

BASTROP COUNTY, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2007**

**BASTROP COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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INDEPENDENT AUDITOR'S REPORT

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To the Honorable Judge and
Members of the Commissioners' Court of
Bastrop County, Texas:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bastrop County, Texas (the "County") as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Bastrop County, Texas, at September 30, 2007 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2008 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Statements are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining statements and supplementary information listed in the table of contents are presented for purposes of additional analyses and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, LLP
Fort Worth, Texas
May 20, 2008

BASTROP COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Bastrop County, Texas (the "County"), discuss and analyze the County's financial performance for the fiscal year ended September 30, 2007. Please read it in conjunction with the Independent Auditor's Report on page i and the County's Basic Financial Statements, which begin on page 1.

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 1 and 2). 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 (starting on page 3) 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 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 10) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non major 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 1. 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 of 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 share the costs of some programs (charges for services and grants and contributions) 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 non-financial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Assets and the Statement of Activities, we report the following type of activities:

- Governmental activities - All of the County's basic services are reported here. Property and sales taxes and state and federal grants finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 3 and 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. The County's administration establishes other funds to help it control and manage money for particular purposes. The County reports the following type of funds:

- Governmental funds - All 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.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, for money held on behalf of others. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 9. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its operations. The County is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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 approximately \$22 million, from \$21 million to \$43 million. Approximately \$20 million of this change resulted from the retroactive reporting of infrastructure assets as required by GASB Statement 34.
- Governmental activity expenditures increased approximately \$3.7 million.
- 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 approximately \$15.3 million at September 30, 2007.

Table I
Bastrop County, Texas
Net Assets

	Governmental Activities	
	2007	2006
Current and Other Assets	\$ 27,196,801	\$ 31,685,640
Capital Assets, Net	57,001,177	32,572,414
Total Assets	84,197,978	64,258,054
Current Liabilities	4,098,536	3,782,114
Noncurrent Liabilities	37,132,751	39,020,196
Total Liabilities	41,231,287	42,802,310
Net Assets:		
Invested in Capital Assets, Net of Related Debt	19,128,232	(7,350,912)
Restricted	9,254,129	15,876,990
Unrestricted	15,584,330	12,929,666
Total Net Assets	\$ 42,966,691	\$ 21,455,744

Table II
Bastrop County, Texas
Change in Net Assets

	Governmental Activities	
	2007	2006
Revenues:		
Program Revenues:		
Charges for Services	\$ 7,741,871	\$ 7,626,498
Operating Grants and Contributions	549,051	909,128
General Revenues:		
Maintenance and Operations Taxes	18,200,304	17,423,266
Debt Service Taxes	3,403,069	3,362,699
Other Taxes	2,338,898	2,122,570
Penalty and Interest	494,151	479,041
Miscellaneous Revenue	413,535	166,695
Investment Earnings	1,674,759	1,165,077
Gain (loss) on Sale of Capital Asset	(65,517)	125,691
Total Revenue	34,750,121	33,380,665
Expenses:		
General Government	10,164,104	9,807,445
Public Safety	11,016,747	10,965,495
Health and Welfare	3,380,984	2,208,481
Highways and Streets	6,487,412	4,561,735
Culture and Recreation	165,722	135,603
Conservation and Development	-	50,701
Bond Interest and Issuance Cost	1,776,799	1,551,214
Total Expenses	32,991,768	29,280,674
Change in Net Assets	1,758,353	4,099,991
Net Assets - Beginning	21,455,744	17,508,164
Prior Period Adjustment	19,752,594	(152,411)
Net Assets - Ending	\$ 42,996,691	\$ 21,455,744

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented on the balance sheet on pages 3 and 4) reported a combined fund balance of approximately \$21.6 million, which is approximately \$4.8 million below last year's total of approximately \$26.5. Leading this decrease was the continued construction of the Law Enforcement Center and other capital expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the County had approximately \$83 million invested in a broad range of capital assets, including land, infrastructure, buildings, and machinery and equipment.

Table III
Bastrop County, Texas
Capital Assets

	Governmental Activities	
	2007	2006
Land	\$ 4,670,349	\$ 4,670,349
Infrastructure	36,830,496	5,863,323
Buildings	18,977,384	18,977,384
Machinery and Equipment	12,603,066	11,624,638
Construction in Progress	9,638,810	4,136,056
	82,720,105	45,271,750
Less Accumulated Depreciation	(25,718,928)	(12,699,336)
Capital Assets, Net of Depreciation	<u>\$ 57,001,177</u>	<u>\$ 32,572,414</u>

Long-term Debt

At year-end, the County had outstanding bonds, leases and compensated absences payable of approximately \$39 million, a net decrease of approximately \$1.7 million, or 4%.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Table IV
Bastrop County, Texas
Long-Term Debt

	Governmental Activities	
	2007	2006
Bonds Payable	\$ 37,690,000	\$ 39,630,000
Bond Issuance Premium	71,833	75,824
Capital Leases Payable	61,878	217,502
Compensated Absences	965,918	920,705
Total	<u>\$ 39,059,629</u>	<u>\$ 40,844,031</u>

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:

Bastrop County Auditor
Attention: Lisa Smith
804 Pecan
Bastrop, Texas 78602

BASIC FINANCIAL STATEMENTS

BASTROP COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 9,925,214
Investments - Current	12,800,703
Receivables (net of allowance for uncollectibles)	4,068,382
Internal Balances	99,605
Prepaid Items	82,131
Capitalized Debt Issuance Costs	220,767
Capital Assets:	
Land	4,670,349
Infrastructure, net	24,946,917
Buildings, net	12,015,536
Machinery and Equipment, net	5,729,564
Construction in Progress	9,638,810
Total Assets	84,197,978
LIABILITIES	
Accounts Payable	1,670,033
Intergovernmental Payable	41,967
Accrued Interest Payable	459,658
Noncurrent Liabilities	
Due Within One Year	1,926,878
Due in More Than One Year	37,132,751
Total Liabilities	41,231,287
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	19,128,232
Restricted for:	
Debt Service	1,343,625
Capital Projects	6,395,499
Specific Purpose	515,005
Unrestricted Net Assets	15,584,330
Total Net Assets	\$ 42,966,691

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

BASTROP COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Net (Expense)
Revenue and
Changes in Net
Assets

	Program Revenues			Primary Gov. Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 10,164,104	\$ 5,047,090	\$ 259,241	\$ (4,857,773)
Public Safety	11,016,747	1,028,307	164,696	(9,823,744)
Health, Sanitation and Welfare	3,380,984	452,189	15,730	(2,913,065)
Road and Bridge	6,487,412	1,214,285	54,384	(5,218,743)
Culture and Recreation	165,722	-	55,000	(110,722)
Bond Interest	1,776,799	-	-	(1,776,799)
TOTAL PRIMARY GOVERNMENT:	\$ 32,991,768	\$ 7,741,871	\$ 549,051	(24,700,846)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	18,200,304
Property Taxes, Levied for Debt Service	3,403,069
Sales Taxes	2,237,229
Alcohol Beverage Tax	101,669
Penalty and Interest	494,151
Miscellaneous Revenue	413,535
Investment Earnings	1,674,759
Special Item - Loss on Disposal of Assets	(65,517)
Total General Revenues and Special Items	26,459,199
Change in Net Assets	1,758,353
Net Assets--Beginning	21,455,744
Prior Period Adjustment	19,752,594
Net Assets--Ending	\$ 42,966,691

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

BASTROP COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General Fund	Capital Projects Fund C.O. 2005	Capital Projects Fund C.O. 2006
ASSETS			
Cash and Cash Equivalents	\$ 3,984,013	\$ 961,862	\$ 615,720
Investments - Current	6,158,701	338,795	5,244,593
Sales Tax Receivable	377,165	-	-
Property Taxes Receivable	2,318,781	-	-
Allowance for Uncollectible Taxes (credit)	(69,563)	-	-
Intergovernmental Receivables	72,671	-	-
Due from Other Funds	99,605	-	-
Prepaid Items	82,131	-	-
Total Assets	<u>\$ 13,023,504</u>	<u>\$ 1,300,657</u>	<u>\$ 5,860,313</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 636,090	\$ 522,329	\$ 242,009
Intergovernmental Payable	41,967	-	-
Due to Others	-	-	-
Deferred Revenues	2,249,218	-	-
Total Liabilities	<u>2,927,275</u>	<u>522,329</u>	<u>242,009</u>
Fund Balances:			
Reserved For:			
Debt Service	-	-	-
Capital Projects	-	778,328	5,618,304
Specific Purpose	515,005	-	-
Unreserved and Undesignated:			
Reported in the General Fund	9,581,224	-	-
Reported in the Special Revenue Funds	-	-	-
Total Fund Balances	<u>10,096,229</u>	<u>778,328</u>	<u>5,618,304</u>
Total Liabilities and Fund Balances	<u>\$ 13,023,504</u>	<u>\$ 1,300,657</u>	<u>\$ 5,860,313</u>

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 1,343,323	\$ 3,020,296	\$ 9,925,214
302	1,058,312	12,800,703
-	-	377,165
491,140	720,361	3,530,282
(14,734)	(21,611)	(105,908)
-	-	72,671
-	-	99,605
-	-	82,131
<u>\$ 1,820,031</u>	<u>\$ 4,777,358</u>	<u>\$ 26,781,863</u>
\$ -	\$ 268,443	\$ 1,668,871
-	-	41,967
-	1,162	1,162
476,406	698,750	3,424,374
<u>476,406</u>	<u>968,355</u>	<u>5,136,374</u>
1,343,625	-	1,343,625
-	(1,133)	6,395,499
-	-	515,005
-	-	9,581,224
-	3,810,136	3,810,136
<u>1,343,625</u>	<u>3,809,003</u>	<u>21,645,489</u>
<u>\$ 1,820,031</u>	<u>\$ 4,777,358</u>	<u>\$ 26,781,863</u>

BASTROP COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Total Fund Balances - Governmental Funds	\$	21,645,489
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 \$45,271,750 and the accumulated depreciation was \$12,699,336. In addition, long-term liabilities, including bonds and leases 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.		(8,038,341)
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 2007 capital outlays and debt principal payments is to increase net assets.		10,043,569
The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(3,240,170)
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 capital lease proceeds as an increase in debt 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.		22,556,144
Net Assets of Governmental Activities	<u>\$</u>	<u>42,966,691</u>

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

BASTROP COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	Capital Projects Fund C.O. 2005	Capital Projects Fund C.O. 2006
REVENUES:			
Taxes:			
Property Taxes	\$ 13,836,786	\$ -	\$ -
Sales Tax	2,237,229	-	-
Alcohol Beverage Tax	101,669	-	-
Penalty and Interest on Taxes	402,497	-	-
Licenses and Permits	461,251	-	-
Intergovernmental Revenue and Grants	439,667	-	-
Charges for Services	3,035,415	-	-
Fines	1,107,377	-	-
Forfeits	6,800	-	-
Investment Earnings	769,601	224,087	392,035
Contributions & Donations from Private Sources	313,546	-	-
Other Revenue	831,290	-	-
Total Revenues	23,543,128	224,087	392,035
EXPENDITURES:			
Current:			
General Government	9,031,383	-	-
Public Safety	9,354,474	-	-
Health, Sanitation and Welfare	3,042,419	-	-
Road and Bridge	-	-	1,441,042
Culture and Recreation	147,145	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Capital Outlay:			
Capital Outlay	-	6,138,492	569,824
Total Expenditures	21,575,421	6,138,492	2,010,866
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,967,707	(5,914,405)	(1,618,831)
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	-	-	-
Transfers In	-	-	-
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	1,967,707	(5,914,405)	(1,618,831)
Fund Balance - October 1 (Beginning)	8,128,522	6,692,733	7,237,135
Fund Balance - September 30 (Ending)	\$ 10,096,229	\$ 778,328	\$ 5,618,304

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 3,404,243	\$ 4,370,818	\$ 21,611,847
-	-	2,237,229
-	-	101,669
91,654	-	494,151
-	1,215,692	1,676,943
-	109,384	549,051
-	922,572	3,957,987
-	45,294	1,152,671
-	14,320	21,120
101,133	187,903	1,674,759
-	-	313,546
-	219,365	1,050,655
<u>3,597,030</u>	<u>7,085,348</u>	<u>34,841,628</u>
-	74,222	9,105,605
-	954,387	10,308,861
-	-	3,042,419
-	5,052,002	6,493,044
-	19,792	166,937
1,645,000	193,054	1,838,054
1,724,046	30,920	1,754,966
-	309,919	7,018,235
<u>3,369,046</u>	<u>6,634,296</u>	<u>39,728,121</u>
<u>227,984</u>	<u>451,052</u>	<u>(4,886,493)</u>
-	24,402	24,402
-	20,608	20,608
-	(20,608)	(20,608)
-	24,402	24,402
<u>227,984</u>	<u>475,454</u>	<u>(4,862,091)</u>
<u>1,115,641</u>	<u>3,333,549</u>	<u>26,507,580</u>
<u>\$ 1,343,625</u>	<u>\$ 3,809,003</u>	<u>\$ 21,645,489</u>

BASTROP COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Total Net Change in Fund Balances - Governmental Funds	\$ (4,862,091)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2007 capital outlays and debt principal payments is to increase net assets.	10,043,569
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.	(3,240,170)
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 decrease net assets.	(182,955)
Change in Net Assets of Governmental Activities	<u>\$ 1,758,353</u>

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

BASTROP COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 3,110,443
Investments - Current	367,787
Due from Other Funds	28,082
Due from Others	23,503
Total Assets	<u>\$ 3,529,815</u>
LIABILITIES	
Intergovernmental Payable	\$ 1,240,813
Due to Other Funds	127,672
Due to Others	2,091,947
Other Current Liabilities	69,383
Total Liabilities	<u>\$ 3,529,815</u>

The accompanying notes are an integral part of this statement.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Bastrop County, Texas (the County) was incorporated under the provisions of the State of Texas in 1836. The County operates as a County Judge/Commissioners' Court type of government as provided for by state statute. The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (highways and streets), sanitation, health and welfare (indigent health care), conservation and development and general administration services.

For financial reporting purposes, in conformance with generally accepted accounting principles, the County's financial statements include all funds, account groups, agencies, boards, commissions and other organizations over which the County is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete.

Based on the foregoing criteria, the following entity has not been included in this report.

Bastrop County Appraisal District (BCAD) - The BCAD boundaries include the County boundary lines, and are established by Texas law. The BCAD is under the control and management of the Board of Trustees appointed by the various taxing entities. The votes are determined by formula. The County does not have sufficient votes to control the appointment of the Board.

Based on the foregoing criteria the following entity has been included in this report:

Bastrop County Road District No. 3 - The Bastrop County Road District No. 3 was organized in 1986 for the improvement of roads and infrastructure in a certain geographical area of the County, financed by Unlimited Tax Road Bonds to be paid by special assessment taxes in the area served. The Road District's Board of Directors consists of the Commissioners' Court of Bastrop County. The activity of the Road District is accounted for in a special revenue fund of Bastrop County.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the County's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support. The County has no business-type activities.

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

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

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

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

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

General Fund

The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Certificates of Obligation, 2005

The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the Certificates of Obligation, 2005 Fund.

Certificates of Obligation, 2006

The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the Certificates of Obligation, 2006 Fund.

Debt Service Fund

The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. FUND ACCOUNTING, continued

Additionally, the County reports the following fund types:

Non-Major Governmental Funds:

Special Revenue Funds

The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund. Most Federal and State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods

Capital Projects Funds

The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

Agency Funds

The County accounts for resources held for others in a custodial capacity in agency funds.

E. OTHER ACCOUNTING POLICIES

1. Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt instruments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days. Investments consist of certificates of deposits (over 90 days) and funds invested in a State-managed investment pool and are stated at fair value.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. OTHER ACCOUNTING POLICIES, continued

3. The County allows employees to accumulate unused sick leave up to a maximum of 20 days. Upon retirement or termination, employees are paid all of their accrued sick leave. All employees are allowed to accumulate unused vacation time up to a maximum of 18 months. Upon retirement or termination, the employee is paid for accumulated, unpaid vacation at their then current rate of pay. All vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for examples, as a result of employee retirement or termination.
4. Capital assets, which include land, infrastructure, buildings, machinery and equipment, and construction in progress are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Asset	Years
Infrastructure	40
Buildings	39
Machinery and Equipment	3-30

5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.
6. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 4,670,349	\$ -	\$ 4,670,349	
Construction in Progress	4,136,056	-	4,136,056	
Infrastructure	5,863,323	287,415	5,575,908	
Buildings	18,977,384	6,556,921	12,420,463	
Machinery and Equipment	<u>11,624,638</u>	<u>5,855,000</u>	<u>5,769,638</u>	
Net Adjustment to Net Assets	<u>45,271,750</u>	<u>12,699,336</u>	<u>32,572,414</u>	\$ 32,572,414
Capitalized Bond Issuance Costs				<u>233,276</u>
Change in Net Assets				<u>32,805,690</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds and Certificates of Obligation			\$ 39,630,000	
Premium on Certificates of Obligation			75,824	
Capital Leases			217,502	
Compensated Absences			<u>920,705</u>	
Change in Net Assets			<u>40,844,031</u>	<u>(40,844,031)</u>
Net Adjustment to Net Assets				<u>\$ (8,038,341)</u>

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,
continued**

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

This statement provides reconciliations between the net changes in fund balance as shown on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Changes in Net Assets of Governmental Activities as reported on the government-wide Statement of Activities. One element of those reconciliations explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<hr/>			
Current Year Capital Outlay			
Construction in Progress	\$ 6,838,258		
Machinery and Equipment	<u>1,379,687</u>		
Total Capital Outlay	<u>8,217,945</u>	\$ 8,217,945	\$ 8,217,945
<hr/>			
Debt Principal Payments			
Bonds	1,670,000		
Capital Lease	<u>155,624</u>		
Total Adjustments to Net Assets	<u>1,825,624</u>	<u>1,825,624</u>	<u>1,825,624</u>
		<u>\$ 10,043,569</u>	<u>\$ 10,043,569</u>

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,
continued**

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

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

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	1,014,621	\$ (1,014,621)	\$ -
Uncollected Taxes (assumed collectible) from Current Year Levy	1,047,960	1,047,960	1,047,960
Uncollected Taxes (assumed collectible) from Prior Year Levy	2,376,414	-	2,376,414
Adjustment to Prior Year Estimate of Collectible Taxes	41,813	(41,813)	-
Subtotal		<u>(8,474)</u>	<u>3,424,374</u>
<u>Other</u>			
Increase in Compensated Absences	45,213	(45,213)	(45,213)
Reclassify Proceeds from Sale of Assets	24,402	(24,402)	(24,402)
Record Loss on Disposal of Assets	65,517	(65,517)	(65,517)
Record Decrease in Fee Office Receivables	17,516	(17,516)	(17,516)
Subtotal		<u>(152,648)</u>	<u>(152,648)</u>
<u>Bonds and Leases</u>			
Beginning Balance, Accrued Interest	446,343	-	(446,343)
Increase in Accrued Interest Payable	13,315	(13,315)	(13,315)
Amortize Bond Issuance Costs	12,509	(12,509)	(12,509)
Amortize Bond Premium	3,991	3,991	3,991
Subtotal		<u>(21,833)</u>	<u>(468,176)</u>
<u>Prior Period Adjustments</u>			
Record Infrastructure Assets, net of Depreciation, per GASB 34	20,876,410	-	20,876,410
Correct Beginning Balance of Construction in Progress	1,335,504	-	(1,335,504)
Record Beginning Balance Fee Office Receivables	211,688	-	211,688
Subtotal		<u>-</u>	<u>19,752,594</u>
Total Adjustments to Net Assets		<u>\$ (182,955)</u>	<u>\$ 22,556,144</u>

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing 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, 2007, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,925,214 and the bank balance was \$9,649,272.

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.

The County's investments at September 30, 2007 consisted of the following:

TexPool	\$ 10,513,868
Texas Term	1,199,411
MBIA (CLASS)	<u>1,087,424</u>
	<u>\$ 12,800,703</u>

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

A. DEPOSITS AND INVESTMENTS, continued

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

The TexasTERM Local Government Investment Pool was organized under a common investment contract on September 18, 2000. An elected Advisory Board is responsible for the overall management of the Pool, including formation and implementation of its investment and operating policies. The Pool is a non-taxable investment fund established for local governments in Texas under the provisions of the Texas Interlocal Cooperation Act. The Pool offers two investment portfolios including TexasTERM and TexasDAILY. TexasTERM portfolio and TexasDAILY portfolio are rated AA Af and AA Am, respectively by Standard and Poor's and are overseen by the TexasTERM Advisory Board. The TexasTERM Local Government Investment Pool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Ernst & Young, LLP, Two Commerce Square, 2001 Market Street, Philadelphia, PA 19103 performs the annual audit. The 2007 annual report is available for review.

MBIA Municipal Investors Service Corp. (MBIA-MISC), an affiliate of the MBIA Insurance Corp. is registered with the SEC. The District participates in the Cooperative Liquid Assets Securities System (CLASS) external investment pools (the Pool) for state and local governments, which conform to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Custodial services are provided by Wells Fargo Bank, Texas. The Pool is subject to an annual review by an independent auditor consistent with the Public Funds Investment Act. Price Waterhouse Coopers, New York, New York, performs the annual audit.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy addresses 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 and during the year ended September 30, 2007 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

A. DEPOSITS AND INVESTMENTS, continued

Policies Governing Deposits and Investments, continued

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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2007, TexPool's investments credit quality rating was AAAM (Standard & Poor's). MBIA's credit quality rating was AAA (Standard & Poor's)

B. PROPERTY TAXES

Property taxes attach as liens on property, as of January 1. Taxes are levied on October 1 and become delinquent on February 1.

The assessed value for the tax roll as of January 1, 2007, upon which the 2007 levy was based was \$3,432,827,220. The County also levies a Farm-to-Market and Lateral Road Tax (FMLR) and a tax upon property within Bastrop County Road District No. 3. The assessed value for the FMLR tax at January 1, 2006, was \$3,397,762,793. The assessed value for the Bastrop County Road District No. 3 was \$12,620,629. The total tax levies on October 1, 2006, were \$17,236,448 (allocated \$13,789,158 to the General Fund and \$3,447,290 to the Debt Service Fund), \$4,214,345 for FMLR taxes, and \$40,222 for Bastrop County Road District No. 3 taxes, respectively.

The appraisal of property within the County is the responsibility of the countywide Bastrop County Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed at least every five years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2007, were as follows:

	<u>Property and Sales Tax</u>	<u>Due from Other Governments</u>	<u>Due from Other Funds</u>	<u>Total</u>
General Fund	\$ 2,695,946	\$ 72,671	\$ 99,605	\$ 2,868,222
Debt Service Fund	491,140	-	-	491,140
Non Major Governmental Funds	<u>720,361</u>	<u>-</u>	<u>-</u>	<u>720,361</u>
	<u>\$ 3,907,447</u>	<u>\$ 72,671</u>	<u>\$ 99,605</u>	<u>\$ 4,079,723</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 105,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,908</u>

Payables at September 30, 2007 were as follows:

	<u>Accounts Payable</u>	<u>Intergovern- mental Payable</u>	<u>Due to Others</u>	<u>Total</u>
General Fund	\$ 636,090	\$ 41,967	\$ -	\$ 678,057
Capital Projects Fund – 2005	522,329	-	-	522,329
Capital Projects Fund – 2006	242,009	-	-	242,009
Non Major Governmental Funds	<u>268,443</u>	<u>-</u>	<u>1,162</u>	<u>268,443</u>
	<u>\$ 1,668,871</u>	<u>\$ 41,967</u>	<u>\$ 1,162</u>	<u>\$ 1,712,000</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. INTERFUND BALANCES

Interfund balances at September 30, 2007 consisted of the following:

Due to General Fund from:	
Trust and Agency Funds	<u>\$ 99,605</u>
	<u>\$ 99,605</u>

Interfund transfers consisted of the following:

<u>Transfer from:</u>	<u>Transfer to:</u>	<u>Amount</u>	<u>Purpose</u>
Courthouse Construction Retainage Fund	Certificates of Obligation 2002A Fund	<u>\$ 20,608</u>	Supplement Fund Resources

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

E. CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Retirements	Prior Period Adjustments	Ending Balance
Governmental Activities:					
Non-depreciable Assets					
Land	\$ 4,670,349	\$ -	\$ -	\$ -	\$ 4,670,349
Construction in Progress	4,136,056	6,838,258	-	(1,335,504)	9,638,810
Total Non-depreciable Assets	<u>8,806,405</u>	<u>6,838,258</u>	<u>-</u>	<u>(1,335,504)</u>	<u>14,309,159</u>
Depreciable Assets					
Infrastructure	5,863,323	-	-	30,967,173	36,830,496
Buildings	18,977,384	-	-	-	18,977,384
Machinery and Equipment	<u>11,624,638</u>	<u>1,379,687</u>	<u>401,259</u>	<u>-</u>	<u>12,603,066</u>
Total Depreciable Assets	<u>36,465,345</u>	<u>1,379,687</u>	<u>401,259</u>	<u>30,967,173</u>	<u>68,410,946</u>
Totals at Historical Cost	<u>45,271,750</u>	<u>8,217,945</u>	<u>401,259</u>	<u>29,631,669</u>	<u>82,720,105</u>
Less Accumulated Depreciation:					
Infrastructure	287,415	1,505,401	-	10,090,763	11,883,579
Buildings	6,556,921	404,927	-	-	6,961,848
Machinery and Equipment	<u>5,855,000</u>	<u>1,329,842</u>	<u>311,340</u>	<u>-</u>	<u>6,873,502</u>
	<u>12,699,336</u>	<u>3,240,170</u>	<u>311,340</u>	<u>10,090,763</u>	<u>25,718,928</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,572,414</u>	<u>\$ 4,997,775</u>	<u>\$ 89,919</u>	<u>\$ 19,540,906</u>	<u>\$ 57,001,177</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,013,286
Public Safety	1,147,186
Road and Bridge	722,556
Health, Sanitation and Welfare	388,565
Conservation and Development	<u>18,577</u>
Total Depreciation Expense	<u>\$ 3,240,170</u>

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

F. BONDS AND CAPITAL LEASES PAYABLE

Bonds Payable

The County issued Combination Tax and Revenue Certificates of Obligation Series 2006 in the amount of \$9,500,000 for the purpose of building, expansion, land acquisition and construction of roads. Issuance costs of \$162,399 have been capitalized and amortized over the term of the obligation for the government-wide statements. The bond premium of \$79,815 has also been capitalized and amortized through the term of these bonds. The amortized balance of \$71,833 is carried as long-term debt on the government-wide statements.

Current requirements for indebtedness of the County are accounted for in the Debt Service Fund.

The following is a summary of long-term debt at September 30, 2007:

Governmental Activities:

<u>Issue/Description</u>	<u>Original Balance</u>	<u>Interest Rate Range %</u>	<u>Maturity Dates</u>	<u>Outstanding Balance</u>
Bonds				
1987 Unlimited Tax Road Bonds	\$ 400,000	9.00-10.00%	1987-2024	\$ 205,000
1999A Combination Tax and Revenue Certificates of Obligation	4,075,000	4.50-5.25%	1999-2019	3,035,000
1999B Certificates of Obligation	1,690,000	4.50-5.25%	1999-2019	1,325,000
2002 Tax Notes	455,000	3.60-4.375%	2002-2009	145,000
2002A Certificates of Obligation	7,270,000	4.25-5.00%	2002-2023	6,905,000
2002B Certificates of Obligation	1,525,000	4.25-5.50%	2002-2016	1,470,000
2003 Combination Tax and Revenue Certificates of Obligation	5,800,000	3.00-4.00%	2003-2023	5,450,000
2003 Limited Tax Refunding Bonds	3,680,000	3.50%	2003-2010	505,000
2005 Combination Tax and Certificates of Obligation	9,500,000	4.00-4.5%	2008-2025	9,500,000
2006 Combination Tax and Certificates of Obligation	9,500,000	4.00-4.75%	2007-2024	9,420,000
Total Bonds Payable				<u>\$ 37,960,000</u>

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

F. BONDS AND CAPITAL LEASES PAYABLE, continued

Debt service requirements for the bonds are as follows:

Year Ended September 30,	Governmental Activities Bonds		Total Requirements
	Principal	Interest	
2008	\$ 1,865,000	\$ 1,657,908	\$ 3,522,908
2009	2,095,000	1,572,656	3,667,656
2010	1,885,000	1,477,286	3,362,286
2011	1,850,000	1,392,366	3,242,366
2012	2,140,000	1,307,091	3,447,091
2013-2017	11,645,000	5,028,495	16,673,495
2018-2022	10,825,000	2,661,262	13,486,262
2023-2025	5,655,000	525,733	6,180,733
	<u>\$ 37,960,000</u>	<u>\$ 15,622,794</u>	<u>\$ 53,582,794</u>

The County has entered into several leases for the purchase of heavy equipment and vehicles. The agreements meet the criteria of a capital lease.

The assets acquired under current capital leases are as follows:

Machinery and Equipment	<u>\$ 191,002</u>
-------------------------	-------------------

Debt service requirements for the capital leases payable are as follows:

Year Ended September 30,	Governmental Activities Capital Leases		Total Requirements
	Principal	Interest	
2008	\$ 61,878	\$ 1,789	\$ 63,667

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

F. BONDS AND CAPITAL LEASES PAYABLE, continued

A summary of changes in long-term debt for the year ended September 30, 2007 is as follows:

Description	Amounts Outstanding 10/1/2006	Additions	Retirements	Amounts Outstanding 9/30/2007	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 39,630,000	\$ -	\$ 1,670,000	\$ 37,960,000	\$ 1,865,000
Capital Leases Payable	217,502	-	155,624	61,878	61,878
	39,847,502	-	1,825,624	38,021,878	1,926,878
Issuance Premium on 2006 Certificates of Obligation	75,824	-	3,991	71,833	-
Compensated Absences	920,705	45,213	-	965,918	-
Totals	<u>\$ 40,844,031</u>	<u>\$ 45,213</u>	<u>\$ 1,829,615</u>	<u>\$ 39,059,629</u>	<u>\$ 1,926,878</u>

G. EMPLOYEE RETIREMENT SYSTEMS

Plan Description

The County provides pension, 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 573 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 to 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 County, within the options available in the 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, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum, are not entitled to any amounts contributed by the County.

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 County 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.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

G. EMPLOYEE RETIREMENT SYSTEMS, continued

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provision of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County's contribution is based on the actuarially determined rate of 8.96% for the months of the accounting year in 2006 and 9.66% for the months of the accounting year in 2007.

The contribution rate payable by the employee members for the calendar year 2007 is the rate of 7% as adopted by the Commissioners' Court. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted was limited by statute to what the actuary determined could be adequately financed by the commitment of the employer to contribute the same amount as the employees. The statute specified that the actuary's determination be based on a maximum period for amortizing the unfunded pension benefit obligation of 20 years.

Annual Pension Cost

For the County's accounting year ending September 30, 2007, the annual pension cost for the TCDRS plan for its employees was \$1,075,959 and the actual contributions were \$1,075,959. The County's total payroll for the fiscal year ending September 30, 2007 was \$11,367,306, and the County's contributions were based on a covered payroll of \$13,034,513. Employer and employee contributions for the year were made as required and are detailed below. Employee contributions may include the purchase of credits for military or legislative service or the buyback of previously forfeited service credit. There were no related-party transactions.

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, 2004, and December 31, 2005, the basis for determining the contribution rate for calendar years 2006 and 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

G. EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Information

Actuarial Valuation Date	12/31/2004	12/31/2005	12/31/2006
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, closed
Amortization Period in Years	20	20	15
Asset Valuation Method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF: 10-yr smoothed value; ESF: Fund value
Assumptions:			
Investment Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.50%	5.30%	5.30%
Inflation	3.50%	3.50%	3.50%
Cost of Living Adjustments	0.00%	0.00%	0.00%

Trend Information

For the Retirement Plan for the Employees of Bastrop County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 854,885	100%	\$ -
2006	1,148,441	100%	-
2007	1,075,959	100%	-

H. CONTINGENCIES

The County has contingent liabilities with respect to pending claims and litigation that, in the opinion of the County, are not material and the possibility of an unfavorable outcome is remote. The ultimate effect, if any, that such litigation may have on the future financial position of the County is not presently determinable.

I. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The County uses various commercial carriers to insure against these risks. Settled claims did not exceed the coverage for any of the past three fiscal years.

**BASTROP COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

J. PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2007, prior period adjustments were recorded to the Government-wide Statement of Net Assets to correct the beginning balance for construction in progress in the amount of \$1,335,504 (decrease), to add a receivable for delinquent fines and fees (\$211,688) and to add infrastructure assets per GASB Statement No. 34 in the net amount of \$20,876,410. The effect of recording these adjustments was to increase beginning net assets by \$19,752,594.

A summary of these adjustments follows:

Infrastructure, Net	\$ 20,876,410
Construction in Progress	(1,335,504)
Delinquent Fines & Fees, Net	<u>211,688</u>
Net Adjustment to Net Assets	<u>\$ 19,752,594</u>

REQUIRED SUPPLEMENTARY INFORMATION

BASTROP COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM TREND DATA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF THE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a)/c)
12/31/04	\$ 21,757,858	\$ 24,708,771	\$ 2,590,913	88.06%	\$ 11,918,490	24.76%
12/31/05	24,123,071	27,145,768	2,644,506	88.86%	12,369,400	24.44%
12/31/06	28,207,470	30,432,760	2,225,290	92.69%	13,034,513	17.07%

BASTROP COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 13,675,000	\$ 15,025,000	\$ 13,836,786	\$ (1,188,214)
Sales Tax	2,300,000	2,300,000	2,237,229	(62,771)
Alcohol Beverage Tax	80,000	80,000	101,669	21,669
Penalty and Interest on Taxes	395,000	395,000	402,497	7,497
Licenses and Permits	522,500	522,500	461,251	(61,249)
Intergovernmental Revenue and Grants	479,237	479,237	439,667	(39,570)
Charges for Services	4,597,450	4,597,450	3,035,415	(1,562,035)
Fines	1,048,500	1,048,500	1,107,377	58,877
Forfeits	5,000	5,000	6,800	1,800
Investment Earnings	525,000	525,000	769,601	244,601
Contributions & Donations from Private Sources	290,600	290,600	313,546	22,946
Other Revenue	644,000	644,000	831,290	187,290
Total Revenues	<u>24,562,287</u>	<u>25,912,287</u>	<u>23,543,128</u>	<u>(2,369,159)</u>
EXPENDITURES:				
Current:				
General Government	11,015,676	11,030,608	9,031,383	1,999,225
Public Safety	12,581,758	12,581,758	9,354,474	3,227,284
Health, Sanitation and Welfare	2,633,922	2,942,977	3,042,419	(99,442)
Culture and Recreation	164,573	164,573	147,145	17,428
Conservation and Development	71,200	71,200	-	71,200
Total Expenditures	<u>26,467,129</u>	<u>26,791,116</u>	<u>21,575,421</u>	<u>5,215,695</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,904,842)</u>	<u>(878,829)</u>	<u>1,967,707</u>	<u>2,846,536</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	182,000	182,000	-	(182,000)
Other Resources	400,000	400,000	-	(400,000)
Total Other Financing Sources (Uses)	<u>582,000</u>	<u>582,000</u>	<u>-</u>	<u>(582,000)</u>
Net Change in Fund Balances	<u>(1,322,842)</u>	<u>(296,829)</u>	<u>1,967,707</u>	<u>2,264,536</u>
Fund Balance - October 1 (Beginning)	8,128,522	8,128,522	8,128,522	-
Fund Balance - September 30 (Ending)	<u>\$ 6,805,680</u>	<u>\$ 7,831,693</u>	<u>\$ 10,096,229</u>	<u>\$ 2,264,536</u>

BASTROP COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SINKING AND INTEREST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 3,356,658	\$ 3,356,658	\$ 3,404,243	\$ 47,585
Penalty and Interest on Taxes	80,000	80,000	91,654	11,654
Investment Earnings	50,000	50,000	101,133	51,133
Total Revenues	<u>3,486,658</u>	<u>3,486,658</u>	<u>3,597,030</u>	<u>110,372</u>
EXPENDITURES:				
Current:				
Debt Service:				
Bond Principal	1,840,000	1,840,000	1,645,000	195,000
Bond Interest	1,646,658	1,646,658	1,724,046	(77,388)
Total Expenditures	<u>3,486,658</u>	<u>3,486,658</u>	<u>3,369,046</u>	<u>117,612</u>
Change in Fund Balance	-	-	227,984	227,984
Fund Balance - October 1 (Beginning)	<u>1,115,641</u>	<u>1,115,641</u>	<u>1,115,641</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,115,641</u>	<u>\$ 1,115,641</u>	<u>\$ 1,343,625</u>	<u>\$ 227,984</u>

**BASTROP COUNTY, TEXAS
BUDGETARY DATA**

A. GENERAL BUDGET POLICIES

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

- The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures for the succeeding year and delivers the proposed budget, including the general revenue sharing budget, to Commissioners' Court, which makes any necessary modifications.
- The Commissioners' Court holds budget sessions with each department head.
- The Commissioners' Court holds budget hearings for the public.
- The Commissioners' Court formally adopts the budget in an open court meeting.
- The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.

The formally adopted budget may be legally amended by commissioners in accordance with Article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriations resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2007 budget were approved by the Commissioners' Court as provided by law.

Unencumbered appropriations lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

B. ENCUMBRANCES

As part of formal budgetary control over governmental funds, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budget basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures for the governmental funds.

C. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts and disbursements.

The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash or encumbered (budget) as opposed to reservation of fund balance (GAAP).

**BASTROP COUNTY, TEXAS
BUDGETARY DATA**

C. BUDGETARY BASIS OF ACCOUNTING, continued

3. Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to reservation of fund balance (GAAP).
4. As budgetary/GAAP basis differences were immaterial; the Budgetary Comparison Schedule - General Fund is presented on the GAAP basis.

COMBINING STATEMENTS

BASTROP COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2007

	Road & Bridge Pct. 1	Road & Bridge Pct. 2	Road & Bridge Pct. 3	Road & Bridge Pct. 4
ASSETS				
Cash and Cash Equivalents	\$ 344,681	\$ 301,402	\$ 286,291	\$ 664,965
Investments - Current	221,297	61,220	220,939	554,856
Property Taxes Receivable	133,346	228,397	181,288	148,076
Allowance for Uncollectible Taxes (credit)	(4,161)	(6,785)	(5,198)	(4,589)
Total Assets	<u>\$ 695,163</u>	<u>\$ 584,234</u>	<u>\$ 683,320</u>	<u>\$ 1,363,308</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 79,527	\$ 8,765	\$ 14,187	\$ 13,480
Due to Others	-	-	-	-
Deferred Revenues	129,185	221,611	176,090	143,487
Total Liabilities	<u>208,712</u>	<u>230,376</u>	<u>190,277</u>	<u>156,967</u>
Fund Balances:				
Reserved For:				
Capital Projects	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Funds	486,451	353,858	493,043	1,206,341
Total Fund Balances	<u>486,451</u>	<u>353,858</u>	<u>493,043</u>	<u>1,206,341</u>
Total Liabilities and Fund Balances	<u>\$ 695,163</u>	<u>\$ 584,234</u>	<u>\$ 683,320</u>	<u>\$ 1,363,308</u>

Special Paving & Bridge Fund	Parks and Community Development	Mediation Services Fund	DA Hot Check Fund	DA Special Account	Road District #3 Fund	Houston Toad Fund	Boot Camp Fund
\$ 2,416	\$ 591,984	\$ 42,527	\$ 126,295	\$ 29,124	\$ 17,678	\$ 604	\$ 86,114
-	-	-	-	-	-	-	-
-	-	-	-	-	29,254	-	-
-	-	-	-	-	(878)	-	-
<u>\$ 2,416</u>	<u>\$ 591,984</u>	<u>\$ 42,527</u>	<u>\$ 126,295</u>	<u>\$ 29,124</u>	<u>\$ 46,054</u>	<u>\$ 604</u>	<u>\$ 86,114</u>
\$ -	\$ 9,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,950
-	-	-	-	-	-	-	-
-	-	-	-	-	28,377	-	-
-	9,070	-	-	-	28,377	-	22,950
-	-	-	-	-	-	-	-
2,416	582,914	42,527	126,295	29,124	17,677	604	63,164
<u>2,416</u>	<u>582,914</u>	<u>42,527</u>	<u>126,295</u>	<u>29,124</u>	<u>17,677</u>	<u>604</u>	<u>63,164</u>
<u>\$ 2,416</u>	<u>\$ 591,984</u>	<u>\$ 42,527</u>	<u>\$ 126,295</u>	<u>\$ 29,124</u>	<u>\$ 46,054</u>	<u>\$ 604</u>	<u>\$ 86,114</u>

BASTROP COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2007

	Law Library Fund	Criminal Justice Planning	DA Law Enforcement Fund	Elections Adminin. Fund
ASSETS				
Cash and Cash Equivalents	\$ 119,975	\$ 294,007	\$ 65,555	\$ 45,962
Investments - Current	-	-	-	-
Property Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Total Assets	<u>\$ 119,975</u>	<u>\$ 294,007</u>	<u>\$ 65,555</u>	<u>\$ 45,962</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,900	\$ 116,866	\$ 11	\$ -
Due to Others	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>2,900</u>	<u>116,866</u>	<u>11</u>	<u>-</u>
Fund Balances:				
Reserved For:				
Capital Projects	-	-	-	-
Unreserved and Undesignated:				
Reported in the Special Revenue Funds	117,075	177,141	65,544	45,962
Total Fund Balances	<u>117,075</u>	<u>177,141</u>	<u>65,544</u>	<u>45,962</u>
Total Liabilities and Fund Balances	<u>\$ 119,975</u>	<u>\$ 294,007</u>	<u>\$ 65,555</u>	<u>\$ 45,962</u>

Total Nonmajor Special Revenue Funds	Courthouse Construction Retainage	Certificates of Obligation 2002A	Certificates of Obligation 2002B	Tax Notes 2002	Certificates of Obligation 2003	Total Nonmajor Governmental Funds
\$ 3,019,580	\$ -	\$ 330	\$ 312	\$ 23	\$ 51	\$ 3,020,296
1,058,312	-	-	-	-	-	1,058,312
720,361	-	-	-	-	-	720,361
(21,611)	-	-	-	-	-	(21,611)
<u>\$ 4,776,642</u>	<u>\$ -</u>	<u>\$ 330</u>	<u>\$ 312</u>	<u>\$ 23</u>	<u>\$ 51</u>	<u>\$ 4,777,358</u>
\$ 267,756	\$ -	\$ 687	\$ -	\$ -	\$ -	\$ 268,443
-	1,162	-	-	-	-	1,162
698,750	-	-	-	-	-	698,750
<u>966,506</u>	<u>1,162</u>	<u>687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>968,355</u>
-	(1,162)	(357)	312	23	51	(1,133)
3,810,136	-	-	-	-	-	3,810,136
<u>3,810,136</u>	<u>(1,162)</u>	<u>(357)</u>	<u>312</u>	<u>23</u>	<u>51</u>	<u>3,809,003</u>
<u>\$ 4,776,642</u>	<u>\$ -</u>	<u>\$ 330</u>	<u>\$ 312</u>	<u>\$ 23</u>	<u>\$ 51</u>	<u>\$ 4,777,358</u>

BASTROP COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Road & Bridge Pct. 1	Road & Bridge Pct. 2	Road & Bridge Pct. 3	Road & Bridge Pct. 4
REVENUES:				
Taxes:				
Property Taxes	\$ 816,965	\$ 1,434,217	\$ 1,148,122	\$ 923,253
Licenses and Permits	302,216	302,216	302,216	302,216
Intergovernmental Revenue and Grants	13,596	13,596	13,596	13,596
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	30,798	24,378	37,234	56,239
Other Revenue	32,951	45,062	18,169	7,074
Total Revenues	<u>1,196,526</u>	<u>1,819,469</u>	<u>1,519,337</u>	<u>1,302,378</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Road and Bridge	1,068,844	1,730,204	1,449,231	803,157
Culture and Recreation	-	-	-	-
Debt Service:				
Bond Principal	51,101	92,145	9,049	15,759
Bond Interest	718	5,406	113	185
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,120,663</u>	<u>1,827,755</u>	<u>1,458,393</u>	<u>819,101</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>75,863</u>	<u>(8,286)</u>	<u>60,944</u>	<u>483,277</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	24,402
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,402</u>
Net Change in Fund Balance	75,863	(8,286)	60,944	507,679
Fund Balance - October 1 (Beginning)	<u>410,588</u>	<u>362,144</u>	<u>432,099</u>	<u>698,662</u>
Fund Balance - September 30 (Ending)	<u>\$ 486,451</u>	<u>\$ 353,858</u>	<u>\$ 493,043</u>	<u>\$ 1,206,341</u>

Special Paving & Bridge Fund	Parks and Community Development	Mediation Services Fund	DA Hot Check Fund	DA Special Account	Road District #3 Fund	Houston Toad Fund	Boot Camp Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,261	\$ -	\$ -
-	-	-	-	-	-	-	-
-	55,000	-	-	-	-	-	-
-	-	11,320	26,327	33,630	-	-	84,337
-	-	-	-	-	-	-	-
-	-	1,892	448	-	1,748	29	7,178
-	-	-	-	-	-	-	415
-	55,000	13,212	26,775	33,630	50,009	29	91,930
-	-	5,334	4,914	33,835	-	-	-
-	-	-	-	-	-	-	157,686
-	19,792	-	-	-	566	-	-
-	-	-	-	-	25,000	-	-
-	-	-	-	-	24,498	-	-
-	-	-	-	-	-	-	-
-	19,792	5,334	4,914	33,835	50,064	-	157,686
-	35,208	7,878	21,861	(205)	(55)	29	(65,756)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	35,208	7,878	21,861	(205)	(55)	29	(65,756)
2,416	547,706	34,649	104,434	29,329	17,732	575	128,920
\$ 2,416	\$ 582,914	\$ 42,527	\$ 126,295	\$ 29,124	\$ 17,677	\$ 604	\$ 63,164

BASTROP COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Law Library Fund	Criminal Justice Planning	DA Law Enforcement Fund	Elections Adminin. Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	6,828	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	739,367	-	27,591
Fines	-	45,294	-	-
Forfeits	-	-	14,320	-
Investment Earnings	5,422	11,522	2,919	856
Other Revenue	43,435	72,259	-	-
Total Revenues	<u>48,857</u>	<u>875,270</u>	<u>17,239</u>	<u>28,447</u>
EXPENDITURES:				
Current:				
General Government	30,139	-	-	-
Public Safety	-	792,997	3,704	-
Road and Bridge	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	3,876	-
Total Expenditures	<u>30,139</u>	<u>792,997</u>	<u>7,580</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,718</u>	<u>82,273</u>	<u>9,659</u>	<u>28,447</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	18,718	82,273	9,659	28,447
Fund Balance - October 1 (Beginning)	<u>98,357</u>	<u>94,868</u>	<u>55,885</u>	<u>17,515</u>
Fund Balance - September 30 (Ending)	<u>\$ 117,075</u>	<u>\$ 177,141</u>	<u>\$ 65,544</u>	<u>\$ 45,962</u>

Total Nonmajor Special Revenue Funds	Courthouse Construction Retainage	Certificates of Obligation 2002A	Certificates of Obligation 2002B	Tax Notes 2002	Certificates of Obligation 2003	Total Nonmajor Governmental Funds
\$ 4,370,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,370,818
1,215,692	-	-	-	-	-	1,215,692
109,384	-	-	-	-	-	109,384
922,572	-	-	-	-	-	922,572
45,294	-	-	-	-	-	45,294
14,320	-	-	-	-	-	14,320
180,663	374	758	9	7	6,092	187,903
219,365	-	-	-	-	-	219,365
<u>7,078,108</u>	<u>374</u>	<u>758</u>	<u>9</u>	<u>7</u>	<u>6,092</u>	<u>7,085,348</u>
74,222	-	-	-	-	-	74,222
954,387	-	-	-	-	-	954,387
5,052,002	-	-	-	-	-	5,052,002
19,792	-	-	-	-	-	19,792
193,054	-	-	-	-	-	193,054
30,920	-	-	-	-	-	30,920
3,876	-	39,280	-	225	266,538	309,919
<u>6,328,253</u>	<u>-</u>	<u>39,280</u>	<u>-</u>	<u>225</u>	<u>266,538</u>	<u>6,634,296</u>
<u>749,855</u>	<u>374</u>	<u>(38,522)</u>	<u>9</u>	<u>(218)</u>	<u>(260,446)</u>	<u>451,052</u>
24,402	-	-	-	-	-	24,402
-	-	20,608	-	-	-	20,608
-	(20,608)	-	-	-	-	(20,608)
<u>24,402</u>	<u>(20,608)</u>	<u>20,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,402</u>
774,257	(20,234)	(17,914)	9	(218)	(260,446)	475,454
<u>3,035,879</u>	<u>19,072</u>	<u>17,557</u>	<u>303</u>	<u>241</u>	<u>260,497</u>	<u>3,333,549</u>
<u>\$ 3,810,136</u>	<u>\$ (1,162)</u>	<u>\$ (357)</u>	<u>\$ 312</u>	<u>\$ 23</u>	<u>\$ 51</u>	<u>\$ 3,809,003</u>

SUPPLEMENTARY INFORMATION

BASTROP COUNTY, TEXAS
SCHEDULE OF GOVERNMENTAL REVENUES BY SOURCE - GENERAL FUND (UNAUDITED)
LAST FIVE FISCAL YEARS
SEPTEMBER 30, 2007

Fiscal Year	Taxes	Charges/Fees for Services	Inter- Governmental	Fines & Forfeits	Interest	Miscellaneous	Totals
2003	\$ 13,127,786	\$ 2,606,534	\$ 1,070,055	\$ 1,779,440	\$ 207,200	\$ 161,743	\$ 18,952,758
2004	13,723,745	2,455,060	476,593	1,010,952	220,374	753,862	18,640,586
2005	15,449,380	3,384,140	442,722	1,036,401	232,466	901,772	21,446,881
2006	15,679,245	2,630,985	800,039	1,087,579	477,070	1,328,076	22,002,994
2007	16,578,181	3,496,666	439,667	1,114,177	769,601	1,144,836	23,543,128

BASTROP COUNTY, TEXAS
SCHEDULE OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES (UNAUDITED)
LAST FIVE FISCAL YEARS
SEPTEMBER 30, 2007

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Total Debt Service to General Expenditures
2003	\$ 1,305,000	\$ 900,279	\$ 2,205,279	\$ 18,148,079	12.15%
2004	1,357,000	1,137,070	2,494,070	18,648,301	13.37%
2005	1,525,000	1,033,278	2,558,278	19,356,485	13.22%
2006	1,815,000	1,482,193	3,297,193	20,656,427	15.96%
2007	1,670,000	1,724,046	3,394,046	21,575,421	15.73%

Note: Debt financed and paid for in the Bastrop County Road District No. 3 Special Revenue Fund is not included in the above figures.

BASTROP COUNTY, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA (UNAUDITED)
LAST FIVE FISCAL YEARS
SEPTEMBER 30, 2007

Fiscal Year	Assessed Value	Bonded Debt	Less: Debt Service Funds	Net Bonded Debt	Ratio of Bonded Debt to Assessed Value
2003	\$ 2,717,093,767	\$ 25,125,000	\$ 633,879	\$ 24,491,121	0.90%
2004	2,929,383,081	23,740,000	762,200	22,977,800	0.78%
2005	2,991,951,875	31,465,000	836,696	30,628,304	1.02%
2006	3,224,808,212	39,630,000	1,115,641	38,514,359	1.19%
2007	3,443,472,539	37,755,000	1,343,625	36,411,375	1.06%

Note: Debt financed and paid for in the Bastrop County Road District No. 3 Special Revenue Fund is not included in the above figures.

**BASTROP COUNTY, TEXAS
VALUATION, EXEMPTIONS AND
DEBT OBLIGATIONS (UNAUDITED)
SEPTEMBER 30, 2007**

2006 Taxable Assessed Valuation	<u>\$ 3,443,472,539</u>
County Funded Debt Payable from Ad Valorem Taxes (as of 9/30/06):	
Certificates of Obligation - 1999A	\$ 3,035,000
Certificates of Obligation - 1999B	1,325,000
Tax Notes 2002	145,000
Certificates of Obligation - 2002A	6,905,000
Certificates of Obligation - 2002B	1,470,000
Certificates of Obligation - 2003	505,000
Limited Tax Refunding Bonds - 2003	5,450,000
Certificates of Obligation - 2005	9,500,000
Certificates of Obligation - 2006	<u>9,420,000</u>
Funded Debt Payable from Ad Valorem Taxes	<u>\$ 37,755,000</u>
Interest and Sinking Fund (as of 9/30/07)	<u>\$ 1,343,625</u>
Ratio of Funded Debt to Taxable Assessed Valuation	<u>1.10%</u>

Note: Debt financed and paid for in the Bastrop County Road District No. 3 Special Revenue Fund is not included in the above figures.

**BASTROP COUNTY, TEXAS
VALUATION AND FUND
DEBT HISTORY (UNAUDITED)
SEPTEMBER 30, 2007**

2006 Estimated Population - 69,800
Per Capita Assessed Valuation - \$49,333
Per Capita Funded Debt - \$548
Land Area - 890 Square Miles

Fiscal Year Ended 9/30	Taxable Assessed Valuation	* Funded Debt Outstanding at End of Year	Ratio Funded Debt to Taxable Assessed Valuation
1989	\$ 1,053,848,903	\$ 8,725,000	0.83%
1990	989,006,882	8,540,000	0.86%
1991	932,958,441	8,330,000	0.89%
1992	951,792,471	8,050,000	0.85%
1993	914,983,108	9,255,000	1.01%
1994	922,867,695	8,785,000	0.95%
1995	1,012,333,193	8,335,000	0.82%
1996	1,071,100,804	7,850,000	0.73%
1997	1,290,007,525	7,750,000	0.60%
1998	1,439,225,538	7,140,000	0.50%
1999	1,530,344,447	14,650,000	0.96%
2000	1,692,712,600	13,700,000	0.81%
2001	1,934,033,379	12,245,000	0.63%
2002	2,328,086,351	20,590,000	0.88%
2003	2,717,093,763	25,125,000	0.92%
2004	2,929,383,081	23,740,000	0.81%
2005	2,991,951,875	31,465,000	1.05%
2006	3,224,808,212	39,400,000	1.22%
2007	3,443,472,539	37,755,000	1.10%

*Does not include Bastrop County Road District #3 Unlimited Tax Road Bonds in the amount of \$205,000.

**BASTROP COUNTY, TEXAS
TAX RATE, LEVY AND
COLLECTION HISTORY (UNAUDITED)
SEPTEMBER 30, 2007**

Fiscal Year Ended 9/30	Tax Rate	Road and Bridge	General Fund	Interest and Sinking Fund	Tax Levy (1)	% Current Collections	% Total Collections
1989	\$ 0.3986	\$ 0.1081	\$ 0.2136	\$ 0.0769	\$ 3,061,431	85.15%	91.67%
1990	0.4340	0.1182	0.2364	0.0794	3,123,284	89.71%	99.21%
1991	0.5186	0.1370	0.2746	0.1070	3,560,169	87.99%	99.40%
1992	0.5186	0.1376	0.2936	0.0874	3,626,329	90.39%	98.05%
1993	0.5367	0.1434	0.3060	0.0873	3,598,629	91.20%	99.85%
1994	0.5817	0.1370	0.3574	0.0873	4,103,993	90.85%	96.99%
1995	0.5809	0.1481	0.3508	0.0820	4,381,378	92.86%	98.93%
1996	0.6042	0.1414	0.3750	0.0878	4,957,055	95.33%	101.20%
1997	0.5734	0.1259	0.3783	0.0692	5,772,784	92.84%	98.71%
1998	0.5900	0.1200	0.4102	0.0698	6,764,360	93.55%	99.00%
1999	0.5817	0.1150	0.4161	0.0506	7,121,344	93.08%	105.71%
2000	0.6441	0.1216	0.4161	0.1064	8,865,303	94.48%	100.00%
2001	0.5990	0.1110	0.4018	0.0862	11,317,388	94.21%	100.00%
2002	0.5850	0.1109	0.3951	0.0790	13,314,049	94.15%	100.00%
2003	0.6061	0.1135	0.4098	0.0828	16,261,624	93.79%	100.91%
2004	0.6061	0.1145	0.4037	0.0879	17,261,513	92.98%	96.79%
2005	0.6334	0.1158	0.4364	0.0812	15,869,982	93.73%	98.98%
2006	0.6383	0.1230	0.4080	0.1073	20,502,571	95.16%	99.91%
2007	0.6283	0.1250	0.4036	0.0997	21,140,762	96.85%	101.65%

(1) Does not include the Bastrop County Road District No. 3 Levy

Property within the County is assessed as of January 1 of each year (except for business inventory which may, at the option of the taxpayer, be assessed as of September 1); taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Split payments are not permitted. Discounts are not allowed. Taxpayers 65 years and older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge.

BASTROP COUNTY, TEXAS
TEN LARGEST TAXPAYERS (UNAUDITED)
SEPTEMBER 30, 2007

Name of Taxpayer	Nature of Property	2006 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Gentex Power Corp	Electric Utility	\$ 130,571,060	3.79%
Bastrop Energy	Electric Utility	93,604,700	2.72%
Bastrop Resort Partners LP	Land/Improvements	60,162,715	1.75%
AT&T	Telephone Utility	25,387,035	0.74%
Acme Brick Co.	Brick Manufacturer	23,945,295	0.70%
Flint Hills Resources	Commercial	19,894,440	0.58%
LCRA Transmission Services Corp.	Electric Transmission	18,123,420	0.53%
Bluebonnet Electric Coop, Inc.	Electric Utility	17,763,588	0.52%
Hanson Brick	Brick Manufacturer	17,328,710	0.50%
HEB Grocery Company	Grocery Store	16,273,781	0.47%
Total		\$ 423,054,744	12.29%

BASTROP COUNTY, TEXAS
ESTIMATED DIRECT AND OVERLAPPING
DEBT STATEMENT (AS OF SEPTEMBER 30, 2006)
(UNAUDITED)

Other taxing units that have boundaries which overlap the County have outstanding debt paid from ad valorem taxes levied on property within the County. These taxing units are independent of the County and may incur borrowing to finance their expenditures. The following statement of direct and estimated overlapping ad valorem bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated below, and such entities may have programs requiring the future issuance of substantial amounts of additional bond, the amount of which cannot be determined. The following table reflects the estimated share of overlapping funded debt of these various taxing bodies.

<u>Political Subdivision</u>	<u>Outstanding Tax Supported Gross Debt</u>	<u>As of</u>	<u>Estimated % Overlapping</u>	<u>Amount Overlapping</u>
Bastrop Co. MUD #1	\$ 1,995,000	01/31/08	100.00%	\$ 1,995,000
Bastrop County Road District #3	180,000	01/01/08	100.00%	180,000
Bastrop ISD	154,560,685	06/30/06	100.00%	154,560,685
Bastrop, City of	17,169,229	09/30/06	100.00%	17,169,229
Elgin ISD	73,032,684	05/22/07	75.63%	55,234,619
Elgin, City of	9,264,423	09/30/06	83.13%	7,701,515
Lexington ISD	3,090,061	08/31/07	0.44%	13,596
McDale ISD	1,287,686	08/31/07	100.00%	1,287,686
Smithville ISD	15,879,991	01/31/08	97.57%	15,494,107
Smithville, City of	4,515,000	01/31/08	100.00%	4,515,000
				<u>258,151,437</u>
Bastrop County		09/30/06		<u>38,284,359</u>
				<u><u>\$ 296,435,796</u></u>
Ratio of Direct and Overlapping Funded Debt to 2006 Taxable Assessed Valuation				8.61%
Per Capita Overlapping Funded Debt				<u><u>\$ 4,247</u></u>

**BASTROP COUNTY, TEXAS
GENERAL FUND COMPARATIVE STATEMENT
OF REVENUES AND EXPENDITURES (UNAUDITED)
SEPTEMBER 30, 2007**

	Fiscal Year Ended September 30				
	2007	2006	2005	2004	2003
Total Undesignated Fund Balance at Beginning of Year	\$ 7,644,711	\$ 6,289,491	\$ 4,637,839	\$ 4,571,319	\$ 3,783,314
<u>Revenues</u>					
Taxes	16,578,181	15,679,245	15,449,380	13,723,745	13,127,786
Intergovernmental	439,667	800,039	442,722	476,593	1,070,055
Charges for Services	3,496,666	2,630,985	3,384,140	2,455,060	2,606,534
Fines and Forfeits	1,114,177	1,087,579	1,034,604	1,010,952	1,779,440
Miscellaneous	1,914,437	1,805,146	1,136,035	974,236	368,943
Total Revenues	<u>23,543,128</u>	<u>22,002,994</u>	<u>21,446,881</u>	<u>18,640,586</u>	<u>18,952,758</u>
<u>Expenditures</u>					
General Government	9,031,383	9,311,162	8,490,087	6,123,990	6,688,420
Public Safety	9,354,474	9,131,541	8,753,861	10,066,846	9,411,425
Conservation	-	-	-	110,235	105,910
Health and Welfare	3,042,419	2,075,121	1,987,048	1,916,647	1,592,153
Culture and Recreation	147,145				
Miscellaneous	-	135,603	125,489	430,583	350,171
Total Expenditures	<u>21,575,421</u>	<u>20,653,427</u>	<u>19,356,485</u>	<u>18,648,301</u>	<u>18,148,079</u>
Excess (Deficit) Revenues Over Expenditures	<u>1,967,707</u>	<u>1,349,567</u>	<u>2,090,396</u>	<u>(7,715)</u>	<u>804,679</u>
Interfund Transfers	-	-	-	74,228	(16,666)
Prior Period Adjustments	-	-	-	-	-
Total Revenue and Fund Balance at End of Year	<u>\$ 9,612,418</u>	<u>\$ 7,639,058</u>	<u>\$ 6,728,235</u>	<u>\$ 4,637,832</u>	<u>\$ 4,571,327</u>

Fiscal Year Ended September 30,				
2002	2001	2000	1999	1998
\$ 3,670,261	\$ 3,214,415	\$ 2,201,995	\$ 2,101,216	\$ 1,957,644
10,912,798	9,290,054	8,526,248	7,527,640	6,931,702
894,075	904,227	584,564	817,887	292,830
2,343,059	3,101,860	3,253,308	2,804,740	2,964,930
1,489,762	689,381	582,676	466,753	495,587
153,194	759,177	1,201,733	1,132,197	714,508
<u>15,792,888</u>	<u>14,744,699</u>	<u>14,148,529</u>	<u>12,749,217</u>	<u>11,399,557</u>
5,830,863	6,999,771	5,203,428	4,417,848	5,070,732
8,351,299	6,158,491	6,495,433	7,210,527	4,475,608
-	-	151,616	134,057	155,715
1,199,731	994,560	1,023,853	880,135	1,153,930
<u>402,359</u>	<u>199,822</u>	<u>261,779</u>	<u>-</u>	<u>-</u>
<u>15,784,252</u>	<u>14,352,644</u>	<u>13,136,109</u>	<u>12,642,567</u>	<u>10,855,985</u>
<u>8,636</u>	<u>392,055</u>	<u>1,012,420</u>	<u>106,650</u>	<u>543,572</u>
169,610	63,791	-	-	(400,000)
(97,397)	-	-	(5,871)	-
<u>\$ 3,751,110</u>	<u>\$ 3,670,261</u>	<u>\$ 3,214,415</u>	<u>\$ 2,201,995</u>	<u>\$ 2,101,216</u>

**BASTROP COUNTY, TEXAS
OTHER OBLIGATIONS (UNAUDITED)
SEPTEMBER 30, 2007**

As of September 30, 2007, the County has one outstanding capital lease payable for machinery and equipment with an acquisition cost of \$191,002. The interest rate on this capital lease is 4.6%

The debt service requirements are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$ 61,878</u>	<u>\$ 1,789</u>	<u>\$ 63,667</u>

FEDERAL AWARDS SECTION



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

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To the Honorable Judge and
Members of the Commissioners' Court of
Bastrop County, Texas

We have audited the financial statements of Bastrop County, Texas (the "County") as of and for the year ended September 30, 2007, and have issued our report thereon dated May 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, LLP
Fort Worth, Texas
May 20, 2008



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

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To the Honorable Judge and
Members of the Commissioners' Court of
Bastrop County, Texas

Compliance

We have audited the compliance of Bastrop County (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended September 30, 2007, and have issued our report thereon dated May 20, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Stovall, Grandey & Allen, LLP

STOVALL, GRANDEY & ALLEN, LLP
Fort Worth, Texas
May 20, 2008

BASTROP COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>			
<u>Passed through Governor's Division of Emergency Mgmt.</u>			
Homeland Security Grant Program	97.004	2005 GE-T5-4025	20,758
Homeland Security Grant Program	97.073	2006-GE-T6-0068	23,186
Total Passed through Governor's Division of Emergency Mgmt.			<u>43,944</u>
Total U.S. Department of Homeland Security			<u>43,944</u>
<u>U.S. Department of Justice</u>			
<u>Direct Programs</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-1171	10,533
Grants to Encourage Arrest Policies	16.590	2005-WE-AX-0018	155,935
Total Direct Programs			<u>166,468</u>
Total U.S. Department of Justice			<u>166,468</u>
<u>U.S. Department of Housing and Urban Development</u>			
<u>Passed through Texas State Office of Rural Community Affairs</u>			
Community Development Block Grant	14.228	Contract No. 725061	40,354
Community Development Block Grant	14.228	Contract No. 725055	139,739
Community Development Block Grant	14.228	Contract No. 725177	137,779
Total Passed through Texas State Office of Rural Com. Affairs			<u>317,872</u>
Total U.S. Office of Rural Community Affairs			<u>317,872</u>
Total Expenditures of Federal Awards			<u><u>\$ 528,284</u></u>

BASTROP COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

For all Federal programs, the County uses the fund types specified by the Governmental Accounting Standards Board. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

1. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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

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

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

**BASTROP COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Type of Report on Financial Statements

Unqualified

Significant Deficiencies and Material Weaknesses

None

Noncompliance material to the financial statements

None

Type of Report on Compliance with Major Programs

Unqualified opinion

Findings and Questioned Costs for Federal Awards as defined in Section __.510(a), OMB A-133

None

Dollar Threshold Considered Between Type A and Type B Federal Programs

\$300,000

Low Risk Auditee Statements

The County was classified as a low-risk auditee in the context of OMB Circular A-133

Major Federal Program

Program	CFDA No.	Pass Through Agency
Community Development Block Grant	14.228	Texas Office of Rural Community Affairs

**BASTROP COUNTY
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Schedule Reference Number:

There were no prior findings