	151	146	-	-	151	146
Juvenile probation	162	157	-	-	162	157
Public safety	1,429	1,246	157	90	1,586	1,336
Health and welfare	182	184	-	-	182	184
Highways, streets, and bridges	1,347	1,194	-	-	1,347	1,194
Cultural and recreational	88	85	-	-	88	85
Conservation	122	128	-	-	122	128
Intergovernmental	375	482	-	-	375	482
General-miscellaneous	452	418	-	-	452	418
Debt service	16	14	-	-	16	14
<b>Total Expenses</b>	<u>5,478</u>	<u>4,984</u>	<u>157</u>	<u>90</u>	<u>5,635</u>	<u>5,074</u>
<b>Other Sources (Uses)</b>						
Transfers in (out)	335	320	(335)	(320)	-	-
Gain on sale of assets	10	177	-	-	10	177
<b>Increase (Decrease) in Net Assets</b>	(268)	327	110	139	(158)	466
<b>Beginning Net Assets</b>	7,338	7,011	1,574	1,435	8,912	8,446
<b>Prior Period Adjustment</b>	<u>8,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,012</u>	<u>-</u>
<b>Ending Net Assets</b>	<u>15,082</u>	<u>7,338</u>	<u>1,684</u>	<u>1,574</u>	<u>16,766</u>	<u>8,912</u>

Table A-3 presents the cost of each of the County's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$5.48million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$2.63 million.
- Some of the cost was paid by those who directly benefited from the programs (\$630 thousand), or by grants and contributions (\$566 thousand).

Table A-3  
Net Cost of Selected County Functions  
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General Government	358	165	203	57
Public Safety	1,429	1,246	1,284	1,121
Highways, Streets and Bridges	1,347	1,194	1,347	1,194

#### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$1.53 million at September 30, 2007. This balance is composed of the following in thousands

General	613
Special revenue	900
Debt service	1
Capital projects	-
	<u>1,514</u>

Fund balance in the governmental funds decreased \$102 thousand. The most significant reason for the decrease is in the main road and bridge fund. Operating costs were up \$125 thousand. The general fund balance actually increased \$2 thousand.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by \$132 thousand. Actual revenues were \$124 thousand more than budgeted. \$140 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$2 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4  
County's Capital Assets  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
	Land	128	128	22
Roads	16,692	-	-	-
Buildings and improvements	5,461	5,461	1,642	1,642
Machinery and equipment	2,591	2,626	-	-
Totals at historical cost	<u>24,872</u>	<u>8,215</u>	<u>1,664</u>	<u>1,664</u>
Total accumulated depreciation	<u>(11,231)</u>	<u>(2,332)</u>	<u>(458)</u>	<u>(425)</u>
Net capital assets	<u><u>13,641</u></u>	<u><u>5,883</u></u>	<u><u>1,206</u></u>	<u><u>1,239</u></u>

A prior period adjustment was made to record roads as per Government Accounting Standards requirements for this year.

Long-Term Debt

Table A-5  
County's Long-Term Debt  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
	Bonds payable	-	60	-
Notes payable	242	271	-	-
Vacation & comp. time payable	82	67	-	-
	<u>324</u>	<u>398</u>	<u>-</u>	<u>-</u>

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

The governing body of Red River County considered many things when setting the fiscal year 2007 budget. The tax base continues to remain fairly stable. The total revenue from property taxes will not vary significantly from the prior year. The most significant change to revenue is that prisoner housing revenue has increased significantly since 2006. This will allow for a larger transfer of funds to the general fund from the prisoner housing fund. Revenues should remain comparable to the 2007 actual revenue.

No significant increases to expenditures are budgeted for 2008. General fund expenditures have been held relatively constant since 2002. No new programs or initiatives are added for 2007. Also, no significant purchases of fixed assets are currently budgeted. As a result of these, no significant change to fund balances are budgeted.

The County believes that the budget is reasonable, attainable and fiscally sound and allows for services to be provided to the citizens of the County in a sound banner.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Red River County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the County's Auditor's Office.

BASIC FINANCIAL STATEMENTS

Red River County, Texas  
STATEMENT OF NET ASSETS  
As of September 30, 2007

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	1,506,087	427,951	1,934,038
Accounts receivable, net of allowances	1,807,341	50,251	1,857,592
Capital Assets--			
Land	128,149	22,431	150,580
Roads, net	8,012,400	-	8,012,400
Buildings and improvements, net	4,569,294	1,183,744	5,753,038
Machinery and equipment, net	931,098	-	931,098
	<u>16,954,369</u>	<u>1,684,377</u>	<u>18,638,746</u>
Total Assets			
LIABILITIES			
Accounts payable and accrued expenditures	173,544	-	173,544
Deferred revenues	1,456,981	-	1,456,981
Noncurrent Liabilities--			
Due within one year	226,171	-	226,171
Due in more than one year	15,573	-	15,573
	<u>1,872,269</u>	<u>-</u>	<u>1,872,269</u>
Total Liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	13,399,197	1,206,175	14,605,372
Restricted for debt service	990	-	990
Restricted for capital projects	-	-	-
Restricted for special revenue funds	900,415	-	900,415
Unrestricted net assets	781,498	478,202	1,259,700
	<u>15,082,100</u>	<u>1,684,377</u>	<u>16,766,477</u>
Total Net Assets			

The accompanying notes are an integral part of this statement.

Red River County, Texas  
STATEMENT OF ACTIVITIES  
For the year ended September 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	358,526	103,471	52,160	(202,895)	-	(202,895)
Judicial	394,320	222,354	14,457	(157,509)	-	(157,509)
Legal	95,033	2,674	1,775	(90,584)	-	(90,584)
Financial	307,108	108,581	-	(198,527)	-	(198,527)
Public facility	151,316	-	-	(151,316)	-	(151,316)
Public safety	1,429,411	145,034	800	(1,283,577)	-	(1,283,577)
Juvenile probation	162,289	-	131,219	(31,070)	-	(31,070)
Health and welfare	181,952	-	-	(181,952)	-	(181,952)
Cultural and recreational	87,758	-	-	(87,758)	-	(87,758)
Highways, streets and bridges	1,346,873	26,519	-	(1,320,354)	-	(1,320,354)
Conservation	121,916	21,626	-	(100,290)	-	(100,290)
Intergovernmental	375,380	-	349,676	(25,704)	-	(25,704)
General miscellaneous	451,296	-	16,276	(435,020)	-	(435,020)
Debt service-interest on long-term debt	15,966	-	-	(15,966)	-	(15,966)
<b>Total Governmental Activities</b>	<b>5,479,144</b>	<b>630,259</b>	<b>566,363</b>	<b>(4,282,522)</b>	<b>-</b>	<b>(4,282,522)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Public safety-county	157,302	583,248	-	-	425,946	425,946
<b>Total Business-Type Activities</b>	<b>157,302</b>	<b>583,248</b>	<b>-</b>	<b>-</b>	<b>425,946</b>	<b>425,946</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>5,636,446</b>	<b>1,213,507</b>	<b>566,363</b>	<b>(4,282,522)</b>	<b>425,946</b>	<b>(3,856,576)</b>
<b>General Revenues</b>						
<b>Taxes</b>						
Property taxes, levied for general puposes				2,596,997	-	2,596,997
Property taxes, levied for debt service				40,998	-	40,998
Other taxes				691,277	-	691,277
Investment earnings				113,904	19,641	133,545
Miscellaneous				225,900	-	225,900
<b>Total General Revenues</b>				<b>3,669,076</b>	<b>19,641</b>	<b>3,688,717</b>
<b>Other Sources (Uses)</b>						
Gain on sale of assets				10,415	-	10,415
Transfers in (out)				335,000	(335,000)	-
<b>Changes in Net Assets</b>						
Net Assets -- Beginning				(268,031)	110,587	(157,444)
Prior Period Adjustment				7,337,731	1,573,790	8,911,521
Net Assets -- Ending				8,012,400	-	8,012,400
				<b>15,082,100</b>	<b>1,684,377</b>	<b>16,766,477</b>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS



Red River County, Texas  
BALANCE SHEET  
Governmental Funds  
As of September 30, 2007

	General	Main Road & Bridge	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	631,698	410,882	463,507	1,506,087
Account Receivable, Net of Allowances	1,622,551	88,074	96,716	1,807,341
Prepaid Expenses	-	-	-	-
<b>Total Assets</b>	<u>2,254,249</u>	<u>498,956</u>	<u>560,223</u>	<u>3,313,428</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	35,210	13,596	42,410	91,216
Deferred Revenue	1,605,781	88,074	13,694	1,707,549
<b>Total Liabilities</b>	<u>1,640,991</u>	<u>101,670</u>	<u>56,104</u>	<u>1,798,765</u>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Retirement of Long-Term Debt	-	-	990	990
Capital Projects	-	-	-	-
<b>Designated</b>				
Reported in Special Revenue Funds	-	397,286	503,129	900,415
<b>Unreserved and Undesignated</b>				
Reported in the General Fund	613,258	-	-	613,258
<b>Total Fund Balances</b>	<u>613,258</u>	<u>397,286</u>	<u>504,119</u>	<u>1,514,663</u>
<b>Total Liabilities and Fund Balances</b>	<u>2,254,249</u>	<u>498,956</u>	<u>560,223</u>	<u>3,313,428</u>

The accompanying notes are an integral part of this statement.

Red River County, Texas  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 for the year ended September 30, 2007

<b>Total Fund Balances - Governmental Funds</b>	1,514,663
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$8,215,737 and the accumulated depreciation was \$2,332,481. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets. Also, a prior period adjustment is made to reflect the infrastructure required to be added per GASB34 at a value of \$16,692,500 less accumulated depreciaton of \$8,680,100.	13,564,256
2. Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2006 capital outlays and debt principal payments is to increase (decrease) net assets.	346,824
3. The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(347,079)
4. Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of debt as an increase in notes payable and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>3,436</u>
Net Assets, of Governmental Activities	<u><u>15,082,100</u></u>

The accompanying notes are an integral part of this statement.

Red River County, Texas  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES--GOVERNMENTAL FUNDS  
 for the year ended September 30, 2007

	General	Main Road & Bridge	Other Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	2,093,122	528,694	225,109	2,846,925
Fines and forfeitures	159,172	-	-	159,172
Licenses and permits	-	496,392	23,318	519,710
Intergovernmental	59,188	26,519	490,690	576,397
Fees of office	290,739	-	40,280	331,019
Miscellaneous	165,676	87,540	164,661	417,877
Total Revenues	<u>2,767,897</u>	<u>1,139,145</u>	<u>944,058</u>	<u>4,851,100</u>
<b>EXPENDITURES</b>				
General government	258,716	-	19,046	277,762
Judicial	314,340	-	-	314,340
Legal	81,199	-	13,834	95,033
Financial	287,055	-	-	287,055
Public facilities	129,002	-	22,314	151,316
Public safety	1,290,056	-	107,220	1,397,276
Juvenile	-	-	162,289	162,289
Health and welfare	-	-	181,952	181,952
Cultural and recreational	87,758	-	-	87,758
Roads and streets	-	1,198,089	-	1,198,089
Conservation	121,916	-	-	121,916
Intergovernmental	25,704	-	349,676	375,380
Capital outlay	37,477	184,882	7,450	229,809
Debt service	-	194,460	60,000	254,460
Principal	-	11,802	4,164	15,966
Interest	-	-	-	451,296
Miscellaneous	451,296	-	-	451,296
Total Expenditures	<u>3,084,519</u>	<u>1,589,233</u>	<u>927,945</u>	<u>5,601,697</u>
Excess of revenues over (under) expenditures	<u>(316,622)</u>	<u>(450,088)</u>	<u>16,113</u>	<u>(750,597)</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Debt proceeds	-	164,804	-	164,804
Operating transfers in	335,000	-	16,596	351,596
Operating transfers out	(16,596)	-	-	(16,596)
Sale of fixed assets	-	148,150	-	148,150
Total Other Financing Sources (Uses)	<u>318,404</u>	<u>312,954</u>	<u>16,596</u>	<u>647,954</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,782	(137,134)	32,709	(102,643)
<b>FUND BALANCE</b>				
Beginning of year	611,476	534,420	471,410	1,617,306
End of year	<u>613,258</u>	<u>397,286</u>	<u>504,119</u>	<u>1,514,663</u>

The accompanying notes are an integral part of this statement.

Red River County, Texas  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 for the year ended September 30, 2007

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>(102,643)</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2007 capital outlays and debt principal payments is to increase (decrease) net assets.	346,824
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(347,079)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of new debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>(165,133)</u>
Change in Net Assets of Governmental Activities	<u><u>(268,031)</u></u>

The accompanying notes are an integral part of this statement.

Red River County, Texas  
 BUDGETARY COMPARISON SCHEDULE  
 General Fund  
 for the year ended September 30, 2007

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	2,093,602	2,093,602	2,093,122	(480)
Fines & Forfeitures	146	146,000	159,172	13,172
Intergovernmental	51,060	51,060	59,188	8,128
Fees of office	263,200	263,200	290,739	27,539
Miscellaneous	89,200	89,200	165,676	76,476
<b>Total Revenues</b>	<b>2,497,208</b>	<b>2,643,062</b>	<b>2,767,897</b>	<b>124,835</b>
<b>EXPENDITURES</b>				
General government	262,653	262,653	258,716	3,937
Judicial	317,101	323,284	314,340	8,944
Legal	88,503	88,503	81,199	7,304
Financial	301,598	301,598	287,055	14,543
Public facilities	144,397	144,397	129,002	15,395
Public safety	1,152,339	1,278,694	1,290,056	(11,362)
Cultural & recreational	95,252	95,252	87,758	7,494
Conservation	136,385	136,385	121,916	14,469
Intergovernmental	32,100	32,100	25,704	6,396
Capital outlay	25,000	34,873	37,477	(2,604)
Debt service	-	-	-	-
Miscellaneous	519,052	519,052	451,296	67,756
<b>Total Expenditures</b>	<b>3,074,380</b>	<b>3,216,791</b>	<b>3,084,519</b>	<b>132,272</b>
Excess of revenues over (under) expenditures	(577,172)	(573,729)	(316,622)	257,107
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	450,000	450,000	335,000	(115,000)
Operating transfers out	(16,596)	(16,596)	(16,596)	-
Sale of fixed assets	-	-	-	-
<b>Total other sources (uses)</b>	<b>433,404</b>	<b>433,404</b>	<b>318,404</b>	<b>(115,000)</b>
Excess of revenues and other sources over (under) expenditures and other uses	(143,768)	(140,325)	1,782	142,107
<b>FUND BALANCE</b>				
Beginning of year	611,476	611,476	611,476	-
End of year	467,708	471,151	613,258	142,107

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

Red River County, Texas  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
as of September 30, 2007

	Enterprise Fund	Total Proprietary Funds
<b>ASSETS</b>		
Cash	427,951	427,951
Accounts receivable	50,251	50,251
Fixed Assets, net of accumulated depreciation	1,206,175	1,206,175
<b>Total Assets</b>	<u>1,684,377</u>	<u>1,684,377</u>
<b>LIABILITIES</b>		
Accounts payable	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,206,175	1,206,175
Unrestricted Net Assets	478,202	478,202
<b>Total Net Assets</b>	<u>1,684,377</u>	<u>1,684,377</u>

The accompanying notes are an integral part of this statement.

Red River County, Texas  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
for the year ended September 30, 2007

	Enterprise Fund	Total Proprietary Funds
OPERATING REVENUES		
Charges for sales and services	536,355	536,355
Miscellaneous	46,893	46,893
Total Operating Revenues	<u>583,248</u>	<u>583,248</u>
OPERATING EXPENSES		
Depreciation	32,836	32,836
Public safety	124,466	124,466
Total Operating Expenses	<u>157,302</u>	<u>157,302</u>
Net operating income (loss)	<u>425,946</u>	<u>425,946</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	<u>19,641</u>	<u>19,641</u>
Net income (loss) before transfers	445,587	445,587
Transfers to other funds	<u>(335,000)</u>	<u>(335,000)</u>
Net operating income (loss)	110,587	110,587
Net Assets, beginning of year	<u>1,573,790</u>	<u>1,573,790</u>
Net Assets, end of year	<u><u>1,684,377</u></u>	<u><u>1,684,377</u></u>

The accompanying notes are an integral part of this statement.



Red River County, Texas  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
for the year ended September 30, 2007

	<u>Enterprise Fund</u>	<u>Total Proprietary Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	590,833	590,833
Cash paid to employees	(12,590)	(12,590)
Cash paid for benefits	(835)	(835)
Cash paid to suppliers	<u>(111,041)</u>	<u>(111,041)</u>
Net cash used in operating activities	<u>466,367</u>	<u>466,367</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Transfers to other funds	<u>(335,000)</u>	<u>(335,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>19,641</u>	<u>19,641</u>
Net increase (decrease) in cash and cash equivalents	151,008	151,008
Cash and cash equivalents, beginning of year	<u>276,943</u>	<u>276,943</u>
Cash and cash equivalents, end of year	<u><u>427,951</u></u>	<u><u>427,951</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	425,946	425,946
Adjustment to reconcile operating income (loss) to net cash provided by (used in)		
Depreciation	32,836	32,836
Decrease in accounts receivable	<u>7,585</u>	<u>7,585</u>
Net cash used in operating activities	<u><u>466,367</u></u>	<u><u>466,367</u></u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENT

Red River County, Texas  
STATEMENT OF NET ASSETS--FIDUCIARY FUND  
as of September 30, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	249,163
Accounts receivable	1,341
Total Assets	<u>250,504</u>
<b>LIABILITIES</b>	
Due to other governments	<u>250,504</u>

The accompanying notes are an integral part of this statement.

Red River County, Texas  
NOTES TO THE FINANCIAL STATEMENTS  
At September 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Red River County, Texas is a county government operating under the applicable laws and regulations of the State of Texas. It is governed by a five member Commissioner's Court elected by registered voters of the County. The County prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

**A. REPORTING ENTITY**

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

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

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of Red River County with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

## D. FUND ACCOUNTING

The County reports the following major governmental funds:

1. **The General Fund** – The general fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** --One special revenue fund is considered a major fund. This fund is the main road and bridge. See the definition of these funds below.

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

Governmental Funds:

1. **Special Revenue Funds** – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.
2. **Debt Service Funds** -- The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Project Funds** -- The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

1. **Enterprise Funds** -- The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The County's non-major Enterprise Fund is the jail housing fund.

Fiduciary Funds:

1. **Agency Funds** - The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Funds contains trust funds.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 market value at the date of donation

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Vehicles	5
Office Equipment	5-7
Machinery	7-10
Roads	50

4. Some cash and investments are restricted for future debt payments.
5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
6. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. Investments are recorded at fair market value.
8. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

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

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

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	128,149	-	128,149	
Buildings & improvements	5,461,499	790,051	4,671,448	
Machinery & equipment	<u>2,626,089</u>	<u>1,542,430</u>	<u>1,083,659</u>	
Change in Net Assets	<u>8,215,737</u>	<u>2,332,481</u>	<u>5,883,256</u>	<u>5,883,256</u>
 Prior period adjustment				
Roads	<u>16,692,500</u>	<u>8,680,100</u>	<u>8,012,400</u>	<u>8,012,400</u>
 Long-term Liabilities <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds payable			60,000	
Notes payable			<u>271,400</u>	
Change in Net Assets				<u>331,400</u>
 Net Adjustment to Net Assets				<u><u>13,564,256</u></u>



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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Building & improvement	-	-	-
Machinery & equipment	<u>230,099</u>	<u>230,099</u>	<u>230,099</u>
Total Capital Outlay	<u>230,099</u>	<u>230,099</u>	<u>230,099</u>
Book value of assets sold	<u>137,735</u>	<u>(137,735)</u>	<u>(137,735)</u>
<u>Debt Principal Payments</u>			
Bond principal	60,000	60,000	60,000
Note principal	<u>194,460</u>	<u>194,460</u>	<u>194,460</u>
Total Principal Payments	<u>254,460</u>	<u>254,460</u>	<u>254,460</u>
Total Adjustment to Net Assets		<u><u>346,824</u></u>	<u><u>346,824</u></u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	97,024	(97,024)	-
Uncollected taxes (assumed collectible)			
from Current Year Levy	116,010	116,010	116,010
Uncollected Taxes (assumed collectible)			
from Prior Year Levy	134,558	-	134,558
Effect of prior year tax entry	4,388	(4,388)	-
<u>Reclassify Proceeds of Bonds, Loans &amp; Capital Leases</u>			
Loan proceeds	164,804	(164,804)	(164,804)
<u>Valuation and comp. Time payable</u>			
End of year liability	82,328	-	(82,328)
Change in liability from prior year	<u>14,927</u>	<u>(14,927)</u>	<u>-</u>
Total		<u><u>(165,133)</u></u>	<u><u>3,436</u></u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. BUDGETARY DATA

The County prepares its appropriated budget on a basis consistent with generally accepted accounting principles using the organization perspective, that is, the budget follows the formal, usually statutory, patterns of authority and responsibility granted to actually carry out the functions of the government. For example, the county judge's office has a separate budget from the county sheriff's office; although, various offices may be subsidized from revenues generated by maintenance and operation ad valorem taxes.

The county auditor and the county judge prepare an estimated budget based on recommendations and requests submitted by each department head. This estimated budget is presented to the commissioners, who then begin the process of reallocating specific items that, in their opinion, need to be modified. The final budget, when approved by the commissioners court, is filed for public inspection with the county clerk. Public hearings are then held, if required, and the budget is adjusted, if necessary, and approved in its final form by commissioners court. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Revisions to the budget were made throughout the year.

The County does not record encumbrances as part of its accounting records.

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

#### A. DEPOSITS AND INVESTMENTS

##### Legal and Contractual Provisions Governing Deposits and Investments

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

Additional contractual provisions governing deposits and investments for the County are as follows:

##### Policies Governing Deposits and Investments

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

1. **Custodial Credit Risk--Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that the funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the County's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits of the County are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the County.

At September 30, 2007, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,090,240 and the bank balance was \$2,948,345. The county's cash deposits at September 30, 2007 and during the year ended September 30, 2007 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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

In addition, the following is disclosed regarding coverage of combined balances on the date of September 30, 2007:

- a. Depository: State Bank of Dekalb
  - b. The market value of securities pledged as of September 30, 2007 was \$4,586,309.
  - c. Total amount of FDIC coverage at September 30, 2007 was \$200,000.
- 2. Custodial Credit Risk--Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The County has no investments exposed to custodial credit risk at the end of the period.
  - 3. Interest-rate Risk-- Interest-rate risk occurs when potential purchases of debt securities do not agree to pay fair value for these securities if interest rates rise. The County does not purchase investments where the face value is not guaranteed.
  - 4. Concentration Risk—Concentration risk is defined as positions of 4 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The County is not exposed to any amounts of concentration risk.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The County levied property taxes for 2006 totaling approximately \$2.7 million. Such tax is based on an assessed valuation of approximately \$371 million with an applicable tax rate of \$.57774 per \$100 valuation.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. INTERFUND TRANSFERS**

Transfers between funds were as follows:

Transfers to Nonmajor Governmental Funds from:

General Fund	<u>16,596</u>
Total Transferred to Nonmajor Governmental Funds	<u><u>16,596</u></u>

Transfers to General Fund from:

Proprietary Fund	<u>335,000</u>
Total Transferred to General Fund	<u><u>335,000</u></u>

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2007, were as follows:

	<u>Property Taxes</u>	<u>Fees of Office</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>				
General Fund	489,302	2,022,777	16,770	2,528,849
Major Special Revenue Funds	110,093	-	-	110,093
Nonmajor Governmental Funds	17,118	-	83,022	100,140
<b>Total - Governmental Activities</b>	<u>616,513</u>	<u>2,022,777</u>	<u>99,792</u>	<u>2,739,082</u>
Amounts not scheduled for collection during the subsequent year	<u>123,303</u>	<u>808,438</u>	<u>-</u>	<u>931,741</u>
<b>Business Type Activities:</b>				
Major Enterprise Fund	-	-	50,251	50,251
<b>Total - Business Type Activities</b>	<u>-</u>	<u>-</u>	<u>50,251</u>	<u>50,251</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2007, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>					
General Fund	35,210	-	-	-	35,210
Major Special Revenue Funds	13,596	-	-	-	13,596
Nonmajor Gov. Funds	42,410	-	-	-	42,410
<b>Total - Gov. Activities</b>	<u>91,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,216</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Business Type Activities:</b>					
Major Enterprise Fund	-	-	-	-	-
<b>Total - Business Type Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2007, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
County:				
Land	128,149	-	-	128,149
Buildings and Improvements	5,461,499	-	-	5,461,499
Machinery and Equipment	2,626,089	230,099	(266,039)	2,590,149
Roads	-	16,692,500	-	16,692,500
Totals at Historic Cost	<u>8,215,737</u>	<u>16,922,599</u>	<u>(266,039)</u>	<u>24,872,297</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(790,051)	(102,154)	-	(892,205)
Machinery and Equipment	(1,542,430)	(244,925)	128,304	(1,659,051)
Roads	-	(8,680,100)	-	(8,680,100)
Total Accumulated Depreciation	<u>(2,332,481)</u>	<u>(9,027,179)</u>	<u>128,304</u>	<u>(11,231,356)</u>
Governmental Activities Capital Assets, Net	<u>5,883,256</u>	<u>7,895,420</u>	<u>(137,735)</u>	<u>13,640,941</u>
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Land	22,431	-	-	22,431
Buildings and Improvements	1,641,823	-	-	1,641,823
Totals at Historic Cost	<u>1,664,254</u>	<u>-</u>	<u>-</u>	<u>1,664,254</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(425,243)	(32,836)	-	(458,079)
Total Accumulated Depreciation	<u>(425,243)</u>	<u>(32,836)</u>	<u>-</u>	<u>(458,079)</u>
Business-Type Activities Capital Assets, Net	<u>1,239,011</u>	<u>(32,836)</u>	<u>-</u>	<u>1,206,175</u>
Primary Government Capital Assets, net	<u>7,122,267</u>	<u>7,862,584</u>	<u>(137,735)</u>	<u>14,847,116</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:		Business-Type Activities:	
General Government	66,127	Public Safety	6,334
Public safety	32,135	Judicial	26,502
Highways, streets and bridges	148,784		
Financial	20,053		
Judicial	79,980		
	<u>347,079</u>		<u>32,836</u>

## G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the County for the year ended September 30, 2007:

	Original Amount	Interest Rate	Payable at 10/1/06	Additions (Reductions)	Payable at 9/30/2007	Due within One Year
Note Payable--R&B #1 facilities	59,378	1.60%	27,730	(6,030)	21,700	6,127
Note Payable--caterpillar motorgrader R&B #1 Series 2003 Refunding Bonds I&S	162,314	5.00%	65,212	(14,104)	51,108	51,108
Note Payable--2006 Mack truck R&B #4	150,000	3.50%	60,000	(60,000)	-	-
Note Payable--2006 Mack truck R&B #4	79,692	4.00%	75,048	(75,048)	-	-
Note Payable--2006 Mack truck R&B #1	79,692	4.00%	75,048	(75,048)	-	-
Note Payable--caterpillar motorgrader R&B #4	33,401	5.00%	28,362	(15,694)	12,668	12,668
Note Payable--2007 Mack truck R&B #1	82,402	5.00%	-	82,402 (4,268)	78,134	78,134
Note Payable--2007 Mack truck R&B #4	82,402	5.00%	-	82,402 (4,268)	78,134	78,134
			<u>331,400</u>	<u>(89,656)</u>	<u>241,744</u>	<u>226,171</u>

The Counties long-term debt as of September 30, 2007, follows:

(A) Note payable, Main Road & Bridge, due in monthly payments of \$535.79, including interest at 1.60%	21,700
(B) Note payable, State Bank of DeKalb, due in thirty five monthly payments of \$1,175 plus interest of 5.00%, and one payment for the remaining balance on March 24, 2008	51,108
(C) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,391 plus interest of 5.00% beginning June 2006.	12,668
(D) Note payable, State Bank of DeKalb, due in monthly principal payments of \$533.50 plus interest of 5.00% beginning February 19, 2007.	78,134
(E) Note payable, State Bank of DeKalb, due in monthly principal payments of \$533.50 plus interest of 5.00% beginning February 19, 2007.	78,134
	<u>241,744</u>

**G. CHANGES IN LONG-TERM DEBT (continued)**

The annual requirements to amortize notes payable as of September 30, 2007, follows:

Years Ending 9/30	Principal	Interest	Total
2008	226,171	4,202	230,373
2009	6,225	203	6,428
2010	6,327	102	6,429
2011	3,021	14	3,035
2012	-	-	-
	<u>241,744</u>	<u>4,521</u>	<u>246,265</u>

**H. RETIREMENT PLAN**

A. Plan Description. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 559 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the 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 (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 7.04% for the months of the accounting year in 2006, and 7.43% for the months of the accounting year in 2007.

The contribution rate payable by the employee members for calendar year 2007 is the rate of 7% as adopted by the governing body of the employer.

**H. RETIREMENT PLAN (continued)**

C. Annual Pension Cost. For the employer's accounting year ended September 30, 2007 the annual pension cost for the TCDRS plan for its employees was \$132,877, and the actual contributions were \$132,877.

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

Actuarial Valuation Information

Actuarial valuation date	12/31/04	12/31/05	12/31/06
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	20 yrs	20 yrs	30 yrs
Asset valuation method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF:10-yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return (1)	8%	8%	8%
Projected salary increases (1)	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1) Includes inflation at the stated rate

Trend Information  
for the Retirement Plan for the Employees of Red River County

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/04	113,011	100%	-0-
9/30/05	111,789	100%	-0-
9/30/06	118,532	100%	-0-
9/30/07	132,877	100%	-0-

Schedule of Funding Progress for the Retirement Plan  
for the Employees of the Red River County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	3,451,498	3,617,099	165,601	95.42%	1,504,187	11.01%
12/31/05	3,782,313	3,929,255	146,942	96.26%	1,522,829	9.65%
12/31/06	4,293,156	4,273,474	(19,682)	100.46%	1,708,492	(1.15%)

**I. HEALTH INSURANCE**

The County is covered under a health insurance plan with the Texas Association of County's Health Benefits Program. The County paid \$404 per employee per month and the employee pays \$50 per month for a total premium of \$454 per month.



**J. FEDERAL GRANTS**

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**K. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2007, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**L. VACATION AND COMP. TIME PAYABLE**

Changes in vacation and comp. time payable is as follows:

<u>9/30/06</u>	<u>9/30/07</u>
67,401	82,828

**M. COMMITMENTS AND CONTINGENCIES**

The County has no significant commitments or contingencies at September 30, 2007.

**N. LITIGATION**

The County has no pending litigation at September 30, 2007.

**O. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$8,012,400 is reflected as an increase to governmental activities net assets on the government wide statements. This was made as per GASB34 requirements to reflect the value of infrastructure assets. Infrastructure assets (roads) were valued at \$16,692,500. The accumulated depreciation on the roads was \$8,680,100.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Red River County, Texas  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
for the year ended September 30, 2007

Exhibit F-1

ASSETS	Permanent Improvement	Law Library	Drug Fund	Court House Security	Indigent Health Care	Book Preservation	Record Management Fund	Right of Way	Juvenile Probation	Juvenile Probation Comm. Corr	Diversionary Placement	Title IV-E	Bail Bonds
Cash	25	21,720	22,514	41,758	27,694	49,659	41,402	72,364	17,315	5,162	-	39,419	10,014
Account Receivable, Net of Allowance	-	-	-	-	-	-	-	-	-	-	-	8,598	-
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	25	21,720	22,514	41,758	27,694	49,659	41,402	72,364	17,315	5,162	-	48,017	10,014
<b>LIABILITIES AND FUND BALANCES</b>													
Liabilities	-	-	-	12	-	-	-	-	1,059	-	-	-	1,200
Accounts Payable and Accrued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	12	-	-	-	-	1,059	-	-	-	1,200
Total Liabilities	-	-	-	12	-	-	-	-	1,059	-	-	-	1,200
Fund Balances													
Reserved for:													
Retirement of Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Designated for:													
Reported in Special Revenue Funds	25	21,720	22,514	41,746	27,694	49,659	41,402	72,364	16,256	5,162	-	46,817	10,014
Total Fund Balances	25	21,720	22,514	41,746	27,694	49,659	41,402	72,364	16,256	5,162	-	46,817	10,014
Total Liabilities and Fund Balances	25	21,720	22,514	41,758	27,694	49,659	41,402	72,364	17,315	5,162	-	48,017	10,014

Red River County, Texas  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 for the year ended September 30, 2007

Exhibit F-1  
 (continued)

	Hot Check Fee	Co. Attny Drug Forfeiture	Co. Attny Welfare Fraud	S/O Community Service	Child Welfare	COPS in School Grant	Economic Development	Revolving Loan	ORCA Manchester Grant	ORCA English Grant	Total Non- Major Special Revenue Funds	Jail I & S	Total Non- Major Debt Service Fund	Total Non- Major Governmental Funds
<b>ASSETS</b>														
Cash	9,572	14,636	17	679	(6,710)	2,314	92,963	-	-	-	462,517	990	990	463,507
Account Receivable, Net of Allowance	-	-	-	-	6,727	-	27,575	-	40,122	-	83,022	13,694	13,694	96,716
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>9,572</u>	<u>14,636</u>	<u>17</u>	<u>679</u>	<u>-</u>	<u>2,314</u>	<u>120,538</u>	<u>-</u>	<u>40,122</u>	<u>-</u>	<u>545,539</u>	<u>14,684</u>	<u>14,684</u>	<u>560,223</u>
<b>LIABILITIES AND FUND BALANCES</b>														
<b>Liabilities</b>														
Accounts Payable and Accrued Expenses	-	-	-	-	-	17	-	-	40,122	-	42,410	-	-	42,410
Deferred Revenue	-	-	-	-	-	-	-	-	40,122	-	42,410	13,694	13,694	13,694
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>40,122</u>	<u>-</u>	<u>42,410</u>	<u>13,694</u>	<u>13,694</u>	<u>56,104</u>
<b>Fund Balances</b>														
Reserved for:														
Retirement of Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	990	990	990
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Designated for:														
Reported in Special Revenue Funds	9,572	14,636	17	679	-	2,314	120,538	-	-	-	503,129	-	-	503,129
Total Fund Balances	<u>9,572</u>	<u>14,636</u>	<u>17</u>	<u>679</u>	<u>-</u>	<u>2,314</u>	<u>120,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,129</u>	<u>990</u>	<u>990</u>	<u>504,119</u>
Total Liabilities and Fund Balances	<u>9,572</u>	<u>14,636</u>	<u>17</u>	<u>679</u>	<u>17</u>	<u>2,314</u>	<u>120,538</u>	<u>-</u>	<u>40,122</u>	<u>-</u>	<u>545,539</u>	<u>14,684</u>	<u>14,684</u>	<u>560,223</u>

Red River County, Texas  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES--NONMAJOR GOVERNMENTAL FUNDS  
 for the year ended September 30, 2007

	REVENUES												
	Permanent Improvement	Law Library	Drug Fund	Court House Security	Indigent Health Care	Book Preservation	Record Management Fund	Right of Way	Juvenile Probation	Juvenile Probation Comm. Court	Diversionary Placement	Title IV-E	Bail Bonds
Taxes	-	-	-	-	184,111	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	10,717	12,601	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	62,144	31,798	960	46,112	-
Fees of office	-	9,400	-	-	-	16,440	5,186	-	-	-	-	-	-
Miscellaneous	1	868	15,589	2,075	9,017	1,904	1,999	3,715	15,194	-	1,735	447	
Total Revenues	1	10,268	26,306	14,676	193,128	18,344	7,185	3,715	77,338	31,798	960	47,847	447
EXPENDITURES													
General Government	-	-	-	-	-	16,046	3,000	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal	-	6,095	-	-	-	-	-	-	-	-	-	-	-
Financial	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Facilities	-	-	16,609	22,314	-	-	-	-	-	-	-	-	-
Juvenile	-	-	-	-	-	-	-	-	84,894	30,218	960	46,217	-
Roads and Streets	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	181,952	-	-	-	-	-	-	-	-
Cultural & Recreational	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	7,450	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	6,095	24,059	22,314	181,952	16,046	3,000	-	84,894	30,218	960	46,217	-
Excess of revenues over (under) expenditures	1	4,173	2,247	(7,638)	11,176	2,298	4,185	3,715	(7,556)	1,580	-	1,630	447
OTHER FINANCING SOURCES (USES)													
Operating transfers in	-	-	-	-	-	-	-	-	16,596	-	-	-	-
Total other sources (uses)	-	-	-	-	-	-	-	-	16,596	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	1	4,173	2,247	(7,638)	11,176	2,298	4,185	3,715	9,040	1,580	-	1,630	447
FUND BALANCE													
Beginning of year	24	17,547	20,267	49,384	16,518	47,361	37,217	68,649	7,216	3,582	-	45,187	9,567
End of year	25	21,720	22,514	41,746	27,694	49,659	41,402	72,364	16,256	5,162	-	46,817	10,014

Red River County, Texas  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES--NONMAJOR GOVERNMENTAL FUNDS  
 for the year ended September 30, 2007

											Total Non-		Total Non-		Total Non-
	Hot Check Fee	Co. Atty Drug Forfeiture	Co. Atty Welfare Fraud	S/O Community Service	COPS in School Grant	Economic Development	Revolving Loan	ORCA Siloam Grant	ORCA Manchester Grant	ORCA English Grant	Major Special Revenue Funds	Jail I & S	Major Debt Service Fund	Major Governmental Funds	
REVENUES															
Taxes	-	-	-	-	-	-	-	-	-	184,111	40,998	40,998	225,109		
Licenses and permits	-	-	-	-	-	-	-	-	-	23,318	-	-	23,318		
Fines & Forfeitures	-	-	-	-	-	-	-	27,925	111,515	490,690	-	-	490,690		
Intergovernmental	-	-	-	-	-	-	-	210,236	111,515	40,280	-	-	40,280		
Fees of office	9,254	-	-	-	-	-	-	-	-	162,981	1,680	1,680	164,661		
Miscellaneous	2,542	11,250	-	244	90,229	-	6,171	-	-	901,380	42,678	42,678	944,058		
Total Revenues	11,796	11,250	1	244	90,229	-	6,171	27,925	111,515	901,380	42,678	42,678	944,058		
EXPENDITURES															
General Government	-	-	-	-	-	-	-	-	-	19,046	-	-	19,046		
Judicial	-	-	-	-	-	-	-	-	-	13,834	-	-	13,834		
Legal	6,155	1,584	-	-	-	-	-	-	-	22,314	-	-	22,314		
Financial	-	-	-	-	-	-	-	-	-	107,220	-	-	107,220		
Public Facilities	-	-	-	382	90,229	-	-	-	-	162,289	-	-	162,289		
Public Safety	-	-	-	-	-	-	-	-	-	181,952	-	-	181,952		
Juvenile	-	-	-	-	-	-	-	-	-	-	-	-	-		
Roads and Streets	-	-	-	-	-	-	-	-	-	-	-	-	-		
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-	-	-		
Cultural & Recreational	-	-	-	-	-	-	-	-	-	-	-	-	-		
Conservation	-	-	-	-	-	-	-	-	-	-	-	-	-		
Intergovernmental	-	-	-	-	-	-	-	27,925	111,515	349,676	-	-	349,676		
Capital Outlay	-	-	-	-	-	-	-	-	-	7,450	-	-	7,450		
Debt Service	-	-	-	-	-	-	-	-	-	-	60,000	60,000	60,000		
Principal	-	-	-	-	-	-	-	-	-	-	4,164	4,164	4,164		
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-		
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Expenditures	6,155	1,584	-	382	90,229	-	6,171	27,925	111,515	863,781	64,164	64,164	927,945		
Excess of revenues over (under) expenditures	5,641	9,666	1	(138)	-	-	6,171	-	-	37,599	(21,486)	(21,486)	16,113		
OTHER FINANCING SOURCES (USES)															
Operating transfers in	-	-	-	-	-	-	-	-	-	16,596	-	-	16,596		
Total other sources (uses)	-	-	-	-	-	-	-	-	-	16,596	-	-	16,596		
Excess of revenues and other sources over (under) expenditures and other uses	5,641	9,666	1	(138)	-	-	6,171	-	-	54,195	(21,486)	(21,486)	32,709		
FUND BALANCE (Deficit)															
Beginning of year	3,931	4,970	16	817	-	-	2,314	114,367	-	448,934	22,476	22,476	471,410		
End of year	9,572	14,636	17	679	-	-	2,314	120,538	-	503,129	990	990	504,119		

FIDUCIARY FUNDS



Red River County, Texas  
 COMBINING STATEMENT OF NET ASSETS  
 FIDUCIARY FUND  
 As of September 30, 2007

	State Trust	Arrest Fees	Law Enforcement	Total
<b>ASSETS</b>				
Cash and cash equivalents	171,316	69,849	7,998	249,163
Accounts receivable	<u>1,341</u>	<u>-</u>	<u>-</u>	<u>1,341</u>
Total Assets	<u><u>172,657</u></u>	<u><u>69,849</u></u>	<u><u>7,998</u></u>	<u><u>250,504</u></u>
<b>LIABILITIES</b>				
Due to other governments	<u><u>172,657</u></u>	<u><u>69,849</u></u>	<u><u>7,998</u></u>	<u><u>250,504</u></u>

SUPPLEMENTARY INFORMATION

Red River County, Texas  
 BUDGETARY COMPARISON SCHEDULE  
 Debt Service Fund  
 for the year ended September 30, 2007

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	32,100	32,100	40,998	8,898
Miscellaneous	350	350	1,680	1,330
<b>Total Revenues</b>	<u>32,450</u>	<u>32,450</u>	<u>42,678</u>	<u>10,228</u>
<b>EXPENDITURES</b>				
Debt service-principal	30,000	60,000	60,000	-
Debt service-interest	2,100	2,065	4,164	2,099
<b>Total expenditures</b>	<u>32,100</u>	<u>62,065</u>	<u>64,164</u>	<u>2,099</u>
Excess of revenues over (under) expenditures	350	(29,615)	(21,486)	8,129
<b>FUND BALANCE</b>				
Beginning of year	22,476	22,476	22,476	-
End of Year	<u>22,826</u>	<u>(7,139)</u>	<u>990</u>	<u>8,129</u>

FEDERAL AWARDS SECTION



# ARNOLD, WALKER, ARNOLD & Co., P.C.

*Certified Public Accountants And Consultants*

Bob J. Arnold, C.P.A., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
Kris Arnold, C.P.A., P.F.S.  
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MEMBER

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

The Honorable Judge and  
County Commissioners  
Red River County, Texas  
Clarksville, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County, Texas as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.

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

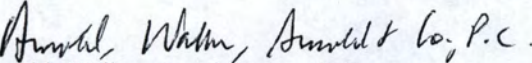
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose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

Compliance and Other Matters

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

The County's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit County's response and, accordingly, we express no opinion on it.

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

  
Arnold, Walker, Arnold & Co., P.C.

December 7, 2007



# ARNOLD, WALKER, ARNOLD & Co., P.C.

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

The Honorable Judge and  
County Commissioners  
Red River County  
Clarksville, Texas

### Compliance

We have audited the compliance of Red River County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The County'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 Red River County's Commissioner's Court. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

### Internal Control Over Compliance

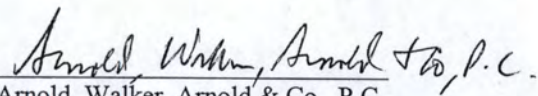
The management of Red River County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control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

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

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

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

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

  
Arnold, Walker, Arnold & Co., P.C.

December 7, 2007



Red River County, Texas  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED September 30, 2007

**I. Summary of the Auditor's Results:**

- a. The type of report issued on the financial statements of Red River County was unqualified.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. See below, no material weaknesses
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee.  
NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section 510(a).  
NONE
- g. An identification of major programs: CFDA 14.228 ORCA Grants
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

- 07-1 Total W-2 amounts as reported for tax year 2006 did not reconcile to the general ledger or the amount reported on 941 quarterly payroll reports.
- 07-2 Duties in the Treasurer's office need to be reviewed so as to better segregate duties.

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above**

NONE

Red River County, Texas  
SCHEDULE OF STATUS PRIOR FINDINGS  
For the year ended September 30, 2007

N/A

Red River County, Texas  
CORRECTIVE ACTION PLAN  
For the year ended September 30, 2007

- 07-1 The computer software will be updated soon. This update will not allow the W-2's to not agree with the general ledger and payroll reports. Before W-2's are issued this year, the County Treasurer and auditor will review to be sure all is reconciled.
- 07-2 The Treasurer will reassign duties so as to allow for better segregation of duties.

Red River County, Texas  
 SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS  
 For the year ended September 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA Number	Pass-Through Entity ID Number	Federal/ State Expenditures
U.S. DEPARTMENT OF HUD			
Office of Rural Community Affairs	14.228	724076	111,515
Office of Rural Community Affairs	14.228	725075	210,236
Office of Rural Community Affairs	14.228	726016	27,925
Total U.S. Department of HUD			<u>349,676</u>
TEXAS DEPARTMENT OF TRANSPORTATION			
Aviation Division (Ramp)	20.106	M701CLARK	<u>14,490</u>
TEXAS JUVENILE PROBATION COMMISSION			
Community Correction Assistance	16.540	Y-2007-194	25,465
Community Correction Assistance	16.540	Y-2008-194	6,333
State Aid	16.540	A-2008-194	6,662
State Aid	16.540	A-2007-194	19,268
Title IV-E Foster Care	16.540	E-2007-194	48,679
Progressive Sanctions	16.540	F-2007-194	18,482
Progressive Sanctions	16.540	F-2008-194	3,697
Progressive Sanctions 123 Program	16.540	G-2007-194	8,336
Salary adjustment	16.540	Z-2007-194	<u>5,700</u>
Total Texas Juvenile Probation Commission			<u>142,622</u>
TEXAS TASK FORCE ON INDIGENT DEFENSE	-	21206194	<u>11,666</u>
Total Federal/State Expenditures			<u><u>518,454</u></u>

Red River County, Texas  
 FEDERAL PROGRAM PROJECT SCHEDULE  
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING  
 the year ended September 30, 2007

Federal Grantor: U.S. Department of HUD  
 Pass through Grantor: Office of Rural Community Affairs  
 CFDA# 14.228, Project #724076, Contract Period 4/29/05-4/28/07

	<u>Federal</u>			<u>Total</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>350,000</u>	<u>238,361</u>	<u>111,515</u>	<u>349,876</u>
EXPENSES				
Water facilities	266,070	190,861	75,209	266,070
Rehabilitation	900	-	900	900
Engineering	61,910	34,600	27,310	61,910
Administration	<u>21,120</u>	<u>12,900</u>	<u>8,096</u>	<u>20,996</u>
TOTAL EXPENSES	<u>350,000</u>	<u>238,361</u>	<u>111,515</u>	<u>349,876</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Red River County, Texas  
 FEDERAL PROGRAM PROJECT SCHEDULE  
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING  
 the year ended September 30, 2007

Federal Grantor: U.S. Department of HUD  
 Pass through Grantor: Office of Rural Community Affairs  
 CFDA# 14.228, Project #725075, Contract Period 10/18/05-10/17/07

	<u>Federal</u>			<u>Total</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>250,000</u>	<u>29,000</u>	<u>210,236</u>	<u>239,236</u>
EXPENSES				
Water facilities	158,160	-	157,396	157,396
Rehabilitation	15,340	-	15,340	15,340
Acquisition	2,000	-	-	-
Engineering	46,500	22,000	19,300	41,300
Administration	<u>28,000</u>	<u>7,000</u>	<u>18,200</u>	<u>25,200</u>
TOTAL EXPENSES	<u>250,000</u>	<u>29,000</u>	<u>210,236</u>	<u>239,236</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Red River County, Texas  
 FEDERAL PROGRAM PROJECT SCHEDULE  
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING  
 the year ended September 30, 2007

Federal Grantor: U.S. Department of HUD  
 Pass through Grantor: Office of Rural Community affairs  
 CFDA# 14.228, Project #726016, Contract Period: 3/19/06-3/18/08

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>
		<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>203,941</u>	<u>-</u>	<u>27,925</u>	<u>27,925</u>
EXPENSES				
Water facilities	114,391	-	-	-
Acquisition	12,500	-	-	-
Engineering	45,250	-	18,125	18,125
Administration	<u>31,800</u>	<u>-</u>	<u>9,800</u>	<u>9,800</u>
TOTAL EXPENSES	<u>203,941</u>	<u>-</u>	<u>27,925</u>	<u>27,925</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Red River County, Texas  
 FEDERAL PROGRAM PROJECT SCHEDULE  
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING  
 the year ended September 30, 2007

Federal Grantor: U.S. Department of HUD  
 Pass through Grantor: Texas Community Development  
 CFDA# 14.228, Project #726176, Contract Period: Contract Pending

	<u>Federal</u>			<u>Total</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>166,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Water facilities	107,030	-	-	-
Acquisition	1,500	-	-	-
Engineering	33,450	-	-	-
Administration	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>166,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



Red River County, Texas  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED September 30, 2007

1. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Some assistance is reflected in the general fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Most federal grant funds were accounted for in a Special Revenue Fund or in the General Fund which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statement of these funds present increases and decreases in net current assets.

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

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

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