

*BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

**COUNTY OF KENDALL,
TEXAS**

Boerne, Texas

**For the Year Ended
September 30, 2008**

KENDALL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Assets	10
B-1 Statement of Activities.....	11
Governmental Fund Financial Statements:	
C-1 Balance Sheet.....	13
C-2 Reconciliation for C-1.....	15
C-3 Statement of Revenues, Expenditures and Changes in Fund Balance	16
C-4 Reconciliation for C-3.....	18
Fiduciary Funds:	
E-1 Statement of Fiduciary Net Assets.....	19
Notes to the Financial Statements	20
 <u>Required Supplementary Information</u>	
C-5 Budgetary Comparison Schedule - General Fund	36
C-6 Budgetary Comparison Schedule - Road and Bridge Fund.....	38
 <u>Supplementary Information</u>	
H-1 Combining Balance Sheet - Nonmajor Governmental Funds.....	39
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	45
H-3 Combining Statement of Changes in Assets & Liabilities - Agency Funds.....	51

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable Judge and County Commissioners
County of Kendall
Boerne, TX 78006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Kendall as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Kendall management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

The management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on pages 36 through 38 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise County of Kendall's basic financial statements.

Although the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, they have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Neffendorf, Knopp, Dooss + Company, P.C.
NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

November 3, 2009

KENDALL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Kendall County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2008. Please read it in conjunction with the independent auditors' report on page 1, and County's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$17,579,849 (net assets). Of this amount, \$8,283,291 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net assets increased by \$2,540,569 as a result of this year's operations.
- At September 30, 2008, the County's governmental funds reported combined ending fund balances of \$12,044,796 an increase of \$641,619 in comparison with the prior year.
- At September 30, 2008, the unreserved fund balance of the general fund was \$7,952,144, or 52 percent of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 10 - 12). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 10 - 12) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (operating fund) are presented as required supplementary information on pages 35 and 36.

The combining statements for nonmajor funds contain even more information about the County's individual funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

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

➤ Governmental activity - Most of the County's basic services are reported here, including the public safety, roads and bridges, justice system, juvenile services, health and human services, culture and recreation, conservation and development and administration. Property taxes, grants, user charges, sales tax and investment earnings finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 10 - 12 provide detailed information about the most significant funds - not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes.

➤ Governmental funds - Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the County's governmental activities increased from \$15,039,280 to \$17,579,849. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$8,283,291 at September 30, 2008. This increase in governmental net assets was the result of three factors. First, the County's revenues exceeded the expenditures by \$2,540,569. Second, the County issued capital leases in the amount of \$139,525; retired long-term debt in the amount of \$1,024,292 and acquired capital assets in the amount of \$1,996,259. Third, the County recorded depreciation in the amounts of \$871,443.

Table I
Kendall County, Texas

NET ASSETS
in thousands

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 13,195	\$ 13,167
Capital Assets	18,240	17,243
Total Assets	<u>\$ 31,435</u>	<u>\$ 30,410</u>
Long-Term Liabilities	\$ 12,890	\$ 13,222
Other Liabilities	965	2,149
Total Liabilities	<u>\$ 13,855</u>	<u>\$ 15,371</u>
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	\$ 5,204	\$ 3,359
Restricted	4,093	3,937
Unrestricted	8,283	7,743
Total Net Assets	<u>\$ 17,580</u>	<u>\$ 15,039</u>

Table II
Kendall County, Texas

CHANGES IN NET ASSETS
in thousands

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Revenues:		
Charges for Services	\$ 3,938	\$ 3,862
Property Taxes	12,238	10,388
Sales Tax	1,976	1,879
Other Taxes	53	50
Penalty & Interest	142	124
Investment Earnings	555	794
Miscellaneous	110	97
Grants and Contributions	550	605
Total Revenue	<u>\$ 19,562</u>	<u>\$ 17,799</u>
Expenses:		
Law Enforcement	\$ 3,493	\$ 2,966
Corrections	1,065	917
Fire Protection	558	418
Financial Administration	486	475
General Administration	740	782
Tax Administration	706	484
Facilities Management	546	456
Road and Bridges	3,278	2,917
Sanitation	219	172
Justice System	2,176	2,024
Juvenile Services	244	271
Health and Human Services	1,852	1,596
Culture and Recreation	526	339
Conservation and Development	528	437
Debt Service	604	490
Total Expenses	<u>\$ 17,021</u>	<u>\$ 14,744</u>
Increase in Net Assets		
Before Transfers	\$ 2,541	\$ 3,055
Net Assets - Beginning of Year	15,039	11,984
Net Assets - End of Year	<u>\$ 17,580</u>	<u>\$ 15,039</u>

The cost of all governmental activities this year was \$17,020,991. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$12,238,094 because the other costs were paid by sales tax (\$1,975,373), operating and capital grants and contributions (\$550,166), user charges (\$3,938,118), investment earnings (\$555,198) and other miscellaneous (\$304,611).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 13 - 14) reported a combined fund balance of \$12,044,796, which is more than last year's total of \$11,403,177. Included in this year's total change in fund balance is an increase of \$485,654 in the County's General Fund. The primary reasons for the General Fund's gain mirror the governmental activities analysis highlighted on page 5.

The Commissioner's Court adopted the General Fund and Road and Bridge Budgets. In the General Fund, the original and final budget anticipated expenditures and other financing uses to exceed revenues and other financing sources by \$1,538,036 and \$1,818,035 respectively. Both revenues and expenditures and other financing sources and uses were favorable to budget resulting in a net excess of \$485,654. In the Road and Bridge Fund, the original and final budget anticipated expenditures to exceed revenues and other sources by \$50,000. Actual revenues were more than budgeted estimates by \$294,597. Actual expenditures were less than budgeted estimates by \$148,130 and other financing sources and uses were less than budgeted estimates by \$406,185. The net effect resulted in a positive variance of \$36,542.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2008, the County had \$26,647,440 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements. This amount represents a net increase of \$1,650,332 or 6.6 percent, more than last year.

CAPITAL ASSETS in thousands

	Governmental Activities	
	2008	2007
Land	\$ 5,622	\$ 5,425
Construction in Progress	130	1,298
Buildings & Improvements	11,076	9,052
Infrastructure	3,767	3,526
Machinery & Equipment	4,116	3,846
Vehicles	1,936	1,850
Total Capital Assets	\$ 26,647	\$ 24,997
Accumulated Depreciation	8,407	7,754
Capital Assets, Net	\$ 18,240	\$ 17,243

This year's major additions and deletions included:

Park Improvements	\$	42,681
Comfort JP#4 Building and Lot		322,862
Juvenile/Extension Building and Lot		455,371
Road & Bridge Building Construction		30,249
Jail Improvements		59,779
New Road Construction		241,292
Historic Courthouse Construction		69,449
Filtration System Car Wash		72,415
2007 Dodge Ram 3500 Ambulance		115,050
(5) Law Enforcement Vehicles		139,175
(1) Volvo Loader with Grapple		54,993
(1) F750 Water Truck		64,977
(1) New Holland Tractor		14,999
(1) Ford F150		16,273
(1) Ford F250		19,329
(1) ATV Four Wheeler		10,630
(1) Kubota Tractor		12,500
(1) 2001 GMC Yukon Sheriff		22,000
(2) Homeland Security Light Towers		20,600
Software		87,550
Various Other Equipment		77,360
Disposed Assets		(299,203)
Totaling	\$	<u>1,650,331</u>

More detailed information about the County's capital assets is presented in Note 3.D. to the financial statements.

DEBT

At September 30, 2008, the County had the following outstanding debt:

	OUTSTANDING DEBT	
	in thousands	
	Governmental	
	Activities	
	<u>2008</u>	<u>2007</u>
Bonds Payable	\$ 9,890,000	\$10,440,000
Capital Leases Payable	193,525	288,728
Loans Payable	2,915,637	3,155,000
Compensated Absences	362,265	318,297
Total Outstanding Debt	<u>\$ 13,361,427</u>	<u>\$14,202,025</u>

At year-end the County had \$9,890,000 in certificates of obligation and refunding bonds outstanding, \$193,325 in capital leases outstanding, \$2,915,637 in loans outstanding, and \$362,265 in compensated absences outstanding; a decrease of \$930,450 from the prior year. In 2008 the County issued \$139,525 in capital leases for the purchase of five Law Enforcement vehicles. The County paid \$1,024,292 in principal on the outstanding long-term debt.

More detailed information about the County's long-term liabilities is presented in Note 3.F. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2009 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund budget for 2009. Amounts available for appropriation in the General Fund budget are \$17,980,183 (includes prior year surplus of \$865,691) and expenditures are estimated to be \$17,980,183.

If these estimates are realized, the County's budgetary General fund balance is expected to decrease by \$865,691 (use of prior year surplus).

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor or Commissioners' Court, at Kendall County, Texas, Boerne, Texas.

BASIC FINANCIAL STATEMENTS

KENDALL COUNTY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,119,784
Investments - Current	11,029,505
Receivables (net of allowance for uncollectibles)	926,597
Capitalized Debt Issuance Costs	119,371
Capital Assets:	
Land	5,622,430
Infrastructure, net	1,739,936
Buildings, net	7,134,199
Improvements other than Buildings, net	1,117,518
Machinery and Equipment, net	2,495,385
Construction in Progress	130,681
Total Assets	31,435,406
LIABILITIES	
Accounts Payable	438,672
Intergovernmental Payable	6,149
Accrued Interest Payable	139,161
Noncurrent Liabilities	
Due Within One Year	961,486
Due in More Than One Year	12,310,089
Total Liabilities	13,855,557
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,203,906
Restricted for:	
Special Revenue	1,296,147
Debt Service	403,766
Capital Projects	2,392,739
Unrestricted Net Assets	8,283,291
Total Net Assets	\$ 17,579,849

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

KENDALL COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Financial Administration	\$ 486,177	\$ 22,208	\$ -
General Administration	740,242	74,527	-
Tax Administration	705,666	207,276	-
Facilities Administration	545,601	-	-
Law Enforcement	3,492,766	287,175	73,510
Fire Protection	557,954	-	-
Corrections	1,065,068	1,300	-
Roads and Bridges	3,277,643	1,629,598	23,413
Sanitation	218,416	137,117	-
Justice System	2,176,365	858,602	94,432
Juvenile Services	243,955	2,398	171,460
Health & Human Services	1,852,108	673,768	105,635
Culture and Recreation	526,244	-	-
Conservation and Development	528,292	44,149	46,725
Bond Interest	586,876	-	-
Fiscal Agent's Fees	1,162	-	-
Issuance Costs	16,457	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 17,020,992	\$ 3,938,118	\$ 515,175

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (463,969)
-	(665,715)
-	(498,390)
-	(545,601)
20,600	(3,111,481)
-	(557,954)
-	(1,063,768)
-	(1,624,632)
-	(81,299)
-	(1,223,331)
-	(70,097)
-	(1,072,705)
-	(526,244)
-	(437,418)
-	(586,876)
-	(1,162)
-	(16,457)
<u>\$ 20,600</u>	<u>(12,547,099)</u>

11,293,762
 944,332
 1,975,373
 53,311
 141,528
 14,391
 109,772
555,198
 15,087,667
2,540,568
 15,039,281
\$ 17,579,849

KENDALL COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General Fund	Road and Bridge Fund	Land Acquisition Fund Parks
ASSETS			
Cash and Cash Equivalents	\$ (286,963)	\$ 128,675	\$ 7,036
Investments - Current	8,160,776	-	2,308,392
Taxes Receivable	278,411	-	-
Allowance for Uncollectible Taxes (credit)	(5,568)	-	-
Receivables (Net)	306,811	11,463	-
Total Assets	\$ 8,453,467	\$ 140,138	\$ 2,315,428
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 165,552	\$ 140,138	\$ -
Wages and Salaries Payable	62,928	-	-
Intergovernmental Payable	-	-	-
Deferred Revenues	272,843	-	-
Total Liabilities	501,323	140,138	-
Fund Balances:			
Unreserved and Undesignated:			
Reported in the General Fund	7,952,144	-	-
Reported in the Special Revenue Fund	-	-	-
Reported in the Debt Service Fund	-	-	-
Reported in the Capital Projects Fund	-	-	2,315,428
Total Fund Balances	7,952,144	-	2,315,428
Total Liabilities and Fund Balances	\$ 8,453,467	\$ 140,138	\$ 2,315,428

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

Other Funds	Total Governmental Funds
\$ 1,271,036	\$ 1,119,784
560,337	11,029,505
24,104	302,515
(482)	(6,050)
22,054	340,328
<u>\$ 1,877,049</u>	<u>\$ 12,786,082</u>
\$ 70,054	\$ 375,744
-	62,928
6,149	6,149
23,622	296,465
<u>99,825</u>	<u>741,286</u>
-	7,952,144
1,296,147	1,296,147
403,766	403,766
77,311	2,392,739
<u>1,777,224</u>	<u>12,044,796</u>
<u>\$ 1,877,049</u>	<u>\$ 12,786,082</u>

KENDALL COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2008

Total Fund Balances - Governmental Funds	\$	12,044,796
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$24,997,107 and the accumulated depreciation was \$7,754,282. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		3,110,872
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase net assets.		2,709,355
The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(871,443)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		586,269
Net Assets of Governmental Activities	\$	17,579,849

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

KENDALL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Road and Bridge Fund	Land Acquisition Fund Parks
REVENUES:			
Taxes:			
Property Taxes	\$ 11,264,596	\$ -	\$ -
General Sales and Use Taxes	1,975,373	-	-
Other Taxes	53,311	-	-
Penalty and Interest on Taxes	131,442	-	-
Licenses and Permits	129,850	-	-
Intergovernmental Revenue and Grants	152,078	-	-
Charges for Services	1,488,253	1,629,597	-
Fines	356,582	-	-
Forfeits	-	-	-
Special Assessments	11,800	-	-
Investment Earnings	443,576	-	65,598
Rents and Royalties	1,300	-	-
Contributions & Donations from Private Sources	-	-	9,252
Other Revenue	45,546	-	-
Total Revenues	16,053,707	1,629,597	74,850
EXPENDITURES:			
Current:			
General Government:			
Financial Administration	422,291	-	-
General Administration	627,406	-	-
Tax Administration	677,360	-	-
Facilities Administration	529,524	-	-
Public Safety:			
Law Enforcement	3,105,944	-	-
Fire Protection	453,207	-	-
Corrections	1,005,311	-	-
Roads and Bridges	1,320,413	1,535,449	-
Sanitation	181,281	-	-
Justice System	2,036,054	-	-
Juvenile Services	-	-	-
Health & Human Services	1,611,181	-	-
Culture and Recreation	448,077	-	-
Conservation and Development	413,073	-	-
Debt Service:			
Debt Principal	418,042	56,250	-
Debt Interest	199,262	6,002	-
Fiscal Agent's Fees	-	-	-
Capital Outlay:			
Capital Outlay	1,718,869	489,169	42,681
Total Expenditures	15,167,295	2,086,870	42,681
Excess (Deficiency) of Revenues Over (Under) Expenditures	886,412	(457,273)	32,169
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	25,686	41,301	9,768
Proceeds from Capital Leases	139,525	-	-
Transfers In	272,930	675,444	-
Transfers Out (Use)	(864,935)	(272,930)	-
Insurance Recovery	26,036	-	-
Total Other Financing Sources (Uses)	(400,758)	443,815	9,768
Net Change in Fund Balances	485,654	(13,458)	41,937
Fund Balance - October 1 (Beginning)	7,466,490	13,458	2,273,491
Fund Balance - September 30 (Ending)	\$ 7,952,144	\$ -	\$ 2,315,428

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

Other Funds	Total Governmental Funds
\$ 939,646	\$ 12,204,242
-	1,975,373
-	53,311
10,086	141,528
15,410	145,260
385,651	537,729
19,726	3,137,576
135,325	491,907
160,122	160,122
-	11,800
46,025	555,199
-	1,300
3,185	12,437
5,172	50,718
<u>1,720,348</u>	<u>19,478,502</u>
-	422,291
29,624	657,030
6,577	683,937
1,669	531,193
139,290	3,245,234
-	453,207
-	1,005,311
16,273	2,872,135
-	181,281
36,705	2,072,759
235,079	235,079
152,533	1,763,714
-	448,077
96,957	510,030
550,000	1,024,292
397,858	603,122
1,162	1,162
<u>118,626</u>	<u>2,369,345</u>
<u>1,782,353</u>	<u>19,079,199</u>
<u>(62,005)</u>	<u>399,303</u>
-	76,755
-	139,525
388,570	1,336,944
(199,079)	(1,336,944)
-	26,036
<u>189,491</u>	<u>242,316</u>
<u>127,486</u>	<u>641,619</u>
<u>1,649,738</u>	<u>11,403,177</u>
<u>\$ 1,777,224</u>	<u>\$ 12,044,796</u>

KENDALL COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	641,620
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase net assets.		2,709,355
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(871,443)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		61,037
Change in Net Assets of Governmental Activities	\$	2,540,569

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

KENDALL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2008

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 2,729,304
Investments	292,904
Other Receivables	21,717
Total Assets	<u>\$ 3,043,925</u>
LIABILITIES	
Accounts Payable	\$ 118,791
Due to Participants	292,904
Due to Beneficiaries or Other Govt	2,632,230
Total Liabilities	<u>\$ 3,043,925</u>

The accompanying notes are an integral part of this statement.

KENDALL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kendall County have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The accompanying financial statements present the County's primary government.

In evaluating how to define the government, for financial 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 GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria.

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund, the primary operating fund of the County, is always classified as a major fund. It is the basic fund of the County and covers all activities for which a separate fund has not been established.

Special Revenue Funds

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

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for and the payment of principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Capital Projects Fund - To account for financial resources to be used for the acquisition and construction of major capital facilities.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes 4 agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	Brief Description
General	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
Capital Projects Fund: Land Acquisition Fund	Accounts for the bond issuance proceeds and expenditures to be used for the acquisition of land and construction of county park facilities and road and bridge maintenance and storage facilities.

Nonmajor funds consist of special revenue funds, debt service funds and capital project funds and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Investments

For the purpose of the Statement of Net Assets, "Cash and Cash Equivalents" includes demand deposit accounts and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Fixed Assets

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Donated assets are recorded at their estimated fair value at the date of donation.

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, not all infrastructure assets acquired prior to October 1, 2002 have been capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and Equipment	3 - 20 years
Infrastructure	25 - 50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt

All long term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bond and note payables and capital lease transactions.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Compensated Absences

The County allows employees to accumulate vacation, sick leave, and comp time with certain limitations. Sick leave of twelve (12) days per year accumulates. Sick leave can accumulate up to (40) days to be paid only upon retirement and up to (20) days if the employee has at least 8 years of service with the County. Vacation leave accumulates up to twenty (20) days and is paid in full upon termination. Comp time accumulates up to (10) days and is paid in full upon termination. The County has adopted a policy of granting compensatory time off in lieu of cash payment for overtime work in compliance with the Fair Labor Standards Act. Comp-time is computed at one and one half (1 1/2) hours for every overtime hour worked and accumulated up to certain limits as defined by law. At September 30, 2008, the accumulated vacation and comp-time amount to \$362,265. This amount will be liquidated in future years, and is reported as a liability in the government-wide statement of net assets.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property Taxes

The County contracted with the Kendall County Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2008 tax roll, the total assessed valuation was \$3,425,906,851 and the taxes assessed amounted to \$12,652,941. The total tax rate was \$.37 per \$100 valuation and allocated \$.339318 to the General Fund and \$.030682 to the Debt Service Funds. The maximum tax levy allowed by State law for the above purposes is \$.80 per \$100 valuation.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the County is subject to various federal, state and local laws and contractual regulations. An analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources follows.

Budgetary Information

The original budget is adopted by the Commissioners Court and filed with the Kendall County Clerk. Amendments are made during the year on approval by the Commissioners Court. The final amended budget is used in this report.

Funds which have legally adopted annual budgets include the General, Special Revenue, Debt Service, and Capital Projects Funds. The budget should not be exceeded in any expenditure category under State law. However, the total of the budgets for the General and certain Special Revenue Funds cannot be increased once the budgets are adopted. The County has complied with all budget requirements for the year ended September 30, 2008.

Budgets for the Governmental Funds are prepared using the modified accrual basis of accounting. Unexpended appropriations (including outstanding encumbrances) lapse at the end of the fiscal year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

3.A DEPOSITS AND INVESTMENTS

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2008, the carrying amount of the County's deposits was \$1,119,784 and the bank balance was \$1,500,211. The County's cash deposits held at Frost National Bank at September 30, 2008 and during the year ended September 30, 2008 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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

Temporary investments consisted of certificates of deposits and government pool investments as follows:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
<u>Certificates of Deposits -</u>				
Blanco National Bank	\$ 323,012	\$ 323,012	\$ 100,000	\$ 229,458
Bank of the Hills	208,447	208,447	100,000	322,208
<u>Liquid Asset Portfolio -</u>				
Logic	8,108,155	8,108,155	*	*
Texstar	2,389,892	2,389,892	*	*
Total Governmental Activities	\$ 11,029,506	\$ 11,029,506	\$ 200,000	\$ 551,666

* The investments in Logic and Texstar are considered government pool investments. Government pool investments are not categorized in accordance with GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book entry form. Also, investments in government investment pools are not required to disclose custodial credit risk, concentration of credit risk and interest rate risk in accordance with GASB Statement #40.

Logic and Texstar's portfolios have low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment.

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

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2008, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

3.B. AD VALOREM TAXES RECEIVABLE

Ad Valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad Valorem taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible within the General and Debt Service Funds are based upon historical experience in collecting property taxes. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

Ad Valorem tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days after year-end, which are recognized as revenue as of September 30, 2008.

The following is a summary, by major and nonmajor funds, of the gross taxes, the allowance for uncollectible taxes, and net taxes receivable.

	Taxes Receivable	Allowance for Uncollectible Taxes	Net Taxes Receivable
General Fund	\$ 278,411	\$ 5,568	\$ 272,843
Nonmajor Funds - Debt Service	24,104	482	23,622
TOTAL - ALL FUNDS	\$ 302,515	\$ 6,050	\$ 296,465

3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be \$1,159,218 which represents amounts owed and outstanding for the last 10 years. Based on historical collection rates for the various courts, the County has booked an allowance for uncollectible court fines and fees of \$869,413, resulting in a net receivable of \$289,805.

3.D. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2008.

	Balance 10/1/07	Additions	Deletions	Balance 9/30/08
<i>Governmental Activities:</i>				
Land	\$ 5,425,632	\$ 196,798	\$ -	\$ 5,622,430
Buildings & Improvements	9,052,311	2,023,261	-	11,075,572
Machinery & Equipment	3,845,891	343,610	73,373	4,116,128
Vehicles	1,849,514	311,827	225,830	1,935,511
Infrastructure	3,525,825	241,292	-	3,767,117
Construction Work in Progress	1,297,934	99,698	1,266,951	130,681
Totals at Historic Cost	\$ 24,997,107	\$ 3,216,486	\$ 1,566,154	\$ 26,647,439
Less Accumulated Depreciation:				
Buildings & Improvements	2,577,644	246,211	-	2,823,855
Machinery & Equipment	2,189,081	296,384	47,442	2,438,023
Vehicles	1,085,632	203,591	170,993	1,118,230
Infrastructure	1,901,925	125,257	-	2,027,182
Total Accumulated Depreciation	\$ 7,754,282	\$ 871,443	\$ 218,435	\$ 8,407,290
Capital Assets, Net	\$ 17,242,825	\$ 2,345,043	\$ 1,347,719	\$ 18,240,149

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

Governmental Activities:	
Financial Administration	\$ 8,221
General Administration	8,659
Tax Administration	9,014
Facilities Management	12,934
Law Enforcement	168,300
Fire Protection	11,471
Corrections	38,424
Roads & Bridges	375,602
Sanitation	31,218
Justice System	62,411
Juvenile Services	3,098
Health & Human Services	69,627
Culture & Recreation	58,185
Conservation & Development	<u>14,279</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>871,443</u></u>

3.E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2008, is as follows:

Interfund Transfers

Transfer Out:	Transfer In:			Total
	General Fund	Road & Bridge Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 611,365	\$ 253,570	\$ 864,935
Road & Bridge Fund	272,930	-	-	272,930
Nonmajor Governmental Funds	-	64,079	135,000	199,079
 TOTAL	 \$ <u><u>272,930</u></u>	 \$ <u><u>675,444</u></u>	 \$ <u><u>388,570</u></u>	 \$ <u><u>1,336,944</u></u>

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

3.F. LONG-TERM DEBT

Governmental Activities

As of September 30, 2008, the governmental long-term debt consisted of the following:

Changes in Long-Term Debt

	Balance 10/1/07	Issued	Retired	Balance 9/30/08
Bonds Payable -				
Series 2003 Refunding	\$ 140,000	\$ -	\$ 140,000	\$ -
Series 2005	2,800,000	-	150,000	2,650,000
Series 2005 Refunding	4,500,000	-	105,000	4,395,000
Series 2008	3,000,000	-	155,000	2,845,000
Total Bonds Payable	<u>\$ 10,440,000</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 9,890,000</u>
Accounting Loss - Series 2005				
Refunding Bonds	\$ (118,125)	\$ -	\$ (8,750)	\$ (109,375)
Premium - Series 2005				
Refunding Bonds	21,302	-	1,578	19,724
Total Net Bonds Payable	<u>\$ 10,343,177</u>	<u>\$ -</u>	<u>\$ 542,828</u>	<u>\$ 9,800,349</u>
Lease Purchase Agreements -				
Ford Motor Credit -				
(4) 2007 Ford Crown Victoria	\$ 39,141	\$ -	\$ 39,141	\$ -
(2) 2007 Ford Crown Victoria	17,144	-	17,144	-
(4) 2008 Ford Crown Victoria	74,858	-	36,233	38,625
(5) 2009 Ford Crown Victoria	-	139,525	44,000	95,525
Capital City Leasing -				
2005 Gradall XL330	115,425	-	56,250	59,175
Frost Leasing -				
Vermeer Tub Grinder	42,161	-	42,161	-
Total Lease Purchase Agreements Payable	<u>\$ 288,729</u>	<u>\$ 139,525</u>	<u>\$ 234,929</u>	<u>\$ 193,325</u>
Loans Payable -				
Real Estate Lien Note				
Park Land	\$ 3,155,000	\$ -	\$ 239,363	\$ 2,915,637
Compensated Absences	<u>\$ 318,297</u>	<u>\$ 43,968</u>	<u>\$ -</u>	<u>\$ 362,265</u>
TOTAL LONG TERM DEBT	<u><u>\$ 14,105,203</u></u>	<u><u>\$ 183,493</u></u>	<u><u>\$ 1,017,120</u></u>	<u><u>\$ 13,271,576</u></u>

Advance Refunding

In prior years, the County advance refunded the Series 1997 Combination Tax and Revenue Certificates of Obligation and the Series 1993 Certificates of Obligation. The Certificates were defeased by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the accompanying financial statements.

3.G. CERTIFICATES OF OBLIGATIONS AND TAX REFUNDING BONDS

Certificates of Obligation and Limited Tax Refunding Bonds payable at September 30, 2008 consists of the following:

\$3,000,000 Limited Tax General Obligation Bonds, Series 2005 due in annual installments of \$75,000 to \$200,000 through March 1, 2021; interest on remaining bonds at 3.875% to 4.750%.	\$ 2,650,000
\$4,560,000 Limited Tax Refunding Bonds, Series 2005 due in annual installments of \$30,000 to \$430,000 through February 1, 2021; interest on remaining bonds at 2.50% to 4.150%.	4,395,000
\$3,000,000 Limited Tax General Obligation Bonds, Series 2008 due in annual installments of \$155,000 to \$250,000 through March 1, 2022; interest on remaining bonds at 3.63% to 4.02%.	<u>2,845,000</u>
Total Certificates of Obligation	<u>\$ 9,890,000</u>

The annual requirements for principal and interest on the outstanding certificates of obligation and limited tax refunding bonds are as follows:

Year Ended September 30	Principal	Interest	Total
2009	\$ 580,000	\$ 375,827	\$ 955,827
2010	610,000	351,412	961,412
2011	635,000	325,831	960,831
2012	655,000	300,382	955,382
2013	685,000	275,169	960,169
2014 - 2018	3,855,000	955,705	4,810,705
2019 - 2023	2,870,000	192,683	3,062,683
Totals	<u>\$ 9,890,000</u>	<u>\$ 2,777,009</u>	<u>\$ 12,667,009</u>

3.H. LOANS PAYABLE

Loans payable at September 30, 2008 consists of the following:

\$3,155,000 Real Estate Lien Note to Clyde and Peggy Smith for the purchase of park land. Principal and interest are payable in annual installments of \$482,663 beginning April 1, 2008 and continuing until April 1, 2012 when the entire amount of principal and interest remaining unpaid will be payable. Interest will be calculated on the unpaid principal to the date of each installment paid. Payments will be credited first to the accrued interest and then to reduction of principal. Annual interest rate on unpaid principal from date is 6% and annual interest rate on matured, unpaid amounts is 18%.	<u>\$ 2,915,637</u>
---	---------------------

3.1. CAPITAL LEASE PURCHASE AGREEMENTS

Lease purchase agreements payable at September 30, 2008 consists of the following:

\$240,894.00 original lease purchase agreement with Capital City Leasing for a 2005 Gradall XL3300, due in 4 annual installments of \$62,251.87 until 11/10/2008, interest at 5.20%.	\$ 59,175
\$113,858 original lease purchase agreement with Ford Motor Credit for (4) 2008 Ford Crown Victoria Police Sedans, due in 3 annual installments of \$41,173.93 until 12/18/2008, interest at 6.60%.	38,625
\$139,525 original lease purchase agreement with Ford Motor Credit for (5) 2009 Ford Crown Victoria Police Sedans, due in 3 annual installments of \$35,836.06 until 07/01/2011, interest at 6.15%.	<u>95,525</u>
TOTAL LEASE PURCHASE AGREEMENTS	<u>\$ 193,325</u>

A summary of the future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2008 follows:

<u>Year Ended September 30</u>	
2009	\$ 139,262
2010	35,836
2011	<u>35,836</u>
Total Minimum Lease Payments	\$ 210,934
Less Amount Representing Interest	<u>17,609</u>
Present Value of Lease Payments	<u><u>\$ 193,325</u></u>

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery & Equipment	\$ 494,277
Less: Accumulated Depreciation	<u>105,836</u>
TOTAL	<u><u>\$ 388,441</u></u>

3.I. OPERATING LEASES

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2008, as follows:

Year Ended September 30	
2009	\$ 57,607
2010	57,016
2011	53,456
2012	52,850
2013	<u>42,346</u>
Total Minimum Rentals	\$ <u>263,275</u>
Rental Expenditures in Fiscal Year 2008	\$ <u>61,479</u>

NOTE 4 - OTHER NOTES

4.A. RETIREMENT 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 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, 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 unless the member is fully vested.

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 (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 6.75% for the months of the accounting year in 2007, and 6.42% for the months of the accounting year in 2008. The deposit rate payable by the employee members for the calendar years 2007 and 2008 is the rate of 7% for each year as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ending September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$472,142, and the actual contributions were \$472,142.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2005 and December 31, 2006, the basis for determining the contribution rates for calendar years 2007 & 2008. The December 31, 2007 actuarial valuation is the most recent valuation.

ACTUARIAL VALUATION INFORMATION

Actuarial valuation date	12/31/07	12/31/06	12/31/05
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period	15	15	20
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value	long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return ¹	8%	8%	8%
Projected salary increases ¹	5.3%	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 for the Retirement Plan for the Employees of Kendall County

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/99	\$ 204,335	100%	\$ -0-
9/30/00	222,599	100%	-0-
9/30/01	244,857	100%	-0-
9/30/02	268,510	100%	-0-
9/30/03	278,349	100%	-0-
9/30/04	297,766	100%	-0-
9/30/05	307,691	100%	-0-
9/30/06	360,365	100%	-0-
9/30/07	424,948	100%	-0-
9/30/08	472,142	100%	-0-

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF KENDALL COUNTY

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
12/31/97 ²	\$ 2,306,896	\$ 3,095,743	\$ 788,847	74.52%	\$ 2,547,438	30.97%
12/31/98	2,511,162	3,281,422	770,260	76.53%	2,731,330	28.20%
12/31/99	2,938,627	3,704,344	765,717	79.33%	2,974,501	25.74%
12/31/00	3,403,701	4,228,640	824,939	80.49%	3,376,419	24.43%
12/31/01	3,965,645	4,835,431	869,786	82.01%	3,871,464	22.47%
12/31/02	4,508,301	5,451,999	943,698	82.69%	4,221,751	22.35%
12/31/03	5,317,469	6,181,321	863,853	86.02%	4,567,278	18.91%
12/31/04	6,148,171	7,125,059	976,888	86.29%	5,119,111	19.08%
12/31/05	6,908,039	7,857,762	949,723	87.91%	5,327,835	17.83%
12/31/06	7,819,750	8,517,010	697,260	91.81%	5,851,053	11.92%
12/31/07	9,130,441	10,018,615	888,174	91.13%	6,806,274	13.05%

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

²Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

4.B. RISK MANAGEMENT

Kendall County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers compensation. The county carries commercial insurance in order to manage the above listed risks. The County also provides group health insurance coverage for full time employees through a commercial insurance carrier.

4.C. DEFERRED COMPENSATION PLAN

The County offers all its employees deferred compensation programs through the National Association of Counties administered by Nationwide Retirement Solutions and One America - American United Life Insurance Company. The plans, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

4.D. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The County is involved in one pending litigation suit and three threatened litigation claims at September 30, 2008. In the opinion of management, the outcome of the litigation will not have a material effect on the County's financial position or operations. Therefore, no provision for any liability, if any, has been made in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KENDALL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 11,098,330	\$ 11,098,330	\$ 11,264,596	\$ 166,266
General Sales and Use Taxes	1,875,000	1,875,000	1,975,373	100,373
Other Taxes	35,500	35,500	53,311	17,811
Penalty and Interest on Taxes	83,500	83,500	131,442	47,942
Licenses and Permits	190,150	190,150	129,850	(60,300)
Intergovernmental Revenue and Grants	114,833	114,833	152,078	37,245
Charges for Services	1,393,552	1,393,552	1,488,253	94,701
Fines	331,250	331,250	356,582	25,332
Special Assessments	11,000	11,000	11,800	800
Investment Earnings	483,390	483,390	443,576	(39,814)
Rents and Royalties	2,500	2,500	1,300	(1,200)
Contributions & Donations from Private Sources	200	200	-	(200)
Other Revenue	6,150	6,150	45,546	39,396
Total Revenues	15,625,355	15,625,355	16,053,707	428,352
EXPENDITURES:				
Current:				
General Government:				
Financial Administration	415,681	421,180	422,291	(1,111)
General Administration	1,127,805	1,137,489	627,406	510,083
Tax Administration	694,483	694,483	677,360	17,123
Facilities Administration	644,719	535,349	529,524	5,825
Public Safety:				
Law Enforcement	3,284,879	3,315,379	3,105,944	209,435
Fire Protection	556,093	548,244	453,207	95,037
Corrections	1,042,842	1,012,342	1,005,311	7,031
Roads and Bridges	1,379,917	1,379,917	1,320,413	59,504
Sanitation	141,458	141,458	181,281	(39,823)
Justice System	2,111,446	2,110,460	2,036,054	74,406
Health & Human Services	1,688,901	1,675,918	1,611,181	64,737
Culture and Recreation	527,707	527,707	448,077	79,630
Conservation and Development	427,544	428,044	413,073	14,971
Debt Service:				
Debt Principal	530,581	530,581	418,042	112,539
Debt Interest	-	-	199,262	(199,262)
Capital Outlay:				
Capital Outlay	1,503,460	1,858,964	1,718,869	140,095
Total Expenditures	16,077,516	16,317,515	15,167,295	1,150,220
Excess (Deficiency) of Revenues Over (Under) Expenditures	(452,161)	(692,160)	886,412	1,578,572
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	5,000	5,000	25,686	20,686
Proceeds from Capital Leases	-	-	139,525	139,525
Transfers In	-	-	272,930	272,930
Transfers Out (Use)	(1,090,875)	(1,130,875)	(864,935)	265,940
Insurance Recovery	-	-	26,036	26,036
Total Other Financing Sources (Uses)	(1,085,875)	(1,125,875)	(400,758)	725,117

The accompanying notes are an integral part of this statement.

KENDALL COUNTY EXHIBIT C-5 (Cont'd)
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Net Change in Fund Balances	(1,538,036)	(1,818,035)	485,654	2,303,689
Fund Balance - October 1 (Beginning)	7,466,490	7,466,490	7,466,490	-
Fund Balance - September 30 (Ending)	\$ 5,928,454	\$ 5,648,455	\$ 7,952,144	\$ 2,303,689

The accompanying notes are an integral part of this statement.

KENDALL COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Charges for Services	\$ 1,335,000	\$ 1,335,000	\$ 1,629,597	\$ 294,597
Total Revenues	1,335,000	1,335,000	1,629,597	294,597
EXPENDITURES:				
Current:				
Roads and Bridges	1,558,598	1,595,211	1,535,449	59,762
Debt Service:				
Debt Principal	56,250	56,250	56,250	-
Debt Interest	6,002	6,002	6,002	-
Capital Outlay:				
Capital Outlay	614,150	577,537	489,169	88,368
Total Expenditures	2,235,000	2,235,000	2,086,870	148,130
Excess (Deficiency) of Revenues Over (Under) Expenditures	(900,000)	(900,000)	(457,273)	442,727
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	5,000	5,000	41,301	36,301
Transfers In	845,000	845,000	675,444	(169,556)
Transfers Out (Use)	-	-	(272,930)	(272,930)
Total Other Financing Sources (Uses)	850,000	850,000	443,815	(406,185)
Change in Fund Balance	(50,000)	(50,000)	(13,458)	36,542
Fund Balance - October 1 (Beginning)	13,458	13,458	13,458	-
Fund Balance - September 30 (Ending)	\$ (36,542)	\$ (36,542)	\$ -	\$ 36,542

The accompanying notes are an integral part of this statement.

SUPPLEMENTARY INFORMATION

KENDALL COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

	12	13	14	15
	EMS Donations	Courthouse Security	Asset Forfeiture	Lateral Road & Bridge
ASSETS				
Cash and Cash Equivalents	\$ 29,854	\$ 138,788	\$ -	\$ 91,977
Investments - Current	-	-	-	-
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	10	1,648	-	-
Total Assets	<u>\$ 29,864</u>	<u>\$ 140,436</u>	<u>\$ -</u>	<u>\$ 91,977</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 3,213	\$ -	\$ 6,670
Intergovernmental Payable	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>3,213</u>	<u>-</u>	<u>6,670</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	29,864	137,223	-	85,307
Reported in the Debt Service Fund	-	-	-	-
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>29,864</u>	<u>137,223</u>	<u>-</u>	<u>85,307</u>
Total Liabilities and Fund Balances	<u>\$ 29,864</u>	<u>\$ 140,436</u>	<u>\$ -</u>	<u>\$ 91,977</u>

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

16 Court Reporter Service	17 Attorney Hot Checks	18 911 Projects	19 County Clerk Records Management	20 Law Library	21 Justice Court Technology	22 Justice Court Building Security	24 Alternative Dispute Resolution
\$ 29,234	\$ 32,070	\$ (2,003)	\$ 100,143	\$ 57,195	\$ 57,125	\$ 5,240	\$ 3,590
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
555	562	4,629	4,090	1,295	686	135	6,330
<u>\$ 29,789</u>	<u>\$ 32,632</u>	<u>\$ 2,626</u>	<u>\$ 104,233</u>	<u>\$ 58,490</u>	<u>\$ 57,811</u>	<u>\$ 5,375</u>	<u>\$ 9,920</u>
\$ -	\$ 21	\$ 2,626	\$ 5,113	\$ 15	\$ 503	\$ -	\$ 7,405
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	21	2,626	5,113	15	503	-	7,405
29,789	32,611	-	99,120	58,475	57,308	5,375	2,515
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>29,789</u>	<u>32,611</u>	<u>-</u>	<u>99,120</u>	<u>58,475</u>	<u>57,308</u>	<u>5,375</u>	<u>2,515</u>
<u>\$ 29,789</u>	<u>\$ 32,632</u>	<u>\$ 2,626</u>	<u>\$ 104,233</u>	<u>\$ 58,490</u>	<u>\$ 57,811</u>	<u>\$ 5,375</u>	<u>\$ 9,920</u>

KENDALL COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

	25 District Clerk Records Management	29 LEOSE Training Allocation	33 Juvenile Board State Grants	34 Juvenile Board Title IV-E
ASSETS				
Cash and Cash Equivalents	\$ 84,643	\$ 24,001	\$ 27,329	\$ 114,478
Investments - Current	-	-	-	-
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	824	-	-	-
Total Assets	<u>\$ 85,467</u>	<u>\$ 24,001</u>	<u>\$ 27,329</u>	<u>\$ 114,478</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 663	\$ -	\$ 2,942
Intergovernmental Payable	-	-	6,149	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>663</u>	<u>6,149</u>	<u>2,942</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	85,467	23,338	21,180	111,536
Reported in the Debt Service Fund	-	-	-	-
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>85,467</u>	<u>23,338</u>	<u>21,180</u>	<u>111,536</u>
Total Liabilities and Fund Balances	<u>\$ 85,467</u>	<u>\$ 24,001</u>	<u>\$ 27,329</u>	<u>\$ 114,478</u>

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

35	41	42	50	80	81	82	84
Juvenile Probation	MVDIT Interest	Special Election	Crime Victims Grant	Tobacco Settlement	Historical Commission	Economic Development Corporation	Abandoned Vehicles
\$ 15,126	\$ 6,239	\$ 1,722	\$ 3,359	\$ 77,080	\$ 12	\$ -	\$ 4,953
-	-	-	-	208,211	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3	-	-	1	-	-	-	-
<u>\$ 15,129</u>	<u>\$ 6,239</u>	<u>\$ 1,722</u>	<u>\$ 3,360</u>	<u>\$ 285,291</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 4,953</u>
\$ 15,129	\$ 296	\$ -	\$ 3,360	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>15,129</u>	<u>296</u>	<u>-</u>	<u>3,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	5,943	1,722	-	285,291	12	-	4,953
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	<u>5,943</u>	<u>1,722</u>	<u>-</u>	<u>285,291</u>	<u>12</u>	<u>-</u>	<u>4,953</u>
<u>\$ 15,129</u>	<u>\$ 6,239</u>	<u>\$ 1,722</u>	<u>\$ 3,360</u>	<u>\$ 285,291</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 4,953</u>

KENDALL COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

	85 Sheriff Local Asset Forfeiture	87 Sheriff Federal Asset Forfeiture	96 ORCA TCDP Grants	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,202	\$ 220,590	\$ -	\$ 1,125,947
Investments - Current	-	-	-	208,211
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	20,768
Total Assets	<u>\$ 3,202</u>	<u>\$ 220,590</u>	<u>\$ -</u>	<u>\$ 1,354,926</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 4,674	\$ -	\$ 52,630
Intergovernmental Payable	-	-	-	6,149
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>4,674</u>	<u>-</u>	<u>58,779</u>
Fund Balances:				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	3,202	215,916	-	1,296,147
Reported in the Debt Service Fund	-	-	-	-
Reported in the Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>3,202</u>	<u>215,916</u>	<u>-</u>	<u>1,296,147</u>
Total Liabilities and Fund Balances	<u>\$ 3,202</u>	<u>\$ 220,590</u>	<u>\$ -</u>	<u>\$ 1,354,926</u>

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

60 Series 2003 Limited Tax Refndng Bonds	61 Series 2005 Limited Tax Refndng Bonds	62 Series 05/07 Limited Tax Gen Obl Bonds	Total Nonmajor Debt Service Funds	70 Capital Projects	Total Nonmajor Governmental Funds
\$ 11,263	\$ 13,861	\$ 25,230	\$ 50,354	\$ 94,735	\$ 1,271,036
145,900	124,424	81,802	352,126	-	560,337
3,554	7,292	13,258	24,104	-	24,104
(71)	(146)	(265)	(482)	-	(482)
192	414	680	1,286	-	22,054
<u>\$ 160,838</u>	<u>\$ 145,845</u>	<u>\$ 120,705</u>	<u>\$ 427,388</u>	<u>\$ 94,735</u>	<u>\$ 1,877,049</u>
\$ -	\$ -	\$ -	\$ -	\$ 17,424	\$ 70,054
-	-	-	-	-	6,149
3,483	7,147	12,992	23,622	-	23,622
<u>3,483</u>	<u>7,147</u>	<u>12,992</u>	<u>23,622</u>	<u>17,424</u>	<u>99,825</u>
-	-	-	-	-	1,296,147
157,355	138,698	107,713	403,766	-	403,766
-	-	-	-	77,311	77,311
<u>157,355</u>	<u>138,698</u>	<u>107,713</u>	<u>403,766</u>	<u>77,311</u>	<u>1,777,224</u>
<u>\$ 160,838</u>	<u>\$ 145,845</u>	<u>\$ 120,705</u>	<u>\$ 427,388</u>	<u>\$ 94,735</u>	<u>\$ 1,877,049</u>

KENDALL COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	12	13	14	15
	EMS Donations	Courthouse Security	Asset Forfeiture	Lateral Road & Bridge
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	23,413
Charges for Services	-	-	-	-
Fines	-	23,271	-	-
Forfeits	-	-	900	-
Investment Earnings	-	-	-	-
Contributions & Donations from Private Sources	3,185	-	-	-
Other Revenue	5,172	-	-	-
Total Revenues	<u>8,357</u>	<u>23,271</u>	<u>900</u>	<u>23,413</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Tax Administration	-	-	-	-
Facilities Administration	-	1,669	-	-
Public Safety:				
Law Enforcement	-	-	1,928	-
Roads and Bridges	-	-	-	16,273
Justice System	-	-	-	-
Juvenile Services	-	-	-	-
Health & Human Services	2,330	-	-	-
Conservation and Development	-	-	-	-
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Fiscal Agent's Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	1,821	-
Total Expenditures	<u>2,330</u>	<u>1,669</u>	<u>3,749</u>	<u>16,273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,027</u>	<u>21,602</u>	<u>(2,849)</u>	<u>7,140</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>6,027</u>	<u>21,602</u>	<u>(2,849)</u>	<u>7,140</u>
Fund Balance - October 1 (Beginning)	<u>23,837</u>	<u>115,621</u>	<u>2,849</u>	<u>78,167</u>
Fund Balance - September 30 (Ending)	<u>\$ 29,864</u>	<u>\$ 137,223</u>	<u>\$ -</u>	<u>\$ 85,307</u>

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

16 Court Reporter Service	17 Attorney Hot Checks	18 911 Projects	19 County Clerk Records Management	20 Law Library	21 Justice Court Technology	22 Justice Court Building Security	24 Alternative Dispute Resolution
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	15,410	-	-	-	-	-
-	-	36,306	-	-	-	-	-
-	7,962	-	-	-	9,366	-	-
6,990	-	-	55,738	21,175	-	1,896	10,115
-	113	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>6,990</u>	<u>8,075</u>	<u>51,716</u>	<u>55,738</u>	<u>21,175</u>	<u>9,366</u>	<u>1,896</u>	<u>10,115</u>
-	-	-	29,624	-	-	-	-
-	-	-	-	-	-	-	-
-	-	99,839	-	-	-	-	-
-	4,747	-	-	20,707	1,276	-	9,975
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,833	-	-	-	-	5,077	-	-
<u>22,833</u>	<u>4,747</u>	<u>99,839</u>	<u>29,624</u>	<u>20,707</u>	<u>6,353</u>	<u>-</u>	<u>9,975</u>
(15,843)	3,328	(48,123)	26,114	468	3,013	1,896	140
-	-	48,123	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	48,123	-	-	-	-	-
(15,843)	3,328	-	26,114	468	3,013	1,896	140
<u>45,632</u>	<u>29,283</u>	<u>-</u>	<u>73,006</u>	<u>58,007</u>	<u>54,295</u>	<u>3,479</u>	<u>2,375</u>
<u>\$ 29,789</u>	<u>\$ 32,611</u>	<u>\$ -</u>	<u>\$ 99,120</u>	<u>\$ 58,475</u>	<u>\$ 57,308</u>	<u>\$ 5,375</u>	<u>\$ 2,515</u>

KENDALL COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	25 District Clerk Records Management	29 LEOSE Training Allocation	33 Juvenile Board State Grants	34 Juvenile Board Title IV-E
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	8,188	168,119	3,341
Charges for Services	-	-	-	-
Fines	16,140	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	-	443	2,478
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	16,140	8,188	168,562	5,819
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Tax Administration	-	-	-	-
Facilities Administration	-	-	-	-
Public Safety:				
Law Enforcement	-	17,199	-	-
Roads and Bridges	-	-	-	-
Justice System	-	-	-	-
Juvenile Services	-	-	147,382	5,109
Health & Human Services	-	-	-	-
Conservation and Development	-	-	-	-
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Fiscal Agent's Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	675	-	-	4,956
Total Expenditures	675	17,199	147,382	10,065
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,465	(9,011)	21,180	(4,246)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	15,465	(9,011)	21,180	(4,246)
Fund Balance - October 1 (Beginning)	70,002	32,349	-	115,782
Fund Balance - September 30 (Ending)	\$ 85,467	\$ 23,338	\$ 21,180	\$ 111,536

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

35	41	42	50	80	81	82	84
Juvenile Probation	MVDIT Interest	Special Election	Crime Victims Grant	Tobacco Settlement	Historical Commission	Economic Development Corporation	Abandoned Vehicles
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	1,954	74,946	22,659	-	-	-
2,398	-	-	-	-	-	-	-
-	10,234	-	-	11,090	-	-	-
-	-	-	-	-	-	-	-
<u>2,398</u>	<u>10,234</u>	<u>1,954</u>	<u>74,946</u>	<u>33,749</u>	-	-	-
-	-	-	-	-	-	-	-
-	6,577	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
82,588	-	-	-	-	-	-	-
-	-	-	150,203	-	-	-	-
-	-	232	-	-	-	50,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,499	-	-	-	-	-	-
<u>82,588</u>	<u>8,076</u>	<u>232</u>	<u>150,203</u>	-	-	<u>50,000</u>	-
<u>(80,190)</u>	<u>2,158</u>	<u>1,722</u>	<u>(75,257)</u>	<u>33,749</u>	-	<u>(50,000)</u>	-
80,190	-	-	75,257	-	-	50,000	-
-	-	-	-	(135,000)	-	-	-
<u>80,190</u>	-	-	<u>75,257</u>	<u>(135,000)</u>	-	<u>50,000</u>	-
-	2,158	1,722	-	(101,251)	-	-	-
-	3,785	-	-	386,542	12	-	4,953
<u>\$ -</u>	<u>\$ 5,943</u>	<u>\$ 1,722</u>	<u>\$ -</u>	<u>\$ 285,291</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 4,953</u>

KENDALL COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	85 Sheriff Local Asset Forfeiture	87 Sheriff Federal Asset Forfeiture	96 ORCA TCDP Grants	Total Nonmajor Special Revenue Funds
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	15,410
Intergovernmental Revenue and Grants	-	-	46,725	385,651
Charges for Services	-	-	-	19,726
Fines	-	-	-	135,325
Forfeits	22,000	137,222	-	160,122
Investment Earnings	60	1,892	1,221	27,531
Contributions & Donations from Private Sources	-	-	-	3,185
Other Revenue	-	-	-	5,172
Total Revenues	22,060	139,114	47,946	752,122
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	29,624
Tax Administration	-	-	-	6,577
Facilities Administration	-	-	-	1,669
Public Safety:				
Law Enforcement	-	20,324	-	139,290
Roads and Bridges	-	-	-	16,273
Justice System	-	-	-	36,705
Juvenile Services	-	-	-	235,079
Health & Human Services	-	-	-	152,533
Conservation and Development	-	-	46,725	96,957
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Fiscal Agent's Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	22,000	-	-	58,861
Total Expenditures	22,000	20,324	46,725	773,568
Excess (Deficiency) of Revenues Over (Under) Expenditures	60	118,790	1,221	(21,446)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	253,570
Transfers Out (Use)	-	-	(64,079)	(199,079)
Total Other Financing Sources (Uses)	-	-	(64,079)	54,491
Net Change in Fund Balance	60	118,790	(62,858)	33,045
Fund Balance - October 1 (Beginning)	3,142	97,126	62,858	1,263,102
Fund Balance - September 30 (Ending)	\$ 3,202	\$ 215,916	\$ -	\$ 1,296,147

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

60 Series 2003 Limited Tax Refundng Bonds	61 Series 2005 Limited Tax Refundng Bonds	62 Series 05/07 Limited Tax Gen Obl Bonds	Total Nonmajor Debt Service Funds	70 Capital Projects	Total Nonmajor Governmental Funds
\$ 138,413	\$ 283,805	\$ 517,428	\$ 939,646	\$ -	\$ 939,646
1,632	3,520	4,934	10,086	-	10,086
-	-	-	-	-	15,410
-	-	-	-	-	385,651
-	-	-	-	-	19,726
-	-	-	-	-	135,325
-	-	-	-	-	160,122
5,468	6,181	6,816	18,465	29	46,025
-	-	-	-	-	3,185
-	-	-	-	-	5,172
<u>145,513</u>	<u>293,506</u>	<u>529,178</u>	<u>968,197</u>	<u>29</u>	<u>1,720,348</u>
-	-	-	-	-	29,624
-	-	-	-	-	6,577
-	-	-	-	-	1,669
-	-	-	-	-	139,290
-	-	-	-	-	16,273
-	-	-	-	-	36,705
-	-	-	-	-	235,079
-	-	-	-	-	152,533
-	-	-	-	-	96,957
140,000	105,000	305,000	550,000	-	550,000
2,065	178,670	217,123	397,858	-	397,858
-	431	731	1,162	-	1,162
-	-	-	-	59,765	118,626
<u>142,065</u>	<u>284,101</u>	<u>522,854</u>	<u>949,020</u>	<u>59,765</u>	<u>1,782,353</u>
<u>3,448</u>	<u>9,405</u>	<u>6,324</u>	<u>19,177</u>	<u>(59,736)</u>	<u>(62,005)</u>
-	-	-	-	135,000	388,570
-	-	-	-	-	(199,079)
-	-	-	-	135,000	189,491
3,448	9,405	6,324	19,177	75,264	127,486
<u>153,907</u>	<u>129,293</u>	<u>101,389</u>	<u>384,589</u>	<u>2,047</u>	<u>1,649,738</u>
<u>\$ 157,355</u>	<u>\$ 138,698</u>	<u>\$ 107,713</u>	<u>\$ 403,766</u>	<u>\$ 77,311</u>	<u>\$ 1,777,224</u>

KENDALL COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	BALANCE OCTOBER 1 2007	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2008
TREASURER ESCROW FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 6,314	\$ 132,185	\$ -	\$ 138,499
Liabilities:				
Due to Beneficiaries or Other Govts	\$ 6,314	\$ 132,185	\$ -	\$ 138,499
OFFICIALS' FEES ACCOUNTS FUND				
Assets:				
Cash and Cash Equivalents	\$ 2,262,317	\$ 25,935,782	\$ 25,830,015	\$ 2,368,084
Liabilities:				
Due to Beneficiaries or Other Govt	\$ 2,262,317	\$ 25,935,782	\$ 25,830,015	\$ 2,368,084
STATE FEES AND SPECIAL TAX FUND				
Assets:				
Cash and Cash Equivalents	\$ 221,156	\$ 348,093	\$ 346,528	\$ 222,721
Other Receivables	22,030	21,717	22,030	21,717
Total Assets	\$ 243,186	\$ 369,810	\$ 368,558	\$ 244,438
Liabilities:				
Accounts Payable	\$ 135,576	\$ 118,791	\$ 135,576	\$ 118,791
Due to Beneficiaries or Other Govt	107,610	125,647	107,610	125,647
Total Liabilities	\$ 243,186	\$ 244,438	\$ 243,186	\$ 244,438
DEFERRED COMPENSATION PLAN FUND				
Assets:				
Investments	\$ 354,018	\$ 66,041	\$ 127,155	\$ 292,904
Liabilities:				
Due to Participants	\$ 354,018	\$ 66,041	\$ 127,155	\$ 292,904
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 2,489,787	\$ 26,416,060	\$ 26,176,543	\$ 2,729,304
Investments	354,018	66,041	127,155	292,904
Other Receivables	22,030	21,717	22,030	21,717
Total Assets	\$ 2,865,835	\$ 26,503,818	\$ 26,325,728	\$ 3,043,925
Liabilities:				
Accounts Payable	\$ 135,576	\$ 118,791	\$ 135,576	\$ 118,791
Due to Participants	354,018	66,041	127,155	292,904
Due to Beneficiaries or Other Govt	2,376,241	26,193,614	25,937,625	2,632,230
Total Liabilities	\$ 2,865,835	\$ 26,378,446	\$ 26,200,356	\$ 3,043,925

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

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Honorable Judge and Commissioners
County of Kendall, Texas
Boerne, TX 78006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Kendall, as of, and for the year ended September 30, 2008, which collectively comprise the County of Kendall's basic financial statements and have issued our report thereon dated November 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 a combination of control deficiencies, that adversely affects the County of Kendall'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a 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 of Kendall's internal control. We believe that the following significant deficiencies constitute material weaknesses:

1. Timeliness of Financial Reporting due to a change in accounting software: We did not receive the final trial balance until September 30, 2009 for an audit year end of September 30, 2008.
2. Material journal entries were necessary to correct balances, reclassify accounts receivable from cash, record transfers between funds, reclassify grant and donated revenue from expenditures, and record new capital lease proceeds and corresponding capital outlay. Also, material corrections were made to the County's Schedule of Capital Assets.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Kendall'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 in compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

We noted certain matters involving the internal control over financial reporting that we have reported to the management of County of Kendall in a separate letter dated November 3, 2009.

This communication is intended solely for the information and use of management, the Commissioner's Court, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Neffendorf, Knopp, Dooss & Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

November 3, 2009

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

November 3, 2009

Honorable Judge and Commissioners
County of Kendall, Texas
Boerne, TX 78006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Kendall for the year ended September 30, 2008, and have issued our report thereon dated November 3, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by County of Kendall are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. Material adjustments were made for recording year end receivables, transfers, lease purchase proceeds, and recording agency funds.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Comments and Recommendations

Accounts Receivable – All Funds

Accounts receivable balances at September 30, 2008 were recorded as cash and carried as outstanding balances on the bank reconciliations. These amounts had to be reclassified from cash to accounts receivable. We recommend that the County correctly record revenue not yet received as accounts receivable, instead of outstanding cash items.

Taxes Receivable and the corresponding Allowance for Uncollectible Taxes and Deferred Revenue accounts were not adjusted at year. We recommend that the County make the necessary year-end adjustments to these accounts.

Deficit Fund Balances – Special Revenue Funds

At September 30, 2008, the Road and Bridge Fund, 911 Projects Fund, County Juvenile Probation Fund, Crime Victim's Grant Fund, and Economic Development Fund had deficit balances. We recommend the County make the appropriate transfers before year-end to eliminate deficit fund balances.

Grant and Donated Revenue – General Fund and Special Revenue Funds

Homeland Security Grant Revenue, Sheriff Seizures, Donations from the Kendall County Partnership for Parks, ORCA Grant Revenue, and STRAC Grant Revenue was recorded as credits against expenditures. We recommend that grant and donated revenue be correctly recorded as revenue instead of credits against expenditures.

Fixed Assets and Depreciation

The County keeps a listing of Capitalized Assets according to their capitalization policy of \$5,000, however, the listing required significant adjustments and was incomplete. Buildings are recorded at replacement cost on the listing and there were capital assets purchased in the fiscal year for over \$5,000 that were not added to the listing. We recommend that a complete and accurate schedule of Capitalized Assets be kept according to the County's capitalization policy. Buildings should be recorded at historical cost; all single capital outlay items over \$5,000 should be added to the list; and depreciation should be calculated and added to the listing. Reconciliations should be prepared that reconcile Capital Outlay Expenditures in the Funds to the Capital Outlay Listing. Prior year Capital Asset and Depreciation balances should be reconciled to current year ending balances with additions and deletions. Construction projects should be recorded as Construction Work in Progress.

Prior Year Recommendations

Cash Balances and Reconciliations – In the prior year, the balances per the Treasurer's reconciliation did not agree with the general ledger. For the current year audit, the cash bank balances were correctly reconciled to the general ledger balances.

Fixed Assets Acquired by Lease-Purchase – The County acquired sheriff cars through Ford Motor Credit and did not record the total purchase price as a capital outlay expenditure and the related lease purchase proceeds as other financing sources. We again recommend that the County record the entire purchase price as an expenditure in the year acquired and to amend the budget for the additional expenditure and other financing source.

Officials' Fee Account - The offices of the Justices of the Peace, County Clerk, District Clerk and Tax Assessor-Collector maintain bank accounts for depositing collections and remitting to various entities. During our audit of each of these offices, we noted that some balances had accumulated over the years in these accounts without a listing of items which comprise the balance being maintained. We have discussed these items with each office. Most of the accumulated balances are from several years ago and will take considerable time to research and develop a listing. We also had to record an account receivable (for GASB #34) and an allowance for uncollectible accounts for each office. We will continue to work with each office to resolve these items.

This information is intended solely for the use of the Commissioner's Court and management of County of Kendall and should not be used for any other purpose.

Sincerely,

Neffendorf, Knopp, Doss + Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas