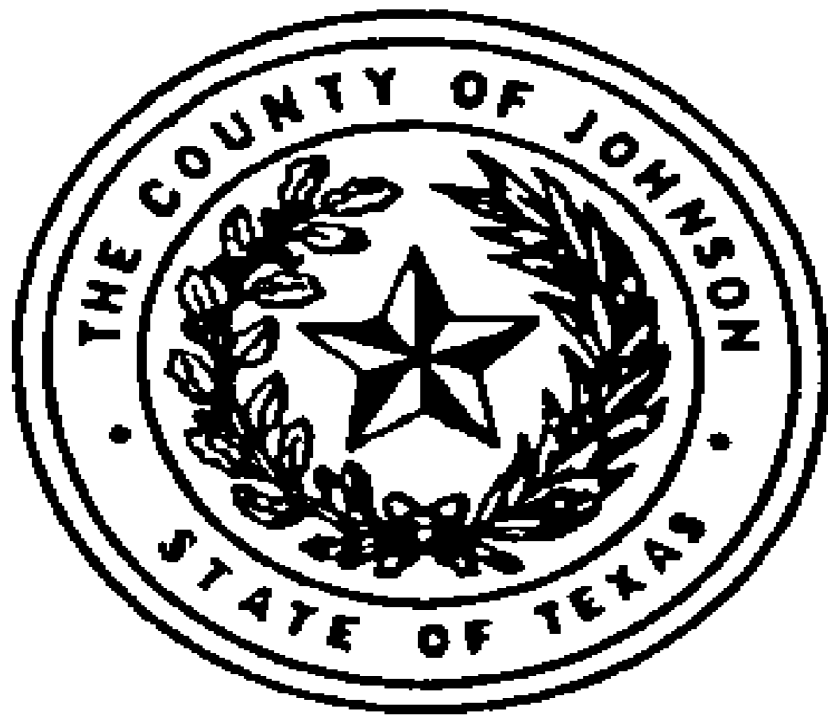


JOHNSON COUNTY, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
September 30, 2007

JOHNSON COUNTY, TEXAS
JOHNSON COUNTY AUDITOR'S OFFICE
#2 North Main
Cleburne, Texas 76031



JOHNSON COUNTY, TEXAS

Comprehensive Annual Financial Report

For the Year Ended September 30, 2007

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JOHNSON COUNTY, TEXAS

Comprehensive Annual Financial Report
For the Year Ended September 30, 2007

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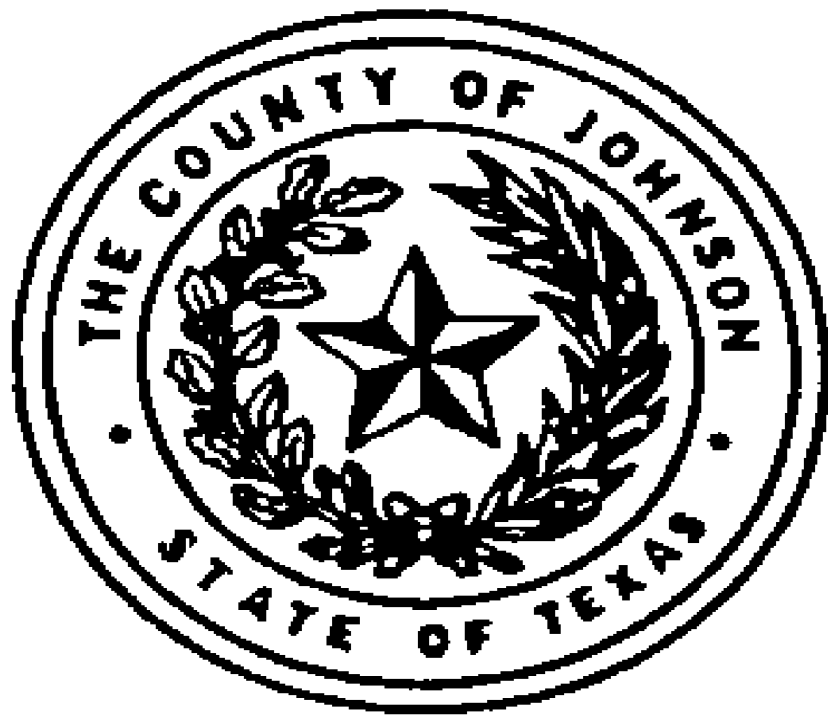
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INTRODUCTORY SECTION



JOHNSON COUNTY



AUDITOR'S OFFICE

J.R. Kirkpatrick
County Auditor

(817) 556-6305 ~ Metro (817) 477-3645

#2 N. Main ~ Cleburne, Texas 76031

Fax (817) 556-6807

March 30, 2008

THE HONORABLE DISTRICT JUDGES AND

THE HONORABLE COMMISSIONERS' COURT:

Gentlemen:

In compliance with the statutory duties of the County Auditor as prescribed by Section 114.025 of the Local Government Code of the State of Texas, the Comprehensive Annual Financial Report of Johnson County, Texas, for the fiscal year ended September 30, 2007, is submitted herewith. Responsibility for both the accuracy of the presented data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. This report has been prepared using generally accepted accounting principles and guidelines promulgated by the Governmental Accounting Standards Board. We have endeavored to conform substantially to the high standards of public financial reporting as recommended by the Government Finance Officers Association of the United States and Canada. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The comprehensive annual financial report is presented in four sections; introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, an organization chart of the County, and a directory of principal officials. The financial section includes the independent public auditors' report, Management's Discussion and Analysis, basic financial statements, including government-wide and fund financial statements, and notes thereto which present an overview of the County's financial operations, and more detailed combining and supplementary statements. The statistical section includes unaudited data depicting certain financial history of the County for the past 10 years and other information.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Information related to this single audit, including the Schedule of Federal Financial Assistance, Findings and Recommendations, and the independent auditors' reports of the internal control structure and compliance with applicable laws and regulations are included in the single audit section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Johnson County's MD&A can be found immediately following the report of the independent auditors.

ECONOMIC CONDITION AND OUTLOOK

Johnson County is strategically located in north central Texas and is considered a part of the Fort Worth metropolitan area (comprised of Tarrant, Parker and Johnson Counties). The area has experienced tremendous growth, which is expected to continue for several years.

Johnson County currently enjoys a very favorable economic environment and local indicators point to continued stability. The region has a varied manufacturing and industrial tax base that contributes to the favorable unemployment rate. During the past year the County has seen continued growth in gas exploration; an industry which is new to the area. It has had a noticeably favorable economic impact. The County will see a spike in the tax base growth rate and its citizens will enjoy a royalty income unlike anything before. There will be challenges for the County such as increased road maintenance needs, with heavy truck traffic as required by the gas exploration activity. With this, and the effect of the metropolitan influence on population growth to the north, Johnson County will experience significant change over the next few years.

The Johnson County Economic Development Commission (JCEDC) has been in existence since September 1989. The Commission has had another successful year in attracting new business to the area, resulting in new jobs and significant increases to the tax rolls.

The State Highway 121 project is in the planning stages with more right-of-way being purchased this past year. The highway project will consist of approximately 14 miles of new location highway in Johnson County from FM 1187 to U.S. 67. This highway will provide a much needed north-south route from southern Johnson County to Tarrant County. Continued growth and urbanization in the Dallas-Fort Worth region, specifically in this case, Johnson County, has resulted in the need for more efficient transportation systems to reduce existing congestion and accommodate future traffic demand. Future traffic volumes of the proposed highway are projected to be 22,000 vehicles per day. Proposed is a four-lane divided controlled access highway to facilitate the demand. A 2-lane facility is proposed for initial construction. Future widening to four lanes will occur as traffic demands and funding availability dictate. Although this project has been in the planning stages for several years, it appears to becoming a reality with the right-of-way purchases being made and route selection determined.

The County provides a full range of services authorized by statute. Such services include general governmental services such as recording and licensing, sustaining the District, County and Justice court systems, maintaining public facilities, ensuring public safety, preserving public health and welfare, aiding conservation, and maintaining County roads and bridges.

Growth is obvious in Johnson County. There continues to be significant residential growth in Cleburne, Burleson and other cities. Combined efforts of the cities and County governments have proven to be effective in attracting industry as well. Evidence of such is the construction currently underway in the downtown area of Cleburne as a result of aggressive tax incentives approved by the city and County. Additionally, the old multi-storied hotel in downtown Cleburne is nearly completed of a total renovation as well as other buildings; further adding to the attraction of the business area of the county seat.

MAJOR INITIATIVES

Johnson County, because of its continued growth, is faced with many challenges in delivering services to its citizens, while maintaining a conservative financial approach. County administration has been committed to meeting increasing needs for services and facilities. The following initiatives reflect the government's commitment to ensuring that its citizens are able to live and work in an enviable environment.

For the Year

Completion of the Guinn Courts Building was accomplished in fiscal year 2004 and still proves to meet all our District and County court needs. Most recently, the County has purchased all the land and buildings surrounding the Guinn Courts Building. This action will ensure Johnson County will be able to address future justice administration needs. This will allow the addition of Community Service and Corrections to have much needed office space along with other court-supporting functions.

The jail expansion project was completed early in the fiscal year. This has addressed the severe overcrowding of the jail and the need for housing prisoners in other counties is now eliminated along with the high associated cost.

The renovation of the old historic courthouse on the town square was about 90% complete by the end of the year. Upon completion, certain county departments, currently located in the Bank of America annex building, will then move to the renovated old courthouse. This plan will help alleviate the office overcrowding problems the County continues to face as a result of meeting the needs of a growing county.

For the Future

With the county having just purchased the land and buildings around the Guinn Courts Building, which was previously leased from the school district, construction plans can move forward for office space to accommodate the needs of additional Community Service and Corrections Department personnel. The growth experienced by the county requires our elected officials to be forward thinking to address issues before they become problems. As in most Texas counties, the need to accommodate the law enforcement and administration of justice functions is truly a challenge.

The County will continue its commitment to provide government services in the most cost effective manner to meet the demands of continued growth. To accomplish this the county will embrace the latest technology available while engaging in the pursuit of various problem solving legislation at the state level.

The Corp of Engineers has completed the first phase of a park on the Brazos River for overnight camping and a boat launch which should prove to be a positive tourist attraction. This project has been funded with federal monies made available by congress. Although this is a new endeavor for Johnson County, the second phase of construction was fast approaching completion at the end of the year with an expected completion by April, 2008.

FINANCIAL INFORMATION

In developing the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The County Auditor's Office continually assesses its ability to ensure that adequate internal accounting controls are in place to safeguard assets and provide reasonable assurance of proper recording of financial transactions. With this goal, the internal audit function becomes a larger task each year, addressing the needs that change and growth dictate.

Administration. The officials having responsibility for the financial administration of the County are the County Judge and four County Commissioners (the "Commissioners' Court"), the Tax Collector and the County Treasurer, all of whom are elected for four-year terms, and the County Auditor who is appointed for a two-year term by the State District Judges having jurisdiction within the County. The governing body of the County is the Commissioners' Court. It has only powers expressly granted to it by the legislature and powers necessarily implied from such grant. Among other things, it approves the County budget, determines the County tax rate, approves contracts in the name of the County, determines whether a proposition to issue bonds should be submitted to the voters, conducts official business of the County at designated meeting times, and appoints certain County officials.

The County Judge is the presiding officer of the Commissioners' Court. Each Commissioner represents one of the four precincts into which the County is divided and is elected by the voters of his precinct. The County Commissioners supervise construction and maintenance of the County road systems as well as perform other administrative duties.

The Tax Assessor-Collector is responsible for collecting ad valorem taxes, certain State and County fees and other revenues. The office also contracts with other taxing entities to collect taxes for them. Therefore, money is saved by taxpayers since only one tax collection organization is needed; eliminating a costly duplication of effort.

The County Treasurer is the custodian of funds and has the sole authority to disburse funds for the County. This includes receipting and depositing all funds paid to the County.

The County Auditor is the chief financial officer of the County and is responsible for substantially all County financial and accounting control functions. The responsibilities of the County Auditor include those of accounting, auditing, payroll and financial operations. The County Auditor also determines the type, terms, and amounts of investments of County funds. The Commissioners' Court designated the County Auditor as the Investment Officer and has adopted an investment policy in compliance with the Public Funds Investment Act.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Cash Management. Temporarily idle cash in the various funds is invested in fully insured or collateralized demand deposits, and investment pools, such as Texas Local Government Investment Pool and TexStar. Interest rates on demand deposits and certificates of deposit are governed by the County depository contract which is awarded a for four-year period. Interest rates for demand deposits on the current contract are competitive and reflect current market conditions. Interest rates are subject to change daily. On demand deposits, interest rates are based on the 91-day U. S. Treasury Bill. Rates with the investment pools average approximately the same as a one-year Treasury note and the cash is liquid with one-day transfer time.

Risk Management. The County consistently reviews areas of loss control and risk management. The Road and Bridge precincts have safety equipment and supplies budgeted to provide protection for the road workers. The County participates in a liability pool created by the Texas State Legislature and managed by the Texas Association of Counties. Through this self-insurance fund, counties are able to join together to self-insure for general, automobile, public official and law enforcement liability. The County also participates in the Texas Association of Counties Property and Casualty Self-Insurance Fund for its property and automobile physical damage coverage. The County's proactive initiatives have resulted in a favorable loss trend.

Pension Benefits. The County continued its membership in the Texas County and District Retirement System (TCDRS). Through TCDRS, the County provides pension, disability, and death benefits for all of its full-time employees through a nontraditional, joint-contributory, defined benefit plan. The contribution rate payable by all employee members is 7% as adopted by the governing body of the County. The employer contribution rate is actuarially determined as a result of the annual actuarial valuation. Therefore, the employer's contribution rate may vary from year to year.

OTHER INFORMATION

Independent Audit. The County's financial statements have been audited by Kennemer, Masters and Lunsford, L.L.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Johnson County, Texas' financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Johnson County for its comprehensive annual financial report for fiscal year ended September 30, 2006. This was the 16th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The production of this report is attributable to the dedication and work of the County Auditor's Office staff and Kennemer, Masters and Lunsford, L.L.C , our independent auditor.

In closing, I would like to thank all Johnson County Elected Officials, Department Heads and their staffs for their cooperation and leadership in conducting the financial affairs of the County. A special thanks is extended to my staff that worked so diligently throughout the year.

Respectfully submitted,

J. R. Kirkpatrick
Johnson County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Johnson County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



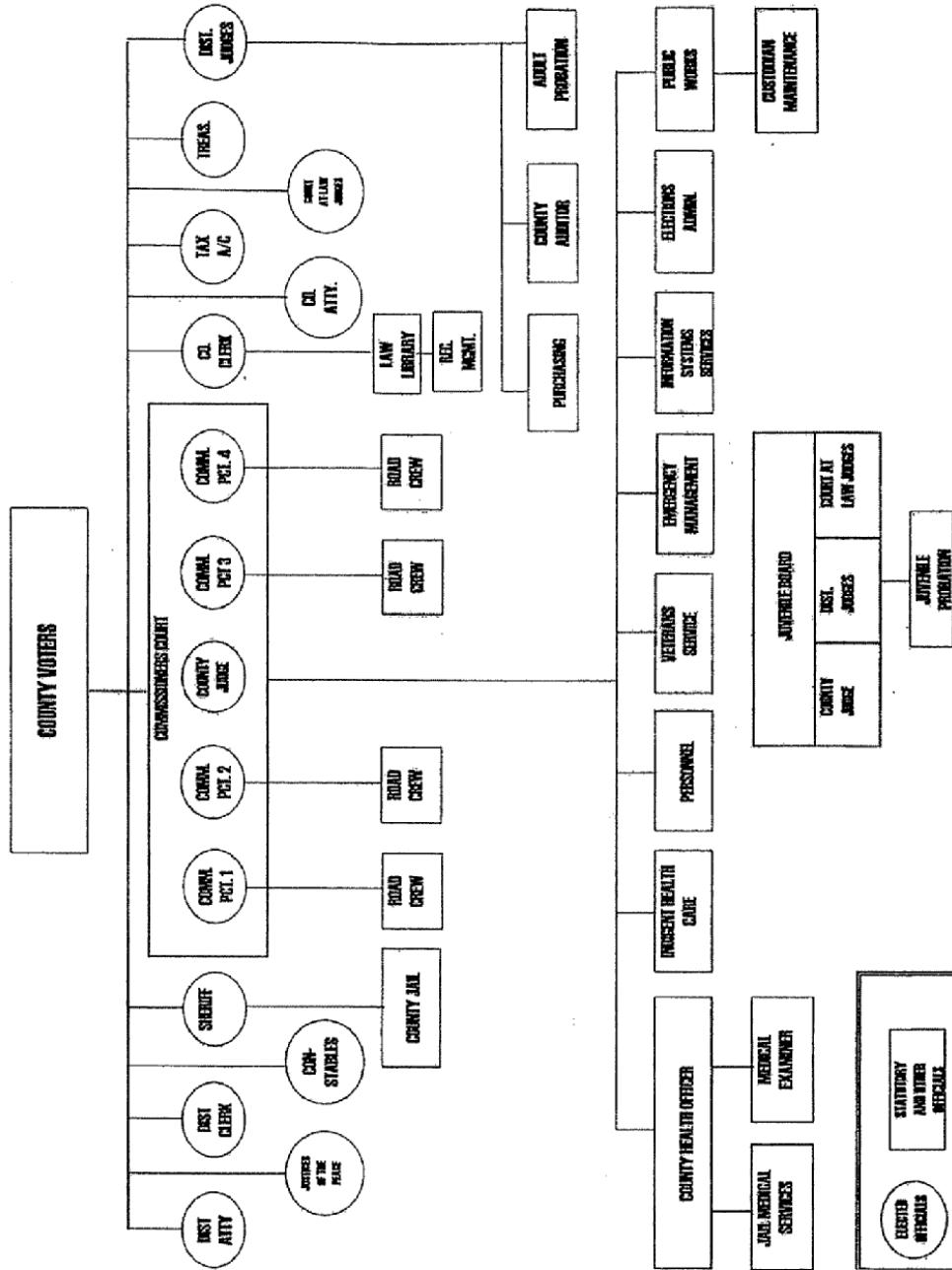
Clare S. Cox

President

Jeffrey R. Egan

Executive Director

JOHNSON COUNTY ORGANIZATION



JOHNSON COUNTY, TEXAS

PRINCIPAL OFFICIALS

COMMISSIONERS' COURT

COUNTY JUDGE

Roger Harmon

COUNTY COMMISSIONERS

Precinct 1

R.C. McFall

Precinct 2

John W. Matthews

Precinct 3

Mark Carpenter

Precinct 4

Don Beeson

JUDICIAL

DISTRICT JUDGE

18th Judicial District

John E. Neill

249th Judicial District

Wayne Bridewell

413th Judicial District

William C. Bosworth, Jr.

COUNTY COURT-AT-LAW I

Robert B. Mayfield, III

COUNTY COURT-AT-LAW II

Jerry D. Webber

JUSTICE OF THE PEACE

Precinct 1

Ronald R. McBroom

Precinct 2

Jeff Monk

Precinct 3

Pat Jacobs

Precinct 4

Betty Stiles

LAW ENFORCEMENT AND LEGAL

DISTRICT ATTORNEY

Dale Hanna

COUNTY ATTORNEY

Bill Moore

SHERIFF

Bob Alford

CONSTABLES

Precinct 1

Bill Pierce

Precinct 2

Adam Crawford

Precinct 3

Mike White

Precinct 4

Gary Braly

COMMUNITY SUPERVISION DIRECTOR*

Toby Ross

CHIEF JUVENILE PROBATION OFFICER*

Lisa Tomlinson

FINANCIAL ADMINISTRATION

COUNTY AUDITOR*

J. R. Kirkpatrick, Jr.

COUNTY TREASURER

Barbara Robinson

TAX ASSESSOR—COLLECTOR

Scott Porter

PURCHASING AGENT*

Margaret Cook

COURT CLERKS

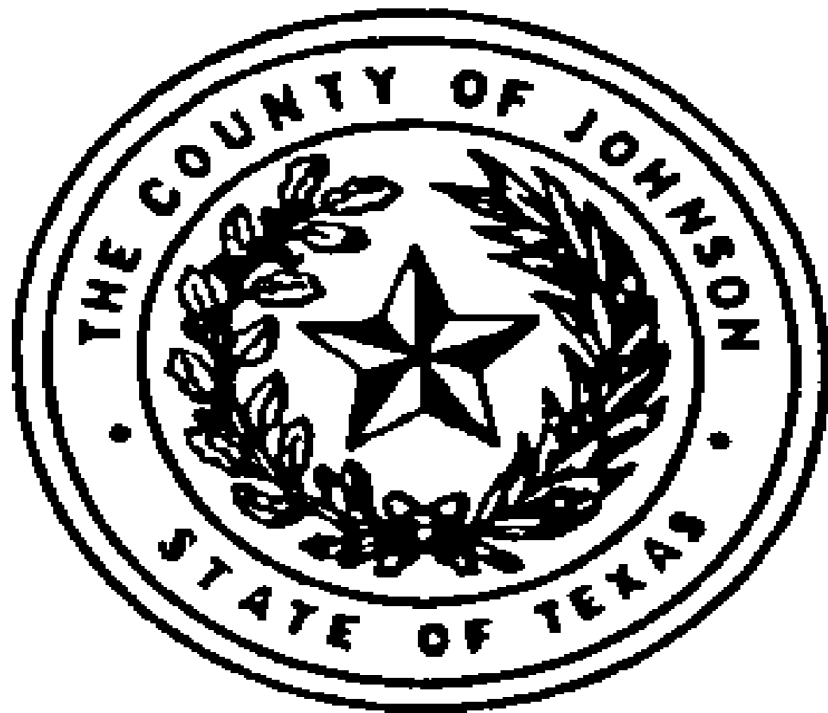
DISTRICT CLERK

David Lloyd

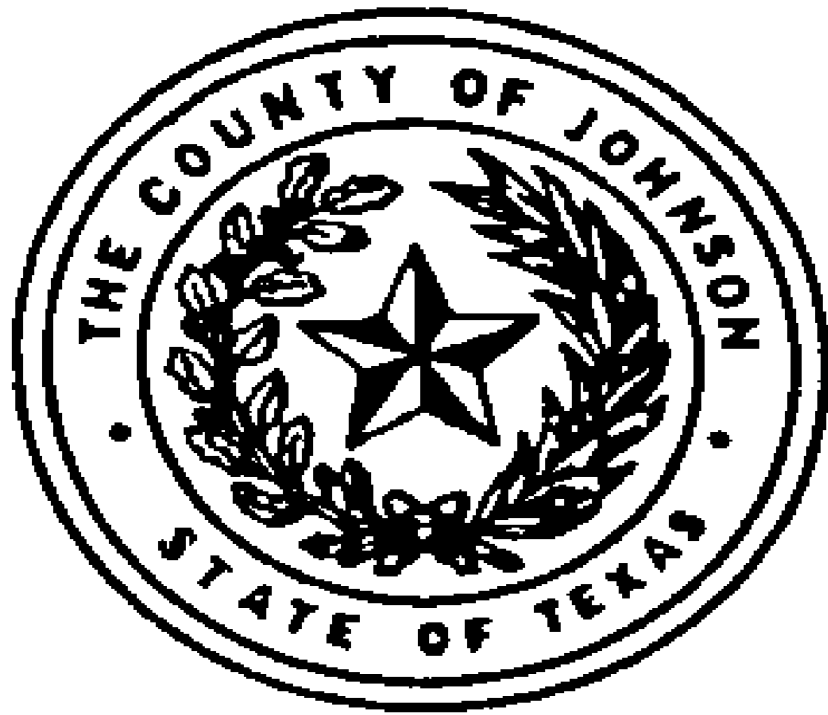
COUNTY CLERK

Curtis Douglas

*Denotes appointed officials. All others are elected officials.



FINANCIAL SECTION



KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
10850 Richmond Avenue, Suite 250
Houston, Texas 77042
(713) 974-3030 Fax: (713) 974-3513

Independent Auditor's Report

March 24, 2008

The Honorable County Judge,
and Members of Commissioners'
Court of Johnson County, Texas

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

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

We did not observe the physical inventory (stated at \$ 340,081) taken as of September 30, 2006, since that date was prior to our initial engagement as auditors for the County, and the County's records do not permit adequate retroactive tests of inventory quantities.

In our opinion, except for the effects of such adjustments, if any, as might have been necessary in the statement of net activities, and the statements of revenues, expenditures and changes in fund balance had we been able to observe the physical inventory taken as of September 30, 2006, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Texas as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

www.kmkwllc.com – Email: kmkw@kmkwllc.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

The Honorable County Judge,
and Members of Commissioners' Court
of Johnson County, Texas
March 24, 2008
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2008 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Required Supplementary Information

The Management's Discussion and Analysis and Statement of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and Major Special Revenue Fund, and the Texas County and District Retirement System Schedule of Funding – Last Three Years on pages 3 through 10 and 58 through 60, respectively, are not a required part of the basic financial statements but is supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Combining and Individual Fund Statements and Schedules, and Federal and State Awards Section

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedules of expenditures of federal and state 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*, the State of Texas *Single Audit Circular*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Introductory and Statistical Sections

The information identified in the table of contents as Introductory and Statistical Sections is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Kennemer, Masters & Hunzford, LLC

JOHNSON COUNTY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2007

As management of Johnson County, Texas ("County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on [pages i - v](#) of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year for governmental activities by \$ 64,461,506 (net assets). Of this amount, \$ 17,699,334 (unrestricted net assets), may be used to meet the government's ongoing obligations to citizens and creditors with the County's fund designation.
- The County's total net assets increased for governmental activities by \$ 9,893,476.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 23,187,385. 86.36% of this amount, \$ 20,023,817 (unreserved fund balance), were available for use within the County's fund designations. Of the governmental funds amount, \$ 9,561,671 has been designated for specific uses.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 10,462,146 or 36.31% of the total general fund expenditure.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

JOHNSON COUNTY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2007

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the County include general government, administration of justice, financial administration, elections, law enforcement, highways and streets, health and welfare, culture and recreation, and conservation. The County has no *business-type activities*.

The government-wide financial statements can be [found on pages 12 and 13](#) of this report.

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

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains forty-five (45) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Road and Bridge (special revenue fund), Courthouse Renovation Construction (capital projects fund), and Equipment Purchase (capital projects fund); all of which are considered to be major funds. Data from the other forty-one (41) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on [pages 14 through 24](#) of this report.

- **Proprietary Funds.** The County maintains no proprietary funds.

JOHNSON COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2007*

- **Fiduciary Funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's operations. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets that can be found on pages [106 through 108](#).

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on [pages 25 through 56 of this report](#).

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found [on pages 58 through 60 of this report](#).

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be [found on pages 62 through 108](#) of this report.

Government-wide Financial Analysis

With the significant prior period adjustments identified during the current year ended September 30, 2007, that required restatement of net assets as of September 30, 2006, the County is not presenting comparable columns or the various comparisons and analyses for the prior year. This also eliminates comparative narrative relating to prior year balances and results of operations. A comparative analysis of government-wide data will be presented in future years when the information is comparable and available.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$ 64,451,562 as of September 30, 2007.

The largest portion of the County's net assets, \$ 35,005,873 (54.30%) reflects its investments in capital assets (e.g., land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress), less any debt used to acquire those assets that is still outstanding. The County uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2007

JOHNSON COUNTY'S NET ASSETS

	Governmental Activities <u>2007</u>
Current and other assets	\$ 33,859,141
Capital assets	<u>60,601,219</u>
Total assets	<u>94,460,360</u>
Current and other liabilities	3,541,102
Long-term liabilities	<u>26,457,752</u>
Total liabilities	<u>29,998,854</u>
Net Assets:	
Invested in capital assets, net of related debt	35,005,873
Restricted	11,756,299
Unrestricted	<u>17,699,334</u>
Total net assets	<u>\$ 64,461,506</u>

An additional portion of the County's net assets of \$ 11,756,299 (18.24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$ 17,699,334 (27.46%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2007, the County is able to report positive balances in all three categories of net assets.

Analysis of the County's Operations. Governmental activities reported an increase in net assets in the amount of \$ 9,893,476. The following table provides a summary of the County's operations for the year ended September 30, 2007.

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2007

JOHNSON COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities <u>2007</u>
Revenues:	
Program Revenues:	
Charges for services	\$ 11,488,706
Operating grants and contributions	3,065,163
Capital grants and contributions	5,398,255
General Revenues:	
Property taxes	30,215,929
Other taxes	216,965
Investment earnings	1,535,829
Gain on disposition of capital assets	63,844
Miscellaneous	<u>1,221,477</u>
Total revenues	<u>53,206,168</u>
Expenses:	
General government	7,345,815
Administration of justice	5,983,462
Financial Administration	3,012,304
Elections	295,768
Law enforcement	16,270,331
Highways and streets	7,747,391
Health and welfare	1,038,950
Culture and recreation	7,464
Conservation	114,188
Interest on long-term debt	<u>1,497,019</u>
Total expenses	<u>43,312,692</u>
Increase in net assets before contributions and transfers	9,893,476
None	<u> </u>
Increase in net assets	9,893,476
Net assets – beginning (restated)	<u>54,568,030</u>
Net assets - ending	<u>\$ 64,461,506</u>

JOHNSON COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2007*

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 23,187,385. 86.36% of this total amount (\$ 20,023,817) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for prepaid expenditures (\$ 458,475), 2) for the expenditure of inventories (\$ 420,732), 3) for the expenditure of encumbrances (\$ 1,157,053), and 4) to pay for debt service (\$ 1,127,308).

Fund balance of the General Fund increased by \$ 4,285,968; the Road and Bridge (special revenue fund) increased by \$ 1,834,276; the Courthouse Renovation Construction (capital projects fund) decreased by \$ 1,946,661; the Equipment Purchase (capital projects fund) increased by \$ 133,983; and, other (non-major) governmental funds increased by \$ 1,407,151. Most of the increase in General Fund was due to an overall increase in the volume of revenues and a decrease in anticipated expenditures. Road and Bridge expenditures were less than anticipated thus the increased fund balance. The Courthouse Renovation Construction project expenditures exceeded intergovernmental revenues due to the matching requirements of the grant. The Equipment Purchase (capital projects fund) increased largely to the issuance of Tax notes. The increase in other (non-major) governmental funds was also a result of the general increase in anticipated revenues.

General Fund Budgetary Highlights. Over the course of the year, the County recommended and the Commissioners approved several revisions to budgeted revenue and appropriations. These recommendations fall into the following categories:

- Overall increase in personnel costs, primarily overtime for Corrections Officers in the County jail.
- Unexpectedly high medical costs for inmates in the County jail.
- Additional funds for the unanticipated rise in fuel costs.
- Additional funds received for unanticipated grant revenue affecting revenues and expenditures.
- Unexpected building repairs.

Capital Assets

The County's investment in capital assets for its governmental activities as of September 30, 2007, amounts to \$ 60,601,219 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress.

JOHNSON COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2007

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

- Substantial completion of the courthouse renovation project.
- Contribution of approximately \$ 3,744,150 of land, buildings, equipment, and roads. The largest was \$ 3,207,618 of land and buildings from the Pecan Valley MHMR organization.
- Received federal funds to assist in the purchase of homeland security equipment.
- Acquisition of general equipment purchased from the issuance of tax notes.

JOHNSON COUNTY'S CAPITAL ASSETS
Net of Accumulated Depreciation

	Governmental Activities <u>2007</u>
Land	\$ 973,805
Buildings and improvements	25,386,869
Furniture, equipment and vehicles	5,036,374
Infrastructure	21,800,719
Construction in progress	<u>7,403,452</u>
Total	<u>\$ 60,601,219</u>

Additional information on the County's capital assets can be found in note [5 on pages 42 through 43](#) of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had a total bonded debt and tax note of \$ 25,604,098, which, compromises bonded and tax note debt backed by the full faith and credit of the County. These bonds will be retired with revenues from property taxes, and fees for services.

JOHNSON COUNTY'S LONG-TERM DEBT
Bonds, Tax Notes, Components of Debt, and Compensated Absences

	Governmental Activities <u>2007</u>
Certificates of Obligation bonds	\$ 13,430,000
General Obligation bonds	11,180,098
Tax notes	994,000
Components of Long-Term Debt:	
Premium on bonds	93,074
Accrued interest payable	127,442
Compensated absences	<u>633,138</u>
Total	<u>\$ 26,457,752</u>

During the fiscal year, the County's total debt increased \$ 739,783 or 0.28%. The increase was due primarily to the issuance of 2006 Tax Notes in the amount of \$ 1,595,000. Further, the County issued General Obligation Refunding Bonds, Series 2007 to refund a portion of the Certificates of Obligation Bonds, Series 2001.

JOHNSON COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2007*

All of the outstanding Bonds of the County payable from its limited taxes are insured and are, therefore, rated "A1" by Moody's Investors Service Inc. ("Moody's"), and "A+" by Standard & Poor's ("S&P"). State statutes limit the amount of general obligation debt a government may issue to 25% of its total assessed valuation. The current limitation for Johnson County significantly exceeds the outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note [7 on pages 45 through 47](#) of this report.

Economic Factors and Next Year's Budgets and Rates

The annual budget is the means by which Commissioners' Court sets the direction of the County, and allocates its resources.

In considering the budget for FY 2008, Commissioners' Court considered the following factors:

- Property tax rates decreased; however, tax revenues increased due to the rise in certified values. A large factor is the increase in mineral values due to gas exploration.
- Employees were given a 6.0% cost of living increase, effective October 1, 2007.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Johnson County Auditor, #2 N. Main, Cleburne, Texas, 76031, or call (817) 556-6305.

BASIC FINANCIAL STATEMENTS

JOHNSON COUNTY, TEXAS
STATEMENT OF NET ASSETS
September 30, 2007

Exhibit 1

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and temporary investments	\$ 24,841,735
Receivables (Net of Allowance for Uncollectibles):	
Taxes	672,450
Accounts	6,068,893
Due from other governments	737,801
Prepaid items	458,475
Inventories	420,732
Bond issuance cost (net of accumulated amortization)	659,055
Capital Assets:	
Land	973,805
Buildings and improvements (net)	25,386,869
Furniture, equipment and vehicles (net)	5,036,374
Infrastructure (net)	21,800,719
Construction in progress	<u>7,403,452</u>
Total assets	<u>94,460,360</u>
<u>Liabilities</u>	
Accounts and accrued liabilities payable	2,980,527
Due to others	60,563
Unearned revenue	500,012
Noncurrent Liabilities:	
Due within one year	2,246,833
Due in more than one year	<u>24,210,919</u>
Total liabilities	<u>29,998,854</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	35,005,873
Restricted For:	
Roads and bridges	4,612,456
Debt service	1,706,088
Other purposes	5,437,755
Unrestricted	<u>17,699,334</u>
Total net assets	<u>\$ 64,461,506</u>

The notes to the financial statements are an integral part of this statement.

JOHNSON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
General government	\$ 7,345,815	\$ 3,203,102	\$	\$ 1,522,012	\$(2,620,701)
Administration of justice	5,983,462	3,585,853	348,872	10,167	(2,038,570)
Financial administration	3,012,304	862,350	919		(2,149,035)
Elections	295,768	32,605	3,294		(259,869)
Law enforcement	16,270,331	1,590,551	1,764,725	121,928	(12,793,129)
Highways and streets	7,747,391	2,214,245	747,034	3,744,150	(1,041,962)
Health and welfare	1,038,950		200,319		(838,631)
Culture and recreation	7,464				(7,464)
Conservation	114,188				(114,188)
Interest on long-term debt	1,497,019				(1,497,019)
Total governmental activities	<u>43,312,692</u>	<u>11,488,706</u>	<u>3,065,163</u>	<u>5,398,255</u>	<u>(23,360,568)</u>
General Revenue:					
Property taxes					30,215,929
Other taxes					216,965
Unrestricted investment earnings					1,535,829
Gain on disposition of capital assets					63,844
Miscellaneous					<u>1,221,477</u>
Total general revenues, special items and transfers					<u>33,254,044</u>
Change in net assets					9,893,476
Net assets – beginning (restated)					<u>54,568,030</u>
Net assets – ending					<u>\$ 64,461,506</u>

The notes to the financial statements are an integral part of this statement.

JOHNSON COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2007

	Major Funds			
	General Fund	Road & Bridge Fund	Courthouse Renovation Construction Fund	Equipment Purchase Fund
ASSETS				
Cash and temporary investments	\$ 13,110,898	\$ 4,427,916	\$ 58,634	\$ 190,414
Receivables (Net of Allowance for Uncollectibles):				
Taxes	496,020	88,887		
Accounts	4,137			
Due from other governments	125,868		428,553	
Due from other funds	267,074	33,232		
Prepaid expenditures	458,475			
Inventories		<u>420,732</u>		
 Total assets	 <u>\$ 14,462,472</u>	 <u>\$ 4,970,767</u>	 <u>\$ 487,187</u>	 <u>\$ 190,414</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and accrued liabilities payable	\$ 1,403,846	\$ 392,050	\$ 571,383	\$ 1,111
Due to other governments	428,972			
Due to others	60,563			
Due to other funds	192,916	3	17,189	
Deferred revenue	<u>379,124</u>	<u>69,127</u>		
 Total liabilities	 <u>2,465,421</u>	 <u>461,180</u>	 <u>588,572</u>	 <u>1,111</u>
Fund Balances:				
Reserved:				
Prepaid expenditures	458,475			
Inventories		420,732		
Encumbrances	1,076,430	73,227		
Debt service				
Unreserved:				
Designated:				
Capital projects			(101,385)	189,303
Undesignated, Reported In:				
General fund	10,462,146			
Special revenue funds		<u>4,015,628</u>		
 Total fund balances	 <u>11,997,051</u>	 <u>4,509,587</u>	 <u>(101,385)</u>	 <u>189,303</u>
 Total liabilities and fund balance	 <u>\$ 14,462,472</u>	 <u>\$ 4,970,767</u>	 <u>\$ 487,187</u>	 <u>\$ 190,414</u>

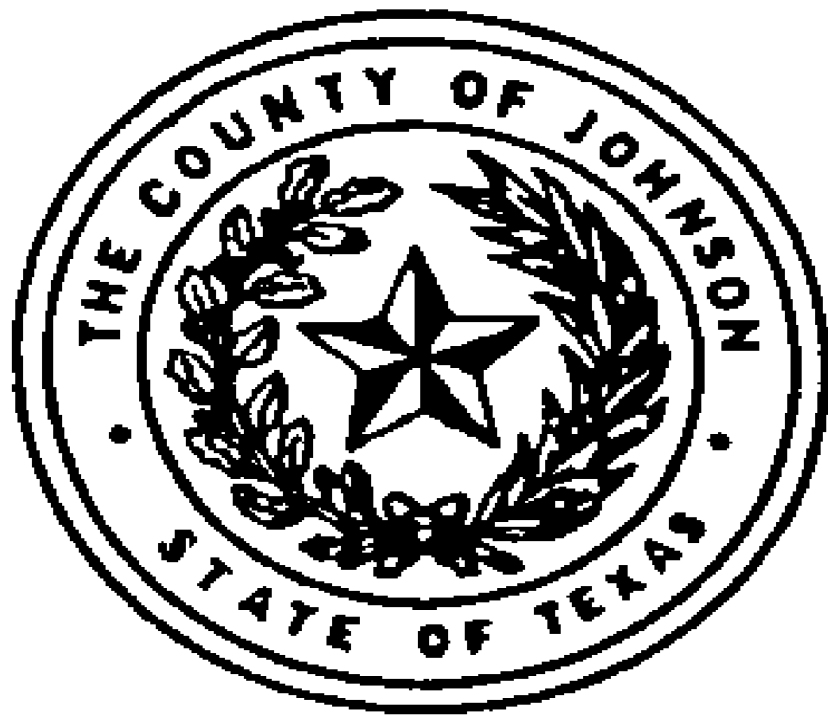
The notes to the financial statements are an integral part of this statement.

<u>Non-Major Funds</u>		
<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 7,053,873	\$ 24,841,735	
87,543	672,450	
32	4,169	
183,380	737,801	
158,457	458,763	
	458,475	
	<u>420,732</u>	
<u>\$ 7,483,285</u>	<u>\$ 27,594,125</u>	
\$ 183,165	\$ 2,551,555	
	428,972	
	60,563	
140,228	350,336	
<u>567,063</u>	<u>1,015,314</u>	
<u>890,456</u>	<u>4,406,740</u>	
	458,475	
	420,732	
7,396	1,157,053	
1,127,308	1,127,308	
13,908	101,826	
	10,462,146	
<u>5,444,217</u>	<u>9,459,845</u>	
<u>6,592,829</u>	<u>23,187,385</u>	
<u>\$ 7,483,285</u>	<u>\$ 27,594,125</u>	

JOHNSON COUNTY, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
September 30, 2007**Exhibit 3R
Page 1

Total fund balances - governmental funds balance sheet (Exhibit 3)	\$ 23,187,385
Amounts reported for <i>governmental activities</i> in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 94,340,742 in assets less \$ 33,739,523 in accumulated depreciation.	60,601,219
Judicial accounts receivables net of related allowance for uncollectible accounts are unavailable to pay for current period expenditures and availability of funds that are uncertain as to availability are not recorded in the funds. Judicial receivables of \$ 10,031,108 net of allowance for uncollectible accounts of \$ 4,074,811 in the general fund amounted to \$ 5,956,297.	5,956,297
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund, Road and Bridge special revenue fund, Indigent Care special revenue fund, Law Enforcement Center debt service fund, and the Equipment debt service fund amounted to \$ 379,124, \$ 69,127, \$ 19,884, \$ 33,478 and \$ 13,689, respectively.	515,302
Debt issuance costs are reported as current financial uses for governmental funds but the expenditures increase long-term assets in the statement of net assets. This amount is amortized over the life of the debt. Debt issuance costs of \$ 899,929 less accumulated amortization of \$ 240,874.	659,055
Payables for bond principal are not reported in the funds.	(24,610,098)
Payables for note principal are not reported in the funds.	(994,000)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 93,074 (premium on the sale of bonds of \$ 99,325 less amortization of \$ 6,251).	(93,074)
Payables for debt interest is not reported in the funds except for amounts received from the sale of bonds or issuance of notes after the issuance date. Total accrued interest payable of \$ 127,442.	(127,442)
Payables for compensated absences are not reported in the funds.	<u>(633,138)</u>
Net assets of governmental activities - statement of net assets (Exhibit 1)	<u>\$ 64,461,506</u>

The notes to the financial statements are an integral part of this statement.



JOHNSON COUNTY, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	Major Funds			
	General Fund	Road & Bridge Fund	Courthouse Renovation Construction Fund	Equipment Purchase Fund
Revenues:				
Taxes	\$ 23,297,177	\$ 3,919,242	\$	\$
Intergovernmental	1,234,093		1,522,012	
Fees	5,261,436	2,214,245		
Fines	1,800,849			
Investment income	837,688	235,691	53,529	42,006
Miscellaneous	641,905	1,027,674	3	
	<u>33,073,148</u>	<u>7,396,852</u>	<u>1,575,544</u>	<u>42,006</u>
Total revenues				
Expenditures:				
Current:				
General administration	5,726,065			27,210
Administration of justice	5,740,557			7,649
Financial administration	2,710,467			292,733
Elections	291,223			
Law enforcement	13,558,622			99,257
Highways and streets		5,052,147		
Health and welfare	373,882			16,189
Culture and recreation	1,194			
Conservation	114,090			
Capital outlay	296,185	539,429	3,522,205	1,017,339
Debt Service:				
Principal				
Interest and fiscal charges				
	<u>28,812,285</u>	<u>5,591,576</u>	<u>3,522,205</u>	<u>1,460,377</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>4,260,863</u>	<u>1,805,276</u>	<u>(1,946,661)</u>	<u>(1,418,371)</u>

<u>Non-Major Funds</u>		
<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
\$ 4,019,496	\$	31,235,915
1,285,142		4,041,247
1,132,351		8,608,032
79,790		1,880,639
366,915		1,535,829
<u>631,384</u>		<u>2,300,966</u>
<u>7,515,078</u>		<u>49,602,628</u>
656,471		6,409,746
202,764		5,950,970
5,758		3,008,958
4,290		295,513
1,501,910		15,159,789
395,213		5,447,360
645,602		1,035,673
6,270		7,464
		114,090
345,803		5,720,961
1,491,000		1,491,000
<u>1,271,587</u>		<u>1,271,587</u>
<u>6,526,668</u>		<u>45,913,111</u>
<u>988,410</u>		<u>3,689,517</u>

(continued)

JOHNSON COUNTY, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS - Continued**

For the Year Ended September 30, 2007

	Major Funds			
	General Fund	Road & Bridge Fund	Courthouse Renovation Construction Fund	Equipment Purchase Fund
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	\$ 60,988	\$ 29,000	\$	\$
Proceeds from tax notes				1,552,354
Proceeds from sale of bonds				
Premium on the sale of bonds				
Payment to escrow agent				
Transfers in	63,728			
Transfers out	(99,611)			
Total other financing sources and (uses)	<u>25,105</u>	<u>29,000</u>	<u>-0-</u>	<u>1,552,354</u>
Net change in fund balances	4,285,968	1,834,276	(1,946,661)	133,983
Fund balances - beginning (restated)	<u>7,711,083</u>	<u>2,675,311</u>	<u>1,845,276</u>	<u>55,320</u>
Fund balances - ending	<u>\$ 11,997,051</u>	<u>\$ 4,509,587</u>	<u>\$(101,385)</u>	<u>\$ 189,303</u>

The notes to the financial statements are an integral part of this statement.

<u>Non-Major Funds</u>	
<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 162,659	\$ 252,647
42,646	1,595,000
10,034,579	10,034,579
81,032	81,032
(9,938,058)	(9,938,058)
378,708	442,436
<u>(342,825)</u>	<u>(442,436)</u>
<u>418,741</u>	<u>2,025,200</u>
1,407,151	5,714,717
<u>5,185,678</u>	<u>17,472,668</u>
<u>\$ 6,592,829</u>	<u>\$ 23,187,385</u>

JOHNSON COUNTY, TEXAS**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO GOVERNMENTAL
ACTIVITIES STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2007

Exhibit 4R

Page 1

Net change in fund balances - total governmental funds (Exhibit 4)	\$	5,714,717
Amounts reported for <i>governmental activities</i> in the statement of activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$ 5,720,961 exceeded depreciation \$ 4,338,603 in the current period.		1,382,358
Contributions of capital assets are not reported in the funds, however, contributions of capital assets are reported as capital contributions in the governmental activities statement of activities. During the current year, \$ 3,744,150 of land and buildings were contributed to and accepted by the County.		3,744,150
Property tax revenues in the governmental activities statement of activities do not provide current available resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund, Road and Bridge special revenue fund, Indigent Health Care special revenue fund, Law Enforcement Center debt service fund, and Equipment debt service fund amounted to \$ 596,615, \$ 102,667, \$ 53,445, \$ 54,549, and \$(4,255), respectively.	(803,021)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The costs of assets disposed were \$ 188,803. (Cost of \$ 1,009,015 less accumulated depreciation of \$ 820,212).	(188,803)
Judicial revenues (resulting from accounts receivables net of related allowance for uncollectible accounts) In the governmental activities statement of activities does not provide current available resources and are not reported as revenues in the funds. The change in these net receivables resulted in a decrease in revenues reported in the governmental activities statement of activities.		598,567
Debt issuance cost is an expenditure in the governmental fund, but the cost increases long-term assets in the statement of net assets. This amount is amortized over the life of the debt. Debt issuance costs of \$ 263,661 less current amortization of \$ 78,370.		185,291
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net assets. The funds statements reported \$ 10,034,579 in bond proceeds and \$ 1,595,000 in note proceeds.	(11,629,579)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. The funds statements reported \$ 700,000 and \$ 791,000 in bond principal payments.		1,491,000

(continued)

JOHNSON COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO GOVERNMENTAL
ACTIVITIES STATEMENT OF ACTIVITIES - Continued**

For the Year Ended September 30, 2007

Exhibit 4R

Page 2

Payment to an escrow agent is reported as an other financing use in the governmental funds, but defeasement of the debt reduces long-term liabilities in the governmental activities statement of net assets. Payments to escrow agent of \$ 9,938,058 less \$ 288,597 in defeasement costs. \$ 9,649,461

Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net assets. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 76,757 (premium on sale of bonds of \$ 81,032 less amortization of \$ 4,275). (76,757)

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of accretion and accrued interest on long-term debt. Current bond accretion of \$ 129,077 less the change in accrued interest on bonds of \$ 2,676 (126,401)

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of change in compensated absences. (47,507)

Change in net assets of governmental activities (see Exhibit 2) \$ 9,893,476

The notes to the financial statements are an integral part of this statement.

JOHNSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2007

Exhibit 5

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and temporary investments	\$ 8,947,788
Receivables:	
Accounts receivable	163,713
Due from other funds	<u>18,416</u>
Total assets	<u>\$ 9,129,917</u>
<u>Liabilities</u>	
Accounts and accrued liabilities payable	\$ 178,528
Due to other funds	126,843
Amounts held for others	<u>8,824,546</u>
Total liabilities	<u>\$ 9,129,917</u>

The notes to the financial statements are an integral part of this statement.

JOHNSON COUNTY, TEXAS
Notes to the Financial Statements
For The Year Ended September 30, 2007

INDEX

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JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Johnson County, Texas (County) related to the funds in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity. Financial statements for component units can be obtained from the office of the County Auditor.

Included in the reporting entity:

Johnson County, Texas (Primary Government) -

The County is a political subdivision of the State of Texas. The County is governed by the Commissioners' Court, composed of four elected County Commissioners and an elected County Judge. Each of these officials serves a term of four years. The primary activities of the County include: the construction and maintenance of county roads, provision of public safety through a sheriff's department, support of area fire protection and ambulance service, administration of justice, correctional facilities, health and welfare services, culture and recreation, and other social and administrative services.

For the year ended September 30, 2007, no other organizations have been combined for either blended or discrete presentation in the County's financial statements. The following organizations are not considered "related organizations."

Excluded from the reporting entity:

Adult Probation -

This entity is considered a separate agency of the State of Texas. While the County provides office space, utilities, telephone and certain supplies, the operations of this unit are primarily provided for by the State. A separate board develops the operating budget, which is also approved and controlled by the State of Texas. Required County expenditures are disclosed as a department within the General Fund function of Corrections. Due to custodial responsibility, the accounts of this entity are reported as an Agency Fund of the County.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - continued

Johnson County Appraisal District -

This is a separate entity providing property appraisal services to all taxing units within the county. This entity has its own governing board, elected by the various taxing units, which it serves; however, the taxing units do not designate management or significantly influence operations. The Appraisal District's cost of operations is divided on a prorated basis among the various taxing units within the county. Johnson County's share of this cost is disclosed within the General Fund under the Financial Administration function.

Other entities within the county which provide similar services but are not included in the reporting entity because they do not meet the criteria are: municipalities, school districts, drainage districts, hospital districts, water districts and various non-profit organizations.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. For the most part, interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Johnson County has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The County has no enterprise fund.

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from property and other taxes, grants and contracts, fees (charges for services), fines (including forfeitures), and interest associated with the current fiscal period are all considered to be susceptible to accrual. 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.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - continued

The County has presented the following major governmental funds:

The *General fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

The *Road and Bridge special revenue fund* accounts for the property taxes and fees from auto registration, certificates of title, gross weight and axle fees, and approved expenditures for public transportation projects.

The *Courthouse Renovation Construction fund* accounts for grant revenues and local matching support authorized for renovation of the County's historic courthouse.

The *Equipment Purchase fund* accounts for tax note proceeds for the purpose of the acquisition and maintenance of the County's major equipment needs.

Additionally, the County reports the following fiduciary funds:

The *agency funds* account for assets that the government holds on behalf of others as their agent. The County's agency funds include unclaimed money, Tax Assessor/Collector, District and County Clerk trusts, Sheriff Department, Justice of the Peace, seizure and restitution, and Community Corrections and Supervision (Adult Probation) funds.

New Pronouncements

In April of 2004, the GASB issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)". This Statement provides uniform financial reporting for OPEB plans and supersedes the interim guidance included in Statement No. 26. Since the County maintains no OPEB plans, this statement will not have an impact on the disclosures in the notes to the financial statements.

In May of 2004, the GASB issued Statement No. 44, "Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1". This statement improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. This statement was implemented during the year ended September 30, 2006.

GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," was issued June 2004. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is effective for periods beginning after December 15, 2007. Since the County maintains no OPEB plans, this statement will not have an impact upon its financial position, results of operations or its cash flows upon adoption.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

GASB No. 46, "Net Assets Restricted by Enabling Legislation: an amendment of GASB Statement No. 34", was issued December 2004. This statement clarifies the meaning of legally enforceable as applied to restrictions on net asset use imposed by enabling legislation. This statement is effective for periods beginning after June 15, 2006. The statement was implemented and did not have a material impact on the County's financial statements.

GASB No. 47, "Accounting for Termination Benefits", was issued April 2005. This statement provides guidance for measuring, recognizing, and reporting liabilities and expense/expenditures related to all termination benefits, both voluntary and involuntary. This statement is effective for periods beginning after June 15, 2005. This statement was implemented during the year ended August 31, 2006. This statement has been implemented and did not have a material effect on the financial statements of the County.

GASB No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra Entity Transfers of Assets and Future Revenues", was issued September 2006. This statement provides guidance for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. This statement is effective for periods beginning after December 15, 2006. The statement was implemented and did not have an impact on the County's financial statements.

GASB No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", was issued November 2006. This statement provides guidance for pollution remediation obligations. This statement is effective for periods beginning after December 15, 2007. The management of the County does not believe that the implementation of this statement will have a material effect on the financial statements of the County.

GASB No. 50, "Pension Disclosures", was issued May 2007. This statement provides guidance for financial reporting by pension plans and by employers that provide defined benefit and contribution plans. This statement is effective for periods beginning after June 15, 2007. The management of the County does not believe that the implementation of this statement will have a material effect on the financial statements of the County.

GASB No. 51, "Accounting and Financial Reporting for Intangible Assets", was issued June 2007. This statement provides guidance for financial reporting of intangible assets for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The management of the County does not believe that the implementation of this statement will have a material effect on the financial statements of the County.

Budgetary Data

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The legal level of budgetary control is at the fund level of each fund. Any expenditure, which alters the total budgeted amounts of a fund must be approved by Commissioners' Court, and the budget amended. Budgets are adopted on a basis consistent with generally accepted accounting principles.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - continued

Annual appropriated budgets are adopted for the general fund, certain special revenue funds (Road and Bridge Fund, Lateral Roads Fund, Law Library Fund, Records Management and Preservation Fund, Records Archive – County Clerk Fund, Records Archive – District Clerk Fund, Justice of the Peace Technology Fund, Courthouse Security Fund, Juvenile Probation Fund, Juvenile Justice Alternative Education Fund, Special Crimes operations Fund, District Attorney Forfeiture Fund, Indigent Health Care Fund, TDSHS Cities Readiness Initiative Fund, STEP Grant Fund, Right of Way Fund, and Historical Society Fund), and debt service funds.

Prior to May 1 of each year, or as soon thereafter as practical, the County Judge, assisted by the County Auditor, prepares a proposed operating budget for the subsequent fiscal year beginning the following October 1st. The proposed operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues, other resources, and available fund balances.

Subsequent to May 15 and after proper publication of notice, a public hearing is conducted by the Commissioners' Court to obtain taxpayer comments. If an increase to the effective tax rate of more than 3% is proposed as a result of the proposed budget, additional notices and public hearings are required.

After the public hearing(s) the Commissioners' Court makes appropriate budget changes and adopts the budget through the passage of an order at a regularly scheduled meeting. A separate order is adopted to levy the taxes necessary to finance the budgeted expenditures.

Although the level of budgetary control is total revenues plus available fund balance, the County adopts its budget at a line-item level for managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditure purposes by department and type of expenditures (salaries and wages, and employee benefits; operating expenses/expenditures; and capital outlay).

Budget amendments to transfer budgeted amounts from one line item to another may be made at the discretion of Commissioners' Court. Amendments to provide for items not included in the original budget may be made by the Commissioners' Court upon finding and declaration of the existence of an emergency sufficient to require action. County management has no prerogative to amend the budget without the approval of Commissioners' Court. Appropriations not exercised in the current year lapse at the end of the year. Sixty-two supplemental budget amendments in the general and special revenue funds were deemed necessary due to the timing of planned expenditures and construction projects.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances continued

The following outstanding encumbrances were provided for in the subsequent year's budget:

Major Funds:	
General Fund	\$ 1,076,430
Road and Bridge (Special Revenue Fund)	73,227
Nonmajor funds	<u>7,396</u>
 Total	 <u>\$ 1,157,053</u>

Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and temporary investments under each fund's caption. Funds are allowed to exceed the amount of their equity in the pooled cash account. Funds with overdrawn accounts are disclosed as an interfund payable in the liability section of the balance sheet.

Property Taxes

Property taxes are levied as of October 1st of each year with statements prepared and mailed at that date or soon thereafter. The tax levy is based upon appraised property values as of each previous January 1st for all taxable property within the County. Payments are due and payable when taxes are levied and may be timely paid through January 31st. On February 1st, taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs. The lien date for property taxes is July 1st.

The appraisal of property within the county is the responsibility of the Johnson County Appraisal District. The Texas Legislature established the Appraisal District and the related Appraisal Review Board in 1979 through the adoption of a comprehensive Property Tax Code. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Real property is reappraised at least every four years. Under certain circumstances, taxpayers and taxing units including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Under the Code, the Commissioners' Court will continue to set annual tax rates on the property. The Code also provides that, if approved by the qualified voters in the Appraisal District, collection functions may be placed with the Appraisal District. The County bills and collects its property taxes and those of certain other taxing entities. Collections of those taxes pending distribution are accounted for in an agency fund.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The County is permitted by Article VIII, Section 9 of the State of Texas Constitution to levy taxes up to \$.80 per \$ 100 assessed valuation for general governmental services including payment of principal and interest on general long-term debt and maintenance of roads and bridges. Article 6790 of Vernon's Civil Statutes permits the County to collect an additional \$.15 per \$ 100 valuation for road and bridge purposes. Article 7048a of Vernon's Civil Statutes permits the County to collect \$.30 per \$ 100 valuation for road, bridge and flood control purposes.

The County's 2006 tax levy, supporting the 2007 fiscal period budget, totaled \$ 0.421794 per \$ 100 valuation and was comprised as follows:

Constitutional Levy:	
General Fund	\$ 0.314175
Indigent Health Care	0.013700
Road and Bridge	0.052790
Special Road and Bridge:	
Article 6790	-0-
Article 7048a	-0-
Debt Service:	
Law Enforcement Center Interest and Sinking:	
General Obligation Refunding Bonds, Series 2001;	
Certificates of Obligation Bonds, Series 2001;	
Certificates of Obligation Bonds, Series 2004;	
Certificates of Obligation Bonds, Series 2004A; and	
General Obligation Refunding Bonds, Series 2007	0.027179
Equipment Interest and Sinking:	
Tax Note, Series 2005; and Tax Note, Series 2006	<u>0.013950</u>
Combined tax rate	<u>\$ 0.421794</u>

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The County had no advances between funds. All activity between funds was for short-term cash flow requirements. See Note 4 for additional discussion of interfund receivables and payables.

Inventories

The County utilizes the consumption method to account for inventory. Under this method, inventory is considered an expenditure when used rather than when purchased. Significant inventories are reported on the balance sheet at cost, using the first-in, first-out method, with an offsetting reservation of fund balance in the governmental fund financial statements since they do not constitute "available spendable resources" even though they are a component of current assets. Inventories in the governmental funds are comprised of road materials, bulk fuel, parts, and chemicals.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment and vehicles, runways, infrastructure, and construction in progress are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2007, no capitalized interest was included in the cost of capital assets under construction.

Assets capitalized have an original cost of \$ 5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Leased assets are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings and improvements	5-50 Years
Furniture, equipment and vehicles	5-20 Years
Infrastructure	20-35 Years

Compensated Absences

Employees are allowed paid absences due to sickness and vacation time. Sick leave benefits are earned by all full time employees at a rate of 96 hours annually. The leave policy allows employees to accumulate up to ninety days of sick leave benefit. Sick leave benefits are recognized in the period in which time off is actually taken. Vacation benefits accrue monthly at rates depending upon an employee's length of service. Employees may accumulate a maximum of 18 months of vacation credits based on the earning rate and length of service. Employees who reach the maximum accumulated rate will not accrue additional time until they use sufficient vacation to bring their accumulated rate below the maximum level.

The liability for compensated absences disclosed in the financial statements represents accumulated vacation and compensatory time at September 30, 2007, computed at pay rates in effect at that time was \$ 633,138.

Compensated absence liabilities for governmental activities have been paid from the general fund and various special revenue funds.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

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.

Net Assets

Net assets represent the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net assets, as presented in the government-wide Statement of Net Assets, are reported when constraints placed on the use of net assets are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The County classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments as reported on the financial statements at September 30, 2007 are as follows:

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

	<u>Governmental</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash accounts)	\$ 3,353	\$	\$ 3,353
Financial Institution Deposits:			
Demand deposits	8,435,419	8,429,977	16,865,396
Local Government Investment Pool:			
Texpool	<u>16,402,963</u>	<u>517,811</u>	<u>16,920,774</u>
	<u>\$ 24,841,735</u>	<u>\$ 8,947,788</u>	<u>\$ 33,789,523</u>

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to them. The County requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

At year-end, in addition to petty cash of \$ 3,353, the carrying amount, of the County's deposits, was \$ 16,865,396, while the financial institution balances totaled \$ 18,475,447. Of these balances, \$ 3,631,282 represents amounts controlled by County courts and held by various financial institutions jointly under the name of the County and the courts beneficiaries and carrying the identification number of the beneficiaries. These accounts are entirely covered by federal deposit insurance. Of the financial institution balances, \$ 3,731,282 was covered by federal depository insurance coverage, and \$ 14,744,165 was covered by collateral held by the County's agent in the County's name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under written investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the investment policy, which is approved by Commissioners’ Court. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an “Investment Strategy Statement” that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the County will deposit funds is addressed. The County’s investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The County’s management believes it complied with the requirements of the PFIA and the County’s investment policy.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - continued

The County's Investment Officer submits an investment report each quarter to the Commissioners' Court. The report details the investment positions of the County and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas State law.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. No-load money market mutual funds: regulated by SEC, with a dollar-weighted average stated maturity of 90 days or less, includes in its investment objectives the maintenance of a stable \$ 1.00 net asset value per each share, and limited in quantity to the requirements, set forth in Chapter 2256, Government Code Section 2256.014;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit if issued by a state or national bank domiciled in the State of Texas and is: guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, secured in any manner and amount provided by law for deposits of the County;
7. Fully collateralized repurchase agreements, if it: has a defined termination date, is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act, requires the securities being purchased by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, is placed through a primary government securities dealer, approved by the County, or a financial institution doing business in the State of Texas;
8. Commercial paper is an authorized investment, if the commercial paper: has a stated maturity of 270 days or fewer from the date of its issuance, and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state;
9. Eligible investment pools if the Commissioners' Court by resolution authorizes investment in the particular pool. An investment pool shall invest funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds; and,

The County participates in Texpool, a Local Government Investment Pool. The State Comptroller oversees Texpool with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - continued

The County invests in Texpool to provide its liquidity needs. Texpool is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texpool is rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At September 30, 2007 Texpool had a weighted average maturity of 24 days. Although Texpool had a weighted average maturity of 24 days, the County considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

As of September 30, 2007, the County had the following investments:

<u>Investment Type</u>	<u>Interest Rate</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local Government Investment Pool:			
Texpool	Varies	\$ <u>16,920,774</u>	<u>1.00</u>
		\$ <u>16,920,774</u>	<u>1.00</u>

Credit Risk – As of September 30, 2007, the LGIP (which represent approximately 100.00% of the investment portfolio) are rated AAAM by Standard and Poor’s or AAA by Finch, therefore, the County does not have a significant exposure to credit risk.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities may be purchased, which complement each other in a structured manner that minimizes risk and meets the County’s cash flow requirements.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The County made no direct investments in derivatives during the year ended September 30, 2007, and holds no direct investments in derivatives at September 30, 2007.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES

Receivables and Allowances

Receivables as of September 30, 2007, for the government's individual governmental major and nonmajor funds, proprietary major fund, internal service funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				
	General Fund	Road & Bridge Fund	Courthouse Renovation Construction Fund	Other Governmental Funds	Total
Receivables:					
Taxes (property)	\$ 1,645,275	\$ 314,146	\$	\$ 286,669	\$ 2,246,090
Accounts receivable	4,137			32	4,169
Due from other governments	<u>125,868</u>	<u></u>	<u>428,553</u>	<u>183,380</u>	<u>737,801</u>
Gross receivables	1,775,280	314,146	428,553	470,081	2,988,060
Less Allowance For Uncollectibles:					
Taxes (property)	<u>1,149,255</u>	<u>225,259</u>	<u></u>	<u>199,126</u>	<u>1,573,640</u>
Net receivables	<u>\$ 626,025</u>	<u>\$ 88,887</u>	<u>\$ 428,553</u>	<u>\$ 270,955</u>	<u>\$ 1,414,420</u>
				Fiduciary Funds	
Receivables:					
Accounts receivable					<u>\$ 163,713</u>
Gross receivables					163,713
Less Allowance For Uncollectibles:					
Accounts receivable					<u>-0-</u>
Net receivables					<u>\$ 163,713</u>

Receivables From Other Governments

The County participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the County receives entitlements from the State through the legislative actions and taxes collected by the State on behalf of the County (other taxes). All federal grants shown below are either direct or passed through state or local agencies and are reported on the financial statements as due from other governments.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES - Continued

Receivables From Other Governments - continued

Amounts due from federal, state, and local governments as of September 30, 2007 are summarized below:

	State Entitlements and Taxes	Federal Grants	State Grants	Local Governments	Total
Major Governmental Funds:					
General Fund	\$ 42,073	\$ 45,141	\$ 32,656	\$ 5,998	\$ 125,868
Courthouse Renovation Construction Fund			428,553		428,553
Nonmajor governmental Funds	_____	183,380	_____	_____	183,380
 Total	<u>\$ 42,073</u>	<u>\$ 228,521</u>	<u>\$ 461,209</u>	<u>\$ 5,998</u>	<u>\$ 737,801</u>

Judicial Receivables

Judicial receivables are reported in the governmental activities statement of net assets. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to the County's various court assessments is determined based on historical experience and evaluation of collectibility in relation to the aging of customer accounts. The following is a summary of the receivable and allowance for uncollectible as of September 30, 2007:

	Judicial Receivable	Allowance for Uncollectible Accounts	Net Receivable
Judicial Receivables:			
Justice of the Peace	\$ 440,575	\$ 132,173	\$ 308,402
County courts	3,410,518	852,630	2,557,888
District courts	<u>6,180,015</u>	<u>3,090,008</u>	<u>3,090,007</u>
	<u>\$ 10,031,108</u>	<u>\$ 4,074,811</u>	<u>\$ 5,956,297</u>

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2007, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES - Continued

Deferred Revenue - continued

	Governmental Funds			Total
	General Fund	Road & Bridge Fund	Other Governmental Funds	
Unavailable:				
Delinquent property taxes receivable	\$ 379,124	\$ 69,127	\$ 67,051	\$ 515,302
Unearned:				
Federal grants			449,780	449,780
State grants			50,082	50,082
Other deposits			150	150
 Total	 \$ <u>379,124</u>	 \$ <u>69,127</u>	 \$ <u>567,063</u>	 \$ <u>1,015,314</u>

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2007 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>09-30-07</u>
General Fund	Road and Bridge Fund	\$ 3
General Fund	Other governmental funds	140,228
General Fund	Fiduciary funds	126,843
Road and Bridge Fund	General Fund	33,232
Other governmental funds	General Fund	141,268
Other governmental funds	Courthouse Renovation Construction Fund	17,189
Fiduciary funds	General	18,416
		<u>\$ 477,179</u>

Interfund receivables and payables represent short-term borrowings primarily for cash flow purposes. These include short-term borrowings for reimbursement grants and some revenue or expenditures/expense adjustments between funds at or near year-end.

Interfund transfers for the year ended September 30, 2007 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>09-30-07</u>
General Fund	Other governmental funds	\$ 63,728
Other governmental funds	General Fund	99,611
Other governmental funds	Other governmental funds	279,097
 Total		 \$ <u>442,436</u>

The Commissioners' Court approved these transfers, as transfers of operational funds to cover planned expenditures/expenses.

JOHNSON COUNTY, TEXAS
Notes to the Financial Statements
For The Year Ended September 30, 2007

NOTE 5 - CAPITAL ASSETS

Restatement of Prior Year Balances

	<u>Prior Balance 09-30-06</u>	<u>Prior Period Adjustments</u>	<u>Restated Balance 10-01-06</u>
Governmental Activities:			
Capital Assets, Not Depreciated:			
Land	\$ 677,245	\$	\$ 677,245
Construction in progress	<u>3,703,020</u>	<u>165,990</u>	<u>3,869,010</u>
Total capital assets not being depreciated	<u>4,380,265</u>	<u>165,990</u>	<u>4,546,255</u>
Capital Assets, Being Depreciated:			
Buildings and improvements	32,324,134	14,000	32,338,134
Furniture, equipment and vehicles	12,178,109	36,674	12,214,783
Infrastructure	<u>36,746,516</u>	<u>38,958</u>	<u>36,785,474</u>
Total capital assets being depreciated	<u>81,248,759</u>	<u>89,632</u>	<u>81,338,391</u>
Less Accumulated Depreciation For:			
Buildings and improvements	8,374,338	263,723	8,638,061
Furniture, equipment and vehicles	8,509,244	(447,660)	8,061,584
Infrastructure	<u>13,495,950</u>	<u>25,537</u>	<u>13,521,487</u>
Total accumulated depreciation	<u>30,379,532</u>	<u>(158,400)</u>	<u>30,221,132</u>
Total capital assets being depreciated, net	<u>50,869,227</u>	<u>248,032</u>	<u>51,117,259</u>
Governmental activities capital assets, net	<u>\$ 55,249,492</u>	<u>\$ 414,022</u>	<u>\$ 55,663,514</u>

Capital Transactions

	<u>Restated Balance 10-01-06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09-30-07</u>
Governmental Activities:				
Capital Assets, Not Depreciated:				
Land	\$ 677,245	\$ 311,710	\$ 15,150	\$ 973,805
Construction in progress	<u>3,869,010</u>	<u>3,534,442</u>	<u></u>	<u>7,403,452</u>
Total capital assets not being depreciated	<u>4,546,255</u>	<u>3,846,152</u>	<u>15,150</u>	<u>8,377,257</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	32,338,134	3,255,132	124,933	35,468,333
Furniture, equipment and vehicles	12,214,783	2,101,051	642,546	13,673,288
Infrastructure	<u>36,785,474</u>	<u>262,776</u>	<u>226,386</u>	<u>36,821,864</u>
Total capital assets being depreciated	<u>81,338,391</u>	<u>5,618,959</u>	<u>993,865</u>	<u>85,963,485</u>

(continued)

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 5 - CAPITAL ASSETS - Continued

Capital Transactions - continued

	Restated Balance 10-01-06	Additions	Retirements	Balance 09-30-07
Less Accumulated Depreciation For:				
Buildings and improvements	\$ 8,638,061	\$ 1,444,444	\$ 1,041	\$ 10,081,464
Furniture, equipment and vehicles	8,061,584	1,168,115	592,785	8,636,914
Infrastructure	<u>13,521,487</u>	<u>1,726,044</u>	<u>226,386</u>	<u>15,021,145</u>
 Total accumulated depreciation	 <u>30,221,132</u>	 <u>4,338,603</u>	 <u>820,212</u>	 <u>33,739,523</u>
 Total capital assets being depreciated, net	 <u>51,117,259</u>	 <u>1,280,356</u>	 <u>173,653</u>	 <u>52,223,962</u>
 Governmental activities capital assets, net	 <u>\$ 55,663,514</u>	 <u>\$ 5,126,508</u>	 <u>\$ 188,803</u>	 <u>\$ 60,601,219</u>

During the year ended September 30, 2007, the County received land, buildings, equipment and roads from various sources totaling \$ 3,744,150. The largest contribution of land and buildings came from Pecan Valley MHMR organization, in the amount of \$ 3,207,618.

Depreciation

Depreciation expense was charged as direct expense to functional categories of the County as follows:

	<u>09-30-07</u>
Governmental Activities:	
General government	\$ 932,853
Administration of justice	25,081
Law enforcement	1,085,307
Highways and streets	2,292,966
Health and welfare	<u>2,396</u>
	<u>\$ 4,338,603</u>

Construction Commitments

	Projects Authorized	Expended To Date	Commitment	Requiring Further Financing
September 30, 2007:				
Governmental Activities:				
Courthouse renovation (historic)	\$ <u>7,040,543</u>	\$ <u>6,503,020</u>	\$ <u>537,523</u>	<u>537,523</u>
 Total governmental activities	 <u>\$ 7,040,543</u>	 <u>\$ 6,503,020</u>	 <u>\$ 537,523</u>	 <u>\$ 537,523</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 6 - DISAGGREGATION OF ACCOUNTS AND ACCRUED LIABILITIES PAYABLE

Accounts and accrued liabilities payable as of September 30, 2007, for the government's individual governmental major and nonmajor funds, and fiduciary funds in the aggregate are as follows:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Road & Bridge Fund</u>	<u>Courthouse Renovation Construction Fund</u>
Accounts and Accrued Liabilities Payable:			
Vendors	\$ 361,566	\$ 297,227	\$ 571,383
Other governments	428,971		
Accrued compensation	<u>613,309</u>	<u>94,823</u>	<u> </u>
 Totals	 <u>\$ 1,403,846</u>	 <u>\$ 392,050</u>	 <u>\$ 571,383</u>

	<u>Governmental Funds</u>		
	<u>Equipment Construction and Maintenance Fund</u>	<u>Governmental Funds</u>	<u>Total</u>
Accounts and Accrued Liabilities Payable:			
Vendors	\$ 1,111	\$ 141,617	\$ 1,372,904
Other governments			428,971
Accrued compensation	<u> </u>	<u>41,548</u>	<u>749,680</u>
 Totals	 <u>\$ 1,111</u>	 <u>\$ 183,165</u>	 <u>\$ 2,551,555</u>

	<u>Fiduciary Funds</u>
Accounts and Accrued Liabilities Payable:	
Vendors	\$ 29,604
Accrued compensation	<u>148,924</u>
 Totals	 <u>\$ 178,528</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 7 - LONG-TERM DEBT

General Obligation Bonded Debt

General obligation and certificates of obligations payable at September 30, 2007, are summarized as follows:

	Interest Rate %	Series Dates			Bonds Outstanding 09-30-07
		Issued	Maturity	Callable	
General Obligation Refunding Bonds, Series 2001	6.20 - 6.45	2001	2010		\$ 1,095,000
Certificates of Obligation Bonds, Series 2001	4.15 - 5.70	2001	2014		5,355,000
Certificates of Obligation Bonds, Series 2004	3.00 - 4.35	2003	2024		4,745,000
Certificates of Obligation Bonds, Series 2004A	3.50 - 4.30	2004	2024		3,330,000
General Obligation Refunding Bonds, Series 2007	4.00 - 5.00	2007	2020		<u>10,085,098</u>
Total					<u>\$ 24,610,098</u>

General obligation and certificates of obligation bond transactions for the year ended September 30, 2006 were as follows:

Bonds outstanding, October 1, 2006	\$ 24,795,903
Issued	10,034,579
Accreted	129,077
Maturities	(700,000)
Defeased	<u>(9,649,461)</u>
Bonds outstanding, September 30, 2007	<u>\$ 24,610,098</u>

The \$ 809,902 difference between the general obligation bonds outstanding at August 31, 2007 of \$ 24,610,098 and the general obligation bond principal requirements of \$ 25,420,000 represents the amount of capital appreciation bonds to be accreted as interest over the life of these bonds.

The bond ordinances require that a tax be levied sufficient to pay current interest and create a sinking fund of not less than the amount to pay current principal and interest. For the year ended September 30, 2007, the amount of ad valorem taxes collected for interest and sinking were \$ 1,992,280, while the debt service requirements for principal and interest was \$ 1,890,186. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Debt - continued

The following is a summary of general obligation bond requirements by year as of September 30, 2007:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2008	\$ 890,000	\$ 952,454	\$ 1,842,454
2009	1,005,000	907,613	1,912,613
2010	1,145,000	857,110	2,002,110
2011	1,290,000	803,956	2,093,956
2012	1,440,000	747,469	2,187,469
2013-2017	9,365,000	2,884,154	12,249,154
2018-2022	9,015,000	1,004,895	10,019,895
2023-2027	<u>1,270,000</u>	<u>58,357</u>	<u>1,328,357</u>
	<u>\$ 25,420,000</u>	<u>\$ 8,216,008</u>	<u>\$ 33,636,008</u>

On March 27, 2007 the County sold \$ 10,895,000 of General Obligation Refunding Bonds, Series 2007. The net proceeds of \$ 9,938,058 were placed in escrow for the defeasement of \$ 9,649,961 in Certificate of Obligation, Series 2001 bonds. These refunding bonds (Series 2007) were issued for the purpose of generating resources and decreasing the total debt service payments. This refunding issue defeased a portion of the outstanding certificates of obligation bonds from the original issue of 2001. All future debt service payments on the original bonds were provided for by placing the proceeds of the refunding bonds in an irrevocable trust. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's basic financial statements.

The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding was a decrease of \$ 662,684. The economic gain resulting from the transaction was \$ 457,782. The balance of the escrow account and the liability for the defeased bonds as of September 30, 2007, was \$ 9,999,285 and \$ 10,068,702, respectively.

Tax Note Debt

Tax notes payable at September 30, 2007 are summarized as follows:

	<u>Interest Rate %</u>	<u>Series Dates</u>			<u>Bonds Outstanding 09-30-07</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
Tax Notes:					
Tax Note, Series 2006	7.75	2006	2009	n/a	<u>994,000</u>
Total					<u>\$ 994,000</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 7 - LONG-TERM DEBT - Continued

Tax note transactions for the year ended September 30, 2007 were as follows:

Notes outstanding, October 1, 2006	\$ 190,000
Issued	1,595,000
Maturities	<u>(791,000)</u>
Notes outstanding, September 30, 2007	<u>\$ 994,000</u>

On November, 9, 2006 the County issued \$ 1,595,000 of Tax Notes, Series 2006. These funds are to be utilized for major equipment acquisition and maintenance. The note requires that a tax be levied sufficient to pay current interest and create a sinking fund of not less than the amount to pay current principal and interest. For the year ended September 30, 2007, the amount of ad valorem taxes collected for interest and sinking was \$ 1,006,845, while the debt service requirements for principal and interest was \$ 872,401. The Tax note resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

The following is a summary of tax note requirements by year as of September 30, 2007:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2008	\$ 488,000	\$ 28,275	\$ 516,275
2009	<u>506,000</u>	<u>9,538</u>	<u>515,538</u>
	<u>\$ 994,000</u>	<u>\$ 37,813</u>	<u>\$ 1,031,813</u>

Changes in Outstanding Debt

Transactions for the year ended September 30, 2007 are summarized as follows:

	<u>Balance</u> <u>10-01-06</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09-30-07</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
Certificates of obligation and					
General obligation bonds\$	24,795,903	\$ 10,163,656	\$ 10,349,461	\$ 24,610,098	\$ 991,037
Tax notes	190,000	1,595,000	791,000	994,000	488,000
Component of Bonded Debt:					
Premium on bonds	16,317	81,032	4,275	93,074	7,216
Accrued interest	130,118	127,442	130,118	127,442	127,442
Compensated absences	<u>585,631</u>	<u>783,976</u>	<u>736,469</u>	<u>633,138</u>	<u>633,138</u>
Total governmental activities	<u>\$ 25,717,969</u>	<u>\$ 12,751,106</u>	<u>\$ 12,011,323</u>	<u>\$ 26,457,752</u>	<u>\$ 2,246,833</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 8 - LEASING OPERATIONS

Operating Leases - Lessor

The County is involved in various operating leases as lessor. These leases are for facilities rental. These leases expire from 2009 through 2015. The County has not determined the cost of these facilities as of September 30, 2007.

Minimum future rentals to be received on noncancelable leases, as of September 30, 2007, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>2007</u>
2008	\$ 108,188
2009	96,352
2010	13,500
2011	13,500
2012	13,500
2013-2015	<u>40,500</u>
	<u>\$ 285,540</u>

Gross rental income for operating leases, including month-to-month, for the year ended September 30, 2007 was \$ 108,188.

Operating Leases - Lessee

The County is involved in an operating lease with the City of Cleburne for parking facilities as lessee. This lease expires in 2022.

Minimum future rentals to be paid on noncancelable leases, as of September 30, 2007, for each of the next five years and in the aggregate are as follows:

<u>Year Ended September 30,</u>	<u>2007</u>
2008	\$ 3,600
2009	3,600
2010	3,600
2011	3,600
2012	3,600
2013-2017	18,000
2018-2022	<u>16,200</u>
	<u>\$ 52,200</u>

Gross rental expenditures for this operating lease for the year ended September 30, 2007 was \$ 3,600.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 9 - PENSION PLAN

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 575 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 their 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.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of the 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 7.02% for the months of the accounting year in 2006, and 7.53% for the months of the accounting year in 2007.

The contribution rate payable by the employee members for calendar years 2007 and 2006 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 9 - PENSION PLAN - Continued

Annual Pension Cost

For the employer’s accounting years ending September 30, 2007 and 2006, the annual pension cost for the TCDRS plan for its employees was \$ 1,464,630 and \$ 1,213,484, and the actual contributions were \$ 1,464,630 and \$ 1,213,484, respectively.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2005 and December 31, 2006, the basis for determining the 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, closed
Amortization period in years	20	20	15
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	SAF: 10 Year smoothed value ESP: Fund value
	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>
Actuarial Assumptions:			
Investment return ¹	8.0%	8.0%	8.0%
Projected salary increases ¹	5.5%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the stated rate

Trend Information

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/05	\$ 1,037,866	100.00%	\$ -0-
9/30/06	1,213,484	100.00%	-0-
9/30/07	1,464,630	100.00%	-0-

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 9 - PENSION PLAN - Continued

Annual Pension Cost - continued

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value 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	\$ 25,391,094	\$ 28,108,202	\$ 2,717,108	90.33%	\$ 14,891,809	18.25%
12/31/05	28,142,322	30,802,429	2,660,107	91.36%	15,991,223	16.63%
12/31/06	32,139,577	33,979,884	1,840,307	94.58%	17,769,690	10.36%

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

NOTE 10 - DEFICIT FUND BALANCES AND NET ASSETS

As of September 30, 2007, various funds of the County had deficit fund balances or net assets as itemized below:

	<u>2007</u>
Fund Balances:	
Capital Projects Funds:	
Courthouse Renovation Construction (major fund)	\$ 101,385
CSCD/Dispatch Construction (non-major fund)	11,949

Deficit balances will either be offset by future revenues or reimbursed by the General Fund.

NOTE 11 - GRANTS, ENTITLEMENTS AND SHARED REVENUES

During the year ended September 30, 2007, the County applied for and received federal and state grants related to various activities. The operations of these grants are reported in the general fund, various special revenue funds, capital projects fund, and the enterprise fund. For the most part, these grants are reimbursement type grants, therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues. The federal grants are covered by the requirements of the Single Audit Act and OMB Circular A-133. The state grants are covered by the State of Texas Single Audit Circular.

NOTE 12 - BAIL BOND COLLATERAL

The County holds, as collateral, time deposits and other cash equivalents and real property pledged toward bail bonds. The County does not have access to the assets unless the bond is violated; therefore, these assets are not reported in the financial statements of the County as of September 30, 2007. As of September 30, 2007, bail bonds outstanding totaled \$ 4,238,280 and collateral pledged against these bonds amounted to \$ 948,868, respectively.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 13 - LITIGATION

The County is involved in the following legal actions, and is represented by legal counsel. The stated probable outcome and the possible effect are the opinion of legal counsel based upon conditions existing as of March 25, 2008.

Cause No. 3-06-CV-0110H, styled *Donald Steven Bullard v. Johnson County*. Plaintiff claims that individuals employed by Johnson County including the District Judge, murdered his father, conspired to cover up the murder of his father and falsely imprisoned the Plaintiff. Liability is improbable. County contests liability. Potential loss, if any, cannot be fully assessed at this time. Insurance carrier has been notified.

Cause No. C:04-CXV-2066-D, styled *Peggy Johnson, individually and as the Administratrix of the Estate of Eugene Johnson, and as next friend of David Johnson, Jonathan Johnson v. Johnson County*. Lawsuit arises from an incident which occurred on September 1, 2002, in which Eugene Harry Johnson, Jr. committed suicide while incarcerated in the Johnson County Law Enforcement Center in Johnson County, Texas. Plaintiff's seek unspecified monetary damages for the wrongful death of Eugene Johnson including loss of companionship, mental anguish, loss of support, attorneys' fees and cost of court. County contests liability. Liability is improbable. Potential loss, if any, cannot be fully assessed at this time. Insurance carrier has been notified.

Cause No. 3-07-CV-462-A, styled *Patsy N. Keifer v. Johnson County Sheriff's Department, Johnson County, Texas, Amanda Simpson a/k/a Amanda Green, Loraine Stoneman and Estelle Yarnold* in the United States District Court for the Northern District of Texas, Fort Worth Division. Plaintiff claims an incident which took place on October 25, 2005, while she was incarcerated at the Johnson County Jail. Plaintiff complains that she was subjected to inhumane treatment when she was placed in a restraint chair. County contests liability. Liability is improbable. Potential loss, if any, cannot be fully assessed at this time. Insurance carrier has been notified.

Cause No. 352-219074-06, styled *Charles Moss v. Johnson County* in the 352nd District Court of Tarrant County, Texas. Plaintiff was involved in a motor vehicle accident with Johnson County Deputy Mary L. Corwin in the 7600 block of the South Freeway (I-35). Plaintiff claims Defendant Johnson County was negligent by failing to inspect the tires on the vehicle, failing to maintain the tires on the vehicle and failing to properly train its' employees. Lawsuit seeks actual damages, pre and post judgment interest, costs of suit and any further relief to which Plaintiff is justly entitled. County contests liability. Liability is not expected. Potential loss, if any, cannot be fully assessed at this time. Insurance carrier has been notified.

Cause No. 3-02CV2640-P, styled *William Frederick Piper 033823, Paul Thomas Roberts 018297, Robert Jason Jones 033873, Tony Mitchell 056508, confined at Johnson County Jail, Johnson County, Cleburne, Texas 76031 v. Bob Alford, Sheriff, Tom Craig, Captain/Administrator, Lieutenant Brown, Sergeant Prine, Sergeant Guffey, Corporal Rorick, and Corporal Kilcrease, Supervisors* in the Federal District Court for the Northern District of Texas, Dallas Division. Plaintiffs claim civil rights were violated while incarcerated at the Johnson County jail. Plaintiffs claim they have been denied access to an adequate law library and access to the courts. Damages unspecified. County contests liability. Liability is not expected. Potential loss, if any, cannot be fully assessed at this time. Insurance carrier has been notified.

The County has been notified of potential claims for which liability is disputed, no suits have been filed and the County's insurance carrier has been notified.

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

During the year ended September 30, 2007, County personnel determined that the balance sheet general ledger accounts contained numerous erroneous balances that appeared to have accumulated over a period of years. Upon thorough investigation of each account, the amounts, which represented prior period transactions, were adjusted to beginning equity balances as prior period adjustments. These balances were incorrectly reported as assets and liabilities as of September 30, 2006. Amounts for some other governmental funds (non-major) were not considered material, however, County personnel made such adjustments for purposes of consistency and to eliminate the effect on current year budget comparisons.

The following is a summary of prior period adjustments, restated to September 30, 2006 net assets, for governmental and business-type activities:

	<u>Governmental Activities</u>
Net Assets - September 30, 2006 (Previously Reported)	\$ <u>57,279,659</u>
Prior Period Adjustment:	
Over and Understatement of:	
Accounts receivable	(24,715)
Due from other governments	381,297
Judicial receivables (net)	(3,665,291)
Interfund receivables and payables	(69,218)
Prepaid insurance	419,066
Inventory	340,081
Bond issuance costs	247,572
Capital assets	255,622
Accumulated depreciation	158,400
Accounts payable (includes employee benefits)	(156,999)
Accrued compensation	126,841
Due to other governments	111,296
Due to others	18,529
Unearned and deferred revenue	(1,486,850)
Accrued interest on long-term debt	(6,829)
Premium on long-term debt	(16,317)
Compensated absences	67,570
Unreported funds	<u>588,316</u>
Net prior period adjustment	(<u>2,711,629</u>)
Net Assets - September 30, 2006 (Restated)	\$ <u>54,568,030</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 14 - PRIOR PERIOD ADJUSTMENTS - Continued

The following is a summary of prior period adjustments, restated to September 30, 2006 fund balances and net assets:

	Governmental Funds				Total
	General Fund	Road & Bridge Fund	Courthouse Renovation Construction Fund	Other Governmental Funds	
Fund Balances - September 30, 2006 (Previously Reported)	<u>\$ 7,073,102</u>	<u>\$ 2,336,572</u>	<u>\$ 1,661,519</u>	<u>\$ 5,132,998</u>	<u>\$ 16,204,191</u>
Prior Period Adjustments:					
Balance of Jury Fund previously reported as a special revenue fund					
Over and Understatement Of:					
Accounts receivable	(24,989)			274	(24,715)
Due from other governments	56,380		338,449	(13,533)	381,296
Interfund receivables and Payables	(76,433)	7,215			(69,218)
Prepaid insurance	419,066				419,066
Inventory		340,081			340,081
Accounts payable (includes Employee benefits)	9,258	(10,211)	(154,692)	(1,353)	(156,998)
Accrued compensation	124,570	1,654		617	126,841
Due to other governments	111,600			(304)	111,296
Due to others	18,529				18,529
Deferred revenue				(466,017)	(466,017)
Unreported funds				<u>588,316</u>	<u>588,316</u>
Net prior period adjustment	<u>637,981</u>	<u>338,739</u>	<u>183,757</u>	<u>108,000</u>	<u>1,268,477</u>
Fund Balances - September 30, 2006 (Restated)	<u>\$ 7,711,083</u>	<u>\$ 2,675,311</u>	<u>\$ 1,845,276</u>	<u>\$ 5,240,998</u>	<u>\$ 17,472,668</u>

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 14 - PRIOR PERIOD ADJUSTMENTS - Continued

The following is a summary of changes resulting from prior period adjustments, restated to September 30, 2006 fund balances, for other non-major governmental funds:

	Fund Balances September 30, 2006 (Previously Reported)	Net Prior Period Adjustment	Fund Balances September 30, 2006 (Restated)
Other Governmental Funds:			
Special Revenue Funds:			
Lateral Road Fund	\$ 26,300	\$	\$ 26,300
Law Library Fund	303,740		303,740
Records Management and Preservation Fund	847,363		847,363
Records Archive – County Clerk Fund	521,832		521,832
Records Archive – District Clerk Fund	30,122		30,122
Justice of the Peace Technology Fund	116,772		116,772
Courthouse Security Fund	47,534		47,534
Justice Court Technology Building Fund	6,194		6,194
Elections Services Contract Fund	45,791	274	46,065
Juvenile Probation Fees Fund	11,719		11,719
Juvenile Justice Grant Fund	8,706		8,706
Juvenile Probation Fund		49,251	49,251
Juvenile Justice Alternative Education Fund	80,966		80,966
Special Crimes Operation Fund	414,335	(1,352)	412,983
OJP Special Crimes Unit Fund			-0-
County Attorney Collection Fund		44,526	44,526
18 th District Attorney Fund	12,329		12,329
District Attorney Collection Fund	5,624		5,624
STOP Federal Forfeiture Fund	2,171		2,171
District Attorney Forfeiture Fund	39,621		39,621
Sheriff Forfeiture Fund	5,790		5,790
Constable LEOSE Fund	8,700		8,700
Sheriff LEOSE Fund	3,475		3,475
County Attorney LEOSE Fund	1,559		1,559
Abandoned Vehicle Fund	7,487		7,487
Sheriff LLEBG Fund	298	(298)	-0-
Sheriff Inmate Commissary Fund	72,258		72,258
Indigent Health Care Fund	1,307,629		1,307,629
Pecan Valley MHMR Fund			-0-
Teen Court Fund	153		153
TDSHS Cities Readiness Initiative Fund	12,917	(12,917)	-0-
CDBG County (HUD) Fund			-0-
STEP Grant Fund			-0-
Special Inventory Interest Fund		28,522	28,522
Right of Way Fund	507,424		507,424
Historical Society Account Fund	24,402		24,402

(Continued)

JOHNSON COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2007

NOTE 14 - PRIOR PERIOD ADJUSTMENTS - Continued

	Fund Balances September 30, 2006 (Previously Reported)	Net Prior Period Adjustment	Fund Balances September 30, 2006 (Restated)
Other Governmental Funds:			
Special Revenue Funds:			
Tobacco Grant Fund	\$ 6	\$(6)	\$ -0-
Debt Service Funds:			
Law Enforcement Center Interest & Sinking Fund	391,595		391,595
Equipment Interest & Sinking Fund	212,860		212,860
Capital Projects Funds:			
Equipment Construction and Maintenance Fund (1)	55,320		55,320
Jail Construction Fund			-0-
CSCD/Dispatch Construction Fund			-0-
General Capital Projects Fund	<u>6</u>		<u>6</u>
Total other governmental funds	<u>\$ 5,132,998</u>	<u>\$ 108,000</u>	<u>\$ 5,240,998</u>

(1) – Reported as a major fund for the year ended September 30, 2007.

The following is a detailed listing of prior period adjustments, restated to September 30, 2006 fund balances, for other non-major governmental funds:

	Net Prior Period Adjustment
Elections Services Contract Fund:	
Accounts receivable (grant)	<u>\$ 274</u>
Juvenile Probation Fund:	
Unreported	<u>\$ 49,251</u>
Special Crimes Operation Fund:	
Accounts payable	<u>\$(1,352)</u>
County Attorney Collection Fund:	
Unreported	<u>\$ 44,526</u>
Sheriff LLEBG Fund:	
Due to other governments (grant)	<u>\$(298)</u>
TDSHS Cities Readiness Initiative Fund:	
Due from other governments	\$ (13,534)
Accounts payable	<u>617</u>
	<u>\$(12,917)</u>
Special Inventory Interest Fund:	
Unreported	<u>\$ 28,522</u>
Tobacco Grant Fund:	
Due to other governments (grant)	<u>\$(6)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

JOHNSON COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
(ROAD AND BRIDGE FUND)**

For the Year Ended September 30, 2007

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 21,720,377	\$ 21,720,377	\$ 23,297,177	\$ 1,576,800
Intergovernmental	648,229	648,229	1,234,093	585,864
Fees	4,721,700	4,721,700	5,261,436	539,736
Fines	1,559,000	1,559,000	1,800,849	241,849
Investment income	1,200	1,200	837,688	836,488
Miscellaneous	983,877	983,877	641,905	(341,972)
Total revenues	<u>29,634,383</u>	<u>29,634,383</u>	<u>33,073,148</u>	<u>3,438,765</u>
Expenditures:				
Current:				
General government	6,715,918	7,130,654	5,726,065	1,404,589
Administration of justice	6,071,688	6,116,759	5,740,557	376,202
Financial administration	2,702,711	2,784,480	2,710,467	74,013
Elections	269,582	328,317	291,223	37,094
Law enforcement	14,047,845	14,520,947	13,558,622	962,325
Highways and street				-0-
Health and welfare	436,973	381,610	373,882	7,728
Culture and recreation		9,500	1,194	8,306
Conservation	136,357	136,692	114,090	22,602
Capital outlay	45,500	58,750	296,185	(237,435)
Total expenditures	<u>30,426,574</u>	<u>31,467,709</u>	<u>28,812,285</u>	<u>2,655,424</u>
Excess (deficiency) of revenues over expenditures	<u>(792,191)</u>	<u>(1,833,326)</u>	<u>4,260,863</u>	<u>783,341</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets			60,988	60,988
Transfers in	780,700	780,700	63,728	(716,972)
Transfers out	(100,000)	(100,000)	(99,611)	389
Total other financing sources (uses)	<u>680,700</u>	<u>680,700</u>	<u>25,105</u>	<u>(655,595)</u>
Net change in fund balances	<u>(111,491)</u>	<u>(1,152,626)</u>	<u>4,285,968</u>	<u>127,746</u>
Fund balances – beginning (restated)	<u>7,711,083</u>	<u>7,711,083</u>	<u>7,711,083</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 7,599,592</u>	<u>\$ 6,558,457</u>	<u>\$ 11,997,051</u>	<u>\$ 127,746</u>

The notes to the financial statements are an integral part of this statement.

Road and Bridge Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 3,670,318	\$ 3,670,318	\$ 3,919,242	\$ 248,924
			-0-
2,068,000	2,068,000	2,214,245	146,245
			-0-
146,000	146,000	235,691	89,691
<u>40,000</u>	<u>40,000</u>	<u>1,027,674</u>	<u>987,674</u>
<u>5,924,318</u>	<u>5,924,318</u>	<u>7,396,852</u>	<u>1,472,534</u>
			-0-
			-0-
			-0-
			-0-
			-0-
7,385,932	7,832,743	5,052,147	2,780,596
			-0-
			-0-
			-0-
<u>740,000</u>	<u>960,986</u>	<u>539,429</u>	<u>421,557</u>
<u>8,125,932</u>	<u>8,793,729</u>	<u>5,591,576</u>	<u>3,202,153</u>
(<u>2,201,614</u>)	(<u>2,869,411</u>)	<u>1,805,276</u>	<u>4,674,687</u>
		29,000	29,000
			-0-
			-0-
<u>-0-</u>	<u>-0-</u>	<u>29,000</u>	<u>29,000</u>
(<u>2,201,614</u>)	(<u>2,869,411</u>)	1,834,276	4,703,687
<u>2,675,311</u>	<u>2,675,311</u>	<u>2,675,311</u>	<u>-0-</u>
<u>\$ 473,697</u>	<u>\$(194,100)</u>	<u>\$ 4,509,587</u>	<u>\$ 4,703,687</u>

JOHNSON COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS
 LAST THREE YEARS

Exhibit 7

Actuarial Valuation Date	Actuarial Value of Assets*	Actuarial Accrued Liability* (AAL)- (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded (a/b)	Annual Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12-31-04	\$ 25,391,094	\$ 28,108,202	\$ 2,717,108	90.33%	\$ 14,891,809	18.25%
12-31-05	28,142,322	30,802,429	2,660,107	91.36%	15,991,223	16.63%
12-31-06	32,139,577	33,979,884	1,840,307	94.58%	17,769,690	10.36%

* As of December 31 of the preceding year, the date of the actuarial valuation.

** Annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Lateral Road Fund- This fund accounts for intergovernmental revenue received from the State of Texas for use restricted to lateral roads as defined by the State Department of Highways and Public Transportation. Reports concerned with the use of these resources are filed annually each fiscal year ended August 31 with the State Treasurer's office.

Law Library Fund - This fund accounts for the cost of operating and maintaining a law library for public use. Revenues are derived from law library fees assessed against each civil case filed in District and County courts.

Records Management and Preservation Fund - The "Records Management and Preservation" fee collected by the County and District Clerks pursuant to Local Government Code 118.011 is for the records management and preservation services performed after the filing and recording of a document in the records of the office of the clerk. The fee is used to provide funds for specific records preservation and automation projects.

Records Archive - County Clerk Fund – The "Records Archive" fee collected by the County Clerk, pursuant to Local Government Code 118.011 (f) is for the preservation and restoration services performed by the County Clerk in connection with maintaining a County Clerk's records archive.

Records Archive - District Clerk Fund – The "Records Archive" fee collected by the District Clerk, pursuant to Local Government Code 118.011 (f) is for the preservation and restoration services performed by the District Clerk in connection with maintaining a District Clerk's records archive.

Justice of the Peace Technology Fund - This fund accounts for the mandate that each Johnson County justice court assess a technology fee of \$ 4.00 as cost of court on each conviction, as defined by Art. 102.0173 Code of Criminal Procedure, for a fine-only misdemeanor committed on or after January 1, 2002. The use of this fee is restricted to the purchase of technological enhancements for a justice court.

Courthouse Security Fund – This fund accounts for funds used to monitor and increase courthouse security.

Justice Court Security Building Fund - The State Legislature amended the Court of Criminal Procedures Art. 102.017 by adding \$1 to the existing Courthouse Security Fund. The Justice of the Peace collect the funds and deposit them in a Justice Court building security fund for providing security services for a Justice Court located in a building that is not in the County Courthouse.

Elections Services Contract Fund - This fund accounts for surplus funds from Election Service Contracts under the Texas Election Code 31.003. Funds are used only to defray expenses of the county election officer's office in connection with election-related duties or functions.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - Continued

Juvenile Probations Fee Fund – This fund accounts for the receipt and disbursement of fees collected by the Juvenile Probation Department.

Juvenile Incentive Grant Fund - This fund accounts for the grant receipts and expenditures under the Juvenile Incentive program.

Juvenile Probation Fund - This fund accounts for revenues received from the Texas Juvenile Probation Commission to supplement expenditures of the County in administering a Juvenile Probation Department. The County operates under an approved budget with the TJPC and submits reports quarterly with an annual contract report submitted as of each fiscal year ended August 31.

Juvenile Justice Alternative Education Fund - This fund accounts for intergovernmental revenues from the Texas Juvenile Probation Commission to fund mandatory juvenile justice alternative education programs as required under Chapter 37, Texas Education Code.

Special Crime Operation Fund - This fund accounts for the funds utilized for the Special Crimes program.

OJP Special Crimes Unit Fund - This fund accounts grant funds utilized for the OJP Special Crimes grant program.

County Attorney Collection Fund – This fund accounts for receipt and disbursement of fees earned for the collection of bad checks issued in the County. Disbursement is at the discretion of the County Attorney.

18th Judicial Attorney Fund – This fund accounts for funds received from the state for salary supplements and welfare fraud expense reimbursements in the District Attorney's Office.

District Attorney Collection Fund - This fund accounts for receipt and disbursement of fees earned for the collection of bad checks issued in the County. Disbursement is at the discretion of the District Attorney.

STOP Federal Forfeiture Fund - This fund accounts for funds forfeited from the STOP seizure fund.

District Attorney Forfeiture - This fund accounts for funds forfeited by the court to the District Attorney. Disbursement is at the discretion of the District Attorney.

Sheriff Forfeiture - This fund accounts for funds forfeited by the court to the Sheriff. Disbursement is at the discretion of the Sheriff.

Constables LEOSE Fund - This fund accounts for fees provided for the utilized of law enforcement officers' educational expenditures under the Law Enforcement Officers Standards & Education program.

Sheriff LEOSE Fund - This fund accounts for fees provided for the utilized of law enforcement officers' educational expenditures under the Law Enforcement Officers Standards & Education program.

County Attorney LEOSE - This fund accounts for fees provided for the utilized of law enforcement officers' educational expenditures under the Law Enforcement Officers Standards & Education program.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - Continued

Abandoned Vehicle Fund - This fund is used to account for funds collected from the storage and sale of abandoned vehicles. Expenditures are for the costs of towing, processing and auctioning of these vehicles.

Sheriff Inmate Commissary Fund - This fund is used to account for jail inmates' purchase of food, toiletry items, and other supplies. Expenditures are for the purchase of stock and profits generated may be used by the Sheriff to purchase items for the benefit of the inmate population.

Indigent Health Care Fund - This fund is used to account for the cost of providing medical care to indigent County residents. Property taxes are allocated each year for this purpose.

Pecan Valley MHMR Fund – This fund is utilized to manage the properties (land and buildings) contributed to the County by the Pecan Valley MHMR organization.

Teen Court Fund - This fund accounts for the resources provided for the funding of the Teen Court.

TDHSH Cities Readiness Initiative Fund - This fund accounts for grant proceeds that allows the County to assist the Office of Public Health in the implementation of activities associated with the FY 04 Centers for Disease Control and Prevention (CDC) Public Health Preparedness and Response for Bioterrorism Cooperative Agreement. This project is designed to upgrade state and local public health jurisdictions' preparedness for a response to bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies.

CDBG County (HUD) Fund - This fund accounts for grant proceeds awarded for the installation of 10,560 linear feet of 8" water line, 20 service connections, 23 fire hydrants, and replace related fittings, gates, valves, service lines, and connection to the water system within the County.

STEP Grant Fund - This fund accounts for grant proceeds awarded for the Texas Traffic Safety Program – STEP Comprehension.

Special Inventory Interest Fund - This fund accounts for interest earned from the Tax Assessor/Collector Special Inventory Account to provide more efficient service to dealers. Disbursement is at the discretion of the Tax Assessor/Collector.

Right of Way Fund – This fund accounts for proceeds used to acquire right-of-way for various road projects throughout the County.

Historical Society Account Fund – This fund accounts for resources used to preserve the history and heritage of Johnson County.

Tobacco Grant Fund - This fund accounts for state grant revenues utilized to educate youth of the dangers of tobacco use.

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

Debt service funds account for the accumulation of resources from governmental resources and the payments of general obligation debt principal, interest and related costs.

Law Enforcement Center Interest & Sinking Fund - This fund is utilized to account for property tax collections for the repayment of general obligation bonded debt of the County.

Equipment Interest & Sinking - This fund is utilized to account for property tax collections for the repayment of tax anticipation notes issued to purchase major capital equipment used by the County.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Jail Construction Fund – This fund is used to account for the capital expenditures incurred in the construction of a new jail. This project was funded by the issuance of general obligation debt by the County.

CSCD/Dispatch Construction Fund - This fund is used to account for the capital expenditures incurred in the construction of adult probation facilities and sheriff dispatch facilities. This project has not been funded at this time.

General Capital Projects Fund - This fund is used to account for the capital expenditures incurred in ongoing County construction projects. These projects were funded by the issuance of general obligation debt by the County.

JOHNSON COUNTY, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007

	Special		
	Lateral Road Fund	Law Library Fund	Records Management and Preservation Fund
<u>Assets</u>			
Cash and temporary investments	\$ 33,742	\$ 376,501	\$ 1,038,911
Receivables (Net of Allowance for Uncollectibles):			
Taxes			
Accounts		32	
Due from other governments			
Due from other funds	_____	8,680	29,580
Total assets	\$ 33,742	\$ 385,213	\$ 1,068,491
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts and accrued liabilities payable	\$ _____	\$ 1,204	\$ 7,962
Due to other funds		31	
Deferred revenue	_____	_____	_____
Total liabilities	-0-	1,235	7,962
Fund Balance (Deficit):			
Reserved:			
Encumbrances		529	1,766
Debt service			
Unreserved:			
Designated for capital projects			
Undesignated	33,742	383,449	1,058,763
Total fund balance	33,742	383,978	1,060,529
Total liabilities and fund balance	\$ 33,742	\$ 385,213	\$ 1,068,491

Revenue Funds

Record Archives - County Clerk Fund	Record Archives - District Clerk Fund	Justice of the Peace Technology Fund	Courthouse Security Fund	Justice Court Security Building Fund	Election Services Contract Fund
\$ 535,660	\$ 42,350	\$ 155,883	\$ 50,899	\$ 18,248	\$ 103,627
<u>21,885</u>	<u>850</u>	<u>5,159</u>	<u>10,282</u>	<u>1,056</u>	
<u>\$ 557,545</u>	<u>\$ 43,200</u>	<u>\$ 161,042</u>	<u>\$ 61,181</u>	<u>\$ 19,304</u>	<u>\$ 103,627</u>
\$	\$	\$ 5	\$ 3,788	\$	\$ 25,000
<u>-0-</u>	<u>-0-</u>	<u>5</u>	<u>3,788</u>	<u>-0-</u>	<u>25,000</u>
<u>557,545</u>	<u>43,200</u>	<u>161,037</u>	<u>57,393</u>	<u>19,304</u>	<u>78,627</u>
<u>557,545</u>	<u>43,200</u>	<u>161,037</u>	<u>57,393</u>	<u>19,304</u>	<u>78,627</u>
<u>\$ 557,545</u>	<u>\$ 43,200</u>	<u>\$ 161,042</u>	<u>\$ 61,181</u>	<u>\$ 19,304</u>	<u>\$ 103,627</u>

(continued)

JOHNSON COUNTY, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS - Continued
September 30, 2007

	Special		
	Juvenile Probation Fees Fund	Juvenile Incentive Grant Fund	Juvenile Probation Fund
<u>Assets</u>			
Cash and temporary investments	\$ 20,346	\$ 9,041	\$ 479,721
Receivables (Net of Allowance for Uncollectibles):			
Taxes			
Accounts			
Due from other governments			121,299
Due from other funds			3,904
Total assets	\$ 20,346	\$ 9,041	\$ 604,924
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts and accrued liabilities payable	\$	\$	\$ 34,592
Due to other funds		9,041	
Deferred revenue			498,338
Total liabilities	-0-	9,041	532,930
Fund Balance (Deficit):			
Reserved:			
Encumbrances			4,981
Debt service			
Unreserved:			
Designated for capital projects			
Undesignated	20,346		67,013
Total fund balance	20,346	-0-	71,994
Total liabilities and fund balance	\$ 20,346	\$ 9,041	\$ 604,924

Revenue Funds

Juvenile Justice Alternative Education Fund	Special Crime Operation Fund	OJP Special Crimes Unit Fund	County Attorney Collection Fund	18th Judicial Attorney Fund	District Attorney Collection Fund
\$ 141,609	\$ 361,906	\$ 12,939	\$ 83,984	\$ 13,923	\$ 44,703
<u>1,864</u>	<u>45,312</u>	<u>39,615</u> <u>2,074</u>			
<u>\$ 143,473</u>	<u>\$ 407,218</u>	<u>\$ 54,628</u>	<u>\$ 83,984</u>	<u>\$ 13,923</u>	<u>\$ 44,703</u>
\$ 8,055	\$ 14,362	\$ 9,254	\$	\$	\$
<u>150</u>	<u>2,373</u>	<u>45,374</u>			
<u>8,205</u>	<u>16,735</u>	<u>54,628</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
120					
<u>135,148</u>	<u>390,483</u>		<u>83,984</u>	<u>13,923</u>	<u>44,703</u>
<u>135,268</u>	<u>390,483</u>	<u>-0-</u>	<u>83,984</u>	<u>13,923</u>	<u>44,703</u>
<u>\$ 143,473</u>	<u>\$ 407,218</u>	<u>\$ 54,628</u>	<u>\$ 83,984</u>	<u>\$ 13,923</u>	<u>\$ 44,703</u>

(continued)

JOHNSON COUNTY, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS - Continued
September 30, 2007

	<u>Special</u>		
	<u>STOP Federal Forfeiture Fund</u>	<u>District Attorney Forfeiture Fund</u>	<u>Sheriff Forfeiture Fund</u>
<u>Assets</u>			
Cash and temporary investments	\$ 2,300	\$ 59,271	\$ 18,771
Receivables (Net of Allowance for Uncollectibles):			
Taxes			
Accounts			
Due from other governments			
Due from other funds			
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,300</u>	<u>\$ 59,271</u>	<u>\$ 18,771</u>
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts and accrued liabilities payable	\$	\$	\$
Due to other funds			
Deferred revenue			
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance (Deficit):			
Reserved:			
Encumbrances			
Debt service			
Unreserved:			
Designated for capital projects			
Undesignated	<u>2,300</u>	<u>59,271</u>	<u>18,771</u>
Total fund balance	<u>2,300</u>	<u>59,271</u>	<u>18,771</u>
Total liabilities and fund balance	<u>\$ 2,300</u>	<u>\$ 59,271</u>	<u>\$ 18,771</u>

Revenue Funds

Constables LEOSE Fund	Sheriff LEOSE Fund	County Attorney LEOSE Fund	Abandoned Vehicle Fund	Sheriff Inmate Commissary Fund	Indigent Health Care Fund
\$ 5,963	\$ 7,987	\$ 1,404	\$ 6,273	\$ 101,565	\$ 1,716,141
					26,159
					<u>1,162</u>
<u>\$ 5,963</u>	<u>\$ 7,987</u>	<u>\$ 1,404</u>	<u>\$ 6,273</u>	<u>\$ 101,565</u>	<u>\$ 1,743,462</u>
\$ 1,390					\$ 75,857
					963
					<u>19,884</u>
<u>1,390</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>96,704</u>
<u>4,573</u>	<u>7,987</u>	<u>1,404</u>	<u>6,273</u>	<u>101,565</u>	<u>1,646,758</u>
<u>4,573</u>	<u>7,987</u>	<u>1,404</u>	<u>6,273</u>	<u>101,565</u>	<u>1,646,758</u>
<u>\$ 5,963</u>	<u>\$ 7,987</u>	<u>\$ 1,404</u>	<u>\$ 6,273</u>	<u>\$ 101,565</u>	<u>\$ 1,743,462</u>

(continued)

JOHNSON COUNTY, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS - Continued
September 30, 2007

	Special		
	Pecan Valley MHMR Fund	Teen Court Fund	TDSHS Cities Readiness Initiative Fund
<u>Assets</u>			
Cash and temporary investments	\$ 33,929	\$ 622	\$ 19,206
Receivables (Net of Allowance for Uncollectibles):			
Taxes			
Accounts			
Due from other governments			20,712
Due from other funds		20	
Total assets	\$ 33,929	\$ 642	\$ 39,918
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts and accrued liabilities payable	\$	\$	\$ 17,566
Due to other funds			22,352
Deferred revenue			
Total liabilities	-0-	-0-	39,918
Fund Balance (Deficit):			
Reserved:			
Encumbrances			
Debt service			
Unreserved:			
Designated for capital projects			
Undesignated	33,929	642	
Total fund balance	33,929	642	-0-
Total liabilities and fund balance	\$ 33,929	\$ 642	\$ 39,918

Revenue Funds

CDBG County (HUD) Fund	STEP Grant Fund	Special Inventory Interest Fund	Right of way Fund	Historical Society Account Fund	Tobacco Grant Fund
\$	\$ 8,092	\$ 13,158	\$ 375,794	\$ 27,311	\$ 223
	1,754	6,177			
\$ <u>-0-</u>	\$ <u>9,846</u>	\$ <u>19,335</u>	\$ <u>375,794</u>	\$ <u>27,311</u>	\$ <u>223</u>
\$	\$ 147	\$	\$ 10,050	\$	\$
	8,175			306	223
	1,524				
\$ <u>-0-</u>	\$ <u>9,846</u>	\$ <u>-0-</u>	\$ <u>10,050</u>	\$ <u>306</u>	\$ <u>223</u>
		19,335	365,744	27,005	
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>19,335</u>	\$ <u>365,744</u>	\$ <u>27,005</u>	\$ <u>-0-</u>
\$ <u>-0-</u>	\$ <u>9,846</u>	\$ <u>19,335</u>	\$ <u>375,794</u>	\$ <u>27,311</u>	\$ <u>223</u>

(continued)

JOHNSON COUNTY, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS - Continued
September 30, 2007

		Debt Service	
	Total Special Revenue Funds	Law Enforcement Center Interest & Sinking Fund	Equipment Interest & Sinking Fund
<u>Assets</u>			
Cash and temporary investments	\$ 5,922,003	\$ 704,861	\$ 388,101
Receivables (Net of Allowance for Uncollectibles):			
Taxes	26,159	43,494	17,890
Accounts	32		
Due from other governments	183,380		
Due from other funds	<u>138,005</u>	<u>2,399</u>	<u>18,053</u>
Total assets	<u>\$ 6,269,579</u>	<u>\$ 750,754</u>	<u>\$ 424,044</u>
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts and accrued liabilities payable	\$ 182,842	\$ 323	\$
Due to other funds	115,228		
Deferred revenue	<u>519,896</u>	<u>33,478</u>	<u>13,689</u>
Total liabilities	<u>817,966</u>	<u>33,801</u>	<u>13,689</u>
Fund Balance (Deficit):			
Reserved:			
Encumbrances	7,396		
Debt service	-0-	716,953	410,355
Unreserved:			
Designated for capital projects	-0-		
Undesignated	<u>5,444,217</u>		
Total fund balance	<u>5,451,613</u>	<u>716,953</u>	<u>410,355</u>
Total liabilities and fund balance	<u>\$ 6,269,579</u>	<u>\$ 750,754</u>	<u>\$ 424,044</u>

Funds	Capital Projects Funds				
Total Debt Service Funds	Jail Construction Fund	CSCD/ Dispatch Construction Fund	General Capital Projects Fund	Total Capital Projects Funds	Total Non-Major Governmental Funds
\$ 1,092,962	\$ 25,857	\$ 13,051	\$	\$ 38,908	\$ 7,053,873
61,384				-0-	87,543
-0-				-0-	32
-0-				-0-	183,380
<u>20,452</u>				<u>-0-</u>	<u>158,457</u>
<u>\$ 1,174,798</u>	<u>\$ 25,857</u>	<u>\$ 13,051</u>	<u>\$ -0-</u>	<u>\$ 38,908</u>	<u>\$ 7,483,285</u>
\$ 323	\$	\$	\$	\$ -0-	\$ 183,165
-0-		25,000		25,000	140,228
<u>47,167</u>				<u>-0-</u>	<u>567,063</u>
<u>47,490</u>	<u>-0-</u>	<u>25,000</u>	<u>-0-</u>	<u>25,000</u>	<u>890,456</u>
-0-				-0-	7,396
1,127,308				-0-	1,127,308
-0-	25,857	(11,949)		13,908	13,908
<u>-0-</u>				<u>-0-</u>	<u>5,444,217</u>
<u>1,127,308</u>	<u>25,857</u>	<u>(11,949)</u>	<u>-0-</u>	<u>13,908</u>	<u>6,592,829</u>
<u>\$ 1,174,798</u>	<u>\$ 25,857</u>	<u>\$ 13,051</u>	<u>\$ -0-</u>	<u>\$ 38,908</u>	<u>\$ 7,483,285</u>

JOHNSON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	Special		
	Lateral Road Fund	Law Library Fund	Records Management and Preservation Fund
Revenues:			
Taxes	\$	\$	\$
Intergovernmental	69,013		
Fees		119,232	412,971
Fines			
Investment income	2,858	16,666	46,608
Miscellaneous			414
Total revenues	<u>71,871</u>	<u>135,898</u>	<u>459,993</u>
Expenditures:			
Current:			
General government			246,827
Administration of justice		55,660	
Financial administration			
Elections			
Law enforcement			
Highways and streets	64,429		
Health and welfare			
Culture and recreation			
Capital outlay			
Debt Service:			
Principal			
Interest and fees			
Total expenditures	<u>64,429</u>	<u>55,660</u>	<u>246,827</u>
Excess (deficiency) of revenue over (under) expenditures	<u>7,442</u>	<u>80,238</u>	<u>213,166</u>
Other Financing Sources (Uses):			
Proceeds from the sale of capital assets			
Proceeds from tax notes			
Proceeds from the sale of bonds			
Premium on the sale of bonds			
Payment to escrow agent			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	7,442	80,238	213,166
Fund Balance (Deficits):			
Beginning of year (restated)	<u>26,300</u>	<u>303,740</u>	<u>847,363</u>
End of year	<u>\$ 33,742</u>	<u>\$ 383,978</u>	<u>\$ 1,060,529</u>

Revenue Funds

Record Archives - County Clerk Fund	Record Archives - District Clerk Fund	Justice of the Peace Technology Fund	Courthouse Security Fund	Justice Court Security Building Fund	Election Services Contract Fund
\$	\$	\$	\$	\$	\$
291,595	11,421	51,594	126,743	12,544	
24,780	1,657	6,607	2,185	566	4,247
<u>316,375</u>	<u>13,078</u>	<u>58,201</u>	<u>128,928</u>	<u>13,110</u>	<u>32,605</u>
280,662		13,936	119,069		4,290
<u>280,662</u>	<u>-0-</u>	<u>13,936</u>	<u>119,069</u>	<u>-0-</u>	<u>4,290</u>
<u>35,713</u>	<u>13,078</u>	<u>44,265</u>	<u>9,859</u>	<u>13,110</u>	<u>32,562</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
35,713	13,078	44,265	9,859	13,110	32,562
<u>521,832</u>	<u>30,122</u>	<u>116,772</u>	<u>47,534</u>	<u>6,194</u>	<u>46,065</u>
<u>\$ 557,545</u>	<u>\$ 43,200</u>	<u>\$ 161,037</u>	<u>\$ 57,393</u>	<u>\$ 19,304</u>	<u>\$ 78,627</u>

(continued)

JOHNSON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	Special		
	Juvenile Probation Fees Fund	Juvenile Incentive Grant Fund	Juvenile Probation Fund
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			568,181
Fees	11,938		
Fines			
Investment income	762		22,742
Miscellaneous			86
	12,700	-0-	591,009
Total revenues			
Expenditures:			
Current:			
General government			
Administration of justice			
Financial administration			
Elections			
Law enforcement	4,073	1	568,266
Highways and streets			
Health and welfare			
Culture and recreation			
Capital outlay			
Debt Service:			
Principal			
Interest and fees			
	4,073	1	568,266
Total expenditures			
Excess (deficiency) of revenue over (under) expenditures	8,627	(1)	22,743
Other Financing Sources (Uses):			
Proceeds from the sale of capital assets			
Proceeds from tax notes			
Proceeds from the sale of bonds			
Premium on the sale of bonds			
Payment to escrow agent			
Operating transfers in			
Operating transfers out		(8,705)	
	-0-	(8,705)	-0-
Total other financing sources (uses)			
Net change in fund balance	8,627	(8,706)	22,743
Fund Balance (Deficits):			
Beginning of year (restated)	11,719	8,706	49,251
End of year	\$ 20,346	\$ -0-	\$ 71,994

Revenue Funds

Juvenile Justice Alternative Education Fund	Special Crime Operation Fund	OJP Special Crimes Unit Fund	County Attorney Collection Fund	18th Judicial Attorney Fund	District Attorney Collection Fund
\$ 228,158	\$	\$ 98,723	\$ 20,033 54,333	\$ 40,906	\$ 37,875
6,550	17,936		3,189	580	1,179
<u>24,738</u>	<u>32,957</u>				<u>25</u>
<u>259,446</u>	<u>50,893</u>	<u>98,723</u>	<u>77,555</u>	<u>41,486</u>	<u>39,079</u>
			7,897	4,902	
304,755	73,393	98,723			
			10,167		
<u>304,755</u>	<u>73,393</u>	<u>98,723</u>	<u>18,064</u>	<u>4,902</u>	<u>-0-</u>
(45,309)	(22,500)	-0-	59,491	36,584	39,079
99,611			(20,033)	(34,990)	
<u>99,611</u>	<u>-0-</u>	<u>-0-</u>	<u>(20,033)</u>	<u>(34,990)</u>	<u>-0-</u>
54,302	(22,500)	-0-	39,458	1,594	39,079
80,966	412,983		44,526	12,329	5,624
<u>\$ 135,268</u>	<u>\$ 390,483</u>	<u>\$ -0-</u>	<u>\$ 83,984</u>	<u>\$ 13,923</u>	<u>\$ 44,703</u>

(continued)

JOHNSON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	Special		
	STOP Federal Forfeiture Fund	District Attorney Forfeiture Fund	Sheriff Forfeiture Fund
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			
Fees			
Fines		18,711	61,079
Investment income	129	2,239	1,319
Miscellaneous			
Total revenues	<u>129</u>	<u>20,950</u>	<u>62,398</u>
Expenditures:			
Current:			
General government			
Administration of justice		1,300	
Financial administration			
Elections			
Law enforcement			3,917
Highways and streets			
Health and welfare			
Culture and recreation			
Capital outlay			45,500
Debt Service:			
Principal			
Interest and fees			
Total expenditures	<u>-0-</u>	<u>1,300</u>	<u>49,417</u>
Excess (deficiency) of revenue over (under) expenditures	<u>129</u>	<u>19,650</u>	<u>12,981</u>
Other Financing Sources (Uses):			
Proceeds from the sale of capital assets			
Proceeds from tax notes			
Proceeds from the sale of bonds			
Premium on the sale of bonds			
Payment to escrow agent			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	129	19,650	12,981
Fund Balance (Deficits):			
Beginning of year (restated)	<u>2,171</u>	<u>39,621</u>	<u>5,790</u>
End of year	<u>\$ 2,300</u>	<u>\$ 59,271</u>	<u>\$ 18,771</u>

Revenue Funds

Constables LEOSE Fund	Sheriff LEOSE Fund	County Attorney LEOSE Fund	Abandoned Vehicle Fund	Sheriff Inmate Commissary Fund	Indigent Health Care Fund
\$ 67,445	\$ 15,940	\$ 919	\$	\$	\$ 1,013,928
			1,635		96,067
437	433	67	328	4,131	86,761
	671			368,863	4,276
<u>67,882</u>	<u>17,044</u>	<u>986</u>	<u>1,963</u>	<u>372,994</u>	<u>1,201,032</u>
		1,141			
72,009	12,532		3,177	343,687	
					582,806
<u>72,009</u>	<u>12,532</u>	<u>1,141</u>	<u>3,177</u>	<u>343,687</u>	<u>582,806</u>
(4,127)	4,512	(155)	(1,214)	29,307	618,226
					(279,097)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(279,097)</u>
(4,127)	4,512	(155)	(1,214)	29,307	339,129
8,700	3,475	1,559	7,487	72,258	1,307,629
<u>\$ 4,573</u>	<u>\$ 7,987</u>	<u>\$ 1,404</u>	<u>\$ 6,273</u>	<u>\$ 101,565</u>	<u>\$ 1,646,758</u>

(continued)

JOHNSON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	Special		
	Pecan Valley MHMR Fund	Teen Court Fund	TDSHS Cities Readiness Initiative Fund
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			52,924
Fees		470	
Fines			
Investment income	230	19	416
Miscellaneous	10		
Total revenues	<u>240</u>	<u>489</u>	<u>53,340</u>
Expenditures:			
Current:			
General government	128,970		
Administration of justice			
Financial administration			
Elections			
Law enforcement			
Highways and streets			
Health and welfare			53,340
Culture and recreation			
Capital outlay			
Debt Service:			
Principal			
Interest and fees			
Total expenditures	<u>128,970</u>	<u>-0-</u>	<u>53,340</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(128,730)</u>	<u>489</u>	<u>-0-</u>
Other Financing Sources (Uses):			
Proceeds from the sale of capital assets	162,659		
Proceeds from tax notes			
Proceeds from the sale of bonds			
Premium on the sale of bonds			
Payment to escrow agent			
Operating transfers in			
Operating transfers out			
Total other financing sources (uses)	<u>162,659</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	33,929	489	-0-
Fund Balance (Deficits):			
Beginning of year (restated)		153	
End of year	<u>\$ 33,929</u>	<u>\$ 642</u>	<u>\$ -0-</u>

Revenue Funds

CDBG County (HUD) Fund	STEP Grant Fund	Special Inventory Interest Fund	Right of way Fund	Historical Society Account Fund	Tobacco Grant Fund
\$ 9,456	\$ 17,377		\$ 6,443	\$	\$
		18,717	23,422	1,373	
			159,239	7,500	
<u>9,456</u>	<u>17,377</u>	<u>18,717</u>	<u>189,104</u>	<u>8,873</u>	<u>-0-</u>
		4,617			
9,456	17,377		330,784		
		23,287		6,270	
<u>9,456</u>	<u>17,377</u>	<u>27,904</u>	<u>330,784</u>	<u>6,270</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>(9,187)</u>	<u>(141,680)</u>	<u>2,603</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>(9,187)</u>	<u>(141,680)</u>	<u>2,603</u>	<u>-0-</u>
		28,522	507,424	24,402	
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19,335</u>	<u>\$ 365,744</u>	<u>\$ 27,005</u>	<u>\$ -0-</u>

(continued)

JOHNSON COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2007

	Total Special Revenue Funds	Law Enforcement Center Interest & Sinking Fund	Debt Service Equipment Interest & Sinking Fund
Revenues:			
Taxes	\$ 1,020,371	\$ 1,992,280	\$ 1,006,845
Intergovernmental	1,285,142		
Fees	1,132,351		
Fines	79,790		
Investment income	299,133	45,711	20,405
Miscellaneous	631,384		
Total revenues	4,448,171	2,037,991	1,027,250
Expenditures:			
Current:			
General government	656,459		
Administration of justice	202,764		
Financial administration	5,758		
Elections	4,290		
Law enforcement	1,501,910		
Highways and streets	395,213		
Health and welfare	645,602		
Culture and recreation	6,270		
Capital outlay	78,954		
Debt Service:			
Principal	-0-	700,000	791,000
Interest and fees	-0-	1,190,186	81,401
Total expenditures	3,497,220	1,890,186	872,401
Excess (deficiency) of revenue over (under) expenditures	950,951	147,805	154,849
Other Financing Sources (Uses):			
Proceeds from the sale of capital assets	162,659		
Proceeds from tax notes	-0-		42,646
Proceeds from the sale of bonds	-0-	10,034,579	
Premium on the sale of bonds	-0-	81,032	
Payment to escrow agent	-0-	(9,938,058)	
Operating transfers in	99,611		
Operating transfers out	(342,825)		
Total other financing sources (uses)	(80,555)	177,553	42,646
Net change in fund balance	870,396	325,358	197,495
Fund Balance (Deficits):			
Beginning of year (restated)	4,581,217	391,595	212,860
End of year	\$ 5,451,613	\$ 716,953	\$ 410,355

Funds		Capital Projects Funds				
Total Debt Service Fund	Jail Construction Fund	CSCD/ Dispatch Construction Fund	General Capital Projects Fund	Total Capital Projects Fund	Total Non-Major Governmental Funds	
\$ 2,999,125	\$	\$	\$	\$ -0-	\$ 4,019,496	
-0-				-0-	1,285,142	
-0-				-0-	1,132,351	
-0-				-0-	79,790	
66,116	1,371	289	6	1,666	366,915	
-0-				-0-	631,384	
<u>3,065,241</u>	<u>1,371</u>	<u>289</u>	<u>6</u>	<u>1,666</u>	<u>7,515,078</u>	
-0-			12	12	656,471	
-0-				-0-	202,764	
-0-				-0-	5,758	
-0-				-0-	4,290	
-0-				-0-	1,501,910	
-0-				-0-	395,213	
-0-				-0-	645,602	
-0-				-0-	6,270	
-0-	254,611	12,238		266,849	345,803	
1,491,000				-0-	1,491,000	
<u>1,271,587</u>				<u>-0-</u>	<u>1,271,587</u>	
<u>2,762,587</u>	<u>254,611</u>	<u>12,238</u>	<u>12</u>	<u>266,861</u>	<u>6,526,668</u>	
<u>302,654</u>	<u>(253,240)</u>	<u>(11,949)</u>	<u>(6)</u>	<u>(265,195)</u>	<u>988,410</u>	
-0-				-0-	162,659	
42,646				-0-	42,646	
10,034,579				-0-	10,034,579	
81,032				-0-	81,032	
(9,938,058)				-0-	(9,938,058)	
-0-	279,097			279,097	378,708	
-0-				-0-	(342,825)	
<u>220,199</u>	<u>279,097</u>	<u>-0-</u>	<u>-0-</u>	<u>279,097</u>	<u>418,741</u>	
522,853	25,857	(11,949)	(6)	13,902	1,407,151	
<u>604,455</u>			<u>6</u>	<u>6</u>	<u>5,185,678</u>	
<u>\$ 1,127,308</u>	<u>\$ 25,857</u>	<u>\$(11,949)</u>	<u>\$ -0-</u>	<u>\$ 13,908</u>	<u>\$ 6,592,829</u>	

JOHNSON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR)**

For the Year Ended September 30, 2007

	Lateral Road Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 69,200	\$ 69,200	\$ 69,013	\$(187)
Fees				-0-
Investment income	<u>2,000</u>	<u>2,000</u>	<u>2,858</u>	<u>858</u>
Total revenues	<u>71,200</u>	<u>-0-</u>	<u>71,871</u>	<u>671</u>
Expenditures:				
Current:				
Administration of justice				-0-
Highways and streets	<u>69,200</u>	<u>69,200</u>	<u>64,429</u>	<u>4,771</u>
Total expenditures	<u>69,200</u>	<u>69,200</u>	<u>64,429</u>	<u>4,771</u>
Excess (deficiency) of revenues over expenditures	<u>2,000</u>	<u>2,000</u>	<u>7,442</u>	<u>5,442</u>
Other Financing Sources (Uses):				
Transfers in				
Transfers out				
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	2,000	2,000	7,442	5,442
Fund balances – beginning (restated)	<u>26,300</u>	<u>26,300</u>	<u>26,300</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 28,300</u>	<u>\$ 28,300</u>	<u>\$ 33,742</u>	<u>\$ 5,442</u>

Law Library Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$	\$	\$	\$ -0-
96,200	96,200	119,232	23,032
<u>10,500</u>	<u>10,500</u>	<u>16,666</u>	<u>6,166</u>
<u>106,700</u>	<u>106,700</u>	<u>135,898</u>	<u>29,198</u>
92,290	92,290	55,660	36,630
<u>92,290</u>	<u>92,290</u>	<u>55,660</u>	<u>36,630</u>
<u>14,410</u>	<u>14,410</u>	<u>80,238</u>	<u>65,828</u>
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
14,410	14,410	80,238	65,828
<u>303,740</u>	<u>303,740</u>	<u>303,740</u>	<u>-0-</u>
<u>\$ 318,150</u>	<u>\$ 318,150</u>	<u>\$ 383,978</u>	<u>\$ 65,828</u>

(continued)

JOHNSON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued**

For the Year Ended September 30, 2007

	Records Management & Preservation Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Fees	\$ 249,000	\$ 249,000	\$ 412,971	\$ 163,971
Investment income	26,000	26,000	46,608	20,608
Miscellaneous			414	414
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>459,993</u>	<u>184,993</u>
Expenditures:				
Current:				
General government	283,754	283,754	246,827	36,927
Total expenditures	<u>283,754</u>	<u>283,754</u>	<u>246,827</u>	<u>36,927</u>
Excess (deficiency) of revenues over expenditures	(8,754)	(8,754)	213,166	221,920
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				-0-
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	(8,754)	(8,754)	213,166	221,920
Fund balances – beginning (restated)	<u>847,363</u>	<u>847,363</u>	<u>847,363</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 838,609</u>	<u>\$ 838,609</u>	<u>\$ 1,060,529</u>	<u>\$ 221,920</u>

Records Archive County Clerk Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 235,000	\$ 235,000	\$ 291,595	\$ 56,595
14,000	14,000	24,780	10,780
<u>249,000</u>	<u>249,000</u>	<u>316,375</u>	<u>-0-</u>
<u>300,000</u>	<u>300,000</u>	<u>280,662</u>	<u>19,338</u>
<u>300,000</u>	<u>300,000</u>	<u>280,662</u>	<u>19,338</u>
(51,000)	(51,000)	35,713	86,713
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(51,000)	(51,000)	35,713	86,713
<u>521,832</u>	<u>521,832</u>	<u>521,832</u>	<u>-0-</u>
\$ <u>470,832</u>	\$ <u>470,832</u>	\$ <u>557,545</u>	\$ <u>86,713</u>

(continued)

JOHNSON COUNTY, TEXAS

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued*

For the Year Ended September 30, 2007

	Records Archive District Clerk Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Fees	\$ 10,000	\$ 10,000	\$ 11,421	\$ 1,421
Investment income	<u>800</u>	<u>800</u>	<u>1,657</u>	<u>857</u>
Total revenues	<u>10,800</u>	<u>10,800</u>	<u>13,078</u>	<u>2,278</u>
Expenditures:				
Current:				
Administration of justice				-0-
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	<u>10,800</u>	<u>10,800</u>	<u>13,078</u>	<u>2,278</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	10,800	10,800	13,078	2,278
Fund balances – beginning (restated)	<u>30,122</u>	<u>30,122</u>	<u>30,122</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 40,922</u>	<u>\$ 40,922</u>	<u>\$ 43,200</u>	<u>\$ 2,278</u>

Justice of the Peace Technology Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 48,000	\$ 48,000	\$ 51,594	\$ 3,594
<u>3,400</u>	<u>3,400</u>	<u>6,607</u>	<u>3,207</u>
<u>51,400</u>	<u>51,400</u>	<u>58,201</u>	<u>6,801</u>
<u>18,050</u>	<u>25,910</u>	<u>13,936</u>	<u>11,974</u>
<u>18,050</u>	<u>25,910</u>	<u>13,936</u>	<u>11,974</u>
<u>33,350</u>	<u>25,490</u>	<u>44,265</u>	<u>18,775</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
33,350	25,490	44,265	18,775
<u>116,772</u>	<u>116,772</u>	<u>116,772</u>	<u>-0-</u>
\$ <u><u>150,122</u></u>	\$ <u><u>142,262</u></u>	\$ <u><u>161,037</u></u>	\$ <u><u>18,775</u></u>

(continued)

JOHNSON COUNTY, TEXAS

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued*

For the Year Ended September 30, 2007

	Courthouse Security Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$	\$	\$	\$ -0-
Fees	105,000	105,000	126,743	21,743
Investment income	1,600	1,600	2,185	585
Miscellaneous				-0-
Total revenues	<u>106,600</u>	<u>106,600</u>	<u>128,928</u>	<u>22,328</u>
Expenditures:				
Current:				
Administration of justice	119,849	119,849	119,069	780
Law enforcement				-0-
Total expenditures	<u>119,849</u>	<u>119,849</u>	<u>119,069</u>	<u>780</u>
Excess (deficiency) of revenues over expenditures	(13,249)	(13,249)	9,859	23,108
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				-0-
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	(13,249)	(13,249)	9,859	23,108
Fund balances – beginning (restated)	<u>47,534</u>	<u>47,534</u>	<u>47,534</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 34,285</u>	<u>\$ 34,285</u>	<u>\$ 57,393</u>	<u>\$ 23,108</u>

Juvenile Probation Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 790,402	\$ 790,402	\$ 568,181	\$(222,221)
		22,742	-0-
		86	22,742
<u>790,402</u>	<u>790,402</u>	<u>591,009</u>	<u>(199,393)</u>
<u>790,402</u>	<u>790,402</u>	<u>568,266</u>	<u>-0-</u>
<u>790,402</u>	<u>790,402</u>	<u>568,266</u>	<u>222,136</u>
<u>-0-</u>	<u>-0-</u>	<u>22,743</u>	<u>22,743</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>22,743</u>	<u>22,743</u>
<u>49,251</u>	<u>49,251</u>	<u>49,251</u>	<u>-0-</u>
<u>\$ 49,251</u>	<u>\$ 49,251</u>	<u>\$ 71,994</u>	<u>\$ 22,743</u>

(continued)

JOHNSON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued**

For the Year Ended September 30, 2007

	Juvenile Justice Alternative Education Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$ 194,548	\$ 194,548	\$ 228,158	\$ 33,610
Investment income	7,000	7,000	6,550	(450)
Miscellaneous			24,738	24,738
Total revenues	<u>201,548</u>	<u>201,548</u>	<u>259,446</u>	<u>57,898</u>
Expenditures:				
Current:				
Law enforcement	329,199	329,199	304,755	24,444
Total expenditures	<u>329,199</u>	<u>329,199</u>	<u>304,755</u>	<u>24,444</u>
Excess (deficiency) of revenues over expenditures	(127,651)	(127,651)	(45,309)	82,342
Other Financing Sources (Uses):				
Transfers in	99,611	99,611	99,611	-0-
Transfers out				-0-
Total other financing sources (uses)	<u>99,611</u>	<u>99,611</u>	<u>99,611</u>	<u>-0-</u>
Net change in fund balances	(28,040)	(28,040)	54,302	82,342
Fund balances – beginning (restated)	<u>80,966</u>	<u>80,966</u>	<u>80,966</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 52,926</u>	<u>\$ 52,926</u>	<u>\$ 135,268</u>	<u>\$ 82,342</u>

Special Crimes Operations Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 16,000	\$ 16,000	\$ 17,936	\$ -0- 1,936
<u>16,000</u>	<u>16,000</u>	<u>32,957</u>	<u>32,957</u>
26,120	79,620	73,393	6,227
<u>26,120</u>	<u>79,620</u>	<u>73,393</u>	<u>6,227</u>
(10,120)	(63,620)	(22,500)	41,120
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(10,120)	(63,620)	(22,500)	41,120
<u>412,983</u>	<u>412,983</u>	<u>412,983</u>	<u>-0-</u>
<u>\$ 402,863</u>	<u>\$ 349,363</u>	<u>\$ 390,483</u>	<u>\$ 41,120</u>

(continued)

JOHNSON COUNTY, TEXAS

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued*

For the Year Ended September 30, 2007

	District Attorney Forfeiture Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Fines	\$	\$	\$ 18,711	\$ 18,711
Investment income			2,239	2,239
Total revenues	-0-	-0-	20,950	20,950
Expenditures:				
Current:				
Administration of justice	4,550	5,550	1,300	4,250
Law enforcement				-0-
Capital outlay				-0-
Total expenditures	4,550	5,550	1,300	4,250
Excess (deficiency) of revenues over expenditures	(4,550)	(5,550)	19,650	25,200
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out	(21,000)	(21,000)		21,000
Total other financing sources (uses)	(21,000)	(21,000)	-0-	21,000
Net change in fund balances	(25,550)	(26,550)	19,650	46,200
Fund balances – beginning (restated)	39,621	39,621	39,621	-0-
Fund balances – ending	\$ 14,071	\$ 13,071	\$ 59,271	\$ 46,200

Sheriff Forfeiture Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$	\$	\$ 61,079	\$ 61,079
		1,319	1,319
-0-	-0-	62,398	62,398
			-0-
4,700	7,450	3,917	3,533
	45,500	45,500	-0-
4,700	52,950	49,417	3,533
(4,700)	(52,950)	12,981	65,931
			-0-
-0-	-0-	-0-	-0-
			-0-
(4,700)	(52,950)	12,981	65,931
5,790	5,790	5,790	-0-
\$ 1,090	\$(47,160)	\$ 18,771	\$ 65,931

(continued)

JOHNSON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued**

For the Year Ended September 30, 2007

	Indigent Health Care Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 964,031	\$ 964,031	\$ 1,013,928	\$ 49,897
Intergovernmental	40,000	40,000	96,067	56,067
Investment income	36,000	36,000	86,761	50,761
Miscellaneous			4,276	4,276
Total revenues	<u>1,040,031</u>	<u>1,040,031</u>	<u>1,201,032</u>	<u>161,001</u>
Expenditures:				
Current:				
Law enforcement				-0-
Health and welfare	<u>1,040,031</u>	<u>1,040,031</u>	<u>582,806</u>	<u>457,225</u>
Total expenditures	<u>1,040,031</u>	<u>1,040,031</u>	<u>582,806</u>	<u>457,225</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>618,226</u>	<u>618,226</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out			<u>(279,097)</u>	<u>(279,097)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>(279,097)</u>	<u>(279,097)</u>
Net change in fund balances	-0-	-0-	339,129	339,129
Fund balances – beginning (restated)	<u>1,307,629</u>	<u>1,307,629</u>	<u>1,307,629</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 1,307,629</u>	<u>\$ 1,307,629</u>	<u>\$ 1,646,758</u>	<u>\$ 339,129</u>

TDSHS Cities Readiness Initiative Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 44,000	\$ 44,000	\$ 52,924	\$ -0-
		416	8,924
			416
			-0-
<u>44,000</u>	<u>44,000</u>	<u>53,340</u>	<u>9,340</u>
44,000	44,000	53,340	(9,340)
			-0-
<u>44,000</u>	<u>44,000</u>	<u>53,340</u>	<u>(9,340)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

(continued)

JOHNSON COUNTY, TEXAS

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued*

For the Year Ended September 30, 2007

	STEP Grant Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$	\$	\$	\$ -0-
Intergovernmental	22,579	22,579	17,377	(5,202)
Investment income				-0-
Miscellaneous				-0-
Total revenues	<u>22,579</u>	<u>22,579</u>	<u>17,377</u>	<u>(5,202)</u>
Expenditures:				
Current:				
Law enforcement	22,579	22,579	17,377	5,202
Highways and streets				-0-
Total expenditures	<u>22,579</u>	<u>22,579</u>	<u>17,377</u>	<u>5,202</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	-0-	-0-	-0-	-0-
Fund balances – beginning (restated)				-0-
Fund balances – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Right of Way Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 4,000	\$ 4,000	\$ 6,443	\$ 2,443
24,000	24,000	23,422	(578)
<u> </u>	<u> </u>	<u>159,239</u>	<u>159,239</u>
<u>28,000</u>	<u>28,000</u>	<u>189,104</u>	<u>161,104</u>
<u>360,000</u>	<u>365,000</u>	<u>330,784</u>	<u>34,216</u>
<u>360,000</u>	<u>365,000</u>	<u>330,784</u>	<u>34,216</u>
(332,000)	(337,000)	(141,680)	195,320
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(332,000)	(337,000)	(141,680)	195,320
<u>507,424</u>	<u>507,424</u>	<u>507,424</u>	<u>-0-</u>
<u>\$ 175,424</u>	<u>\$ 170,424</u>	<u>\$ 365,744</u>	<u>\$ 195,320</u>

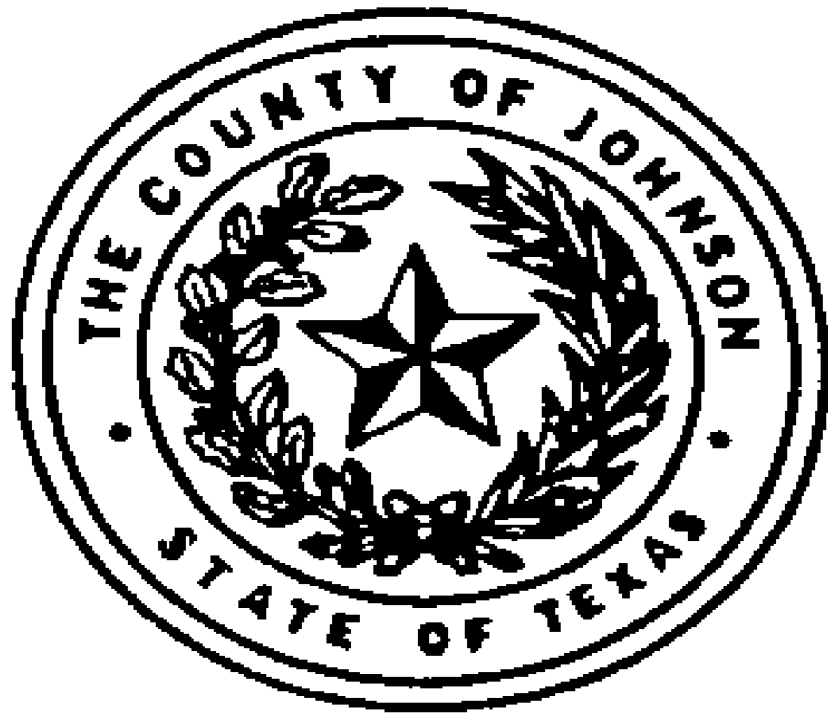
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JOHNSON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued**
For the Year Ended September 30, 2007

Exhibit 10
Page 9 of 9

	Historical Society Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Investment income	\$ 700	\$ 700	\$ 1,373	\$ 673
Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>-0-</u>
Total revenues	<u>8,200</u>	<u>8,200</u>	<u>8,873</u>	<u>673</u>
Expenditures:				
Current:				
Culture and recreation	<u>16,800</u>	<u>32,000</u>	<u>6,270</u>	<u>25,730</u>
Total expenditures	<u>16,800</u>	<u>32,000</u>	<u>6,270</u>	<u>25,730</u>
Excess (deficiency) of revenues over expenditures	<u>(8,600)</u>	<u>(23,800)</u>	<u>2,603</u>	<u>26,403</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	<u>(8,600)</u>	<u>(23,800)</u>	<u>2,603</u>	<u>26,403</u>
Fund balances – beginning (restated)	<u>24,402</u>	<u>24,402</u>	<u>24,402</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 15,802</u>	<u>\$ 602</u>	<u>\$ 27,005</u>	<u>\$ 26,403</u>



JOHNSON COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUNDS (NONMAJOR)**

For the Year Ended September 30, 2007

	Law Enforcement Center Interest & Sinking Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,735,218	\$ 1,735,218	\$ 1,992,280	\$ 257,062
Investment income	22,000	22,000	45,711	23,711
Total revenues	<u>1,757,218</u>	<u>1,757,218</u>	<u>2,037,991</u>	<u>280,773</u>
Expenditures:				
Debt Service:				
Principal on long-term debt	700,000	700,000	700,000	-0-
Interest on long-term debt	1,011,918	1,011,918	1,190,186	(178,268)
Total expenditures	<u>1,711,918</u>	<u>1,711,918</u>	<u>1,890,186</u>	<u>(178,268)</u>
Excess (deficiency) of revenues over expenditures	<u>45,300</u>	<u>45,300</u>	<u>147,805</u>	<u>102,505</u>
Other Financing Sources (Uses):				
Proceeds from tax notes				-0-
Proceeds from the sale of bonds			10,034,579	10,034,579
Premium on the sale of bonds			81,032	81,032
Payments to escrow agent			(9,938,058)	(9,938,058)
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>177,553</u>	<u>177,553</u>
Net change in fund balances	45,300	45,300	325,328	280,058
Fund balances – beginning	<u>391,595</u>	<u>391,595</u>	<u>391,595</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 436,895</u>	<u>\$ 436,895</u>	<u>\$ 716,953</u>	<u>\$ 280,058</u>

Equipment Interest & Sinking Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 844,102	\$ 844,102	\$ 1,006,845	\$ 162,743
<u>7,000</u>	<u>7,000</u>	<u>20,405</u>	<u>13,405</u>
<u>851,102</u>	<u>851,102</u>	<u>1,027,250</u>	<u>176,148</u>
791,000	791,000	791,000	-0-
<u>40,102</u>	<u>40,102</u>	<u>81,401</u>	<u>(41,299)</u>
<u>831,102</u>	<u>831,102</u>	<u>872,401</u>	<u>(41,299)</u>
<u>20,000</u>	<u>20,000</u>	<u>154,849</u>	<u>134,849</u>
		42,646	42,646
			-0-
			-0-
			<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>42,646</u>	<u>42,646</u>
20,000	20,000	197,495	177,495
<u>212,860</u>	<u>212,860</u>	<u>212,860</u>	<u>-0-</u>
<u>\$ 232,860</u>	<u>\$ 232,860</u>	<u>\$ 410,355</u>	<u>\$ 177,495</u>

JOHNSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

For the Year Ended September 30, 2007

Exhibit 12
Page 1 of 3

	<u>Balance 10-01-06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 09-30-07</u>
UNCLAIMED MONEY FUND:				
<i>Assets</i>				
Cash and temporary investments	\$ <u>26,515</u>	\$ <u>19,033</u>	\$ <u>17,285</u>	\$ <u>28,263</u>
Total assets	\$ <u><u>26,515</u></u>	\$ <u><u>19,033</u></u>	\$ <u><u>17,285</u></u>	\$ <u><u>28,263</u></u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to other funds	\$	\$ 17,285	\$	\$ 17,285
Due to others	<u>26,515</u>	<u>1,748</u>	<u>17,285</u>	<u>10,978</u>
Total liabilities	\$ <u><u>26,515</u></u>	\$ <u><u>19,033</u></u>	\$ <u><u>17,285</u></u>	\$ <u><u>28,263</u></u>
TAX ASSESSOR/COLLECTOR FUNDS:				
<i>Assets</i>				
Cash and temporary investments	\$ <u>1,893,239</u>	\$ <u>220,444,810</u>	\$ <u>220,476,733</u>	\$ <u>1,861,316</u>
Total assets	\$ <u><u>1,893,239</u></u>	\$ <u><u>220,444,810</u></u>	\$ <u><u>220,476,733</u></u>	\$ <u><u>1,861,316</u></u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to other funds	\$	\$ 30,215,929	\$ 30,133,599	\$ 82,330
Due to others	<u>1,893,239</u>	<u>190,228,881</u>	<u>190,343,134</u>	<u>1,778,986</u>
Total liabilities	\$ <u><u>1,893,239</u></u>	\$ <u><u>220,444,810</u></u>	\$ <u><u>220,476,733</u></u>	\$ <u><u>1,861,316</u></u>
COUNTY CLERK FUNDS:				
<i>Assets</i>				
Cash and temporary investments	\$ <u>1,505,103</u>	\$ <u>6,512,122</u>	\$ <u>5,388,497</u>	\$ <u>2,628,728</u>
Total assets	\$ <u><u>1,505,103</u></u>	\$ <u><u>6,512,122</u></u>	\$ <u><u>5,388,497</u></u>	\$ <u><u>2,628,728</u></u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to other funds	\$	\$ 2,747,684	\$ 2,736,485	\$ 11,199
Due to others	<u>1,505,103</u>	<u>3,764,438</u>	<u>2,652,012</u>	<u>2,617,529</u>
Total liabilities	\$ <u><u>1,505,103</u></u>	\$ <u><u>6,512,122</u></u>	\$ <u><u>5,388,497</u></u>	\$ <u><u>2,628,728</u></u>

JOHNSON COUNTY, TEXAS**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -****AGENCY FUNDS - Continued**

For the Year Ended September 30, 2007

Exhibit 12

Page 2 of 3

	<u>Balance 10-01-06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 09-30-07</u>
DISTRICT CLERK FUNDS:				
<i>Assets</i>				
Cash and temporary investments	\$ <u>1,034,799</u>	\$ <u>4,803,102</u>	\$ <u>2,854,864</u>	\$ <u>2,983,037</u>
Total assets	\$ <u>1,034,799</u>	\$ <u>4,803,102</u>	\$ <u>2,854,864</u>	\$ <u>2,983,037</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to other funds	\$	\$ 375,788	\$ 361,826	\$ 13,962
Due to others	<u>1,034,799</u>	<u>4,427,314</u>	<u>2,493,038</u>	<u>2,969,075</u>
Total liabilities	\$ <u>1,034,799</u>	\$ <u>4,803,102</u>	\$ <u>2,854,864</u>	\$ <u>2,983,037</u>
SHERIFF DEPARTMENT FUNDS:				
<i>Assets</i>				
Cash and temporary investments	\$ <u>63,807</u>	\$ <u>1,645,073</u>	\$ <u>1,638,099</u>	\$ <u>70,781</u>
Total assets	\$ <u>63,807</u>	\$ <u>1,645,073</u>	\$ <u>1,638,099</u>	\$ <u>70,781</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to other funds	\$	\$ 338,844	\$ 337,183	\$ 1,661
Due to others	<u>63,807</u>	<u>1,306,229</u>	<u>1,300,916</u>	<u>69,120</u>
Total liabilities	\$ <u>63,807</u>	\$ <u>1,645,073</u>	\$ <u>1,638,099</u>	\$ <u>70,781</u>
JUSTICE OF THE PEACE FUNDS:				
<i>Assets</i>				
Cash and temporary investments	\$ <u>54,850</u>	\$ <u>2,354,322</u>	\$ <u>2,370,567</u>	\$ <u>38,605</u>
Total assets	\$ <u>54,850</u>	\$ <u>2,354,322</u>	\$ <u>2,370,567</u>	\$ <u>38,605</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to other funds	\$	\$ 255,670	\$ 255,264	\$ 406
Due to others	<u>54,850</u>	<u>2,098,652</u>	<u>2,115,303</u>	<u>38,199</u>
Total liabilities	\$ <u>54,850</u>	\$ <u>2,354,322</u>	\$ <u>2,370,567</u>	\$ <u>38,605</u>

JOHNSON COUNTY, TEXAS**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -****AGENCY FUNDS - Continued**

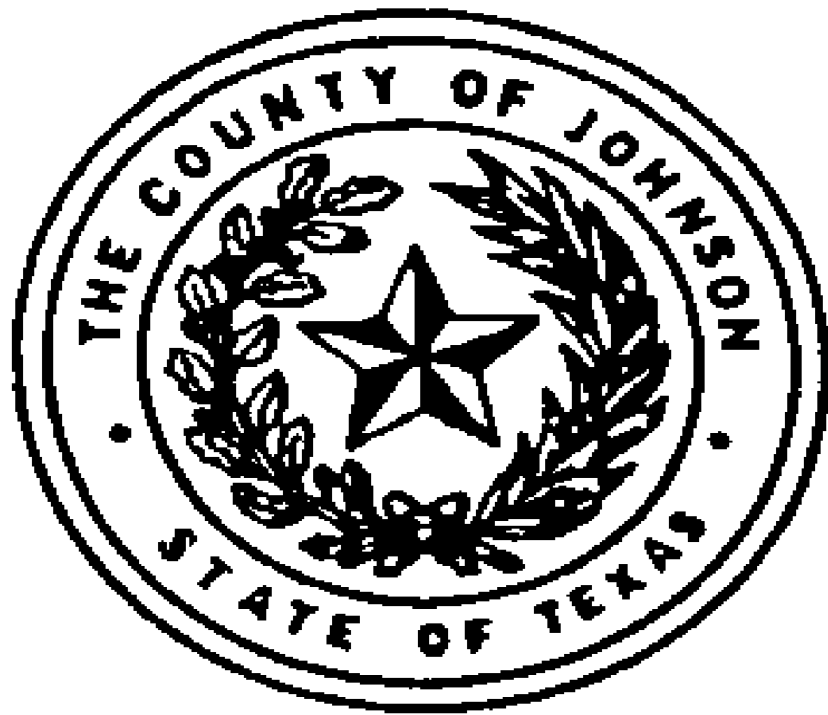
For the Year Ended September 30, 2007

Exhibit 12

Page 3 of 3

	Balance 10-01-06	Additions	Deductions	Balance 09-30-07
SEIZURE AND RESTITUTION FUNDS:				
<i>Assets</i>				
Cash and temporary investments	\$ 23,703	\$ 38,396	\$ 2,356	\$ 59,743
Total assets	<u>\$ 23,703</u>	<u>\$ 38,396</u>	<u>\$ 2,356</u>	<u>\$ 59,743</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to others	\$ 23,703	\$ 38,396	\$ 2,356	\$ 59,743
Total liabilities	<u>\$ 23,703</u>	<u>\$ 38,396</u>	<u>\$ 2,356</u>	<u>\$ 59,743</u>
TDCJ-CJAD:				
<i>Assets</i>				
Cash and temporary investments	\$ 1,109,099	\$ 3,740,231	\$ 3,572,015	\$ 1,277,315
Accounts receivable		163,713		163,713
Due from other funds		<u>18,416</u>		<u>18,416</u>
Total assets	<u>\$ 1,109,099</u>	<u>\$ 3,922,360</u>	<u>\$ 3,572,015</u>	<u>\$ 1,459,444</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Accounts payable and accrued expenses	\$ 315,097	\$ 3,196,680	\$ 3,333,249	\$ 178,528
Due to others	<u>794,002</u>	<u>725,680</u>	<u>238,766</u>	<u>1,280,916</u>
Total liabilities	<u>\$ 1,109,099</u>	<u>\$ 3,922,360</u>	<u>\$ 3,572,015</u>	<u>\$ 1,459,444</u>
TOTALS - ALL AGENCY FUNDS:				
<i>Assets</i>				
Cash and temporary investments	\$ 5,711,115	\$ 239,557,089	\$ 236,320,416	\$ 8,947,788
Accounts receivable	-0-	163,713	-0-	163,713
Due from other funds	<u>-0-</u>	<u>18,416</u>	<u>-0-</u>	<u>18,416</u>
Total assets	<u>\$ 5,711,115</u>	<u>\$ 239,739,218</u>	<u>\$ 236,320,416</u>	<u>\$ 9,129,917</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Accounts payable and accrued expenses	\$ 315,097	\$ 3,196,680	\$ 3,333,249	\$ 178,528
Due to other funds	-0-	33,951,200	33,824,357	126,843
Due to others	<u>5,396,018</u>	<u>202,591,338</u>	<u>199,162,810</u>	<u>8,824,546</u>
Total liabilities	<u>\$ 5,711,115</u>	<u>\$ 239,739,218</u>	<u>\$ 236,320,416</u>	<u>\$ 9,129,917</u>

STATISTICAL SECTION



JOHNSON COUNTY, TEXAS

Statistical Section

(unaudited)

This part of Johnson County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and additional supplementary information say about the County's overall financial health.

<u>Content</u>	<u>Table</u>
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Financial Trends	1-4
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These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity	5-8
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These tables contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity	9-11
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These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Indicators	12-14
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These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information	15
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This table contains service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2003; tables presenting government-wide information include information beginning in that year.

JOHNSON COUNTY, TEXAS
NET ASSETS BY COMPONENTS
 Last Ten Fiscal Years¹

Table 1

	<u>1998</u>	<u>1998</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$	\$	\$	\$	\$
Restricted					
Unrestricted	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: Comprehensive Annual Financial Report (Statement of Net Assets)

¹ Ten years of information is not available, the County did not implement GASB Statement 34 until 2003.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 5,509,581	\$ 26,264,076	\$ 26,019,061	\$ 27,551,960	\$ 35,005,873
13,714,296	16,532,649	12,721,810	6,865,408	11,756,299
<u>9,125,190</u>	<u>13,503,382</u>	<u>17,243,663</u>	<u>21,150,662</u>	<u>17,699,334</u>
<u>\$ 28,349,067</u>	<u>\$ 56,300,107</u>	<u>\$ 55,984,534</u>	<u>\$ 54,568,030</u>	<u>\$ 64,461,506</u>

JOHNSON COUNTY, TEXAS
CHANGES IN NET ASSETS
 Last Ten Fiscal Years¹

Table 2

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Expenses					
Governmental Activities:					
General government ²	\$	\$	\$	\$	\$
Highways/streets					
Law Enforcement					
Administration of justice					
Financial					
Public health and welfare					
Interest on long-term debt					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Program Revenues					
Governmental Activities:					
Fees, Fines and Charges for Services:					
General government ²	\$	\$	\$	\$	\$
Highways/streets					
Law Enforcement					
Administration of justice					
Financial					
Public health and welfare					
Operating grants and contributions					
Capital grants and contributions					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities program revenues	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net (expense) revenue	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Property taxes	\$	\$	\$	\$	\$
Investment earnings					
Loss on disposal					
Miscellaneous					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general revenues	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Change in assets before extraordinary items	\$	\$	\$	\$	\$
Extraordinary items					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Change in net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Prior period adjustment	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: Comprehensive Annual Financial Report

¹ Ten years of information is not available, the County did not implement GASB 34 until 2003.

² Elections, Culture & Recreation and Conservation programs included here.

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 7,354,208	\$ 7,687,361	\$ 9,312,766	\$ 8,181,158	\$ 7,763,235
6,249,617	7,824,243	7,465,644	7,367,643	7,747,391
12,104,480	12,660,979	12,780,185	15,769,865	16,270,331
2,992,458	3,645,720	3,812,413	4,865,771	5,983,462
444,101	464,622	469,342	533,187	3,012,304
3,223,354	2,014,287	1,578,568	1,269,057	1,038,950
<u>938,815</u>	<u>945,480</u>	<u>1,187,004</u>	<u>1,169,216</u>	<u>1,497,019</u>
<u>\$ 33,307,033</u>	<u>\$ 35,242,692</u>	<u>\$ 36,605,922</u>	<u>\$ 39,155,897</u>	<u>\$ 43,312,692</u>

\$ 3,874,274	\$ 4,376,927	\$ 4,049,529	\$ 5,153,714	\$ 3,235,707
2,090,833	2,089,045	2,258,279	2,216,100	2,214,245
544,538	493,836	381,404	564,555	1,590,551
155,423	795,960	2,844,599	2,487,519	3,585,853
				862,350
<u>3,969,343</u>	<u>2,554,415</u>	<u>3,336,944</u>	<u>2,628,142</u>	<u>3,065,163</u>
<u>10,634,411</u>	<u>10,310,183</u>	<u>12,870,755</u>	<u>13,050,030</u>	<u>19,952,124</u>
<u>\$(22,672,622)</u>	<u>\$(24,932,509)</u>	<u>\$(23,735,167)</u>	<u>\$(26,105,867)</u>	<u>\$(23,360,568)</u>

\$ 19,180,815	\$ 21,489,545	\$ 23,354,100	\$ 26,103,185	\$ 30,432,894
359,886	328,941	842,666	1,161,504	1,535,829
			(282,023)	63,844
<u>1,006,151</u>	<u>1,262,172</u>	<u>539,844</u>	<u>1,216,413</u>	<u>1,221,477</u>
<u>\$ 20,546,852</u>	<u>\$ 23,080,658</u>	<u>\$ 24,736,610</u>	<u>\$ 28,199,079</u>	<u>\$ 33,254,044</u>
\$(2,125,770)	\$(1,851,851)	\$ 1,001,443	\$ 2,093,212	\$ 9,893,476
<u>2,500,000</u>				
<u>\$ 374,230</u>	<u>\$(1,851,851)</u>	<u>\$ 1,001,443</u>	<u>\$ 2,093,212</u>	<u>\$ 9,893,476</u>
<u>\$ 422,500</u>	<u>\$ 29,082,891</u>	<u>\$ 1,317,016</u>	<u>\$(798,098)</u>	<u>\$(2,711,629)</u>

JOHNSON COUNTY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 3

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund:					
Reserved	\$	\$	\$	\$	\$
Unreserved	<u>2,107,507</u>	<u>2,409,952</u>	<u>1,512,472</u>	<u>1,518,951</u>	<u>1,156,420</u>
Total general fund	<u>\$ 2,107,507</u>	<u>\$ 2,409,952</u>	<u>\$ 1,512,472</u>	<u>\$ 1,518,951</u>	<u>\$ 1,156,420</u>
Road and Bridge Fund:					
Reserved	\$	\$	\$	\$	\$
Unreserved	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total road and bridge	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
All Other Governmental Funds:					
Reserved for debt service	\$ 53,569	\$ 40,953	\$ 40,840	\$(14,071)	\$ 365,090
Other					
Unreserved:					
Capital projects funds	114	1,295,387	1,278,768	13,199,989	12,007,434
Special revenue funds	<u>8,804,844</u>	<u>8,753,223</u>	<u>8,303,220</u>	<u>7,298,186</u>	<u>6,977,290</u>
Total all other governmental funds	<u>\$ 8,858,527</u>	<u>\$ 10,089,563</u>	<u>\$ 9,622,828</u>	<u>\$ 20,484,104</u>	<u>\$ 19,349,814</u>

Source: Comprehensive Annual Financial Report (Balance Sheet)

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$	\$	\$	\$	\$ 1,534,905
<u>1,897,454</u>	<u>3,327,363</u>	<u>5,494,132</u>	<u>7,073,102</u>	<u>10,462,146</u>
\$ <u>1,897,454</u>	\$ <u>3,327,363</u>	\$ <u>5,494,132</u>	\$ <u>7,073,102</u>	\$ <u>11,997,051</u>
\$	\$	\$	\$	\$ 493,959
<u>2,301,677</u>	<u>2,141,192</u>	<u>2,076,088</u>	<u>2,336,572</u>	<u>4,015,628</u>
\$ <u>2,301,677</u>	\$ <u>2,141,192</u>	\$ <u>2,076,088</u>	\$ <u>2,336,572</u>	\$ <u>4,509,587</u>
\$ 262,036	\$ 341,976	\$ 322,090	\$ 604,455	\$ 1,127,308
				7,396
6,264,270	9,980,478	5,982,111	1,716,845	101,826
<u>5,232,845</u>	<u>4,677,869</u>	<u>5,648,376</u>	<u>4,473,217</u>	<u>5,444,217</u>
\$ <u>11,759,151</u>	\$ <u>15,000,323</u>	\$ <u>11,952,577</u>	\$ <u>6,794,517</u>	\$ <u>6,680,747</u>

JOHNSON COUNTY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

Table 4

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues:					
Taxes	\$ 12,487,455	\$ 12,716,973	\$ 13,786,494	\$ 14,848,383	\$ 17,030,271
Licenses and permits	N/A	N/A	N/A	2,055,415	2,115,617
Intergovernmental	222,163	1,942,496	433,861	2,683,141	2,710,365
Fees	4,178,207	4,377,271	4,786,467	4,042,265	3,991,230
Fines	998,344	1,041,730	1,222,303	1,153,088	1,208,992
Interest	890,760	805,156	937,142	1,231,315	627,841
Miscellaneous	<u>1,589,458</u>	<u>2,880,965</u>	<u>1,980,524</u>	<u>2,642,895</u>	<u>3,664,728</u>
Total revenues	<u>20,366,387</u>	<u>23,766,591</u>	<u>23,146,791</u>	<u>28,656,502</u>	<u>31,349,044</u>
Expenditures:					
General government	4,572,881	4,626,319	5,460,539	6,470,795	7,360,531
Highways/streets	3,060,495	3,692,390	3,672,555	5,606,309	5,122,038
Law enforcement	7,744,869	8,453,739	9,563,498	8,483,517	9,466,560
Administration of justice	N/A	N/A	N/A	5,088,199	5,502,583
Financial	624,492	641,274	701,287	333,386	409,506
Public health and welfare	2,841,925	2,185,292	2,053,815	2,421,329	2,566,089
Capital outlay	855,866	1,908,851	2,924,111	2,252,831	1,632,568
Debt Service:					
Principal	840,000	1,080,000	1,115,000	1,275,000	620,000
Interest	179,903	171,650	131,260	543,713	1,110,975
Other	<u>25,372</u>	<u>372</u>	<u>752</u>		<u>10,255</u>
Total expenditures	<u>20,745,803</u>	<u>22,759,887</u>	<u>25,622,817</u>	<u>32,475,079</u>	<u>33,801,105</u>
Excess of revenues over (under) expenditures	<u>(373,878)</u>	<u>(379,416)</u>	<u>1,006,704</u>	<u>(3,818,477)</u>	<u>(2,452,061)</u>
Other Financing Sources (Uses):					
Transfers in	948,240	1,197,000	1,119,565	104,644	1,799,358
Transfers out	(948,240)	(1,197,000)	(1,119,565)	(104,644)	(1,799,358)
Debt proceeds/other	<u>845,000</u>		<u>1,115,000</u>	<u>14,000,574</u>	<u>500,000</u>
Total other financing sources (uses)	<u>845,000</u>	<u>-0-</u>	<u>1,115,000</u>	<u>14,000,574</u>	<u>500,000</u>
Extraordinary items					
Net change in fund balances	<u>\$ 465,484</u>	<u>\$ 1,006,704</u>	<u>\$(1,361,026)</u>	<u>\$ 10,181,997</u>	<u>\$(1,952,061)</u>
Debt service as a percentage of noncapital expenditures	5.1%	6.0%	5.5%	6.0%	5.4%

Source: Comprehensive Annual Financial Reports (Statement of Revenues, Expenditures, and Changes in Fund Balances).

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 19,059,086	\$ 21,610,079	\$ 23,474,200	\$ 26,127,510	\$ 31,235,915
2,084,792	2,089,045	2,199,800	2,216,100	
3,969,343	2,554,415	3,527,418	1,965,268	4,041,247
3,303,182	3,788,752	4,668,039	6,892,207	8,608,032
1,277,094	1,250,247	1,276,788	1,454,090	1,880,639
359,886	328,941	845,183	1,161,504	1,535,829
<u>1,006,151</u>	<u>1,262,172</u>	<u>901,224</u>	<u>1,216,413</u>	<u>2,300,966</u>
<u>31,059,534</u>	<u>32,883,651</u>	<u>36,892,652</u>	<u>41,033,092</u>	<u>49,602,628</u>
6,781,222	7,408,860	8,389,639	8,600,515	6,826,813
5,699,207	5,348,608	5,593,591	5,885,584	5,447,360
11,838,315	11,865,471	11,968,031	14,084,973	15,159,789
2,968,082	3,308,311	3,753,590	4,896,102	5,950,970
442,432	464,622	469,342	533,187	3,008,958
3,216,302	2,009,726	1,578,568	1,269,057	1,035,673
5,835,751	6,273,037	4,662,900	7,403,055	5,720,961
300,000	550,000	480,000	835,000	1,491,000
701,514	701,467	1,124,777	1,045,927	1,271,587
<u>37,782,825</u>	<u>37,930,102</u>	<u>38,020,438</u>	<u>44,553,400</u>	<u>45,913,111</u>
<u>(6,723,291)</u>	<u>(5,046,451)</u>	<u>(1,127,786)</u>	<u>(3,520,308)</u>	<u>3,689,517</u>
2,527,005	2,221,544	621,267	3,897,357	442,436
(2,527,005)	(2,221,544)	(621,267)	(3,897,357)	(442,436)
<u>9,558,670</u>	<u>9,558,670</u>	<u>26,187</u>	<u>375,000</u>	<u>2,025,200</u>
<u>-0-</u>	<u>9,558,670</u>	<u>26,187</u>	<u>375,000</u>	<u>2,025,200</u>
<u>2,500,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$(4,223,291)</u>	<u>\$ 4,512,219</u>	<u>\$(1,101,599)</u>	<u>\$(3,145,308)</u>	<u>\$ 5,714,717</u>
3.1%	4.0%	4.8%	5.2%	6.9%

JOHNSON COUNTY, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY^{a b}

Table 5

Last Ten Fiscal Years

Fiscal Year	Real Property			Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate ^c
	Residential Property	Commercial Property	Other Property			
1998	\$ --	\$ --	\$ --	\$ --	\$ --	0.411910
1999	--	--	--	--	--	0.417360
2000	--	--	--	--	--	0.417360
2001	--	--	--	--	--	0.417350
2002	2,955,165,941	566,127,867	1,286,511,633	743,120,174	5,550,919,615	0.425085
2003	3,235,158,380	687,490,620	1,402,327,760	683,474,160	6,608,450,920	0.434878
2004	3,509,632,135	724,348,644	1,480,363,908	738,299,499	6,452,644,186	0.434878
2005	3,800,150,897	762,049,149	1,697,576,588	786,294,620	7,046,071,254	0.434878
2006	4,056,545,082	797,867,553	2,260,555,194	963,850,697	8,078,818,526	0.421794
2007	4,499,312,497	908,382,252	2,889,030,474	1,313,208,833	9,609,934,056	0.409752

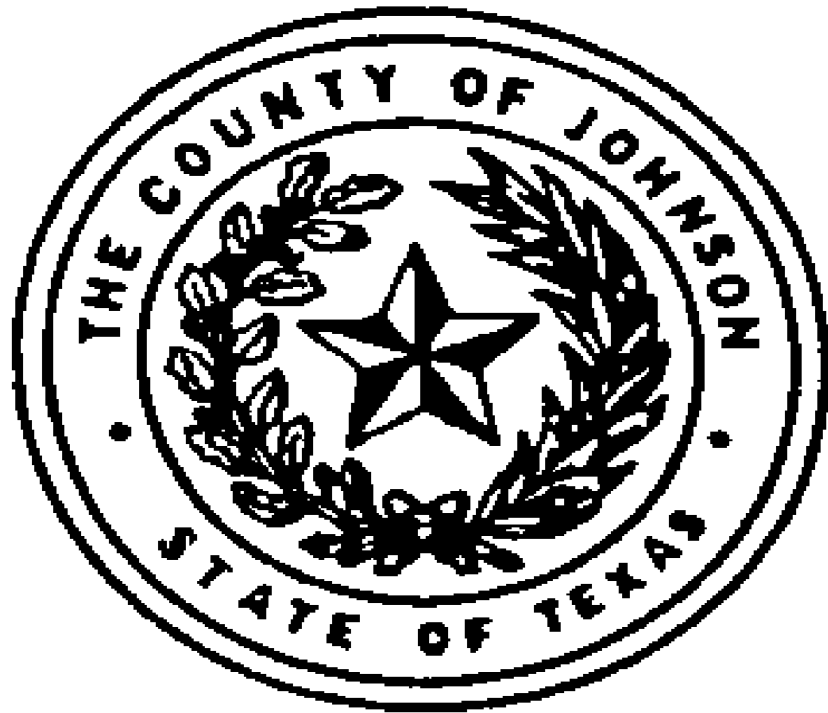
Source: Johnson County Central Appraisal District

Note: Property is required to be reappraised at least once every three years according to Texas Tax Code. Totals do not include tax-exempt property. 1998-2001 Tax data unavailable for these specific categories.

^a Property is assessed at actual value; therefore, the assessed values are equal to actual value.

^b The assessed values represent the Appraisal Review Board's approved totals from original certified roll.

^c Tax rates are \$100 of assessed value.



JOHNSON COUNTY, TEXAS**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Table 6

Page 1 of 2

	<u>1998</u> <u>Tax Rate</u>	<u>1999</u> <u>Tax Rate</u>	<u>2000</u> <u>Tax Rate</u>	<u>2001</u> <u>Tax Rate</u>
Cities:				
Alvarado	0.778670	0.778670	0.778670	0.778670
Burleson	0.653300	0.637774	0.630846	0.604380
Cleburne	0.681700	0.695000	0.694000	0.693000
Godley	0.620000	0.638600	0.638600	0.638600
Grandview	0.494590	0.506361	0.676361	0.721361
Joshua	0.361100	0.361100	0.486428	0.476430
Keene	0.751600	0.751600	0.716782	0.729599
Rio Vista	0.604500	0.591000	0.578100	0.493700
Venus	0.692500	0.692500	0.692500	0.692500
School Districts:				
Alvarado ISD	1.450000	1.450000	1.450000	1.690000
Burleson ISD	1.763275	1.684690	1.677667	1.824330
Cleburne ISD	1.550390	1.583440	1.622030	1.673100
Godley ISD	1.600000	1.540000	1.600000	1.600000
Grandview ISD	1.500000	1.500000	1.500000	1.540000
Joshua ISD	1.470000	1.490000	1.454430	1.598080
Keene ISD	1.530000	1.580000	1.580000	1.600000
Rio Vista ISD	1.700000	1.770000	1.760000	1.669250
Venus ISD	1.600000	1.590000	1.550000	1.500000
Johnson County:				
County	0.337510	0.341310	0.341310	0.345440
FMLR	<u>0.074400</u>	<u>0.076050</u>	<u>0.076050</u>	<u>0.071910</u>
Total	0.411910	0.417360	0.417360	0.417350
Special District Rates:				
Emergency Service	0.030000	0.030000	0.030000	0.030000
Hill College - Alvarado ISD	N/A	0.050000	0.047200	0.046878
Hill College - Cleburne ISD	0.050000	0.050000	0.050000	0.048941
Hill College - Godley ISD	0.050000	0.045000	0.043000	0.039407
Hill College - Grandview ISD	0.050000	0.050000	0.048800	0.045524
Hill College - Joshua ISD	0.050000	0.050000	0.046800	0.043667
Hill College - Keene ISD	0.050000	0.049000	0.046980	0.045656
Hill College - Rio Vista ISD	0.050000	0.048760	0.048390	0.041833
Hill College - Venus ISD	N/A	0.050000	0.041431	0.040630

Source: Johnson County Appraisal District (1998-2006)
Johnson County Tax Office (2007)

<u>2002 Tax Rate</u>	<u>2003 Tax Rate</u>	<u>2004 Tax Rate</u>	<u>2005 Tax Rate</u>	<u>2006 Tax Rate</u>	<u>2007 Tax Rate</u>
0.778670	0.750000	0.750000	0.750000	0.750000	0.697315
0.604260	0.598480	0.598480	0.596400	0.629900	0.661825
0.730000	0.711900	0.711900	0.748108	0.714000	0.650000
0.619530	0.609930	0.583450	0.583450	0.500000	0.500000
0.710662	0.724185	0.682700	0.754984	0.742823	0.742823
0.524700	0.520000	0.540900	0.633500	0.669000	0.656219
0.729599	0.687071	0.676614	0.676614	0.676614	0.821737
0.498900	0.489200	0.495500	0.649860	0.590143	0.528004
0.731680	0.755000	0.755000	0.762698	0.794900	0.794900
1.710000	1.710000	1.720000	1.730000	1.406883	1.410000
1.779913	1.749599	1.748400	1.735220	1.450050	1.405100
1.693700	1.678700	1.686700	1.693500	1.238550	1.236800
1.613340	1.607840	1.596840	1.438795	1.011963	1.031820
1.585000	1.575000	1.575000	1.575000	1.115050	1.115000
1.738080	1.738080	1.738080	1.738080	1.538850	1.460000
1.740000	1.740000	1.558500	1.500000	1.400500	1.040000
1.650000	1.650000	1.630000	1.630000	1.600500	1.180000
1.500000	1.550000	1.590000	1.600000	1.40050	1.180000
0.357295	0.382088	0.382088	0.382088	0.369004	0.356962
0.067790	0.052790	0.052790	0.052790	0.052790	0.052790
<u>0.425085</u>	<u>0.434878</u>	<u>0.434878</u>	<u>0.434878</u>	<u>0.421794</u>	<u>0.409752</u>
0.030000	0.030000	0.030000	0.030000	0.030000	0.030000
0.045450	0.041633	0.041392	0.045873	0.043862	0.039360
0.049774	0.048507	0.048140	0.050000	0.044988	0.039930
0.038010	0.036094	0.034769	0.025531	0.015924	0.015843
0.042548	0.041123	0.039714	0.045167	0.034489	0.036045
0.042254	0.040287	0.040203	0.040203	0.038778	0.034000
0.044966	0.045234	0.040498	0.046877	0.044475	0.041379
0.040982	0.038482	0.033976	0.034621	0.028091	0.026756
0.040790	0.039233	0.039250	0.040007	0.036287	0.031375

JOHNSON COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Table 7

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	% of Total Assessed Value	Taxable Assessed Value	Rank	% of Total Assessed Value
EOG Resources Inc.	\$ 342,982,702	1	3.57%	\$ --	--	--
Chesapeake Operating Inc.	266,494,441	2	2.77%	--	--	--
Devon Energy Op Co LP	103,521,449	3	1.08%	--	--	--
Brazos Electric Power Coop	92,389,342	4	0.96%	--	--	--
James Hardie Building	85,549,480	5	0.89%	26,481,687	5	0.95%
Wal-Mart Distribution	82,859,180	6	0.86%	--	--	--
Johns Manville Corp	75,222,530	7	0.78%	57,975,988	1	2.09%
Halliburton Energy Serv Inc	67,420,360	8	0.70%	--	--	--
Oncor Electric Delivery	53,690,610	9	0.56%	--	--	--
Energy Transfer Fuel LP	53,418,314	10	0.56%	--	--	--
Southwestern Bell	--	--	--	45,916,008	2	1.65%
Wal-Mart Store	--	--	--	33,188,327	3	1.20%
T U Electric	--	--	--	32,805,487	4	1.18%
Tenaska	--	--	--	23,880,526	6	0.86%
Air Liquide America	--	--	--	22,500,000	7	0.81%
Johnson County Electric	--	--	--	22,211,760	8	0.80%
Burlington Northern	--	--	--	19,955,292	9	0.72%
Texas Correctional	--	--	--	19,914,925	10	0.72%
Total	<u>\$ 1,223,548,408</u>		<u>12.73%</u>	<u>\$ 304,830,000</u>		<u>10.98%</u>
Total Taxable Assessed Value	<u>\$ 9,609,934,056</u>			<u>\$ 2,776,551,422</u>		

Source: Johnson County Central Appraisal District

JOHNSON COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 8

General and Debt Service

Fiscal Year	Tax Levy as of Fiscal Year End ^a	Collected Within the Fiscal Year of the Levy		Subsequent Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 11,278,103	\$ 10,969,143	97.26%	\$ 268,534	\$ 11,237,677	99.64%
1999	12,495,652	12,092,399	96.77%	336,050	12,428,449	99.46%
2000	13,591,258	13,063,441	96.12%	431,986	13,495,427	99.29%
2001	14,944,998	14,243,886	95.31%	586,148	14,830,034	99.23%
2002	16,912,712	16,117,370	95.30%	658,542	16,775,912	99.19%
2003	18,872,838	18,047,602	95.63%	681,461	18,729,063	99.24%
2004	21,353,691	20,519,404	96.09%	594,727	21,114,131	98.88%
2005	23,176,557	22,331,369	96.35%	454,934	22,786,303	98.32%
2006	25,838,712	25,037,560	96.90%	454,778	25,492,338	98.66%
2007	30,456,562	29,799,402	97.84%	--	29,799,402	97.84%

Source: Johnson County Tax Assessor-Collector

^a Tax levies consider supplemental value changes during the initial fiscal year.

JOHNSON COUNTY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Table 9

Fiscal Year	General Bonded Debt Outstanding				Less: Amounts Available for Debt Principal	Remaining	Percentage of Actual Taxable Property Value ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Tax Anticipation Notes	Total				
1998	\$ --	\$ 4,035,482	\$ 876,071	\$ 4,911,533	\$ 36,308	\$ 4,875,245	\$ 0.18%	\$ 43.22
1999	--	3,228,997	451,071	3,680,068	40,953	3,639,115	0.12%	30.66
2000	--	2,412,560	1,164,598	3,577,158	40,840	3,536,318	0.11%	27.89
2001	--	15,885,395	570,000	16,455,395	(14,071)	16,469,466	0.46%	125.50
2002	--	15,843,016	510,000	16,353,016	365,090	15,987,926	0.40%	117.82
2003	--	16,030,317	260,000	16,290,317	262,036	16,028,281	0.36%	114.49
2004	--	25,382,279	300,000	25,682,279	341,976	25,340,303	0.52%	173.09
2005	--	25,320,684	--	25,320,684	322,090	24,998,594	0.47%	166.15
2006	--	24,795,903	190,000	24,985,903	604,455	24,381,448	0.41%	159.77
2007	--	25,322,186	994,000	26,316,186	1,706,088	24,610,098	0.36%	157.86

Source: Comprehensive Annual Financial Report (Detailed Notes on all Funds).

^a Assessed values from the office of the Johnson County Central Appraisal District.

^b North Central Texas Council of Governments.

JOHNSON COUNTY, TEXAS**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

As of September 30, 2007

Table 10

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable</u>	<u>Overlapping Funded Debt</u>
<u>Governmental Subdivision</u>			
Johnson County	\$ 27,254,609	100.00%	\$ 27,254,609
<u>County-Line Special Districts</u>			
Acton Municipal Utility District	270,000	2.88%	7,776
<u>Cities</u>			
City of Alvarado	4,828,206	100.00%	4,828,206
City of Cleburne	18,235,989	100.00%	18,235,989
City of Godley	2,000,000	100.00%	2,000,000
City of Grandview	1,795,000	100.00%	1,795,000
City of Joshua	2,485,000	100.00%	2,485,000
City of Keene	289,219	100.00%	289,219
City of Rio Vista	555,000	100.00%	555,000
City of Venus	114,590	100.00%	114,590
<u>County-Line Cities</u>			
City of Burleson	27,103,119	90.76%	24,598,791
City of Mansfield	95,517,613	5.84%	5,578,229
<u>School Districts</u>			
Alvarado ISD	60,776,929	100.00%	60,776,929
Cleburne ISD	56,414,399	100.00%	56,414,399
Joshua ISD	74,356,334	100.00%	74,356,334
Keene ISD	--	100.00%	--
Venus ISD	13,611,393	100.00%	13,611,393
<u>Co-Line School Districts</u>			
Burleson ISD	146,174,359	74.11%	108,329,817
Crowley ISD	242,551,622	5.88%	14,262,035
Godley ISD	7,370,872	84.82%	6,251,974
Granbury ISD	56,900,006	2.26%	1,285,940
Grandview ISD	2,981,291	93.60%	2,790,488
Mansfield ISD	623,034,741	19.76%	123,111,665
Rio Vista ISD	<u>5,287,137</u>	98.15%	<u>5,189,325</u>
Total Direct & Overlapping Debt	\$ <u>1,469,907,428</u>	37.70%	\$ <u>554,122,708</u>
Debt Percentage Per Assessed Valuation			6.67%
Debt Percentage Per Capita			\$ 3,588

Source: Municipal Advisory Council of Texas

JOHNSON COUNTY, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
 Last Ten Fiscal Years

Table 11

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Assessed value of real property ⁽¹⁾	\$ 2,242,786,020	\$ 2,303,818,199	\$ 2,575,086,538	\$ 2,710,038,747	\$ 4,034,803,165
Debt limit ⁽²⁾	560,696,505	575,954,550	643,771,635	677,509,687	1,008,700,791
Amount of Debt Applicable to Limit ⁽³⁾					
Total bonded debt	4,911,553	3,680,068	3,577,158	16,455,395	16,353,016
Less: Assets in debt service fund	<u>36,308</u>	<u>40,953</u>	<u>40,840</u>	<u>(14,071)</u>	<u>365,090</u>
Total net debt applicable to limit	4,875,245	3,639,115	3,536,318	16,469,466	15,987,926
Legal debt margin	<u>\$ 555,821,260</u>	<u>\$ 572,315,435</u>	<u>\$ 640,235,317</u>	<u>\$ 661,040,221</u>	<u>\$ 992,712,865</u>
Total net debt applicable to the limit as a percentage of debt limit	0.87%	0.63%	0.55%	2.43%	1.59%
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed value of real property ⁽¹⁾	\$ 4,413,227,804	\$ 4,898,680,174	\$ 5,351,680,566	\$ 5,946,896,158	\$ 6,921,013,152
Debt limit ⁽²⁾	1,103,306,951	1,224,670,044	1,337,920,142	1,486,724,040	1,730,253,288
Amount of Debt Applicable to Limit ⁽³⁾					
Total bonded debt	16,290,317	25,682,279	25,320,684	24,985,903	26,316,186
Less: Assets in debt service fund	<u>262,036</u>	<u>341,976</u>	<u>322,090</u>	<u>604,455</u>	<u>1,706,088</u>
Total net debt applicable to limit	16,028,281	25,340,303	24,998,594	24,381,448	24,610,098
Legal debt margin	<u>\$ 1,087,278,670</u>	<u>\$ 1,199,329,741</u>	<u>\$ 1,312,921,548</u>	<u>\$ 1,462,342,592</u>	<u>\$ 1,705,643,190</u>
Total net debt applicable to the limit as a percentage of debt limit	1.45%	2.07%	1.87%	1.64%	1.42%

Source:

- ⁽¹⁾ Johnson County Appraisal District.
- ⁽²⁾ Debt limit is 25% of assessed value of real property Article 3 Section 52 of the Texas Constitution.
- ⁽³⁾ Comprehensive Annual Financial Report (Statement of Net Assets).

JOHNSON COUNTY, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Table 12

<u>Calendar Year</u>	<u>Estimated Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Per Capita Personal Income^b</u>	<u>Unemployment Rate^c</u>
1998	112,800	\$ 2,549,223	\$ 21,455	3.7%
1999	118,677	2,802,048	22,735	3.3%
2000	126,811	3,088,334	24,117	3.9%
2001	131,232	3,241,036	24,528	4.3%
2002	135,700	3,355,533	24,728	5.8%
2003	140,000	3,512,899	25,170	6.3%
2004	146,400	3,728,541	26,032	5.4%
2005	150,455	4,915,827	26,023	4.7%
2006	152,600	N/A	N/A	3.7%
2007	155,900	N/A	N/A	4.1%

N/A - Not available.

^a The Estimated Population data is from the North Central Texas Council of Governments.

^b Personal Income from 1998 through 2005 is from BEA, Regional Economic Accounts. Figures for 2006 and 2007 are not available.

^c Unemployment rates were provided by the Texas Workforce Commission.

JOHNSON COUNTY, TEXAS
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Table 13

Employer	2007			1998		
	Number of Employees	Rank	% of Total County Employment	Number of Employees	Rank	% of Total County Employment
Burleson ISD	1,301	1	1.83%	N/A	--	N/A
Cleburne ISD	1,000	2	1.41%	N/A	--	N/A
Johnson County	680	3	0.96%	N/A	--	N/A
Joshua ISD	660	4	0.93%	N/A	--	N/A
Wal-Mart Supercenter (Burleson)	550	5	0.77%	N/A	--	N/A
Harris Methodist Walls Hospital	465	6	0.65%	N/A	--	N/A
Wal-Mart Supercenter (Cleburne)	450	7	0.63%	N/A	--	N/A
Wal-Mart Distribution Center	450	8	0.63%	N/A	--	N/A
Johns Manville	400	9	0.56%	N/A	--	N/A
City of Cleburne	369	10	0.52%	N/A	--	N/A
Total	6,325		8.90%	N/A		N/A
Total County Employment	71,071			N/A		

Source: Johnson County Economic Development Commission
 Individual Employers
 N/A - Not Available

JOHNSON COUNTY, TEXAS**FULL-TIME COUNTY GOVERNMENT EMPLOYEES BY FUNCTION**

Last Ten Fiscal Years

Table 14

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	--	--	--	--	--	84	87	93	98	106
Highways/streets	--	--	--	--	--	75	77	78	77	74
Law enforcement	--	--	--	--	--	231	243	238	263	293
Administrative justice	--	--	--	--	--	40	54	62	63	70
Financial	--	--	--	--	--	12	12	12	12	12
Public health & welfare	--	--	--	--	--	11	10	10	10	10
Total	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>462</u>	<u>483</u>	<u>493</u>	<u>523</u>	<u>565</u>

Source: County budget records

N/A - Not available

JOHNSON COUNTY, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Table 15
 Page 1 of 2

Function	Fiscal Year				
	1998	1999	2000	2001	2002
General Government:					
County Clerk ^a					
Criminal Cases filed	4,033	3,558	3,707	4,078	4,278
Civil Cases filed	1,261	1,139	1,229	1,104	1,129
Juvenile petitions filed	228	154	275	154	242
Personnel ^b					
Positions filed	N/A	N/A	N/A	N/A	550
Purchasing ^c					
Purchase orders issued	8,924	7,689	8,706	7,755	8,506
Competitive bids	69	56	41	33	31
Tax Assessor/Collector ^d					
County Tax accounts	65,586	67,827	70,227	71,878	70,433
Automobile registrations	109,385	112,564	114,993	121,601	125,648
Elections Administration ^e					
Registered voters	61,953	65,829	68,240	N/A	71,096
Administrative Justice:					
District Courts ^a					
Civil cases filed	1,947	2,166	2,751	2,735	2,725
Criminal cases filed	1,155	1,096	1,177	1,173	1,322
County Courts ^a					
Criminal cases disposed	4,483	4,149	5,588	4,199	4,765
Civil cases disposed	1,090	1,100	1,114	1,133	1,103
Juvenile petitions disposed	294	247	269	114	216
District Clerk ^a					
Civil cases disposed	2,337	2,770	2,696	2,563	3,094
Criminal cases disposed	1,572	1,288	1,355	1,584	1,489
Justice of the Peace ^a					
Civil cases filed	1,050	1,199	1,052	1,432	1,516
Criminal cases filed	8,568	9,234	12,725	10,568	11,593
Law Enforcement:					
County Jail ^f					
Average daily jail population	300	302	340	440	460
Sheriff					
E-911 calls received (approx)	25,000	25,000	25,000	25,000	31,922
Warrants received	N/A	5,579	5,590	8,688	10,440

(continued)

Fiscal Year				
2003	2004	2005	2006	2007
4,823	5,446	5,597	6,546	6,317
1,096	1,293	1,370	1,671	1,800
223	202	177	200	264
560	577	625	675	685
8,061	7,791	8,014	6,584	6,643
28	34	31	42	39
72,853	75,343	77,907	82,549	92,788
129,982	129,465	133,814	142,218	146,544
73,737	73,939	76,694	80,834	76,890
2,756	2,935	2,191	3,134	3,297
1,481	1,630	1,326	1,724	1,881
4,762	5,344	6,220	6,181	7,238
909	1,038	1,026	1,096	1,803
247	202	192	188	184
3,177	3,086	3,074	3,126	2,835
1,688	1,851	1,747	2,071	1,798
1,676	1,771	1,585	1,754	1,839
15,298	15,810	16,820	17,551	18,698
506	515	449	503	566
31,922	31,922	31,922	31,922	52,231
12,157	8,904	8,600	10,210	21,720

JOHNSON COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION - Continued

Last Ten Fiscal Years

Table 15

Page 2 of 2

Function	Fiscal Year				
	1998	1999	2000	2001	2002
Financial:					
County Auditor ^g					
A/P checks processed	7,744	8,459	9,622	10,715	11,265
Payroll checks processed	N/A	N/A	10,213	13,950	14,023
Highways and Streets ^h					
Miles of roads resurfaced	167	159	216	201	99
Public Health & Welfare					
Autopsies performed ⁱ	56	70	75	70	78
Medical Examiner cases ⁱ	306	364	384	390	391
Indigent clients ^j	N/A	N/A	N/A	N/A	N/A

Sources:

^a Texas Courts Online Annual Statistical Reports

^b Johnson County Personnel

^c Johnson County Purchasing

^d Johnson County Tax Assessor/Collector

^e Johnson County Elections Administrator

^f Johnson County Sheriff

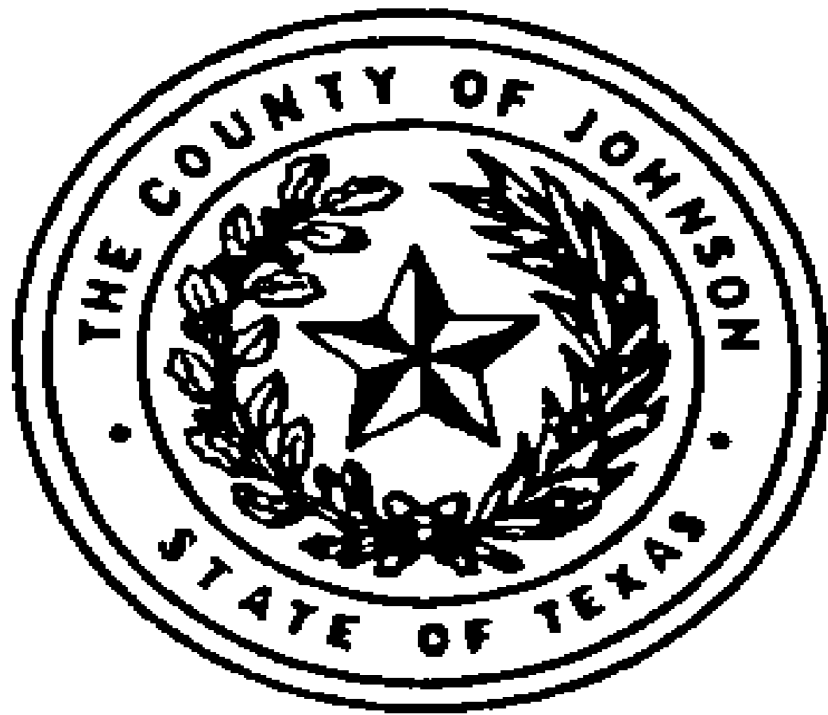
^g Johnson County Auditor

^h Johnson County Commissioners

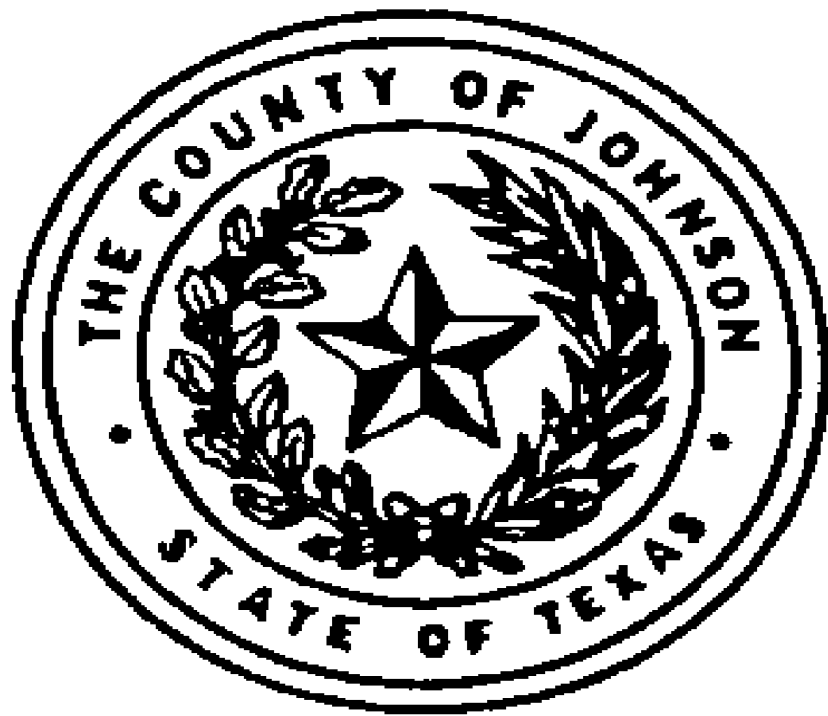
ⁱ Johnson County Medical Examiner

^j Johnson County Indigent Health Care

Fiscal Year				
2003	2004	2005	2006	2007
9,752	8,925	7,588	6,312	6,780
14,213	14,394	14,546	16,302	16,829
213	80	126	104	299
37	39	28	36	44
354	327	344	360	355
N/A	421	300	175	128



FEDERAL AND STATE AWARDS SECTION



KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS
Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
10850 Richmond Avenue, Suite 250
Houston, Texas 77042
(713) 974-3030 Fax: (713) 974-3513

Independent Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statement Performed in Accordance with Government Auditing
Standards

March 24, 2008

The Honorable County Judge,
and Members of Commissioners'
Court of Johnson County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Texas (the "County") 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 March 24, 2008. The report on the County was qualified because we did not observe the physical inventory (stated at \$ 340,081) taken as of September 30, 2006, since that date was prior to our initial engagement as auditors for the County, and the County's records do not permit adequate retroactive tests of inventory quantities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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.

www.kmkwllc.com – Email: kmkw@kmkwllc.com

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The Honorable County Judge,
and Members of Commissioners'
Court of Johnson County, Texas
March 24, 2008
Page 2

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 (Item 07-1, 07-2, and 07-3) 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items (07-01, 07-2 and 07-3) to 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 is required to be reported under *Government Auditing Standards*.

We have performed tests designed to verify the County's compliance with the requirements of the Public Funds Investment Act. During the year ended September 30, 2007, no instances of noncompliance were found.

We noted certain matters that we reported to management of the County, in a separate letter dated March 24, 2008.

This report is intended solely for the information and use of the County Judge, members of Commissioners' Court, management, and appropriate state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Kennemer, Masters & Kingford, LLC

KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
(979) 297-4075 Fax: (979) 297-6648
(800) 399-4075

Houston Office:
10850 Richmond Avenue, Suite 250
Houston, Texas 77042
(713) 974-3030 Fax: (713) 974-3513

Independent Auditor's Report

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

March 24, 2008

The Honorable County Judge
and Members of Commissioners'
Court of Johnson County, Texas

Compliance

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

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

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

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The Honorable County Judge,
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Court of Johnson County, Texas
March 24, 2008
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Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major state or 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 state or 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 state or federal program such that there is more than a remote likelihood that non compliance with a type of compliance requirement of a state or federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items (07-4) to be a significant deficiency.

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 state or federal program will not be prevented or detected by the entity's internal control. The significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 07-04 to be material weakness.

Johnson County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County Judge, members of Commissioners' Court, management, and appropriate state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Kennemer, Masters & Hurdford, LLC

JOHNSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

Page 1 of 4

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Qualified.
2. Three internal control findings (07-1, 07-2, and 07-3), that were required to be reported in this schedule, were disclosed in the audit of the financial statements. They were considered to be material weaknesses.
3. Noncompliance, which is material to the financial statements: None.
4. One internal control finding (07-4) that is required to be reported in this schedule was disclosed in the audit of the major programs and is considered a material weakness.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:
 - Federal:
 - 93.658 Foster Care Title IV-E
 - 97.008 Homeland Security HSGP UASI
 - State:
 - Texas Historical Preservation Program
 - Cluster Programs:
 - TJPC-A-07/08-020 State Aid Program
 - TJPC-Y-07/08-020 Community Correction Assistance Program
 - TJPC-Z-07/08-020 Salary Adjustment Funding JP and Detention Centers
 - TJPC-F-07/08-020 Progressive Sanctions JPO
 - TJPC-G-07/08-020 Progressive Sanctions Level 1-2-3
 - TJPC-P-07/08-020 Juvenile Justice Alternative Education Program (Boot Camp)
8. Dollar threshold used to distinguish between Type A and Type B programs: Federal \$ 300,000; State \$ 300,000.
9. Low risk auditee: No.

JOHNSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

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II. Findings related to the financial statements

The audit disclosed the following findings required to be reported:

1. Schedule reference number 07-1: Control over the General ledger. Controls over general ledger accounts were limited to cash and related revenues and expenditures as they relate to the budget. Other balance sheet accounts were not reconciled and required significant prior period adjustments.

Criteria: Accounting procedures should provide for control of all general ledger accounts. Changes in balance sheet accounts other than cash can have a significant effect on revenues, expenditures and equities.

Condition Found: General ledger balance sheet accounts other than cash were not reconciled and required significant prior period adjustments in order for the financial statements to be fairly presented at September 30, 2007.

Questioned costs/basis: None

Instances/universe: The variances in the balance sheet accounts were noted during the performance of our substantive audit procedures performed as of September 30, 2007.

Effect: Internal control procedures do not extend to control over balance sheet accounts other than cash and significantly weaken the internal control over financial reporting.

Recommendations: A concerted effort needs to be made to establish accounting procedures to reconcile and adjust (if necessary) all balance sheet accounts on a monthly basis to ensure adequate controls over financial reporting.

2. Schedule reference number 07-2: Control over all County Funds. Numerous County funds are not maintained on the County's general ledger system. Except for a few, these funds do not produce accounting records other than banks statements and related reconciliations. Some of these funds were not previously reported in the financial statements of the County and required prior period adjustments of equities.

Criteria: Accounting procedures should provide transaction accounting for all funds of the County. Regardless of Fee Officer authority over approval of transactions, all transactions should be recorded in an accounting system that provides adequate internal controls over balances and transactions.

Condition Found: Accounting records for numerous accounts of the County were not maintained in an accounting system that would provide for adequate controls over financial reporting.

Questioned costs/basis: None

JOHNSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

Page 3 of 4

II. Findings related to the financial statements - Continued

2. Schedule reference number 07-2 - Continued

Instances/universe: These funds (accounts) were identified during the performance of our substantive audit procedures (including confirmations) performed as of September 30, 2007.

Effect: Internal control procedures cannot be properly maintained unless adequate accounting records are maintained over all funds of the County. Failure to do so is a significant weakness in internal control over financial reporting.

Recommendations: We recommend that all funds (accounts) be controlled on the County's general ledger system. Initially, this may require monthly acquisition of transactions and posting of transactions through journal entries as the result of a proof of cash. Ultimately, the County should require all funds (accounts) to utilize the existing accounting software to record transactions as they occur utilizing the internal control procedures maintained for other funds. Fee Officers should not confuse authority over transactions as a reason for not accounting for all County transactions and not applying adequate internal controls that can be verified by the County Auditor.

3. Schedule reference number 07-3: Software Cash Receipts Controls – Controls over cash receipts were not consistently maintained during the year ended September 30, 2007.

Criteria: Software controls and accounting procedures should be modified to establish adequate controls over cash receipts to ensure the accuracy and completeness of transactions.

Condition Found: The computer software and related accounting procedures utilized to record cash receipts contain significant control deficiencies. These software and accounting procedures are utilized initially by the Fee Officers in the cash receipts process from customers as well as the Treasurer and Auditor offices in the cash receipts process from Fee Officers during the year ended September 30, 2007.

Questioned costs/basis: None

Instances/universe: The control deficiencies were noted during test of controls procedures performed during September 2007 as part of interim audit fieldwork.

Effect: Internal control procedures over cash receipts are weakened by deficiencies in software controls as well as accounting procedures over cash receipts.

JOHNSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

Page 4 of 4

II. Findings related to the financial statements - Continued

The audit disclosed the following findings required to be reported:

2. Schedule reference number 07-3 - Continued

Recommendations: Weakness in software controls should be addressed with the software vendors. Based on available changes in software controls, accounting procedures should be developed to eliminate weakness in internal controls over cash receipts and subsequent controls over financial reporting.

III. Findings and questioned costs related to the federal and state awards.

1. Schedule reference number 07-4: Financial and Grant Reporting. Since controls over the general ledger do not provide for accurate accrual reporting, some grant reporting has not been performed in accordance with grant requirements. Grant operations are decentralized and lack accounting controls and knowledge of grant requirements that centralization could provide. See finding 07-1 for further detail.

Criteria: Accounting procedures should provide for accurate grant reporting on an accrual basis when required. Failure to accurately report transactions on an accrual basis could result in errors in reporting grant expenditures in total and or in the correct project period.

Condition Found: Grant reports were prepared primarily on the cash basis with no reconciliation of accruals between project periods. Grants funds were found to be requested accurately in total for the projects although interim reporting was found to be inaccurate. Further, grants are administered by various employees throughout the County with and without the knowledge of a grant coordinator or at least the County Auditor.

Questioned costs/basis: None.

Instances/universe: This condition was noted during the performance of our reconciliation of grant revenues (receipts) and expenditures (disbursements) as part of compliance procedures in the substantive audit procedures performed as of September 30, 2007.

Effect: Control procedures for grants do not extend to accruals which could unfavorably affect the accuracy of grant reporting and compliance.

Recommendations: The County should maintain control over the general ledger as recommended in item 07-1, above. Further, the County should centralize control over grants to ensure proper reporting and compliance with grant requirements. Failure to identify the existence and proper administration of grants could result in loss of grants and or repayment.

JOHNSON COUNTY, TEXAS
SCHEDULE OF STATUS OF PRIOR FINDINGS
Year Ended September 30, 2007

Page 1 of 1

None.

Schedule reference number 07-1: Control over the General ledger. Controls over general ledger accounts were limited to cash and related revenues and expenditures as they relate to the budget. Other balance sheet accounts were not reconciled and required significant prior period adjustments.

Corrective action plan: The Auditor's Office has initiated plans to adjust responsibilities within the office to focus on current reconciliations of all general ledger accounts. The reassignment of personnel responsibilities should provide adequate controls over all general ledger accounts. Further, the Auditor's Office is investigating additional training that may assist its staff in accomplishing the restoration of controls over all general ledger accounts. J.R. Kirkpatrick, Jr., County Auditor, will monitor on an ongoing basis to ensure proper performance of these processes and procedures.

Schedule reference number 07-2: Control over all County Funds. Numerous County funds are not maintained on the County's general ledger system. Except for a few, these funds do not produce accounting records other than banks statements and related reconciliations. Some of these funds were not previously reported in the financial statements of the County and required prior period adjustments of equities.

Corrective action plan: The Auditor's Office has initiated plans to adjust responsibilities within the office to focus on maintaining all County funds on the general ledger or ensuring adequate accounting records are maintained. The resulting maintenance of accounting records should provide adequate controls over all County funds (accounts). Further, the Auditor's Office is investigating the utilization of existing and other software to accomplish the required accounting documentation for all County Funds (accounts). J.R. Kirkpatrick, Jr., County Auditor, will monitor on an ongoing basis to ensure proper performance of these processes and procedures.

Schedule reference number 07-3: Software Cash Receipts Controls – Controls over cash receipts were not consistently maintained during the year ended September 30, 2007.

Corrective action plan: Upon initial notification of software control deficiencies, the County Auditor requested and the County Judge and Commissioners approved a request of the software providers to appropriately modify controls over their software. Further, once the software controls have been modified, the County Auditor's Office plans to review and suggest modification of accounting procedures related to cash receipts. J.R. Kirkpatrick, Jr., County Auditor, will monitor on an ongoing basis to ensure proper performance of these processes and procedures.

Schedule reference number 07-4: Financial and Grant Reporting. Since controls over the general ledger do not provide for accurate accrual reporting, some grant reporting has not been performed in accordance with grant requirements. Grant operations are decentralized and lack accounting controls and knowledge of grant requirements that centralization could provide.

Corrective action plan: Currently, Commissioners' Court is investigating the possibility of centralizing grant operations within the County. Until action is taken, the County Auditor's Office plans to maintain reconciliations of grant revenues (receipts) and expenditures and will coordinate with grant administrators in an effort to strengthen controls over grant reporting. J.R. Kirkpatrick, Jr., County Auditor, will monitor on an ongoing basis to ensure proper performance of these processes and procedures.

JOHNSON COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2007

Exhibit 13
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Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Contract/ Program Number	Expenditures Indirect Costs or Award Amount
U.S. Department of Housing and Urban Development: Passed Through Office of Rural Community Affairs (ORCA): Community Development Block Grant	14.228	726030	\$ <u>9,456</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ <u>9,456</u>
U.S. Department of Interior: Passed Through Fish and Wildlife Service: Refuge Revenue Sharing Act of 1978	15.000	--	\$ <u>747</u>
TOTAL U.S. DEPARTMENT OF INTERIOR			\$ <u>747</u>
U.S. Department of Justice: Direct: Bulletproof Vest Partnership (BVP) Bulletproof Vest Partnership (BVP)	16.607 16.607	2004 BOBX 04020953 2006 BOBX 06133397	\$ 1,820 <u>2,255</u> 4,075
FY 2006 BJA Congressional Mandated Awards Edward Byrne Memorial Justice Assistance Grant Programs	16.000 16.738	2006-DD-BX-0252 2005-DJ-BX-1106	98,723 <u>10,217</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ <u>113,015</u>
U.S. Department of Transportation: Passed Through Texas Department of Transportation: 2007 Texas Traffic Safety Program - STEP Comprehension	20.600	587XXF5012	\$ <u>17,377</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			\$ <u>17,377</u>
U.S. Department of Education: Passed Through Office of Governor - Criminal Justice Division: School Resource Officer	84.186	18298-1	\$ <u>25,809</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>25,809</u>
U.S. Department of Health and Human Service: Passed Through Texas Department of State Health Services: Cities Readiness Initiative Cities Readiness Initiative Cities Readiness Initiative	93.283 93.283 93.283	2006-000000 U90/CCU617001-06-03 2008-000000	\$ 13,029 38,303 <u>1,592</u> <u>52,924</u>
Passed Through Texas Department of Family and Protective Services: Foster Care Title IV-E Foster Care Title IV-E	93.658 93.658	E-2007-126 E-2008-126	11,243 <u>109,657</u> <u>120,900</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE			\$ <u>173,824</u>

JOHNSON COUNTY, TEXAS*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued*

For the Year Ended September 30, 2007

Exhibit 13

Page 2

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract/ Program Number</u>	<u>Expenditures Indirect Costs or Award Amount</u>
U.S. Department of Homeland Security: Passed Through the Governor's Office – Division of Emergency Management: Homeland Security HSGP UASI 2006	97.074	2006-GE-T6-0068	\$ <u>9,944</u>
Homeland Security HSGP UASI 2005	97.008	2005-GE-T5-4025	184,499
Homeland Security HSGP UASI 2006	97.008	2006-GE-T6-0068	<u>128,079</u>
			<u>312,578</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ <u>322,522</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>662,750</u>
TOTAL MAJOR PROGRAMS			\$ <u>433,478</u>
TYPE A PROGRAM			\$ <u>300,000</u>

JOHNSON COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended September 30, 2007

Exhibit 14
Page 1

State Grantor/ Pass-Through Grantor/ Program Title	Contract/ Program Number	Expenditures or Award Amount
Office of Governor - Criminal Justice Division:		
Direct Programs:		
Mobile Crime Scene Unit	SF-07-A10-18304-01	\$ <u>35,452</u>
TOTAL OFFICE OF GOVERNOR		\$ <u><u>35,452</u></u>
Texas Juvenile Probation Commission:		
Direct Programs:		
State Aid Program (1)	TJPC-A-08-126	\$ 9,189
State Aid Program (1)	TJPC-A-07-126	118,644
Community Correction Assistance Program (1)	TJPC-Y-08-126	17,518
Community Correction Assistance Program (1)	TJPC-Y-07-126	209,458
Salary Adjustment Funding JP and Detention Centers (1)	TJPC-Z-08-126	2,521
Salary Adjustment Funding JP and Detention Centers (1)	TJPC-Z-07-126	27,296
Progressive Sanctions JPO (1)	TJPC-F-08-126	2,074
Progressive Sanctions JPO (1)	TJPC-F-07-126	25,340
Progressive Sanctions Level 1-2-3 (1)	TJPC-G-08-126	2,786
Progressive Sanctions Level 1-2-3 (1)	TJPC-G-07-126	32,455
Level 5 Placement	TJPC-CCP-LV5	52,955
Passed Through Texas Education Agency:		
Juvenile Justice Alternative Education Program (Boot Camp) (1)	TJPC-P-07-126	<u>127,853</u>
TOTAL TEXAS JUVENILE PROBATION COMMISSION		\$ <u><u>628,089</u></u>
Texas Commission on Environmental Quality:		
Direct:		
Aircheck Texas Repair and Replacement Assistance Program	582-2-55082-07	\$ <u>41,872</u>
TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY		\$ <u><u>41,872</u></u>
Texas Historical Commission:		
Direct Program:		
Texas Historical Preservation Program	---	\$ <u>1,522,012</u>
TOTAL TEXAS HISTORICAL COMMISSION		\$ <u><u>1,522,012</u></u>
Secretary of State - Elections Division:		
Direct Program:		
Chapter 19 - Election Funds Management	---	\$ <u>3,294</u>
TOTAL SECRETARY OF STATE		\$ <u><u>3,294</u></u>

JOHNSON COUNTY, TEXAS**SCHEDULE OF EXPENDITURES OF STATE AWARDS - Continued**
For the Year Ended September 30, 2007Exhibit 14
Page 2

State Grantor/ Pass-Through Grantor/ Program Title	Contract/ Program Number	Expenditures or Award Amount
Commission on State of Texas Emergency Communications:		
Passed Through North Central Council of Governments:		
911 Addressing Maintenance Contract	---	\$ 24,412
911 Addressing Maintenance Contract	---	<u>13,507</u>
TOTAL COMMISSION ON STATE OF TEXAS EMERGENCY COMMUNICATIONS		<u>\$ 37,919</u>
Office of Attorney General:		
Direct Program:		
Sexual Assault Prevention and Crisis Services Program	---	\$ 21,527
Texas Victim Information and Notification Everyday (VINE)	07-00946	<u>30,108</u>
TOTAL OFFICE OF ATTORNEY GENERAL		<u>\$ 51,635</u>
Texas Task Force on Indigent Defense:		
Direct Program:		
Indigent Defense Services	212-07-126	<u>\$ 72,395</u>
TOTAL TEXAS TASK FORCE ON INDIGENT DEFENSE		<u>\$ 72,395</u>
TOTAL STATE ASSISTANCE		<u>\$ 2,392,668</u>
TOTAL MAJOR PROGRAMS		<u>\$ 2,097,146</u>
TYPE A PROGRAM		<u>\$ 300,000</u>
(1) Cluster Programs per TJPC		

JOHNSON COUNTY, TEXAS

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS

Year Ended September 30, 2007

1. The County uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources. Funds are classified into two categories: governmental and fiduciary. Each category, in turn is divided into separate "fund types". The following fund types were utilized to account for federal awards.

Governmental Fund Types:

General Fund - is the general operating fund of the County. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. Federal financial assistance not required to be reported in other funds is accounted for in the General Fund.

Special Revenue Funds - used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Federal financial assistance generally is accounted for in a Special Revenue Fund unless required to be reported in a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities. Federal financial assistance for the construction of major capital facilities generally is accounted for in a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Federal and State grant funds were accounted for in the General Fund, Special Revenue Fund, and the Capital Projects Fund, a component of the Governmental Fund type.

The modified accrual basis of accounting is used for the Governmental Fund Types. 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 General 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/expenses made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

JOHNSON COUNTY, TEXAS

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AND STATE AWARDS - Continued

Year Ended September 30, 2007

3. The period of availability for state 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 Supplement.
4. Indirect Costs - Johnson County, Texas received \$ 1,407 in reimbursement for indirect costs during the year ended September 30, 2007. This amount was related to the Bioterrorism Grant.