

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
DALLAS COUNTY, TEXAS**



**REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2008**

DALLAS COUNTY, TEXAS

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2008

Prepared by:

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County Auditor
509 Main, Suite 407
Dallas, Texas 75202**

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 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2008

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INTRODUCTORY SECTION

(Unaudited)



DALLAS COUNTY

COUNTY AUDITOR

March 27, 2009

Honorable District Judges of Dallas County and
Honorable Members of the Dallas County Commissioners Court:

State law, V.T.C.A. Local Government Code 114.025 and 115.045, requires issuance of an annual financial report and an annual independent audit of all matters relating to fiscal affairs of the County. Pursuant to those requirements, we hereby release the comprehensive annual financial report of the County of Dallas for the fiscal year ended September 30, 2008.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Accounting requirements for Governmental Accounting Standards Board (GASB) Statement Number 45 (Other Post Employment Benefits) became effective for FY2008. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the basic financial statements will be free from material misstatement. Responsibility for internal controls is shared by Commissioners Court, which is the governing body, the County Auditor, who is appointed by the District Judges, the Office of Budget and Evaluation, and the County Treasurer. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's basic financial statements have been audited by Deloitte & Touche, LLP. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County, for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The introduction includes this transmittal letter, the County's organizational chart and a list of principal officials. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The financial section also includes government-wide financial statements, fund financial statements, notes to the financial statements, required supplementary information and the combining and individual fund financial statements and schedules in addition to the report of the independent auditors on the financial statements and schedules. The statistical section of this report includes selected financial and demographic information, which is generally presented on a multi-year basis.

PROFILE OF DALLAS COUNTY

The County is located in north central Texas, and is strategically central to the economic region of Texas, Louisiana, Arkansas, Oklahoma and New Mexico as well as centrally located within the United States. The County region was opened for settlement by the Mexican colonization laws and was included in an empresario grant before 1836, but actual settlement was delayed until 1841. The first Texas legislature created the County from parts of Robertson and Nacogdoches counties on March 30, 1846, and designated the town of Dallas (a post office since 1844) as a temporary "Seat of Justice." The act does not state whom the County's name honors; it probably was George M. Dallas, then vice president of the United States. Two elections were held in 1850 to fix the City of Dallas as the permanent county seat. The County encompasses an area of 900 square miles. The 2008 estimated population for the County was 2.5 million. The County is a public corporation and political subdivision of the State of Texas. The general governing body of the County is the elected five-member Commissioners Court in accordance with Article 5, Paragraph 18 of the Texas Constitution. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term.

The Commissioners Court sets the tax rates, establishes policies for County operations, approves contracts for the County and develops and adopts the County budget within the resources as estimated by the County Auditor. The Commissioners Court is also responsible for development of policies and orders, approving financial commitments and appointment of various department heads. The management and leadership provided by members of the Commissioners Court and the elected and appointed officials of other key County offices is crucial to the success of the County in financial management and growth. The commissioners serve on various boards and committees including the National Association of Counties, the Texas Conference of Urban Counties, State Judicial Committee on Information Technology, Dallas Children's Advocacy Center, Dallas County DWI Taskforce, Texas Juvenile Crime Commission, Public Employees Benefit Corporation, North Central Texas Council of Government, Regional Transportation Council and Transportation Excellence for the 21st Century.

The County Auditor is appointed according to Texas State statutes for two year terms by the district judges. The County Auditor has responsibilities for prescribing the systems and procedures for handling the finances of the County, certifying available funds for county budgets, and "examining, auditing and approving" all disbursements from County funds prior to their submission to the Commissioners Court for approval. It is the Auditor's duty under statutory mandates to determine if claims are in conformance to laws governing county finance. Commissioners Court has vested accounts payable and payroll processing functions with the County Auditor. The Auditor and/or staff serve on various government boards and committees including the Texas Association of County Auditors, Texas Association of Counties Policy Analysis Group, Civil Courts Governance Committee and the Divert Court Advisory Board.

Financial management controls regarding banking and investment are managed by the County Treasurer, an elected position. The Treasurer chairs the County Finance Committee and submits for annual recertification an official investment policy. Budget authority, control over purchasing transactions, and human resource management are assigned to directors appointed by Commissioners Court. Policy and procedures are developed according to sound business practices and in strict conformance to federal and local financial statutes.

The County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. A primary service is the administration of justice, which includes the civil and criminal county and district courts, justices of the peace, constables, district attorney, investigators, clerks of the courts, sheriff, jail, security and emergency management, medical examiner, crime laboratory and grand jury bailiffs. Other functions performed by

the County include the construction and maintenance of roads and bridges, either independently or in cooperation with other entities; administration of public health services; assistance to indigents; and the provision of juvenile, health, education and welfare services involving the care and correction of dependent or delinquent children as well as property tax collections for multiple agencies.

The annual budget serves as the foundation for the County's planning and control. Budget workshops are hosted periodically by the Office of Budget and Evaluation with the final budget approved by the Commissioners Court in accordance with statutory guidelines. The final budget includes contingency and emergency reserves line items. Encumbrances are carried forward to the subsequent year. Unencumbered appropriations lapse at fiscal year-end. Most appropriated budgets are prepared by fund, function, department and category. Capital expenditures for general operations are approved on a line item basis but an annually approved capital improvement plan is utilized to track major capital projects. All budget transfers between departments and/or projects must follow statutory approval processes. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. Budgets funded by federal and state financial assistance are authorized individually on applications and acceptance of awards by order of the Commissioners Court.

Other governmental units indicated below are included in the County's reporting entity because of the significance of their operational and financial relationship with the County.

Discretely Presented Component Unit - The Dallas County Hospital District (the District) is under the direction of a seven-member board of managers who are appointed by the Commissioners Court. Although the Commissioners Court approves the District's budget, sets its tax rate, and approves major contracts, the District is an organization separate from the County. These factors dictate the inclusion of the District in the County's financial statements. The District's financial data is presented separately to emphasize that it is legally separate from the County. The District operates under different statutory and constitutional authority. The District also has a separate constitutional tax limitation, the independent power of eminent domain and the individual right of ownership of property. The District maintains a medical facility, which provides service to indigents residing within District and serves as the major teaching hospital for the University of Texas Southwestern Medical School. The hospital is a Level I Trauma Center, a Level III Neonatal Intensive Care Unit and a regional burn center.

Blended Component Units - For reporting purposes, the Dallas County Housing Finance Corporation (HFC) and North Central Texas Health Facilities Development Corporation (HFDC) qualify as blended component units. The Commissioners Court sits as the governing board of the HFC and appoints the governing board of the HFDC. The activity of the HFC is the approval of reverse mortgage education programs and the issuance of single-family mortgage bonds. The HFDC has no financial activity since all debt issuances are by and in the name of the individual approved health facilities.

Local Economy

The Dallas Metropolitan area is headquarters for many Fortune 500 companies representing a diversified economy which includes technology, retail, manufacturing and services. The area also reflects art, fashion and entertainment.

Net migration to the Dallas area is high and population trends in Texas and in Dallas continue to indicate a more diverse, poorer, less educated, older citizen base with increasing medical needs. The unemployment rates rose from 4.3% to 5.3% at year end for the metropolitan area. The year end rate for the State of Texas was 6.0%. Housing starts, prices and sales declined during the year albeit at a lesser rate than nationwide. The Dallas/Ft. Worth area was hit hard by foreclosures, and at the same time, it became difficult to obtain new loans. De-leveraging of the housing market and the effect on interest rates are reflected in the collapse of federal interest rates from 4.75% to 2.0% during the fiscal year and an additional decline of one basis point in October. Energy prices bounced during the fiscal year. The

highest fuel prices were encountered near the end of the fiscal year, but dramatic declines were noted by the end of the calendar year.

Business planning continues to address air pollution which remains a serious issue with attainment of acceptable levels of pollutants questioned. Significant budgetary challenges are housing needs for the homeless, insurance/hospital options for the unemployed, and criminal justice issues. Dallas County budget initiatives reflect increased pressures to provide for public safety, transportation funding and inmate health/security, as well as cost-reduction measures for other offices, forbearance of employee raises and holding property tax rates level.

Long-term Financial Planning – Long-term planning initiatives were reviewed during the year with assistance of a contract consultant. The County's Strategic Plan (2007 – 2017) adopted in 2007 remains integral for planning and documentation of all County issues.

Financial planning is affected by the adopted strategies:

- Development of a proactive public policy agenda that continues to be friendly to businesses and meets the needs of Dallas County stakeholders.
- Maintenance of a strong, seamless infrastructure, including systems, processes, and programs.
- Tracking and marketing Dallas County's natural resources and assets – locally, regionally, statewide, and nationally.

The County maintains a five-year Capital Improvement Plan as a significant budget tool. The Capital Improvement Plan consists of those items whose long useful lives distinguish them from recurring operational items. The Major Capital Development Fund (MCDF) provides a funding mechanism to replace debt financing for major projects. The MCDF receives property tax funding and is used to fund large capital projects similar in nature to projects funded by the County through bonds. The MCDF has three categories of projects: transportation, parks and open space, and buildings. Revenue projections are expected to replenish reserves for future use. In accordance with the Major Capital Plan, a percentage of assessed taxes is devoted to large scale technology projects. The Major Technology Fund receives dedicated property taxes and is used to fund long-term objectives related to computer technology.

Another property tax funded program, the Permanent Improvement Fund, managed by the Facilities Management Department, is largely utilized to maintain the integrity of the County's buildings.

Risk management and self-insurance with stop loss policies for medical, workers compensation and property continue to generate significant savings. Actuarial studies are periodically performed to aid in financial planning. Cost increases incurred by the County are significantly less than industry averages.

Major initiatives – County programs were addressed emphasizing public safety and transportation while focusing on minimizing any need for increasing property tax rates. The public safety focus is evidenced by development of DNA programs by the District Attorney, technology initiatives for criminal and civil courts, continued exploration of options for enhanced/improved jail health and by building improvements for courts and jails. With the goal of improving collection of receivables, significant collaboration and reviews were conducted for outstanding debts, taxes and fees due the County. The decision to adopt a property tax freeze for 65 and older taxpayers became effective with the 2008 roll effecting deferred tax revenues.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Dallas County for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2007. The Certificate of

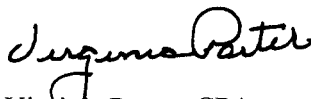
Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 27 consecutive years (fiscal years ended 1981 through 2007). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of the CAFR on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the County Auditor's Office. We express our appreciation to all the members of the office who assisted in and contributed to its preparation. Additionally, credit must be given to the County Treasurer, and Directors of the Office of Budget and Evaluation, Human Resources, Purchasing and Public Works for verification and review of key elements of the financial report.

We also thank the members of the Commissioners Court and their staff and all other County officials and employees who have given their support in planning and conducting the financial operations of the County in a responsible manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Virginia Porter".

Virginia Porter, CPA
County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Dallas County
Texas

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

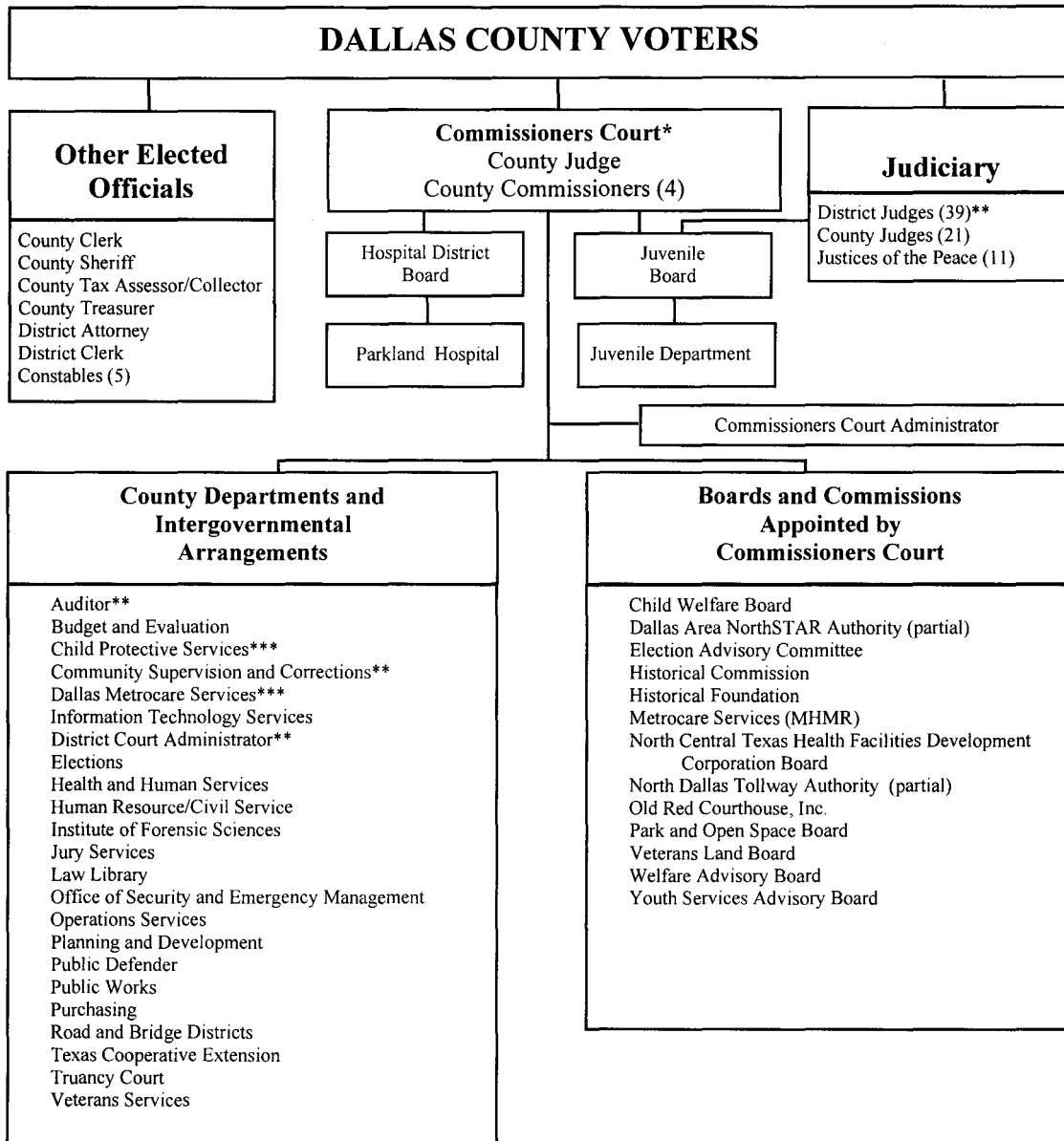
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

COUNTY ORGANIZATION



- * Members of the Commissioners Court serve on the following boards and committees: Texas Jail Standards Commission, Texas Juvenile Probation Commission, Dallas County Juvenile Board, National Association of Counties (NACO), Deferred Compensation Committee, NACO Large Urban Counties Caucus, Texas Conference of Urban Counties Chair, Texas Association of Regional Councils, IH635 Coordination Committee, North Central Texas Council of Governments (NCTCOG) Board, Dallas Regional Mobility Coalition, Public Health Advisory Board, North Texas Commission, DFW Partners in Mobility, Regional Transportation Council, NCTCOG Air Carrier Policy Council, Loop 9 Policy Advisory Group, Texas 21 Statewide Transportation Coalition, Mental Health Task Force, Dallas County DWI Task Force, Community Justice Council, Dallas County Housing Finance Corporation, Dalhoma Trail Advisory Committee, Dallas County Civil Service Commission, and Public Employee Benefit Cooperative Board.
- ** The 39 District Judges appoint the County Auditor, the District Court Administrator, and participate in selecting the Directors of the Juvenile Department and the Community Supervision and Corrections Commission.
- *** CSCD, CPS and Dallas Metrocare Services (formerly Dallas County MHMR) are independent agencies with important County programmatic connections.

DALLAS COUNTY, TEXAS

Principal Officials

As of September 30, 2008

| <u>Official Title</u> | <u>Incumbent</u> |
|-----------------------------|---------------------|
| County Judge | Jim Foster |
| Commissioner, Precinct 1 | Maurine Dickey |
| Commissioner, Precinct 2 | Mike Cantrell |
| Commissioner, Precinct 3 | John Wiley Price |
| Commissioner, Precinct 4 | Kenneth A. Mayfield |
| County Auditor | Virginia Porter |
| County Treasurer | Joe Wells |
| Assessor-Collector of Taxes | David Childs |
| County Clerk | John Warren |
| District Attorney | Craig Watkins |
| District Clerk | Gary Fitzsimmons |
| Sheriff | Lupe Valdez |

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities; each major fund; the Dallas County Hospital District (the discretely presented component unit); and the aggregate remaining fund information of Dallas County, Texas (the "County"), as of and for the year ended September 30, 2008, which collectively comprise the County's financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of Dallas County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Parkland Foundation, a discretely presented component unit of the Dallas County Hospital District, for the year ended September 30, 2008, (which encompasses 1.7% of assets, .87% of revenue, and 1.8% of net assets of the Dallas County Hospital District). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dallas County Hospital District, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Parkland Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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 and report of other auditors provide a reasonable basis for our opinion.

As discussed in Note VIII, the County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the measurement, recognition, and display of other postemployment benefits for the year ended September 30, 2008.

In our opinion, based on our audit and the report of the other auditors, the respective financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, the discretely presented component unit and aggregate remaining fund information of Dallas County as of September 30, 2008; the results of its operations; and cash flows of its proprietary fund and discretely presented component unit for the year then ended in conformity with accounting standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis (pages 11 – 23); the budgetary comparison information for the general, major projects and major grants funds (pages 78 – 83); the Modified Approach – Infrastructure Assets (pages 84 – 85); the Schedule of Funding Progress for the Retirement Plan – Primary Government (page 86); the Schedule of Funding Progress for Other Postemployment Benefits Plan – Primary Government (page 86); the Schedule of Funding Progress of Defined Benefit Pension Plan – Discretely Presented Component Unit (page 87); and the Schedule of Funding Progress for Other Postemployment Benefit Plan – Discretely Presented Component Unit (page 87), are not required parts of the financial statements, but constitute supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Dallas County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the County's respective financial statements. The introductory section, the combining and individual fund financial statements, the budgetary schedules and statistical tables ("supplementary information"), listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of Dallas County. Such supplementary information is the responsibility of management of Dallas County. The combining and individual fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

March 27, 2009

DALLAS COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Primary Governmental Activities

This management discussion and analysis (MD&A) of the County of Dallas (County) financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2008. The MD&A should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements. *All amounts, unless otherwise indicated, are expressed in thousands of dollars.* The MD&A includes comparative data for the prior year.

FINANCIAL HIGHLIGHTS

- The government-wide financial position improved as indicated by the \$11,211 increase in net assets from the previous year. The increase occurred although cash reserves were used to fund increasing costs without an increase in property taxes and despite a 56% decline in interest income. Additionally, in response to Governmental Accounting Standards Board Statement No. 45 (GASB 45), other postemployment benefit obligations of \$21,000 are included as a general government expense. At September 30, 2008, the annual required contribution less amount paid during the year of \$18,298 is reflected as a non-current liability. The total net assets of \$488,166 include \$40,360 restricted for specific purposes and \$429,277 invested in capital assets net of related debt. Restricted funds are for future grant expenditures, future special revenue projects and debt service.

The increase of \$62,897 in capital assets reflects significant construction costs for the County's jail facilities and a Forensic Science building, scheduled for completion in FY2009.

Taxes based on the 2008 levy embody no tax rate increase, a 6% increase in the assessed tax roll, and a newly adopted over 65 tax freeze.

- In the governmental funds statements, combined fund balances at year-end totaled \$179,681; of which 45% is unreserved fund balances. The more significant components of unreserved fund balance are maintained in the general fund as emergency reserves (15%) and other non-major funds for planned transportation projects (15%).

General funds reflect a 5% increase of property tax receivables and 7% increase of deferred and unearned revenue with a \$5,151 decline in fund balance. Taxes collected in 2008 based on 2007 levy reflect a 6.6% rate increase to 22.81 cents per \$100 dollars valuation. Investment income declined significantly as rates plummeted during the year. Reserve transfers of \$4 million and \$15 million were approved during the year for judicial and public safety expenditures, resulting in a final unreserved general fund balance of \$26,737 or 6.0% of general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide financial statements. *The government-wide financial statements* are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources measurement focus using full accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred in regards to inter-fund activity, payables and receivables.

The *statement of net assets* presents information on the County's assets and liabilities and its component unit, with the difference between the two reported as *net assets*. Fiduciary assets and liabilities are excluded. Increases or decreases in net assets contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year using full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, public safety, highways and streets, public welfare, health, judicial, libraries and education.

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

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

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

The County maintains 23 individual governmental funds (excluding fiduciary funds), 16 special revenue funds, five capital project funds, one debt service fund and the General Fund. Information is presented separately in the governmental fund balance sheet and in the

governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, Major Projects Fund and Major Grant Fund which are classified as major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this Comprehensive Annual Financial Report.

Proprietary funds. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a component of proprietary funds) is used to report activities that provide supplies and services for other programs and activities – such as the County’s self-insurance program (including workers compensation) and employee benefits trust. Because these services predominantly benefit government rather than business-type functions the Internal Service Fund is reported with *governmental activities* in the government-wide financial statements.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County’s other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning infrastructure assets reported using the modified approach, pension benefits for component unit, general fund and major special revenue fund budgetary schedules.

Discretely Presented Component Unit. The Dallas County Hospital District (the District) is under the direction of a seven-member board of managers who are appointed by the Commissioners Court. Although the Commissioners Court approves the District’s budget, sets its tax rate, and approves major contracts, the District is an organization separate from the County. These factors dictate the inclusion of the District in the County’s financial statements. The District’s financial data is presented separately to emphasize that it is legally separate from the County. The District operates under different statutory and constitutional authority. The District also has a separate constitutional tax limitation, the independent power of eminent domain and the individual right of ownership of property.

Complete financial statements for the District may be obtained from:

Parkland Health & Hospital System
5201 Harry Hines Boulevard
Dallas, Texas 75235
ATTN: John Dragovits
Executive Vice President & Chief Financial Officer

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County's net assets at September 30, 2008 and 2007 are summarized as follows:

| | <u>Governmental Activities</u> | | Increase (Decrease) |
|---|--------------------------------|-------------------|------------------------|
| | <u>2008</u> | <u>2007</u> | |
| Current and other assets | \$ 662,341 | \$ 683,944 | \$ (21,603) |
| Capital assets (net of depreciation) | <u>507,355</u> | <u>444,458</u> | <u>62,897</u> |
| Total assets | <u>1,169,696</u> | <u>1,128,402</u> | <u>41,294</u> |
| Current and other liabilities | 465,796 | 426,948 | 38,848 |
| Long-term liabilities | <u>215,734</u> | <u>224,499</u> | <u>(8,765)</u> |
| Total liabilities | <u>681,530</u> | <u>651,447</u> | <u>30,083</u> |
| Net assets invested in capital assets, net of related debt | 429,277 | 371,524 | 57,753 |
| Restricted | 40,360 | 59,017 | (18,657) |
| Unrestricted net assets | <u>18,529</u> | <u>46,414</u> | <u>(27,885)</u> |
| Total net assets | <u>\$ 488,166</u> | <u>\$ 476,955</u> | <u>\$ 11,211</u> |

Total assets of \$1,169,696 reflect a nominal increase of 3.7% during the fiscal year although cash and investments declined 15.8%. The major asset categories of receivables and capital assets increased; total liabilities also increased by 4.6%. The increase in capital assets reflects expenditures for construction costs associated with the South Tower Jail and Forensic Science buildings. Receivables are offset by deferred revenue since tax revenue assessed on January 2008 property values will not be realized until FY2009. Capital assets represent investments with useful lives exceeding one year and are non-liquid assets and cannot be utilized to satisfy County obligations. The total liabilities of \$681,530 include current liabilities of \$465,796. The most significant current liability is deferred tax revenue. Liabilities requiring use of budgetary resources (generally accounts payable) increased 19.1%. Liabilities also include debt to finance non-County road maintenance which does not result in an increase in County assets and an unfunded obligation of \$18,298 for other postemployment benefits required by GASB 45.

The County's assets exceeded liabilities by \$488,166 at the close of the fiscal year. Of this amount, 8.3% or \$40,360 represents *restricted net assets* which are resources that are subject to external restrictions on how they may be used. Restrictions on net assets include statutory requirements, bond covenants, and grantor conditions. The most significant portion \$429,277 of the County's net assets reflects its *investment in capital assets* (e.g., land, buildings, machinery, and equipment) net of related debt. The key components of the increase in net assets of \$11,211 are the following:

- Planned use of reserves for major projects and bond projects
- Declining debt resulting from on-going "pay-as-you-go" capital planning.

The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds on page 30 provides further details on the increase in net assets.

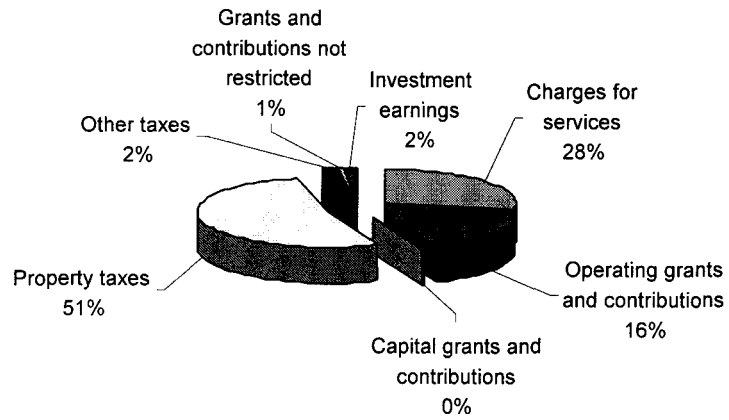
Governmental activities. Governmental activities increased net assets by \$11,211. Key elements of this increase are as follows:

Dallas County's Changes in Net Assets – Governmental Activities
For the Years Ended September 30, 2008 and 2007

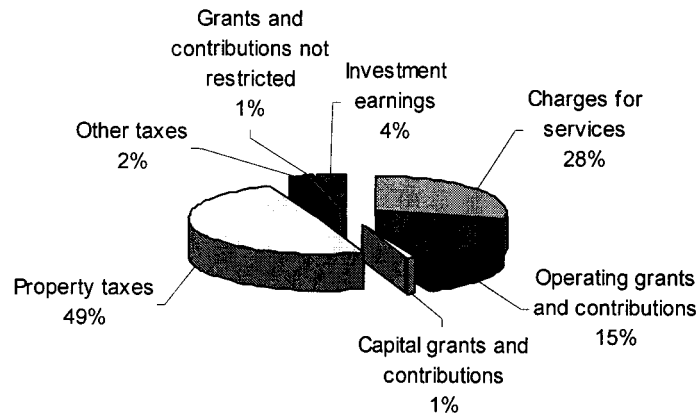
| | <u>2008</u> | <u>2007</u> | <u>Increase (Decrease)</u> |
|---|-------------------|-------------------|--------------------------------|
| Revenues: | | | |
| Net program revenues: | | | |
| Charges for services | \$ 189,773 | \$ 177,662 | \$ 12,111 |
| Operating grants and contributions | 108,239 | 93,286 | 14,953 |
| Capital grants and contributions | 1,063 | 6,156 | (5,093) |
| General revenues: | | | |
| Property taxes | 356,596 | 309,560 | 47,036 |
| Other taxes | 12,119 | 11,858 | 261 |
| Grants and contributions not restricted | 4,659 | 3,534 | 1,125 |
| Investment earnings | <u>10,276</u> | <u>23,341</u> | <u>(13,065)</u> |
| Total Revenues | <u>682,725</u> | <u>625,397</u> | <u>57,328</u> |
| Expenses: | | | |
| General government | 126,656 | 99,805 | 26,851 |
| Public safety | 235,161 | 216,521 | 18,640 |
| Highways and streets | 34,689 | 32,955 | 1,734 |
| Public welfare | 72,374 | 66,913 | 5,461 |
| Health | 46,735 | 41,590 | 5,145 |
| Judicial | 134,413 | 126,971 | 7,442 |
| Education | 11,699 | 10,189 | 1,510 |
| Libraries | 3 | 10 | (7) |
| Interest on long-term debt | <u>9,784</u> | <u>10,599</u> | <u>(815)</u> |
| Total Expenses | <u>671,514</u> | <u>605,553</u> | <u>65,961</u> |
| Change in net assets | 11,211 | 19,844 | (8,633) |
| Net assets – beginning | <u>476,955</u> | <u>457,111</u> | <u>19,844</u> |
| Net assets – ending | <u>\$ 488,166</u> | <u>\$ 476,955</u> | <u>\$ 11,211</u> |

Program revenues and expenses as presented above are net of inter-fund eliminations.

Revenues by Source - Governmental Activities FY2008



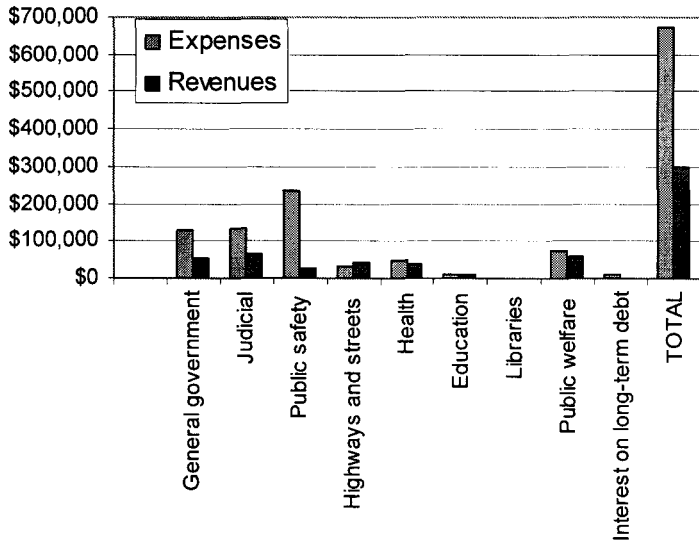
Revenues by Source - Governmental Activities FY2007



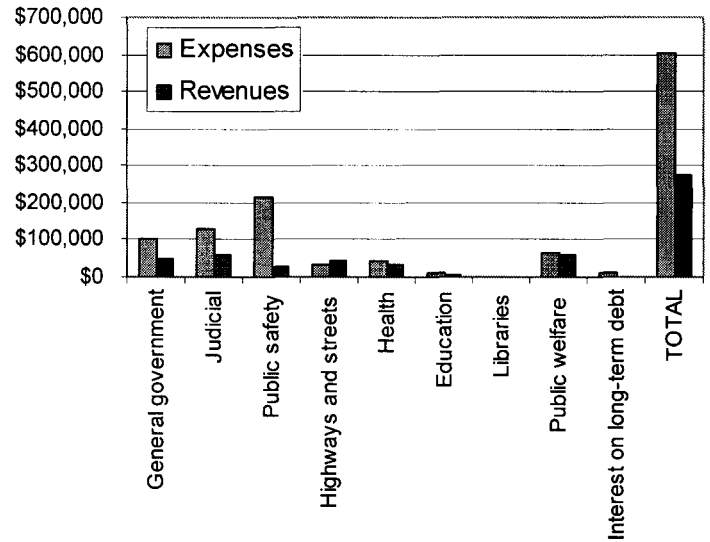
General Revenues

For FY2008, revenues totaled \$383,650 compared to \$348,293 for prior fiscal year or 10.2% increase. The tax rate assessed for January 1, 2007 valuation date remained unchanged from prior year.

Expenses and Program Revenues - Governmental Activities - FY2008



Expenses and Program Revenues - Governmental Activities - FY2007



Key elements of the analysis of government-wide expenses and program revenues reflect the following:

- The budgeted activity included salary increases of 4%.
- Medical claims are increasing compared to prior years for all coverage types of the County's self-funded program. Stop loss insurance successfully mitigated expenditures.
- Other postemployment benefits of \$21,000 as required by GASB 45 are reflected as general government expense and was a major contributor to Unrestricted Net Assets being negative.
- Public safety positions budgeted in the previous year were filled.
- Public Welfare included additional juvenile residential offices to cover mandated staffing for growing juvenile detention population.
- Intergovernmental awards increased for the County's Charter School and an air quality project. Total awards for public welfare remained flat but budgetary purpose is moving from capital to operational.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting budget controls and fiscal responsibility are the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$179,681, a decrease of \$56,439 compared with the prior year. The General Fund balance decreased \$5,151 (only 31% of the prior year decline). Planned expenditures for major projects caused a decline of \$19,221 in the Major Projects Fund. A portion of fund balances is reserved (not available for new spending) due to commitments for: 1) liquidating contracts and purchase orders as of year-end (\$93,854); 2) inventories (\$1,600); and 3) other restricted purposes (\$2,970).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$26,737 in contrast to \$32,139 in the prior year. Drivers for revenue were higher appraised values for taxable properties and assets, enhanced collection systems, and decreasing interest rates. Increased revenues were expended for additional salaries (\$29,481), and general government operating expenditures (\$7,770). As a measure of the General Fund's liquidity, we compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.0% of total fund expenditures, short of the General Fund budgetary target for reserves of 10.5% of expenditures.

The Debt Service Fund balance reflects calculated reserves for short-term debt payments and declining requirements as debt is repaid.

The Major Projects Fund reflects a fund balance of \$76,794 compared to \$96,015 in FY2007. The decrease reflects continued expenditures to improve jail standards, and construction costs for a Forensic Science building and a jail expansion.

Grant categories with significant changes included awards for air check programs, health, and juvenile detention.

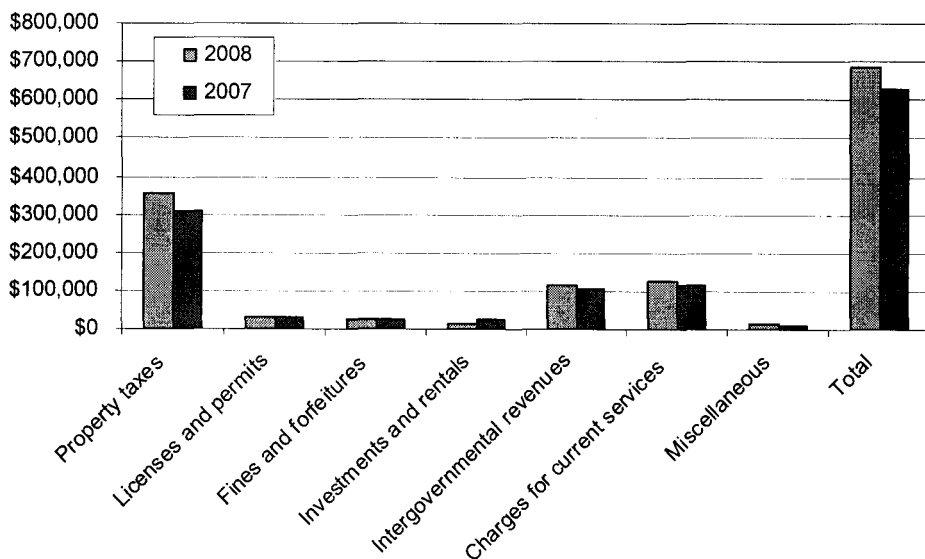
The following table presents the amount of revenues from various sources, as well as increases or decreases from the prior year.

Governmental Funds – Revenues Classified by Source

| | <u>2008</u> | <u>2007</u> | <u>Increase (Decrease)</u> | <u>Percent of Change</u> |
|------------------------------|-------------------|-------------------|--------------------------------|------------------------------|
| Property taxes | \$ 356,136 | \$ 308,443 | \$ 47,693 | 15.5% |
| Licenses and permits | 31,413 | 33,826 | (2,413) | (7.1%) |
| Fines and forfeitures | 27,507 | 25,691 | 1,816 | 7.1% |
| Investments and rentals | 14,558 | 26,654 | (12,096) | (45.4%) |
| Intergovernmental revenues | 112,951 | 103,944 | 9,007 | 8.7% |
| Charges for current services | 123,353 | 114,991 | 8,362 | 7.3% |
| Miscellaneous | <u>17,852</u> | <u>11,579</u> | <u>6,273</u> | 54.2% |
| Total | <u>\$ 683,770</u> | <u>\$ 625,128</u> | <u>\$ 58,642</u> | 9.4% |

- Property taxes – increased by \$47,693 primarily due to market value increases, effect of 6.6% rate increase to 22.81 cents per \$100 dollar valuation, and 10% increase in valuation. Additionally, new construction of \$3,787,580 contributed to the increase in property tax revenue.
- Intergovernmental revenues – increased mainly reflecting increased federal funding for juvenile and air quality programs.
- Investments – decreased as federal rates, LIBOR, and short-term investment rates plummeted.
- Miscellaneous – increased partially due to increased claims for indirect cost and one-time recognition of unclaimed deposits.

Revenues Classified by Source - Governmental Funds



The following table presents expenditures by function compared to prior year amounts.

Expenditures by Function – Governmental Funds

| Function: | <u>2008</u> | <u>2007</u> | <u>Increase (Decrease)</u> | <u>Percent of Change</u> |
|--------------------------|-------------------|-------------------|--------------------------------|------------------------------|
| General government | \$ 104,174 | \$ 96,763 | \$ 7,411 | 7.7% |
| Judicial | 130,584 | 124,733 | 5,851 | 4.7% |
| Public safety | 231,062 | 211,970 | 19,092 | 9.0% |
| Highways and streets | 26,107 | 22,728 | 3,379 | 14.9% |
| Health | 46,584 | 41,020 | 5,564 | 13.6% |
| Public welfare | 70,484 | 65,364 | 5,120 | 7.8% |
| Education | 11,599 | 10,102 | 1,497 | 14.8% |
| Capital outlays | 82,798 | 59,172 | 23,626 | 39.9% |
| Debt service – principal | 27,915 | 30,980 | (3,065) | (9.9%) |
| Debt service – interest | <u>8,902</u> | <u>11,170</u> | <u>(2,268)</u> | <u>(20.3%)</u> |
| Total | <u>\$ 740,209</u> | <u>\$ 674,002</u> | <u>\$ 66,207</u> | <u>9.8%</u> |

- All functions incurred increases for increased health insurance costs accompanied by a County-wide 4% salary increase.
- Public safety – additional constable positions to support transportation, hiring of previously budgeted sheriff deputy positions and a \$3 million increase in grant awards.
- Highways and streets – increased as partnership and cost-sharing agreements with neighboring cities matured.
- Capital outlays – increased as work nears completion for the South Tower Jail and Forensic Science buildings.
- Debt Service- continues to decrease consistent with County’s “pay- as-you-go” program.

GENERAL FUND BUDGETARY HIGHLIGHTS

The FY2008 legally adopted cash budget was adopted on September 18, 2007 with total General Fund expenditures of \$448.5 million, an increase of \$30.9 million (7.4%) over projected actual FY2007 expenditures. Valid encumbrances from prior year are added completing the approved budget. The FY2008 budget for all funds budget totaled \$867.9 million.

Highlights from Dallas County FY2008 Budget include the following:

- The County’s property tax rate for valuation date January 1, 2007 was increased to 22.81 cents per \$100 assessed valuation. Even with this increase Dallas County’s Tax Rate is the lowest in the State of Texas.
- The FY2008 budget included the addition of 71 positions and the deletion of 13 positions for a net increase of 58 positions. Primary areas of increased resources are 1) Juvenile Department staffing (26 positions) with the primary focus on additional Juvenile Residential Officers to cover mandated staffing for a growing Juvenile Detention population, 2) District Attorney staffing (7 positions) with the primary focus on Elder Abuse prosecution and Mental Health Diversions, and 3) Health and Human Services (4 positions) for Public Health Interventions.

- The FY2008 Major Capital Development Fund included \$36 million for various transportation projects, \$2.2 million for open space trails/acquisitions and \$25.6 million for various building upgrades and enhancements.
- The Commissioners Court worked towards and achieved their goal of increased workforce investment for FY2008. The Commissioners authorized the following compensation changes: 1) Law Enforcement pay scale was increased 4% with full funding for Step Increases, 2) All other pay scales were increased 4% with an additional 1% merit allocation for non-exempt staff grade 6 and below; 3) funds were budgeted to move the maximum in-hire to the mid-point of the range and increase the salary of all effected employees on several of the pay scales, 4) Elected Officials received a 4% salary increase, and 5) District and County Judges received an increase equal to their State Statute maximum.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-term debt. At September 30, 2008, the County had unlimited tax and general obligation bonds outstanding in the amount of \$162,128 (includes debt premium of \$ 3,243). According to Texas statutes, the County has two debt limits. Bonds issued under Article 3, Section 52e of the Texas Constitution total \$57,045 and bonds issued under Article 722 of Vernon’s Civil Statutes total \$101,840. The debt limits for the two authorizations are \$46,909,632 (25% of real property assessed valuation) and \$10,905,098 (5% of assessed valuation of all taxable property); therefore, the County has legal debt margins on general obligation debt of \$46,853,801 and \$10,805,425 respectively.

The County’s bond rating is “AAA” from Standard & Poor’s and “Aaa” rating from Moody’s for general obligation debt. These ratings have been upheld since 1978 with the latest evaluation dated May 2007.

The following represents the activity of the long-term liabilities of the County for FY2008.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|----------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Governmental Activities: | | | | |
| Tax and general obligation bonds | \$ 190,499 | \$ 124 | \$ 28,495 | \$ 162,128 |
| Compensated absences | 23,080 | 33,622 | 32,329 | 24,373 |
| Other postemployment benefits | --- | 21,000 | 2,702 | 18,298 |
| Claims and judgments | 3,000 | --- | --- | 3,000 |
| Workers compensation | 7,920 | 2,262 | 2,247 | 7,935 |
| Total | <u>\$ 224,499</u> | <u>\$ 57,008</u> | <u>\$ 65,773</u> | <u>\$ 215,734</u> |

The County’s estimated liability for claims and judgments is \$3,000, unchanged from FY2007. While settlements for new court cases filed against the County are difficult to project, ongoing procedural reviews are held to mitigate claims. Legal counsel and subject experts are contracted to review workers compensation claims as needed. Other postemployment benefits are reflective of the requirements of GASB 45. Actual workers’ compensation expenditures are declining as a result of cost saving initiatives as reflected in historical analysis. More detailed information about the County’s long-term liabilities and is presented in Note VI to the financial statements.

Capital assets. The capital assets of the County are those assets (land, buildings, improvements, and machinery & equipment (M&E)), which are used in the performance of the County's functions. Capital assets also include infrastructure assets – roads and bridges. At September 30, 2008, net capital assets of the governmental activities totaled \$507,355, reflecting a net increase of \$62,897 in asset additions less retirements. Major construction continues for two buildings. Depreciation of capital assets (except for infrastructure assets which are reported under the modified approach basis) is recognized in the government-wide financial statements. FY2008 depreciation for buildings, improvements, and M&E totaled \$20,938.

An annual allocation of the tax rate is reserved for fund expenditures related to major capital and major technology assets. Construction or contract development needs are analyzed during the budget cycle and encumbrances/obligations revised.

The County has elected to use the “Modified Approach” as defined in GASB 34 for reporting infrastructure assets which include 136.77 miles of roads, and 37 bridges and culverts. The FY2008 assessment revealed the condition of the roads was maintained consistent with County policy whereas 87.5% of the County's roads were rated 2.5 or better on a 4.0 scale. Specific road maintenance was deferred until state and local rail construction adjacent to a County road is completed. All of the County's bridges are in either very good or good condition as rated 4.0 or better on a 9.0 scale.

The County expended \$1,701 on road maintenance for the year ended September 30, 2008. These expenditures delayed deterioration; however, overall road conditions are improved. The County determined that the amount of annual expenditures required to maintain the County's roads at the minimum of 2.5 (average) of 4.0 (excellent) based on the Federal Highway Administration Road Pavement Condition Rating (PCR) for FY2008 was a minimum of \$962. The 37 bridges had ratings that met the County's planned condition level of very good or better condition. Incurred bridge maintenance costs in FY2008 were \$230. Additional details on infrastructure assets can be found in Required Supplementary Information pages 84 and 85 of this report.

| | County's Capital Assets (net of depreciation) | |
|--------------------------|--|-------------------|
| | <u>2008</u> | <u>2007</u> |
| Governmental Activities: | | |
| Land | \$ 24,995 | \$ 24,911 |
| Buildings | 255,840 | 263,319 |
| Machinery and Equipment | 30,754 | 33,635 |
| Infrastructure | 27,439 | 27,813 |
| Construction in Progress | <u>168,327</u> | <u>94,780</u> |
| Total | <u>\$ 507,355</u> | <u>\$ 444,458</u> |

Additional information on Dallas County capital assets and debt can be found in Notes V and VI.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Dallas County budget is developed annually and intended to provide efficient, effective and controlled usage of the County's resources, as well as a means to accomplish the highest priorities of the Dallas County Commissioners. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The FY2009 Budget meets the key established policy directive of the Commissioners Court requiring that the budgeted ending unreserved fund balance be not less than 10.5% of budgeted expenditures.

The FY2009 budget process was primarily focused on a) maintaining the tax rate while funding the improvements necessary to the Dallas County Jail System to become recertified by the Texas State Jail Commission and meet improvements requested by the Department of Justice, and b) focusing on operations efficiencies.

Highlights from Dallas County FY2009 Budget include the following:

- The County's property tax rate was unchanged from 22.81 cents per \$100 assessed valuation.
- The addition of 39 positions and the deletion of 87 positions totaled a net decrease of 48 positions. The increased resources are: 1) Justice of the Peace staffing (19 positions); 2) County Clerk staffing (7 positions); 3) Juvenile staffing (3 positions); and, 4) Constable staffing (7 positions). In addition, 53 positions were frozen.
- The Major Capital Development Fund included \$19.2 million for various transportation projects, \$40.0 million for jail/medical/mental health buildings, and \$14.5 million for various building upgrades and enhancements.
- The Commissioners Court froze all compensation increases except for promotions.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors 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, separate report of the County's component unit, or need any additional financial information, contact the appropriate financial office (County Auditor, County Treasurer, or Budget Director) at 509 Main Street, Dallas, TX 75202, or visit the County's website at www.dallascounty.org.

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BASIC FINANCIAL STATEMENTS

DALLAS COUNTY, TEXAS

Statement of Net Assets

September 30, 2008

(in thousands of dollars)

| | Primary Government Governmental Activities | Component Unit Hospital District |
|--|---|---|
| ASSETS | | |
| Cash and investments | \$ 225,178 | \$ 196,871 |
| Receivables (net of allowance for uncollectibles) and accrued interest | 404,516 | 138,167 |
| Due from other government units | 26,601 | - |
| Inventories | 1,600 | 8,731 |
| Prepayments and advances | 2,847 | - |
| Deferred charges | 1,599 | - |
| Restricted assets: | | |
| Cash and cash equivalents | - | 8,214 |
| Investments | - | 113 |
| Long term investments | - | 100,209 |
| Assets limited as to use - cash and investments | - | 297,005 |
| Net pension asset | - | 18,656 |
| Capital assets (net of accumulated depreciation): | | |
| Land | 24,995 | 39,337 |
| Construction in progress | 168,327 | 52,061 |
| Infrastructure | 27,439 | - |
| Buildings | 255,840 | 103,691 |
| Machinery and equipment | 30,754 | 93,777 |
| Total capital assets | 507,355 | 288,866 |
| Total assets | 1,169,696 | 1,056,832 |
| LIABILITIES | | |
| Accounts payable and other current liabilities | 59,379 | 148,539 |
| Accrued interest payable | 948 | - |
| Accrued liabilities | 5,692 | 28,548 |
| Unearned revenue | 391,594 | - |
| Due to other government units | 8,183 | 238 |
| Non-current liabilities: | | |
| Due within one year | 49,163 | - |
| Due in more than one year | 166,571 | 9,479 |
| Total liabilities | 681,530 | 186,804 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 429,277 | 288,866 |
| Restricted for: | | |
| Highways and streets | 14,224 | - |
| Debt service | 2,433 | - |
| Major and HUD Section 8 Grant Funds | 13,062 | - |
| Other non-major governmental Funds | 10,641 | - |
| Donor imposed stipulations | - | 13,139 |
| Unrestricted | 18,529 | 568,023 |
| Total net assets | \$ 488,166 | \$ 870,028 |

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

DALLAS COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2008
(in thousands of dollars)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|---------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | Component Unit |
| | | | | | Governmental Activities | Hospital District |
| Primary government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 126,656 | \$ 55,659 | \$ - | \$ - | \$ (70,997) | \$ - |
| Judicial | 134,413 | 60,655 | 2,475 | - | (71,283) | - |
| Public safety | 235,161 | 21,156 | 5,373 | 621 | (208,011) | - |
| Highways and streets | 34,689 | 44,495 | - | - | 9,806 | - |
| Health | 46,735 | 6,385 | 28,943 | - | (11,407) | - |
| Education | 11,699 | - | 12,155 | - | 456 | - |
| Libraries | 3 | - | - | - | (3) | - |
| Public welfare | 72,374 | 1,423 | 59,293 | 442 | (11,216) | - |
| Interest on long-term debt | 9,784 | - | - | - | (9,784) | - |
| Total primary government | \$ 671,514 | \$ 189,773 | \$ 108,239 | \$ 1,063 | \$ (372,439) | \$ - |
| Component unit: | | | | | | |
| Hospital District | \$ 1,312,278 | \$ 965,349 | \$ 26,095 | \$ 3,976 | \$ - | \$ (316,858) |

General revenues:

| | | |
|--|-------------------|-------------------|
| Property taxes | 356,596 | 401,998 |
| Alcoholic beverage and other taxes | 12,119 | - |
| Grants and contributions not restricted to specific programs | 4,659 | 16,872 |
| Investment earnings | 10,276 | 25,582 |
| Total general revenue | 383,650 | 444,452 |
| Change in net assets | 11,211 | 127,594 |
| Net assets - beginning | 476,955 | 742,434 |
| Net assets - ending | \$ 488,166 | \$ 870,028 |

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

DALLAS COUNTY, TEXAS

Balance Sheet
 Governmental Funds
 September 30, 2008
 (in thousands of dollars)

| | <u>General</u> | <u>Debt Service</u> | <u>Major Projects</u> | <u>Major Grants</u> | <u>Other Non-major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------|---------------------|-----------------------|---------------------|---|---------------------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 53,068 | \$ 3,290 | \$ 94,511 | \$ 12,687 | \$ 58,099 | \$ 221,655 |
| Property tax receivables (net of allowance for uncollectibles of \$ 34,249) | 285,296 | 25,828 | 50,395 | - | 24,236 | 385,755 |
| Accounts receivable (net of allowance for uncollectibles of \$ 422,217) | 11,012 | - | - | - | 6,541 | 17,553 |
| Accrued interest | 364 | 15 | 594 | 80 | 155 | 1,208 |
| Due from other funds | 893 | - | - | - | - | 893 |
| Due from other governmental units | 5,933 | - | 1,985 | 13,753 | 4,930 | 26,601 |
| Inventories | 1,266 | - | - | - | 334 | 1,600 |
| Prepayments and advances | 2,800 | - | - | - | 47 | 2,847 |
| Total assets | <u>\$ 360,632</u> | <u>\$ 29,133</u> | <u>\$ 147,485</u> | <u>\$ 26,520</u> | <u>\$ 94,342</u> | <u>\$ 658,112</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities : | | | | | | |
| Accounts payable and accrued liabilities | \$ 31,518 | \$ - | \$ 17,057 | \$ 8,290 | \$ 2,514 | \$ 59,379 |
| Due to other funds | 1,522 | - | 493 | 395 | 31 | 2,441 |
| Due to other governmental units | 2,193 | - | 2,696 | - | 3,294 | 8,183 |
| Deferred and unearned revenue | 290,589 | 25,752 | 50,445 | 11,886 | 29,756 | 408,428 |
| Total liabilities | <u>325,822</u> | <u>25,752</u> | <u>70,691</u> | <u>20,571</u> | <u>35,595</u> | <u>478,431</u> |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 3,886 | - | 70,545 | 3,956 | 15,467 | 93,854 |
| Inventories | 1,266 | - | - | - | 334 | 1,600 |
| Prepayments, advances and change funds | 2,921 | - | - | - | 49 | 2,970 |
| Unreserved reported in: | | | | | | |
| General Fund | 26,737 | - | - | - | - | 26,737 |
| Debt Service Fund | - | 3,381 | - | - | - | 3,381 |
| Major Projects Fund | - | - | 6,249 | - | - | 6,249 |
| Major and HUD Section 8 Grant Funds | - | - | - | 1,993 | 7,096 | 9,089 |
| Special Revenue Funds | - | - | - | - | 22,744 | 22,744 |
| Capital Project Funds | - | - | - | - | 13,057 | 13,057 |
| Total fund balances | <u>34,810</u> | <u>3,381</u> | <u>76,794</u> | <u>5,949</u> | <u>58,747</u> | <u>179,681</u> |
| Total liabilities and fund balances | <u>\$ 360,632</u> | <u>\$ 29,133</u> | <u>\$ 147,485</u> | <u>\$ 26,520</u> | <u>\$ 94,342</u> | |

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|---|-------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 507,355 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in governmental funds. | 16,834 |
| Internal service funds are used by management to charge costs related to this fund. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | (7,141) |
| Long-term liabilities, including bonds payable and related accrued interest, are not due and payable in the current period and therefore are not included in governmental funds. | (208,563) |
| Net assets of governmental activities | <u>\$ 488,166</u> |

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

DALLAS COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>General</u> | <u>Debt Service</u> | <u>Major Projects</u> | <u>Major Grants</u> | <u>Other Non-major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------|-------------------------|---------------------------|-------------------------|---|---|
| REVENUES | | | | | | |
| Property taxes | \$ 263,382 | \$ 29,766 | \$ 40,494 | \$ - | \$ 22,494 | \$ 356,136 |
| Licenses and permits | 547 | - | - | - | 30,866 | 31,413 |
| Fines and forfeitures | 18,557 | - | - | - | 8,950 | 27,507 |
| Investment income | 4,965 | 1,667 | 2,659 | 74 | 1,020 | 10,385 |
| Rental revenues | 4,173 | - | - | - | - | 4,173 |
| Intergovernmental revenues | 1,724 | - | - | 83,486 | 27,741 | 112,951 |
| Charges for current services | 113,943 | 1,127 | - | - | 8,283 | 123,353 |
| Miscellaneous | 13,713 | 7 | 2,549 | - | 1,583 | 17,852 |
| Total revenues | <u>421,004</u> | <u>32,567</u> | <u>45,702</u> | <u>83,560</u> | <u>100,937</u> | <u>683,770</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 79,313 | - | - | - | 24,861 | 104,174 |
| Judicial | 125,033 | - | - | 2,825 | 2,726 | 130,584 |
| Public safety | 223,204 | - | - | 7,858 | - | 231,062 |
| Highways and streets | - | - | 15,869 | - | 10,238 | 26,107 |
| Health | 16,480 | - | - | 30,104 | - | 46,584 |
| Education | - | - | - | 11,599 | - | 11,599 |
| Public welfare | 9,168 | - | - | 36,529 | 24,787 | 70,484 |
| Debt service: | | | | | | |
| Principal | - | 27,915 | - | - | - | 27,915 |
| Interest | - | 8,902 | - | - | - | 8,902 |
| Capital outlay | - | - | 74,697 | - | 8,101 | 82,798 |
| Total expenditures | <u>453,198</u> | <u>36,817</u> | <u>90,566</u> | <u>88,915</u> | <u>70,713</u> | <u>740,209</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(32,194)</u> | <u>(4,250)</u> | <u>(44,864)</u> | <u>(5,355)</u> | <u>30,224</u> | <u>(56,439)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 32,176 | - | 30,242 | 5,133 | - | 67,551 |
| Transfers (out) | (5,133) | - | (4,599) | - | (57,819) | (67,551) |
| Total other financing sources (uses) | <u>27,043</u> | <u>-</u> | <u>25,643</u> | <u>5,133</u> | <u>(57,819)</u> | <u>-</u> |
| Net change in fund balances | (5,151) | (4,250) | (19,221) | (222) | (27,595) | (56,439) |
| Fund balances - beginning | 39,961 | 7,631 | 96,015 | 6,171 | 86,342 | 236,120 |
| Fund balances - ending | <u>\$ 34,810</u> | <u>\$ 3,381</u> | <u>\$ 76,794</u> | <u>\$ 5,949</u> | <u>\$ 58,747</u> | <u>\$ 179,681</u> |

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

DALLAS COUNTY, TEXAS

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
For the Year Ended September 30, 2008
(in thousands of dollars)

Amounts reported for governmental activities in the statement of activities
(page 27) are different because:

| | |
|---|------------------|
| Net change in fund balances -- total governmental funds (page 29) | \$ (56,439) |
| Governmental funds report all capital outlays as expenditures. However, in the statement of activities, the cost of some of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for County owned assets exceeded depreciation in the current period. See page - 44 - Notes to the Basic Financial Statements for details. | 63,431 |
| The net effect of various transactions (e.g. sale of capital of assets). See page 44 - Notes to the Basic Financial Statements for details. | (534) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (1,045) |
| Some expenses reported in statement of activities are not fund expenditures (e.g. compensated absences which are liabilities not normally liquidated with current financial resources). See page 45 - Notes to the Basic Financial Statements for details. | (20,942) |
| The issuance of long-term debt (e.g., bonds, tax notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. See page 45 - Notes to the Basic Financial Statements for details. | 28,310 |
| Internal service funds are used by management to charge the costs to account for group medical self-insurance and workers compensation. The net revenue (loss) is reported with governmental activities. | <u>(1,570)</u> |
| Change in net assets of governmental activities (page 27) | <u>\$ 11,211</u> |

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

DALLAS COUNTY, TEXAS

Statement of Net Assets

Proprietary Fund

September 30, 2008

(in thousands of dollars)

| | Governmental Activities - Internal Service Fund |
|--|--|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 3,523 |
| Due from other funds | 1,548 |
| Total assets | <u>\$ 5,071</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Medical claims | \$ 4,277 |
| Workers' compensation claims - current | 3,000 |
| Total current liabilities | <u>7,277</u> |
| Non-Current Liability: | |
| Workers' compensation claims - non-current | 4,935 |
| Total liabilities | <u>12,212</u> |
| NET ASSETS | |
| Unrestricted (deficit) | <u>(7,141)</u> |
| Total net assets | <u>\$ (7,141)</u> |

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

DALLAS COUNTY, TEXAS

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating revenues: | |
| Premiums and reimbursements | <u>\$ 53,351</u> |
| Operating expenses: | |
| Benefit payments | 52,686 |
| Administration | <u>2,288</u> |
| Total operating expenses | <u>54,974</u> |
| Operating loss | (1,623) |
| Non-operating revenues: | |
| Interest income | <u>53</u> |
| Change in net assets | (1,570) |
| Total net assets (deficit) - beginning | <u>(5,571)</u> |
| Total net assets (deficit) - ending | <u><u>\$ (7,141)</u></u> |

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

DALLAS COUNTY, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Governmental Activities - Internal Service Fund |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash for premiums and reimbursements | \$ 51,013 |
| Cash payments for benefit claims | (51,808) |
| Cash payments for administrative fees | (2,366) |
| Other operating revenues | <u>1,365</u> |
| Net cash used by operating activities | <u>(1,796)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Interest on investments | <u>53</u> |
| Net cash provided by investing activities | <u>53</u> |
| Net decrease in cash and cash equivalents | (1,743) |
| Cash and cash equivalents at beginning of year | <u>5,266</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 3,523</u></u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Operating loss | \$ (1,623) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| (Increase) decrease in due from other funds | (973) |
| Increase in liabilities | <u>800</u> |
| Net cash used by operating activities | <u><u>\$ (1,796)</u></u> |

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

DALLAS COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
All Agency Funds
September 30, 2008
(in thousands of dollars)

| | <u>Total</u> |
|--|------------------------------|
| Assets: | |
| Cash and investments | \$ 185,563 |
| Accrued interest | 225 |
| Cash and investments held in escrow | <u>9,375</u> |
| Total assets | <u><u>\$ 195,163</u></u> |
| Liabilities: | |
| Due to other governmental units and others | <u>\$ 195,163</u> |
| Total liabilities | <u><u>\$ 195,163</u></u> |

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

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Dallas County (the County) reflected in the accompanying financial statements conform to accounting principles generally acceptable (GAAP) in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB). The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Reporting Entity

Primary Government

The County is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection, funds investment), judicial (courts, juries, district attorney, etc.), public safety (sheriff, jail, homeland security etc.) highways and streets, health, education, and public welfare (e.g. juvenile services and assistance to indigents).

The accompanying basic financial statements present the government and its discretely presented component unit.

Discretely Presented Component Unit

The Dallas County Hospital District (the District) is a political subdivision of the State of Texas, and is a special taxing district created in 1954 by a vote of the taxpayers of the County in accordance with the provisions of Article 9, Section 4 of the Constitution of the State of Texas. The District is composed of Parkland Memorial Hospital (the Hospital), Parkland Community Health Plan, Inc. (the Health Plan) and the Parkland Foundation (the Foundation).

The Hospital operates 717 beds, 65 neonatal beds, numerous outpatient clinics, and an emergency room. The Hospital also operates the Community Oriented Primary Care clinics in the community and on the Hospital campus. Additionally, the Hospital serves as the major teaching hospital for the University of Texas Southwestern Medical School, which is located, adjacent to the Hospital. The Hospital also manages the County's jail health system. The District is accounted for as a single column business-type entity on an accrual basis of accounting.

The District is governed by a board appointed by, but not composed of County Commissioners. The Commissioners Court of the County approves the District's tax rate and annual budget; however, the District operates under different statutory and constitutional authority. The District also has a separate constitutional tax limitation; independent power of eminent domain; and individual right of ownership of property. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete financial statements for the District may be obtained from:

Parkland Health & Hospital System
5201 Harry Hines Boulevard
Dallas, Texas 75235
ATTN: John Dragovits
Executive Vice President & Chief Financial Officer

Blended Component Units

For reporting purposes, the Dallas County Housing Finance Corporation (HFC) and North Central Texas Health Facilities Development Corporation (HFDC) qualify as component units. The Commissioners Court is the governing board of the HFC and appoints the governing board of the HFDC. The HFDC has no financial activity since all debt issuances are by and in the name of the individual approved health facilities. Additional financial information for HFC may be obtained from:

Dallas County Commissioners Court
Administration Building
411 Elm Street, Second Floor
Dallas, Texas 75202

B. Government-wide and fund financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary financial activity, information on all of the County activities including its component unit. The effect of inter-fund transfers has been removed from the government-wide financial statements but continue to be reported in the fund financial statements. However, inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities are supported mainly by taxes and intergovernmental revenues. The primary government is reported separately from the component unit within the government-wide statements.

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

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Debt Service, Major Projects and Major Grant Funds meet criteria as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include other Special Revenue, HUD-Section 8 grants and Capital Projects. The combined amounts for these funds are reflected in a single column in the financial fund statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues net of allowances are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, include district clerk and county clerk fees, justice of the peace fees, revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Except for grants, measurable and available revenues include revenues expected to be received within 60 days after the fiscal year end. Grants policy includes recognition of revenues, so long as such amounts are collectible within 60 days or soon enough afterwards to be used to pay liabilities for the current period and where grant eligibility requirements have been met. Receivables, which are measurable but not collectible within 60 days after the end of the fiscal period, are reported as deferred revenue. Certain grant revenues considered reimbursement for services are recorded as charges for services in the accompanying financial statements. Property taxes which were levied prior to September 30, 2008, and became due October 1, 2008 have been assessed to finance the budget of the fiscal year beginning October 1, 2008 and, accordingly, have been reflected as deferred revenue and property taxes receivable in the governmental fund financial statements and government-wide statements at September 30, 2008.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, judicial, public welfare, health services and capital acquisition.

Debt Service Fund is used to account for accumulation of resources for, and the payment of, general long-term debt principal and interest. Revenue sources are primarily property taxes levied specifically for debt service and revenues generated by a parking garage, the expansion of which was financed with debt. Interest earnings from investments of idle funds of the Capital Projects Funds are deposited and recorded in the Debt Service Fund to assist in bonded debt retirement.

Major Projects Fund (special revenue fund) is used to account for monies received from property taxes to fund parks, trails, transportation and major County building projects.

Major Grants Fund is used to account for programs supported by grants-in-aid from various agencies and/or governmental units except for HUD-Section 8.

Non-Major Funds include special revenue funds (other than major projects) and capital projects funds. The funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. As an example the Road and Bridge Fund is legally restricted unlike the Major Technology Fund, which is administratively restricted.

Other Fund types include proprietary and fiduciary funds:

Proprietary Fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position and cash flows. The County's only Proprietary Fund is the Internal Service Fund used to account for the County's group medical insurance program, workers compensation self-insurance program and flexible spending accounts of employees who participate in the medical and dependent care flexible spending option of the County's cafeteria-style plan. Revenues are derived from County contributions, employee and COBRA premiums, investment of idle funds and stop loss collections. Expenses are for claims and administrative expenses.

The Proprietary fund is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal on-going operations (e.g. insurance claims and workers compensation payments).

Fiduciary Fund level financial statements include fiduciary funds, which are classified as agency funds used to account for assets held by the County as an agent for individuals, private organizations, other governments, and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Discretely Presented Component Unit

The District uses the accrual method of accounting whereby revenues are recognized in the accounting period when services are rendered, and expenses are recognized when incurred. The District is considered a governmental organization and is subject to the pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

D. Assets, liabilities, and net assets

1. Deposits and Investments

For the purpose of the Statement of Cash Flows, the County's cash and cash equivalents include cash on hand, demand deposits and investments. State statutes and the County's official Investment Policy authorize the County to invest in obligations of the U.S. Treasury, direct obligations of, or participation certificates guaranteed by, the Federal Intermediate Credit Bank, Federal Farm Credit Bank, Federal Land Bank, Federal National Mortgage Association, and Federal Home Loan Bank or Bank for Cooperatives.

Both the County and the District record investments at fair market value in accordance with provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of revenues, expenditures and changes in fund balance. Deposit and Investment Risk Disclosures are in accordance with GASB Statement No. 40.

2. Receivables and Payables

Property taxes are levied prior to September 30 based on taxable values as of January 1 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected in the government-wide financial statements based on the full accrual method of accounting. Property tax receivables for the prior year's levy are shown net of an allowance for uncollectible accounts.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts receivables from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when earned in the government-wide financial statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred and unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

Lending or borrowing between funds are recorded as “due to or due from” (current portion) or “advances to/from other funds” (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Inter-fund activity reflected in “due to or due from” is eliminated in the government-wide financial statements.

3. Inventories and Prepaid Items

Inventory is valued at average cost. Inventories in the General and Special Revenue Funds consist of expendable supplies held for consumption. In the General Fund, the cost is recorded as an expenditure at the time an inventory item is used. In the Special Revenue Funds, inventory items expected to be used within a short period of time, are recorded as expenditures at the time of purchase; other inventory items are expensed when used. Reported inventories are offset by a reservation of fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The inventory policy on government-wide statements is consistent with fund statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the fund financial statements, advances and prepayments are offset by a reservation of fund balance, which indicates they do not represent “available spendable resources.”

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Restricted Assets/Funds

Primary Government

The following accounts/fund balances are restricted for specific purposes:

- Road and Bridge Fund balance (Highways and Streets – net assets) (amount reserved for future transportation-related expenditures);
- Debt Service Fund balance net of accrued interest of \$948 (amount reserved for future debt service expenditures);
- Major and HUD Section 8 Grant Fund balances (amounts reserved for future grant expenditures); and,
- Other Non-Major Governmental Fund balances (amounts reserved for other specific purposes).

Discretely Presented Component Unit

Upon receipt, the District records contributions, grants, and other revenue restricted by donors for specific purposes to the appropriate restricted net asset. Each restricted net asset has an administrator who is responsible for monitoring the revenues and expenses, and for determining that the restricted net assets are being used for the stated purpose. Restricted net assets are generally recognized as additions to the unrestricted net assets only to the extent that qualifying expenditures are incurred. Pledges received with substantial contingencies are not recorded until the contingency has been fulfilled.

5. Assets (Investments) Limited as to Use - Component Unit

Resources are set aside for board designated purposes or self-insurance arrangements. At September 30, 2008, resources were also set aside for the disproportionate share and upper payment limit programs. The disproportionate share and upper payment limit programs have been created by Texas to provide additional federal matching funds. Under program guidelines, the District may use the funds to benefit the indigent in either current or future periods. The District recognizes all funds received under the disproportionate share and upper payment limit programs as operating revenue in the applicable year, and any amounts relating to that year that are not yet received are included in other receivables. As of September 30, 2008, receivables of \$20,000 were recorded for the disproportionate share and upper payment limit funds.

6. Capital Assets – Primary Government

Capital assets, including land, construction-in-progress, buildings, machinery and equipment, and infrastructure (e.g., roads and bridges) are reported in the government-wide financial statements. Capital assets (except for grant assets with lower thresholds) are defined as assets with a cost of five thousand dollars or more with a useful life in excess of one year. Infrastructure assets include County owned roads and bridges. Capital assets are recorded at historical cost if purchased or constructed.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset life are not capitalized. Additionally, County capital expenditures include amounts incurred to improve city owned infrastructure assets. Accordingly, these amounts are not capitalized. Capital assets except infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Table with 2 columns: Asset, Years. Rows include Buildings (50), Furniture and fixtures (7), General equipment (5), Trucks (7), Autos (3), Computer hardware (5).

Infrastructure assets (roads and bridges) include assets acquired prior to June 30, 1980 through the current period. The County uses the modified approach to report infrastructure assets in the government-wide statement of net assets. Infrastructure assets are listed at historical cost but not depreciated. Under the modified approach allowed by GASB Statement No. 34, the County reports annual expenses for maintaining County roads and bridges including estimated costs for preservation at specified levels.

- 7. Compensated Absences - A liability for unused vacation and sick time for all full time employees is reported in the government-wide financial statements in accordance with GASB Statement No. 16. The following criteria must be met to be considered as compensated absences:
-leave or compensation is attributable to services already rendered
-leave or compensation is not contingent on a specific event (such as illness).

In accordance with GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent such liabilities have matured (i.e. are due for payment). Accordingly, there are none in the fund statements as of September 30, 2008 but compensated absences are accrued in the government-wide statements.

Primary Government - The County's permanent, full-time employees accrue 3.077 hours of vacation per bi-weekly pay period from date of employment to 6 years of service, 4.615 hours per pay period from 6 to 15 years of service, and 6.153 hours per pay period in excess of 15 years of continuous employment. The maximum accrual is four, five or six weeks of vacation for the respective accrual categories specified. Upon termination, an employee shall be entitled to payment for total accrued but unused hours of vacation.

The County's permanent, full-time employees accrue sick leave at the rate of 3.692 hours per pay period. Sick leave is paid to current employees if absent from work due to illness, injury or other situations requiring medical attention. An employee who terminates for any reason is paid a percentage of their accrued but unused sick leave.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts payable are initially 5% after 5 years of service, increasing thereafter at 5% for each additional 5 years of service to a maximum of 50%.

Compensated absences (accrued vacation and sick leave) are reported in the government-wide financial statements and are typically incurred by the following governmental funds: General, Major Grant, Road and Bridge and Major Technology.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities in the Statement of Net Assets. Bond premiums, discounts, and issuance costs, are deferred and amortized over the term of the bonds. Bonds payable are reported net of unamortized premiums or discounts. 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 or discounts, and issuance costs in the period in which bonds are issued. The principal of bonds issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source while discounts are reported as an other financing use. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

9. Unemployment and Workers' Compensation Benefits

The County is a reimbursing employer for unemployment compensation benefits. Reimbursements are made on the basis of billings received from the Texas Employment Commission. The County also processes workers' compensation payments through a third-party administrator as claims become due. Expected costs are budgeted annually from current resources and paid through a Trust (see Note X).

10. Net Assets and Fund Balances

Net assets in the proprietary fund statements and the government-wide financial statements are classified in three categories: 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. Reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose are reported in the fund financial statements. Fund reservations include encumbrances, inventories and prepayments.

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

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

One element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not included in the funds.” The details of this difference are as follows:

| | |
|--|-------------------|
| Bonds payable | \$ 158,885 |
| Less: Deferred charge for issuance costs | (1,599) |
| Premium on Bonds Payable | 3,243 |
| Other postemployment benefits | 18,298 |
| Accrued interest payable | 948 |
| Arbitrage rebate accrued | 1,415 |
| Claims and judgments | 3,000 |
| Compensated absences | <u>24,373</u> |
| Net adjustment to reduce fund balance – total government funds to arrive at net assets – governmental activities | \$ <u>208,563</u> |

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. Governmental funds report capital expenditures; however, in the statement of activities, the cost of capital assets is allocated over their estimate useful lives and reported as depreciation expense. The detail of this difference is as follows:

| | |
|--|------------------|
| Capital expenditures | \$ 84,369 |
| Depreciation expense | <u>(20,938)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | \$ <u>63,431</u> |

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase/ (decrease) net assets.” In the statement of activities, only the gain or loss on the disposal of capital assets is reported; however, in the government funds, the proceeds from the sale increase financial resources. The detail of this difference is as follows:

| | |
|--|---------------|
| Loss on disposal of capital assets | \$ <u>534</u> |
| Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities | \$ <u>534</u> |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Another element of the reconciliation states, "The issuance of long-term debt (e.g., bonds, tax notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

| | |
|---|------------------|
| Debt principal repayment | \$ 27,915 |
| Debt issued or incurred: | |
| Amortization of issuance costs | (185) |
| Amortization of premium | 580 |
| Net adjustment to increase net changes in fund balances | <u>\$ 28,310</u> |

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds." The details of this difference are as follows:

| | |
|---|--------------------|
| Compensated absences | \$ (1,293) |
| Accrued interest | 188 |
| Other postemployment benefits | (18,298) |
| Arbitrage rebate accrued | (1,415) |
| Bond accretion | (124) |
| Net adjustment to decrease net changes in fund balances | <u>\$ (20,942)</u> |

III. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES

Primary Government

The County's investment policies are in accordance with the laws of the State of Texas. The policies identify authorized investments and investment terms, collateral requirements and safekeeping requirements for collateral.

The County's demand deposits and bank certificates of deposit are fully collateralized by securities held in the County's name by the County's agents, the Federal Reserve Bank of Dallas and State Street Corporation. The County's collateral agreements require that the market value of securities held by its agents exceed the total amount of cash and investments held by Bank of America (depository bank) and Texas Capital Bank at all times.

The County's investments other than bank certificates of deposit, are comprised of Federal National Mortgage Association notes; Federal Home Loan Bank notes; Federal Farm Credit Bank notes; Federal Home Loan Mortgage Corporation notes and security repurchase agreements (collateralized with U.S. government guaranteed securities).

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

III. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES (Continued)

Deposits

At September 30, 2008, the carrying amount of the County's demand deposits and investments was as follows:

| | <u>Governmental Funds</u> | <u>Proprietary Funds</u> | <u>Total</u> | <u>Fiduciary Funds</u> | <u>Total</u> |
|--|-------------------------------|------------------------------|-------------------|----------------------------|-------------------|
| Cash and cash equivalents | \$ (9,050) | \$ (171) | \$ (9,221) | \$ 56,163 | \$ 46,942 |
| Investments | <u>230,705</u> | <u>3,694</u> | <u>234,399</u> | <u>129,400</u> | <u>363,799</u> |
| Total cash, cash equivalents and investments | \$ <u>221,655</u> | \$ <u>3,523</u> | \$ <u>225,178</u> | \$ <u>185,563</u> | \$ <u>410,741</u> |

Custodial Credit Risk

In accordance with State of Texas and County Cash Management Policies, County deposits are either covered by FDIC insurance or collateralized with securities held by the County or the County's agent in the name of the County.

Investments

At September 30, 2008, the County's investment balances were as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Days to Maturity</u> | <u>Rating</u> |
|--|-----------------------|--|---------------|
| Federal Home Loan Bank Notes | \$ 38,418 | 1,021 | Note 1 |
| Federal Farm Credit Bank Notes | 24,575 | 881 | Note 1 |
| Federal Home Loan Mortgage Corporation Notes | 57,412 | 869 | Note 1 |
| Federal National Mortgage Association Notes | 62,010 | 1,254 | Note 1 |
| Certificates of deposit | 125,925 | 21 | Note 2 |
| Security repurchase agreements | <u>55,459</u> | 1 | Note 3 |
| | \$ <u>363,799</u> | 529 | |

Note 1: Moody's Investor Services, S&P AAA, Fitch AAA

Note 2: Certificates of Deposit are secured with Texas municipal bonds (Aa2 to Aaa) and U.S. government guaranteed securities

Note 3: Collateralized securities are U.S. government guaranteed securities

Interest rate risk

The County's formal investment policy limits the County's exposure to declines in fair values by limiting to two years the weighted average days to maturity of its investment portfolio.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

III. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES (Continued)

Credit risk

The County is authorized by statute and depository contract to invest in insured or registered securities including “security repurchase agreements”. It is the County’s policy to limit its investments in these investment types. Consistent with the County’s formal investment policy these securities are subject to ratings of A-1+ by Standard & Poor’s and P-1 by Moody’s Investor Services. Certificates of deposit are not rated.

Concentration of credit risk

The County’s formal investment policy does not allow more than 5% of the total portfolio for any one-issuer name and not more than 10% of the total portfolio shall mature on any given day.

Custodial credit risk

In accordance with State of Texas and the County’s formal investment policies, County investments are insured or registered, or securities held by the County or the County’s agent in the name of the County.

Discretely Presented Component Unit

As of September 30, 2008, the District had the following deposits and investments:

| Description | Fair Value | Weighted Average Days to Maturity |
|--|-------------------|--|
| Bank deposits | \$ 8,664 | |
| TexPool deposits | 234,905 | 1 |
| Money market fund deposits | 72,954 | 1 |
| Federal National Mortgage Association notes | 65,141 | 1,449 |
| Federal Home Loan Bank notes | 65,555 | 1,439 |
| Federal Home Loan Mortgage Corporation notes | 154,259 | 1,806 |
| Certificates of deposit | 213 | 168 |
| U.S. treasury notes | <u>1,123</u> | 226 |
| Subtotal | 602,814 | |
| Less: outstanding checks ⁽¹⁾ | <u>(402)</u> | |
| Total ⁽²⁾ | <u>\$ 602,412</u> | |

⁽¹⁾Outstanding checks issued against zero-balance clearing accounts with commercial banks.

⁽²⁾Foundation deposits and investments (which aggregate \$14,420) includes approximately \$8,000 of deposits and investments which are uninsured by FDIC insurance.

Interest Rate Risk – The District invests in fixed rate debt securities with approximately one to two year maturities. Interest rate risk is limited by the short-term nature of the investments.

Credit Risk - The District has a comprehensive investment policy that fully complies with Texas law and the Public Funds Investment Act. The District’s investments in U.S. Treasury notes carry the explicit guarantee of the U.S. Government. The debt securities issued by Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bureau (FFCB), and Private Export Funding Corporation (PEFCO) are rated AAA by Standard & Poor’s rating agency. TexPool’s portfolio

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

III. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES (Continued)

consists exclusively of U.S. government securities, repurchase agreements collateralized by U.S. government securities, and AAA rated no-load money market mutual funds. All demand deposits are collateralized by FDIC insurance, with securities pledged to the District and held in safekeeping at a third party bank on behalf of the District's depository institution.

Concentration of Credit Risk - Per the District's investment policy, no more than 40% of the investment portfolio can be invested in any one issuer of U.S. government agencies and government sponsored enterprises, including, but not limited to, FNMA, FHLB, and FHLMC. The largest percentage in any one issuer is in FHLMC at 26%.

Custodial Credit Risk - Per the District's investment policy, all investments are held in the District's name in safekeeping at the District's depository institution.

IV. PROPERTY TAXES AND OTHER RECEIVABLES

Primary Government

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to September 30, become due on October 1 and are delinquent after January 31. The County bills and collects its own property taxes and those for the District, Dallas County Community College District, School Equalization Fund, City of Dallas, City of Addison, City of Balch Springs, City of Carrollton, City of Cedar Hill, Cedar Hill Independent School District (ISD), City of Cockrell Hill, City of Duncanville, Duncanville ISD, Dallas ISD, County Education District (CED) of the Duncanville ISD, City of Farmers Branch, Fairway Bend Public Improvement District, City of Grand Prairie, Grand Prairie ISD and CED, City of Highland Park, Highland Park ISD and CED, City of Hutchins, Irving Flood Control Districts I and III, City of Lancaster, Lancaster ISD and CED, City of Rowlett, City of Sachse, City of Seagoville, Levee Districts 4 and 14, City of University Park, Westchester Public Improvement District, and City of Wilmer. The County and District are the only entities controlled by the Commissioners Court. The County collects and distributes property taxes of the other entities as authorized by V.T.C.A., Tax Code §6.24.

Property tax levies and collections are reduced by allowable exemptions. Certain exemptions are approved by statute and others are approved by local adoption. Exemptions approved by the County include a general homestead (the lesser of 20% of appraised valuation or \$5) and over 65 homestead (\$69). The County also approved this fiscal year, an over 65 tax freeze effective January 1, 2008.

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor/Collector's Agency Fund. Tax collections are recorded net of the entities' related collection commission paid to the County in this agency fund according to the levy year for which taxes are collected. Tax collections deposited for the County are distributed on a monthly basis to the following funds: General, Debt Service, Major Projects, and Non-Major Funds - Permanent Improvement and Major Technology. This distribution is based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

IV. PROPERTY TAXES AND OTHER RECEIVABLES (Continued)

Property tax receivables are affected by participation in several Tax Increment Finance (TIF) Districts. In the fiscal year ended September 30, 2008, the County either financially participated in or had authorization to participate in 12 TIF districts at various percentage participation levels. The County's participation is determined by the amount of County property taxes levied and collected each tax year on the captured appraised value of real property located in the TIF District less the tax increment base for the year in which the TIF was designated, multiplied by the County's increment provided per agreement. TIF funds are not recognized as County revenue but are used by the TIF district to finance project costs within the district and/or pay bonds or notes issued for the TIF.

Governmental funds report deferred and unearned revenue in connection with receivables that are not considered available to liquidate liabilities of the current period. Under GASB 33, "Accounting and Financial Reporting for Non-exchange Transactions," property taxes are an imposed non-exchange revenue. Assets from imposed non-exchange transactions are recorded when the entity has an enforceable legal claim to the asset or when the entity receives resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date as designated in the enabling legislation. The County has a valid lien on January 1 with property assessed at the tax rate adopted prior to the fiscal year-end. Therefore, the County has recorded a receivable, deferred and unearned revenue for taxes assessed as of year-end but will be collected in the subsequent fiscal year. At the end of the current fiscal year, the various components of deferred and unearned revenue reported in the governmental funds were as follows:

| <u>Deferred and Unearned arising from</u> | <u>General Fund</u> | <u>Debt Service</u> | <u>Major Projects</u> | <u>Major Grants</u> | <u>Other Non- Major Governmental</u> | <u>Total</u> |
|---|-------------------------|-------------------------|---------------------------|-------------------------|--|-------------------|
| Property Taxes | \$ 284,637 | \$ 25,752 | \$ 50,291 | \$ --- | \$ 24,176 | \$ 384,856 |
| Other Receivables and Accrued Interest | 5,952 | --- | 154 | 21 | 5,580 | 11,707 |
| Unavailable and Unearned | --- | --- | --- | 11,865 | --- | 11,865 |
| Deferred and Unearned – Fund Basis | <u>\$ 290,589</u> | <u>\$ 25,752</u> | <u>\$ 50,445</u> | <u>\$ 11,886</u> | <u>\$ 29,756</u> | 408,428 |
| Property Taxes | | | | | | (5,067) |
| Other Receivables and Accrued Interest | | | | | | <u>(11,767)</u> |
| Unearned – Government-wide | | | | | | <u>\$ 391,594</u> |

Unavailable means not available to finance expenditures for the current fiscal period. Unearned refers to funds received before the earnings process is completed.

The County is authorized by the tax laws of the State of Texas to levy taxes up to \$0.80 per one hundred dollars of assessed valuation for general governmental services and the payment of principal and interest on certain permanent improvement long-term debt. The tax rate adopted September 2007 for fiscal year 2008 was \$0.2281 per one hundred dollars of assessed value.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

IV. PROPERTY TAXES AND OTHER RECEIVABLES (Continued)

Receivables as of year end for the governmental activities, individual major governmental funds, and non-major governmental funds, net of applicable allowances for uncollectible accounts, as required by GASB 34 are as follows:

| | <u>General</u> | <u>Debt Service</u> | <u>Major Projects</u> | <u>Other Non-Major Governmental</u> | <u>Total</u> |
|---|-------------------|---------------------|-----------------------|-------------------------------------|-------------------|
| Receivables: | | | | | |
| Property taxes | \$ 310,613 | \$ 29,673 | \$ 53,779 | \$ 25,939 | \$ 420,004 |
| Less allowance for uncollectible property taxes | (25,317) | (3,845) | (3,384) | (1,703) | (34,249) |
| Subtotal | 285,296 | 25,828 | 50,395 | 24,236 | 385,755 |
| Accounts receivable, net | 11,012 | --- | --- | 6,541 | 17,553 |
| Net total receivables | <u>\$ 296,308</u> | <u>\$ 25,828</u> | <u>\$ 50,395</u> | <u>\$ 30,777</u> | <u>\$ 403,308</u> |

Discretely Presented Component Unit – Receivables as of September 30, 2008:

| | <u>Parkland Hospital</u> | <u>Parkland Foundation</u> | <u>Total</u> |
|------------------------------------|--------------------------|----------------------------|-------------------|
| Receivables: | | | |
| Property taxes | \$ 25,977 | \$ --- | \$ 25,977 |
| Patient accounts | 859,241 | --- | 859,241 |
| Intergovernmental | 1,097 | --- | 1,097 |
| Other | 51,285 | 3,567 | 54,852 |
| Gross Receivables | <u>937,600</u> | <u>3,567</u> | <u>941,167</u> |
| Less allowance for uncollectibles: | | | |
| Property taxes | (18,000) | --- | (18,000) |
| Patient accounts | (785,000) | --- | (785,000) |
| Total allowance for uncollectibles | <u>(803,000)</u> | <u>---</u> | <u>(803,000)</u> |
| Net total receivables | <u>\$ 134,600</u> | <u>\$ 3,567</u> | <u>\$ 138,167</u> |

Discretely Presented Component Unit

The District received approximately 29% of its total revenues in 2008 from property taxes. All of these funds were used to support operations. The District paid the County a nominal percentage based fee for collecting its property taxes. Current taxes are collected beginning in October of each year and become delinquent after January 31. Property tax revenue is recognized in the year for which taxes are levied.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

V. CAPITAL ASSETS

Primary Government

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. Depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are listed at historical cost, but not depreciated as the County elected to use the modified approach.

A summary of changes in capital assets follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 24,911 | \$ 84 | \$ --- | \$ 24,995 |
| Construction in progress | 94,780 | 76,169 | (2,622) | 168,327 |
| Infrastructure | 27,813 | --- | (374) | 27,439 |
| Total capital assets, not being depreciated | 147,504 | 76,253 | (2,996) | 220,761 |
| Capital assets, being depreciated: | | | | |
| Buildings | 449,736 | 928 | --- | 450,664 |
| Machinery and equipment | 85,844 | 9,810 | (3,854) | 91,800 |
| Total capital assets being depreciated | 535,580 | 10,738 | (3,854) | 542,464 |
| Less accumulated depreciation for: | | | | |
| Buildings | (186,417) | (8,407) | --- | (194,824) |
| Machinery and equipment | (52,209) | (12,531) | 3,694 | (61,046) |
| Total accumulated depreciation | (238,626) | (20,938) | 3,694 | (255,870) |
| Total capital assets, being depreciated, net | 296,954 | (10,200) | (160) | 286,594 |
| Governmental activities capital assets, net | \$ 444,458 | \$ 66,053 | \$ (3,156) | \$ 507,355 |

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

| | |
|----------------------------|-----------|
| Governmental Activities: | |
| General government | \$ 7,854 |
| Public safety | 4,991 |
| Health | 354 |
| Highways and streets | 903 |
| Public welfare | 3,075 |
| Education | 89 |
| Library | 3 |
| Judicial | 3,669 |
| Total depreciation expense | \$ 20,938 |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

V. CAPITAL ASSETS (Continued)

Discretely Presented Component Unit

Capital assets are recorded at cost or, if donated, fair market value at the date of receipt. Costs of major renewals and betterments, that extend useful lives, are capitalized while maintenance and repairs are charged to current operations. Disposals are removed at carrying cost, less accumulated depreciation, with any resulting gain or loss included in expense in the accompanying Statement of Activities. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings are 10 to 40 years and 3 to 20 years for equipment.

Depreciation expense for the District was \$36,796 in the current fiscal year.

Capital assets at September 30, 2008 for the District are summarized as follows:

Discretely Presented Component Unit

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|--------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 38,450 | \$ 887 | \$ --- | \$ 39,337 |
| Construction in progress | 30,019 | 46,243 | (24,201) | 52,061 |
| Total capital assets, not being depreciated | <u>68,469</u> | <u>47,130</u> | <u>(24,201)</u> | <u>91,398</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 371,282 | 9,232 | --- | 380,514 |
| Machinery and equipment | 257,080 | 28,178 | (15,147) | 270,111 |
| Total capital assets being depreciated | <u>628,362</u> | <u>37,410</u> | <u>(15,147)</u> | <u>650,625</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (265,086) | (11,652) | --- | (276,738) |
| Machinery and equipment | (166,024) | (25,144) | 14,749 | (176,419) |
| Total accumulated depreciation | <u>(431,110)</u> | <u>(36,796)</u> | <u>14,749</u> | <u>(453,157)</u> |
| Total capital assets, being depreciated, net | 197,252 | 614 | (398) | 197,468 |
| Capital assets, net | <u>\$ 265,721</u> | <u>\$ 47,744</u> | <u>\$ (24,599)</u> | <u>\$ 288,866</u> |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

VI. LONG-TERM DEBT

Primary Government

The County did not issue long-term debt in the fiscal year ended September 30, 2008. The following are General Obligation, Certificates of Obligation (COs) and Revenue Bonds outstanding at September 30, 2008:

| <u>Description</u> | <u>Interest Rates (%)</u> | <u>Year of Issue</u> | <u>Year of Maturity</u> | <u>Original Amount of Debt</u> | <u>Bonds Outstanding</u> |
|---|---------------------------|----------------------|-------------------------|--------------------------------|--------------------------|
| Road Refunding Bonds, Series 1993A: | | | | | |
| Current Interest Bonds | 5.25 | 1993 | 2009 | \$ 57,195 | \$ 895 |
| Permanent Improvement Bonds 1993B | 5.25 | 1993 | 2009 | 51,775 | 2,405 |
| Road Refunding Bonds, Series 1997: | | | | | |
| Current Interest Bonds | 4.75 | 1997 | 2009 | 15,120 | 1,555 |
| Permanent Improvement Refunding Bonds, Series 1997A | 4.75 | 1997 | 2009 | 20,700 | 1,480 |
| Road Bonds, Series 2000 | 5.00 | 2000 | 2010 | 35,000 | 3,500 |
| Road Refunding Bonds, Series 2001A: | | | | | |
| Current Interest Bonds | 5.00-5.50 | 2001 | 2021 | 73,160 | 51,095 |
| Permanent Improvement Refunding Bonds | | | | | |
| Series 2001B | 4.00-4.50 | 2001 | 2012 | 9,460 | 5,815 |
| Combination Tax and Parking Garage Revenue Certificates of Obligation Series 2004 | 3.0-5.25 | 2004 | 2025 | 16,145 | 14,700 |
| Unlimited Tax Refunding Bonds, Series 2005 | | | | | |
| Current Interest Bonds | 3.00-5.25 | 2005 | 2020 | 21,270 | 20,765 |
| Capital Appreciation Bonds | 4.05 | 2005 | 2012 | 2,827 | 3,225 |
| Combination Tax and Parking Garage Revenue Certificates of Obligation Series 2006 | 4.00-5.00 | 2006 | 2016 | 63,220 | 53,450 |
| | | | | | <u>158,885</u> |
| Premium on Debt | | | | | 3,243 |
| Total | | | | | <u>\$162,128</u> |

Pledged Future Revenues

The County has pledged future net revenues from a certain pre-existing parking facility and a newly constructed parking facility. Net revenues from both facilities partially secure the Combination Tax and Parking Garage Revenue Certificates of Obligation Series 2004 such net revenues amounted to \$1,044 in FY08. Principal and interest paid for the current fiscal year was \$ 410 and \$ 712, respectively. The outstanding bond principal was \$14,700 as of September 30, 2008. If net revenues are insufficient, the County is obligated to levy taxes to fund net revenue shortfalls.

Arbitrage Rebate Liabilities

The Tax Recovery Act of 1986 established regulations for rebate to the federal government of arbitrage earnings on certain local governmental bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due on an annual basis and remit the amount due at least every five years. The County's rebate amount, which is recorded as a liability in governmental activities on the government-wide financial statements for bonds issued between 1994 – 2004, was \$1,415 at September 30, 2008.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

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VI. LONG-TERM DEBT (Continued)

Changes in Long-Term Debt

Long-term debt for the year ended September 30, 2008 was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Bonds and COs | \$ 190,499 | \$ 124 | \$ 28,495 | \$ 162,128 | \$ 19,955 |
| Other postemployment benefits | --- | 21,000 | 2,702 | 18,298 | 2,700 |
| Claims and judgments | 3,000 | ---- | ---- | 3,000 | 1,000 |
| Compensated absences | 23,080 | 33,622 | 32,329 | 24,373 | 22,508 |
| Workers compensation | 7,920 | 2,262 | 2,247 | 7,935 | 3,000 |
| Total | <u>\$ 224,499</u> | <u>\$ 57,008</u> | <u>\$ 65,773</u> | <u>\$ 215,734</u> | <u>\$ 49,163</u> |

General Obligation Bonds Advance Refundings

In prior years, the County refunded general obligation bonds by placing amounts in irrevocable trusts. The balance of outstanding refunded bonds at September 30, 2008 was \$17,500. The County is in compliance with all significant restrictions contained in the various bond indentures.

Capital Appreciation Bonds

Capital appreciation bonds, which accrue and compound interest from their date of delivery to maturity, consist of Unlimited Tax Refunding Bonds, Series 2005 with an original maturity of \$2,827 and a current maturity of \$3,225. The total amount accreted during the year was \$124.

Conduit Debt

The Housing Finance Corporation issues single-family revenue bonds to provide financial assistance to qualified homeowners. As of September 30, 2008, \$25 principal in single-family revenue bonds was outstanding. The Housing Finance Corporation does not have any obligation for the debt beyond the bond resources.

Contractual Maturities

The annual debt service for general obligation, certificates of obligation and revenue bonds follows:

| <u>Years Ending September 30</u> | <u>Governmental Activities</u> | |
|--------------------------------------|--------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2009 | \$19,955 | \$7,583 |
| 2010 | 17,355 | 6,625 |
| 2011 | 17,419 | 6,006 |
| 2012 | 17,511 | 5,334 |
| 2013 | 14,535 | 4,317 |
| 2014 – 2018 | 54,665 | 11,156 |
| 2019 – 2023 | 14,630 | 2,458 |
| 2024 – 2025 | 2,815 | 219 |
| Subtotal | <u>158,885</u> | <u>43,698</u> |
| Premium on debt | 3,243 | --- |
| Total | <u>\$162,128</u> | <u>\$43,698</u> |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
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VI. LONG-TERM DEBT (Continued)

The Debt Service Fund has \$3,381 available to service the general long-term bond retirement. There are a number of limitations and restrictions contained in the various bond indentures. The management of the County believes that it is in compliance with all significant limitations and restrictions.

VII. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS

Primary Government

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

Due to/from other funds:

| Receivable fund | Payable fund | Amount |
|------------------------|------------------------------|-----------------|
| General | Major projects | \$ 493 |
| General | Major grants | 395 |
| General | Other non-major governmental | <u>5</u> |
| Subtotal | | <u>893</u> |
| Internal service | General | 1,522 |
| Internal service | Other non-major governmental | <u>26</u> |
| Subtotal | | <u>1,548</u> |
| Total | | <u>\$ 2,441</u> |

The “due to” the General Fund represents a reimbursement from the Major Projects Fund for administrative expenses associated with Public Works. The “due to” the Internal Service Fund from the General Fund and other non-major governmental funds relates to health insurance liability expected to be funded in FY 2009.

Transfer In:

| | <u>General Fund</u> | <u>Major Projects</u> | <u>Major Grants</u> | <u>Total</u> |
|------------------------------|-------------------------|---------------------------|-------------------------|------------------|
| Transfer out: | | | | |
| General fund | \$ --- | \$ --- | \$ 5,133 | \$ 5,133 |
| Major projects | 4,599 | --- | --- | 4,599 |
| Non-major governmental funds | <u>27,577</u> | <u>30,242</u> | <u>---</u> | <u>57,819</u> |
| Totals | <u>\$ 32,176</u> | <u>\$ 30,242</u> | <u>\$ 5,133</u> | <u>\$ 67,551</u> |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
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VII. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS (Continued)

The majority of the \$27,577 transfers from Non-Major Governmental Funds to the General Fund were transfers from the Road and Bridge Fund. Those transfers totaled \$26,724 and were primarily from vehicle registration fees, criminal fines, and forfeitures collected by the Road and Bridge Fund. Funds transferred were to support traffic and transportation related expenditures.

In fiscal year 2006, \$65,416 (including premium of \$2,196) of bonded debt was issued by the County with the proceeds deposited into a Capital Project Fund, which is combined with Non-Major Governmental Funds. In fiscal year 2008, \$25,009 was transferred from this Capital Project Fund into the Major Projects Fund to fund two building projects. Those projects were an expansion of the County's jail and construction of a Forensic Sciences building.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Primary Government – Approximately 27% of the \$59,379 balance in accounts payable at September 30, 2008 represents accrued payroll liabilities with the balance being payable to vendors and contractors.

Discretely Presented Component Unit – Accounts payable and other current liabilities in the Statement of Net Assets includes accounts payable and accrued expenses of \$65,769, Health Plan reserves for incurred but unreported claims of \$40,837, accrued payroll of \$31,802, employee healthcare liabilities of \$4,406, other employee benefits of \$5,725.

VIII. RETIREMENT COMMITMENTS

For information as to funding progress of retirement commitments see pages 86 and 87.

Primary Government

(a) Plan Description

Texas County and District Retirement System

The County provides retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available online at www.tcdrs.org or upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within options available in Texas state statutes (TCDRS Act) governing TCDRS. Members employed by the County are vested and may retire at age 60 and above with ten 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 80 or more. Members are vested after combined ten years of employment with any organization(s) with an accredited plan

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

VIII. RETIREMENT COMMITMENTS (Continued)

(not just the County) but must leave their accumulated contributions in the plan to receive any employer-financed benefit.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of an employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Public Agency Retirement Services

Employees with less than 1,000 hours of annual service, are required to participate in the Public Agency Retirement Services plan (PARS) as an alternative to participation in Social Security. PARS is administered by Phase II Systems, a California corporation. Employee and County contributions are fixed as a percent of an employee's salary which percentages are 6.2% and 1.3%, respectively. In fiscal 2008, employee and County contributions were \$113 and \$23, respectively. The County Treasurer administers the investment policy for employee and County contributions.

(b) Funding Policy

The County has chosen a fixed rate plan under the provisions of the TCDRS Act. County employees with 1,000 or more hours of service a year are members of the plan. The plan is funded by monthly contributions from both the County and its employees based on the covered payroll of employee members. Authorized by the TCDRS Act, the regular 8.5% contribution rate of the County is a fixed percent matched by a 7% contribution rate payable by employee members as adopted by the Commissioners Court. The regular contribution rate of the County is one of the rates that can be adopted in accordance with the TCDRS Act. The financing objective for the plan is to provide benefits for the employee members that can be adequately financed by a fixed employer contribution rate that remains level as a percent of covered payroll. Employee and County contribution rates may be changed by the Commissioners Court with options available in the TCDRS Act. If a plan has had adverse experience, the TCDRS Act provisions allow an employer to contribute a fixed supplemental contribution rate determined by the TCDRS actuary above the regular rate for 30 years or to reduce benefits earned in the future.

(c) Annual Pension Cost

For the year ended September 30, 2008, the County's annual pension cost and actual contributions for the TCDRS plan was \$27,682. The annual required contributions were in compliance with GASB Statement No. 27 parameters based on the actual actuarial valuations as of December 31, 2007, which is the basis for assessing the adequacy of the financing arrangement beginning with the contribution rates for calendar years 2007 and 2008. The December 31, 2007 actuarial valuation is the most recent valuation.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

VIII. RETIREMENT COMMITMENTS (Continued)

Actuarial Valuation Information

| | December 31, 2005 | December 31, 2006 | December 31, 2007 |
|--------------------------------------|-------------------|------------------------------|------------------------------|
| Actuarial valuation date | Entry Age | Entry Age | Entry Age |
| Actuarial cost method | Level percentage | Level percentage of | Level percentage of |
| Amortization cost method | of payroll, open | payroll, open | payroll, open |
| Amortization period | 23.2 years | 9.9 years | 9.2 years |
| Asset valuation method | Long-term | ¹ SAF: 10 years | ¹ SAF: 10 years |
| | appreciation with | smoothed value | smoothed value |
| | adjustments | ² ESF: Fund value | ² ESF: Fund value |
| Actuarial valuation results | Presentation | Presentation | |
| | not required | not required | |
| | GASB 50 not | GASB 50 not | |
| | effective | effective | Fixed |
| Plan type | | | |
| Actuarial Present value of future | | | |
| benefits | | | |
| Annuitants | N/A | N/A | \$ 129,477 |
| Members | N/A | N/A | <u>948,967</u> |
| Total | N/A | N/A | 1,078,444 |
| Actuarial present value of future | | | |
| normal cost contributions | N/A | N/A | <u>(162,763)</u> |
| Actuarial accrued liability | N/A | N/A | 915,681 |
| Actuarial value of assets | N/A | N/A | <u>(861,802)</u> |
| Unfunded actuarial accrued liability | N/A | N/A | <u>\$ 53,879</u> |
| Funded ratio | N/A | N/A | 94.1% |
| Required employer rates for 2009 | | | |
| Normal cost | N/A | N/A | 6.42% |
| UAAL | N/A | N/A | <u>2.08</u> |
| Total required rate | N/A | N/A | 8.50% |
| Actuarial Assumptions: | | | |
| Investment return | 8.0% | 8.0% | 8.0% |
| Projected salary increases | 5.5% | 5.3% | 5.3% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

Note 1: SAF is defined as "Subdivision Accumulation Fund".

Note 2: ESF is defined as "Employee Savings Fund".

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
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VIII. RETIREMENT COMMITMENTS (Continued)

| Annual Pension Cost | | | |
|-----------------------------------|--------------------------------------|--|-----------------------------------|
| <u>Accounting Year Ending</u> | <u>Annual Pension Cost (ARC)</u> | <u>Percentage of ARC Contributed</u> | <u>Net Pension Obligation</u> |
| September 30, 2008 | \$ 27,682 | 100% | — |
| September 30, 2007 | 25,342 | 100% | — |
| September 30, 2006 | 22,758 | 100% | — |

(d) Post Retirement Benefits Other Than Pension

During 2008, the County adopted GASB Statement No. 45 (GASB 45) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45 establishes standards for the measurement, recognition, and display of other postemployment benefit costs (OPEB), contributions, related liabilities and assets, financial statement disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

OPEB Plan Description

The County's group medical plans ("Plan") are administered through the Public Employee Benefits Cooperative. The Plan is a single-employer defined benefit healthcare plan funded on a pay-as-you-go basis. OPEB includes health insurance and Medicare supplements. Contribution, adjustment or elimination of the contribution and adjustments to OPEB eligibility are subject to the governing body's annual budgetary discretion. For the fiscal year, ended September 30, 2008, retirees were not obligated to fully vacate County programs and utilize Medicare.

Age-adjusted premium amounts are not incorporated with the policy, except after the age of 65. Retiree plan participants who opt for other than basic or enhanced coverage must contribute 100% of the costs.

Medical Plans Premiums – Retirees Under Age 65 (Not Medicare Eligible)
(a)

| <u>Medical Option</u> | <u>Retiree Only</u> | <u>Retiree Plus Spouse</u> | <u>Retiree Plus Child(ren)</u> | <u>Retiree Plus Family</u> |
|---|-------------------------|------------------------------------|------------------------------------|------------------------------------|
| Exclusive Provider Organization Plan | \$345 | \$674 | \$529 | \$871 |
| Health Management Organization Plan Blue® Texas Plan (b) | 361 | 765 | 592 | 992 |
| Preferred Provider Organization Plan | 384 | 750 | 589 | 969 |

(a) Amounts are in whole dollars.

(b) The HMO Plan is available to under age 65 retirees only and their spouse (regardless of age) and eligible dependents.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

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VIII. RETIREMENT COMMITMENTS (Continued)

Medical Plans Premiums - Retirees Age 65 and Older (and Medicare Eligible Under Age 65 Retirees)
(a)

| Medical Option | Retiree | Retiree | Retiree | Retiree |
|---|----------------|--------------------|------------------------|--------------------|
| PSS and PMA require enrollment in Medicare Part A and Part B | Only | Plus Spouse | Plus Child(ren) | Plus Family |
| Exclusive Provider Organization Plan | \$224 | \$505 | \$397 | \$653 |
| Preferred Provider Organization Plan | 250 | 562 | 441 | 726 |
| PacifiCare Senior Supplement Plan (Age 65+) (PSS) | 245 | 490 | N/A | N/A |
| Plan and PacifiCare Commercial PPO Plan for non-Medicare eligible spouse and/or dependents with Medicare eligible spouse (PSD) (b) | N/A | 652 | 473 | 896 |
| Medicare Complete® - a Medicare Advantage Plan (PMA) | 84 | 169 | N/A | N/A |
| Plan and PacifiCare Commercial PPO Plan for non-Medicare eligible spouse and/or dependents (PMD) | N/A | 491 | 312 | 735 |
| PMD With Medicare eligible spouse (c) | N/A | N/A | N/A | 396 |

(a) Amounts are in whole dollars.

(b) **PSD** with Medicare eligible spouse.

(c) **PMD** with Medicare eligible spouse.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
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VIII. RETIREMENT COMMITMENTS (Continued)

Sponsored Dependents Option (Surviving Dependents of Deceased Retiree)
(a)

| Medical Plan Option | Under Age 65 Spouse | Age 65 & Older Spouse (or Medicare enrolled if under 65) | Child(ren) Only | Under Age 65 Spouse (not Medicare-eligible) and Child(ren) | Age 65 & Older Spouse (or Medicare enrolled if under 65) and Child(ren) |
|---|----------------------------|---|------------------------|---|--|
| PSS and PMA require enrollment in Medicare Part A and Part B. You must be age 65 or older to enroll in the PSS Plan. | | | | | |
| Exclusive Provider Organization Plan | \$345 | \$224 | \$345 | \$529 | \$397 |
| Health Management Organization Plan Blue® Texas | 361 | N/A | 361 | 592 | N/A |
| Preferred Provider Organization Plan | 384 | 250 | 384 | 589 | 441 |
| PacifiCare Senior Supplement Plan (PSS) | N/A | 245 | N/A | N/A | N/A |
| PSS with PacifiCare Commercial PPO for non-Medicare Spouse/Child(ren) (PSD) | N/A | N/A | 228 | 650 | 473 |
| MedicareComplete® - a Medicare Advantage Plan (PMA) | N/A | 84 | N/A | N/A | N/A |
| PMA with PacifiCare Commercial PPO for non-Medicare Spouse/Child(ren) (PMD) | N/A | N/A | 228 | 650 | 312 |
| PMD/PSD Non-Medicare Spouse only (b) | | | | | 407 |

(a) Amounts are in whole dollars.

(b) PMD/ PSD with Non-Medicare spouse only.

Funding Policy.

The County is not required by Texas law or contractual agreement to provide funding for OPEB other than the pay-as-you-go amount necessary to provide current budget year benefits to retirees and eligible beneficiaries and their dependents. Contribution, adjustment or elimination of the contribution and adjustments to eligibility are subject to the governing body's annual budgetary discretion. For the year ended September 30, 2008, the County paid \$5,164 for OPEB payments by the Plan, consisting of both County and retiree contributions. Retiree Plan members receiving benefits contributed \$2,462 or approximately 47.7% of total cost through their required contribution.

Annual OPEB Cost and Net OPEB Obligation.

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by using the Projected Unit Credit method. The ARC represents a level of funding that, if paid on an on-going basis, is projected

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

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VIII. RETIREMENT COMMITMENTS (Continued)

to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This allocation is performed for the group as a whole.

The Projected Unit Credit method allocates costs from date of hire to expected retirement date based on experience with active claims aged to retirement. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. Under this method, actuarial gain or losses, as they occur, reduce or increase future Normal Costs. The following table shows the elements of the County's annual OPEB cost for the year ended September 30, 2008, the amount actually paid on behalf of the Plan, and changes in the County's net OPEB obligation to the Plan for the year beginning October 1, 2007:

| | <u>Amount</u> |
|--|---------------|
| Normal Cost | \$ 14,600 |
| Amortization of UAAL | 6,400 |
| Interest on net OPEB obligation | --- |
| Adjustment to annual required contribution | --- |
| Annual OPEB expense | 21,000 |
| Contributions made | (2,702) |
| Change in net OPEB obligation | 18,298 |
| Net OPEB obligation – beginning of year | --- |
| Net OPEB obligation – end of year | \$ 18,298 |

The County decided against funding any Unfunded Actuarial Accrued Liability (UAAL) at transition and will amortize it over the maximum period of thirty years, as allowed under GASB 45.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2008 is as follows:

| Accounting Year Ending | Annual OPEB Cost | Percentage of OPEB Cost Contributed | Net OPEB Obligation |
|-----------------------------------|-----------------------------|--|--------------------------------|
| September 30, 2008 | \$ 21,000 | 12.9% | \$18,298 |

Funding Status and Funding Progress.

As of October 1, 2007, the most recent (initial) actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$165,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial balance. The covered payroll (annual payroll of active employees covered by the Plan) was \$288,600, and the ratio of the UAAL to the covered payroll was 57.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The assumptions

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

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VIII. RETIREMENT COMMITMENTS (Continued)

among others are reflected below. Amounts determined regarding the funded status of the Plan and the annual required contributions of the County are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown below and as required supplementary information, presents the result of OPEB valuations as of October 1, 2007 and looking forward, the schedule will eventually provide multi-year trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAL as a Percentage of Payroll (b-a)/c</u> |
|-------------------------------------|--|--|--|-----------------------------------|------------------------------------|---|
| October 1, 2007 | \$ --- | \$165,000 | \$ 165,000 | 0.0% | \$288,600 | 57.2% |

Actuarial Methods and Assumptions.

The actuarial assumptions used in the October 1, 2007 OPEB actuarial valuations are classified as those used in the Texas County and District Retirement System (TCDRS) valuations and those specific to the OPEB valuations. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The demographic assumptions requiring approval were accepted by the County's finance leaders.

The OPEB specific actuarial assumptions used in the October 1, 2007 OPEB actuarial valuations of the Plan are as follows:

Economic Assumptions

| | |
|----------------------------|-------|
| Discount rate | 5.00% |
| Projected salary increases | 4.00% |

Medical Benefit Assumptions

| | | | |
|---------------------------------|------------|-------------------|-------------------|
| Average per capita claims cost: | <i>Age</i> | <i>Retiree(a)</i> | <i>Spouse (a)</i> |
| | < 65 | \$10,691 | \$10,691 |
| | ≥ 65 | \$4,802 | \$4,802 |

(a) Amounts are in whole dollars.

Health care cost trend rate:

- Medical costs and contributions under age 65 9.0% in 2008, reducing 0.5% per year, reaching 5.0% in 2016 and after
- Medical costs and contributions age 65 and over 9.0% in 2008, reducing 0.5% per year, reaching 5.0% in 2016 and after
- Medicare covered charges Same as age 65 and over medical cost increases

Administrative expenses Included in above per capita costs

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

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VIII. RETIREMENT COMMITMENTS (Continued)

Annual Retiree Contribution Amounts

| | <u>Under Age 65 (a)</u> | | <u>Age 65 and Older (a)</u> | |
|--|-------------------------|---------------|-----------------------------|---------------|
| | <u>Retiree</u> | <u>Spouse</u> | <u>Retiree</u> | <u>Spouse</u> |
| Exclusive Provider Organization Plan | \$4,140 | \$3,948 | \$2,693 | \$3,371 |
| Preferred Provider Organization Plan | 4,608 | 4,392 | 2,996 | 3,751 |
| Health Management Organization Plan | | | | |
| Blue® Texas Plan | 4,332 | 4,848 | N/A | N/A |
| Medicare Complete® - a Medicare Advantage Plan | N/A | N/A | 1,011 | 1,011 |
| PacifiCare Senior Supplement Plan | N/A | N/A | 2,942 | 2,942 |

(a) Amounts are in whole dollars.

Demographic Assumptions

Mortality:

- Healthy Up 94 Sex – Distinct Mortality Table
- Disabled Up 94 Sex – Distinct Mortality Table

Termination

Rates varying by age and service based on the Texas County and District Retirement System tables for “Middle”

Sample rates – Males:

| <u>Years</u> <u>Of Service</u> | <u>Age</u> | | | |
|-----------------------------------|---------------|----------------|----------------|------------------|
| | <u><30</u> | <u>30 – 39</u> | <u>40 – 49</u> | <u>50 and up</u> |
| 1 | .22080 | .18240 | .16320 | .14400 |
| 5 | .09380 | .07750 | .06940 | .06120 |
| 20 | .01660 | .01370 | .01220 | .01080 |

Sample rates – Females:

| <u>Years</u> <u>Of Service</u> | <u>Age</u> | | | |
|-----------------------------------|---------------|----------------|----------------|------------------|
| | <u><30</u> | <u>30 – 39</u> | <u>40 – 49</u> | <u>50 and up</u> |
| 1 | .23920 | .19760 | .17680 | .15600 |
| 5 | .10170 | .08400 | .07510 | .06630 |
| 20 | .01790 | .01480 | .01330 | .01170 |

Retirement

Rates varying by age based on Texas County and District Retirement System tables

Rates:

| <u>Age</u> | <u>Female</u> | <u>Male</u> |
|------------|---------------|-------------|
| 40 – 44 | .05 | .05 |
| 45 – 49 | .10 | .10 |
| 50 – 61 | .14 | .16 |
| 62 | .32 | .32 |
| 63 – 64 | .18 | .18 |
| 65 | .35 | .35 |
| 66 – 74 | .25 | .25 |
| 75 & up | 1.00 | 1.00 |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
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VIII. RETIREMENT COMMITMENTS (Continued)

Percentage of future retirees covering spouses

Males – 32% Females – 32%

Spouse ages

Wives 3 years younger than husbands

Participation rates:

- Participation at retirement of current actives 30% prior to age 50
 70% after age 50
- Participation of current covered retirees 100%

Actuarial Methods

| | |
|---------------------|---|
| Normal Cost and AAL | Projected unit credit actuarial cost method, allocated from date of hire to expected retirement date. |
|---------------------|---|

| | |
|----------------------------|---|
| Development of claims cost | Per capita claims cost were based on active and retiree claims experience with active claims aged to retirement ages. |
|----------------------------|---|

Benefits Not Valued

Dental benefits, which are all paid by retirees.

Participant Data

Active (a) (b)

| | |
|----------------------------|--------|
| • Number | 5,727 |
| • Average age | 41.57 |
| • Average past service | 7.44 |
| • Average future service: | |
| -- To full eligibility age | 5.993 |
| -- To expected retirement | 11.839 |

Retired participants and surviving spouses

| | |
|---------------|-------|
| • Number | 486 |
| • Average age | 67.56 |

Dependents

| | |
|---------------|-------|
| • Number | 24 |
| • Average age | 71.86 |

- (a) Actives hired after valuation date, and retirees retiring after the valuation date were not included in the above participant count.
- (b) Retirees in the PacifiCare Secure Horizons plan are not included in the above participant count. This plan is fully paid by retirees and therefore the County does not have a liability for retirees that select this plan.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

VIII. RETIREMENT COMMITMENTS (Continued)

Discretely Presented Component Unit

Defined Benefit Plan

The District maintains the Dallas County Hospital District Retirement Income Plan, a single-employer, defined benefit pension plan (the Plan), which covers substantially all of its full-time employees. The Plan is administered by a committee appointed by the Board of Managers of the District (the Committee). Plan provisions and contribution requirements are established and may be amended by the Committee. The annual payroll for employees covered by the Plan as of January 1, 2008, was approximately \$373,000. For the year ended September 30, 2008, the District's total payroll was approximately \$514,000.

Employees are required to contribute 4.5% of their annual salary to the Plan. The District is required by the Plan to contribute the remaining amounts necessary to fund the Plan using actuarial methods.

Employees attaining the age of 65 who have completed five or more years of service are entitled to annual benefits of 1.25% of their final average annual earnings for each year of service prior to 1982 plus 2.5% of their final average earnings for each year of service after 1981 up to a maximum of 60% of final average earnings, subject to Internal Revenue Service limitations. The Plan permits early retirement, for which the participant is eligible for a reduced benefit at age 55, provided the employee has completed five years of service.

If an employee terminates his or her employment with the District prior to the completion of five years of service, the employee is entitled to a refund of his or her contribution. After five years of service, the employee, upon termination, is entitled to the pension accrued to the date of termination, payable commencing at his or her normal retirement date or at the age of 55 upon early retirement. Actual benefits to be paid, however, may vary depending on, among other things, actual retirement date, form of payment elected and certain limitations as described in the Plan document.

The District's funding policy is to make periodic actuarially determined employer contributions in amounts designed to accumulate sufficient assets to pay benefits when due. The projected unit credit method is used to determine both the funding and the pension benefit obligation.

Significant actuarial assumptions used include: a) a rate of return on the investment of present and future assets of 8.25% per year, compounded annually; b) projected salary increases of 4%; and, c) the assumption that benefits will not increase after retirement. The amortization method used is the level percentage of projected open payroll over a period of 30 years. The actuarial value of assets is equal to a five-year rolling phase-in of the excess of actual investment income over expected investment income, based on the market value.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

VIII. RETIREMENT COMMITMENTS (Continued)

The District's annual pension cost and net pension asset related to the Plan for the plan year ended December 31, 2007, were as follows:

| | |
|--|------------------|
| Annual required contribution | \$11,601 |
| Interest on net pension asset | (1,537) |
| Adjustment to annual required contribution | <u>1,133</u> |
| Annual pension cost | 11,197 |
| Contributions | <u>11,223</u> |
| Increase in net pension asset | 26 |
| Net pension asset as of January 1, 2007 | <u>18,630</u> |
| Net pension asset as of December 31, 2007 | \$ <u>18,656</u> |

The contribution requirements for the District fiscal year are as follows:

| Plan Years Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Asset |
|-------------------|------------------------------|-------------------------------------|----------------------|
| December 31, 2007 | \$ 11,197 | 100% | \$ 18,656 |
| December 31, 2006 | 9,276 | 178 | 18,630 |
| December 31, 2005 | 9,896 | 207 | 11,401 |

During the year ended September 30, 2008, \$18,700 of employee contributions were made in accordance with the established contribution requirements described above. The District contributed approximately \$11,000 to the Plan during the year ended September 30, 2008, in accordance with contribution requirements determined by the January 1, 2007, actuarial valuation. Included in the 2008 contributions was \$9,700 for amortization of the unfunded actuarial accrued liability and represents 2.6% of covered payroll for the year. Three-year historical trend information presenting the progress in accumulating sufficient assets to pay benefits when due is presented on page xx based on the Plan's year-end of December 31.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. This report may be obtained by writing to the District's benefit office. At January 1, 2008, 2007, and 2006, the actuarial value of assets was sufficient to fund 93.9%, 93.3%, and 89.5%, respectively, of the actuarial accrued liability. The unfunded liability as a percentage of the annual payroll for employees covered as of January 1, 2008, 2007, and 2006 was 7.1%, 8.3%, and 13.9%, respectively.

Defined Contribution Plan

The District also maintains a voluntary defined contribution plan covering all employees with at least one year of service. The defined contribution plan is administered by the Committee. Plan provisions and contribution requirements are established and may be amended by the Committee. The payroll

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

VIII. RETIREMENT COMMITMENTS (Continued)

for employees covered by the Defined Contribution Plan for the year ended September 30, 2008, was approximately \$451,000. The District's total payroll was approximately \$514,000. Eligible employees can choose to contribute from 2% to 20% of their base salaries. The District will match employees' contributions 100%, up to 6% of their base salaries. Employees are fully vested at all times in their voluntary contributions plus earnings thereon. Vesting in the District's matching contributions is based on years of service. After one year of service, employees vest at the rate of 20% per year for five years. Should an employee terminate prior to vesting completely in the District's contributions, the unvested portion can be used to reduce the District's matching contributions in the aggregate in the following year.

Contributions for the year ended September 30, 2008 were approximately \$14,900 from the District and \$27,500 from employees, or 6.1% of covered payroll. The required contribution by the District for 2008 has been reduced by \$500 representing forfeitures of prior District contributions and related investment income for non-vested amounts of employees withdrawing from the Plan upon termination. The defined contribution plan issues a publicly available financial report that includes financial statements and required supplementary information for the defined contribution plan. This report may be obtained by writing to the District's benefit office.

Postretirement Benefits Other Than Pension

In addition to providing pension benefits, the District provides certain health care benefits for retired employees until age 65 (the OPEB Plan). Effective October 1, 2007, the District adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effect of adoption was to change recognition of postretirement benefit expenses from a cash basis as claims were paid to an accrual basis, and resulted in an increase of \$1,662 in expenses for the year ended September 30, 2008. As of January 1, 2008, the number of retirees and eligible beneficiaries were 99.

The OPEB Plan is administered by the Committee. The OPEB Plan provisions and contribution requirements are established and may be amended by the Committee. The OPEB Plan does not issue a publicly available financial report.

The District's annual other postemployment benefit (OPEB) cost or expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities, or funding excess, over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for 2008, the amount actually contributed and changes in the District's net OPEB obligation are as follows.

| | |
|---|-----------------|
| Annual required contribution | \$ 2,323 |
| Interest on net OPEB obligation | --- |
| Annual OPEB cost | <u>2,323</u> |
| Contributions | <u>(661)</u> |
| Increase in net OPEB obligation | 1,662 |
| Net OPEB obligation - beginning of year | --- |
| Net OPEB obligation - end of year | <u>\$ 1,662</u> |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

VIII. RETIREMENT COMMITMENTS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for 2008 were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---------------------------------------|----------------------------|
| September 30, 2008 | \$ 2,323 | 28.4% | \$ 1,662 |

As of January 1, 2008, the most recent actuarial valuation date, the OPEB Plan was not prefunded. Contributions made were for current year costs incurred only. The actuarially accrued liability for benefits was \$18,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$18,000. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$401,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.5%.

Actuarial valuations of the OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the annual required contributions of the District and the funded status of the OPEB Plan are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future.

In the January 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, which is a blended rate of the District's expected investment returns on current investments, and an annual health care cost trend rate of 8.5%, was amortized over a period of 30 years based on a level percentage of payroll method.

IX. LEASES

Primary Government

The County has a number of operating leases. Future minimum rental payments applicable to the operating leases are as follows:

| <u>Years Ending September 30,</u> | <u>Amount</u> |
|-----------------------------------|-----------------|
| 2009 | \$ 1,330 |
| 2010 | 1,193 |
| 2011 | 447 |
| 2012 | 291 |
| 2013 | 164 |
| 2014-2018 | <u>551</u> |
| Total | <u>\$ 3,976</u> |

Rental expense for all County operating leases was approximately \$1,290 for the year ended September 30, 2008.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

IX. LEASES (Continued)

Discretely Presented Component Unit

The District leases facilities under operating leases that expire over periods of up to eight years. Renewal and purchase options are available on certain of these leases. At September 30, 2008, future minimum rental payments applicable to the operating leases are as follows:

| <u>Years Ending September 30,</u> | <u>Amount</u> |
|-----------------------------------|-----------------|
| 2009 | \$ 2,410 |
| 2010 | 1,637 |
| 2011 | 1,162 |
| 2012 | 580 |
| 2013-2015 | 808 |
| Total | <u>\$ 6,597</u> |

Rental expense for all operating leases was approximately \$5,700 for the year ended September 30, 2008.

The District is also a lessor primarily of land and parking space under operating leases. Renewal options are available on certain of these leases. The land and the parking space are carried at a cost of \$1,400 and \$8,900 respectively. The accumulated depreciation on the parking space is \$7,700 at September 30, 2008.

Minimum future rentals to be received under operating leases at September 30, 2008 are as follows:

| <u>Years Ending September 30,</u> | <u>Amount</u> |
|-----------------------------------|-----------------|
| 2009 | \$ 796 |
| 2010 | 569 |
| 2011 | 420 |
| 2012 | 235 |
| 2013 | 121 |
| 2014-2018 | 605 |
| 2019-2023 | 605 |
| 2024-2028 | 605 |
| 2029-2033 | 605 |
| 2034-2038 | 360 |
| 2039-2043 | 196 |
| 2044-2048 | 196 |
| 2049-2053 | 196 |
| 2054-2058 | 196 |
| 2059-2063 | 196 |
| 2064-2068 | 196 |
| 2069-2073 | 196 |
| 2074-2078 | 196 |
| 2079-2083 | 196 |
| 2084-2087 | 137 |
| Total | <u>\$ 6,822</u> |

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

X. RISK MANAGEMENT

Primary Government

The County has elected to self-insure against the risks arising from tort claims, employee group medical insurance benefits, workers' compensation benefits due employees who are injured while on duty, losses of funds by theft or mysterious disappearances in all fee offices of the County (with the exception of the Office of County Tax Assessor Collector and the Office of County Treasurer), and any and all other claims asserted by employees and/or third parties against the County arising out of the normal conduct of County business. The County has chosen to be a reimbursing employer under the unemployment compensation program administered by the Texas Employment Commission.

The County purchased third-party vehicle insurance for Auto Theft Task force grants. Specific property insurance is purchased to mitigate certain risks. Property insurance limits include buildings at \$1,000; boiler and machinery; data election and radio equipment and builders risk for certain construction projects. Current premium reflects a rate of \$0.29 cents per one thousand dollars of insurance.

The County's workers' compensation self-insurance program provides medical and indemnity payments as required by law for on-the-job related injuries. The liability is recognized in the Internal Service Fund. The third-party administrator for the program monitors the filing of claims, verifies the legitimacy and processes payments to injured employees.

The Internal Service Fund was also established to account for the County's group medical insurance program. The County self-insures benefits through this fund utilizing its third-party benefit administrator, as well as through a third-party HMO carrier. The County pays certain amounts of premiums for employees into the Internal Service Fund or to a third party, and allows employees to select additional benefits with premiums paid by the employees.

Premiums are paid into the Internal Service Fund by all other governmental funds for medical insurance programs. Contracted insurance providers receive disbursements based on monthly enrollment and premium calculations. Funds are available to pay claims, claim reserves and administrative costs of the programs. Liabilities include an amount for claims or judgments that have been incurred but not reported. Liabilities of each fund are reported when it is probable that a loss or claim has occurred and the amount of the loss or claim is known or can be reasonably estimated. The County has specific deductible stop loss coverage of \$400 and aggregating specific deductible of \$154 for the fiscal year ended September 30, 2008.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

X. RISK MANAGEMENT (Continued)

Changes in the medical and workers' compensation claims liability amounts in fiscal years 2008 and 2007 follow:

| | <u>Beginning Liability</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claims Payments</u> | <u>Ending Liability</u> |
|----------------------------|--------------------------------|---|----------------------------|-----------------------------|
| 2007 Medical | \$ 2,116 | \$ 49,079 | \$ 47,703 | \$ 3,492 |
| 2008 Medical | 3,492 | 50,346 | 49,561 | 4,277 |
| 2007 Workers' Compensation | 6,515 | 3,263 | 1,858 | 7,920 |
| 2008 Workers' Compensation | 7,920 | 2,262 | 2,247 | 7,935 |

Discretely Presented Component Unit

The liabilities described below as of September 30, 2008 are based on requirements that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities include estimates for both reported claims and incurred but not reported claims. Because of settled claims, the frequency of new claims and other economic and social factors, claims liabilities are reevaluated periodically.

Hospital Professional Liability and General Liability – The District is involved in certain legal actions and claims arising in the ordinary course of operations. The District records estimated self-insurance costs for medical malpractice and general liabilities as other current and non-current liabilities. The amounts provided for funding and the estimated liability are based on studies prepared by an independent actuary for settlement of claims limited to \$100 per claim and \$300 per occurrence in accordance with the limited liability provisions of the Texas Tort Claim Act. The funding is using an actuarially determined 5% discount rate.

Employee Health Care Benefit Liability – The District manages a self-insurance program that provides for the payment of employee health claims. The District records estimated self-insurance costs for health claims as current liabilities. The amount of the estimated liability is derived from a claims modeling system. To obtain coverage, employees authorize payroll withholding to pay the employee portion of contributions for individual and dependent coverage. Claims are paid by a third-party administrator acting on behalf of the District. The administrative contract between the District and the third-party administrator is renewable annually, and administrative fees are included in the contractual provisions. The reserves for this liability are included in accounts payable and other current liabilities in the Statement of Net Assets.

Workers' Compensation Liability – The District maintains a self-insurance plan for workers' compensation benefits, managed by a third-party administrator. The District records estimated self-insurance costs for workers' compensation as current liabilities. The amount provided for the

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

X. RISK MANAGEMENT (Continued)

estimated liability is based on settlement of claims. The funding is using an actuarially determined 5% discount rate. These reserves are included in accounts payable and other current liabilities in the Statement of Net Assets.

The Health Plan Reserves for Incurred but Unreported Claims – The Health Plan provides reserves for estimated incurred, but unreported and reported, but unpaid physician, hospital, and pharmacy services rendered to members enrolled in the Health Plan during the period. These reserves are estimated by the use of completion factors applied to historical lag patterns and cost trends. Medical cost adjustments to prior-period estimates are reflected in the current period, and changes in these estimate adjustments could be significant. These reserves are included in accrued liabilities in the Statement of Net Assets.

Changes in the hospital professional liability and general liability, employee health care benefit liability, workers' compensation liability, and Health Plan incurred but unreported claim liability, amounts in fiscal 2008 and 2007 were as follows:

| | <u>Beginning Liability</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claims Payments</u> | <u>Ending Liability</u> |
|--|--------------------------------|---|----------------------------|-----------------------------|
| Hospital professional and general liability: | | | | |
| 2007 | \$ 4,268 | \$ 1,287 | \$ (1,885) | \$ 3,670 |
| 2008 | 3,670 | 1,500 | (976) | 4,194 |
| Employee health care liability: | | | | |
| 2007 | 3,486 | 38,607 | (38,593) | 3,500 |
| 2008 | 3,500 | 40,845 | (39,939) | 4,406 |
| Workers' compensation liability: | | | | |
| 2007 | 3,538 | 2,461 | (1,439) | 4,560 |
| 2008 | 4,560 | 1,803 | (1,463) | 4,900 |
| Health Plan incurred but unreported claim liability: | | | | |
| 2007 ⁽¹⁾ | 26,143 | 268,131 | (238,890) | 55,384 |
| 2008 | 55,384 | 301,832 | (316,379) | 40,837 |

⁽¹⁾Increase due to:

^(a)An increase of 22% in claims cost per member, due to the increased acuity in membership (more pregnant women and newborns versus healthy children), especially with the addition of the Children's Health Insurance Program (CHIP) Perinate program, which transitioned emergency Medicaid pregnant women and their children into the District's health plan. The CHIP Perinate program will provide services to the unborn children of low-income women who earn too much money to qualify for Medicaid. The maximum income limit for pregnant women who apply will be 200% of the federal poverty level. Benefits and eligible services in the program will be limited to prenatal care, labor and delivery, and post-partum care associated with the birth of the child. After the birth, the newborn will receive full CHIP Perinate program benefits.

^(b)Higher claims cost per member, due to 4% inflation and 13% higher acuity in membership mix (more pregnant women and newborns versus healthy children, which have lower claims cost per member).

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

XI. COMMITMENTS AND CONTINGENCIES

Primary Government

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. A contingent liability was not established because potential reimbursements are considered immaterial.

Several lawsuits that could affect the County's financial position are in various stages of litigation. An estimated liability of \$3,000 has been established in the government-wide Statement of Net Assets to provide coverage for the estimated maximum cost to the County. There are other lawsuits and claims in which the County is involved. Based upon the representations of the District Attorney and legal counsel for the Commissioners Court, management believes that potential claims, if any, against the County resulting from such litigation would not materially affect the financial position or operations of the County.

Discretely Presented Component Unit

Litigation

The District is involved in litigation and compliance investigations arising in the normal course of business or as a result of routine internal compliance reviews conducted by District management.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes, and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. While no fines, penalties or claims for repayment have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. District management believes that the District has appropriately reserved for any existing or unasserted claims related to such potential regulatory actions.

Affiliation Agreements

In 2008, the District and University of Texas Southwestern Medical School (UTSMS) have entered into an annual agreement under which UTSMS supervises and directs services to patients of the District, and the District recorded expenses of approximately \$100,000.

In September 2006, the Texas Health and Human Services Commission received approval from the federal Centers for Medicare and Medicaid Services (CMS) for a Medicaid State Plan that authorized supplemental inpatient and outpatient hospital Medicaid payments to "hospitals with an indigent care affiliation agreement with a hospital district or other local government entity". Subsequently, during 2007, the District entered into an Indigent Care Affiliation Agreement with a number of hospital systems in Dallas County (collectively, the Affiliated Hospitals) for the purpose of participation in the Private Hospital Medicaid Supplemental Payment Program authorized by Medicaid State Plan Amendment (private UPL Program). As a result of this agreement, the District intended to make a total of \$83,000 in inter-governmental transfers (IGTs) which are recorded as an expense in the

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

XI. COMMITMENTS AND CONTINGENCIES (Continued)

accompanying Statement of Activities. As of September 30, 2007, the District had remitted \$59,000 million of these IGTs to the State of Texas, and the remaining \$24,000 is included in the accompanying Statement of Net Assets with accounts payable and other current liabilities.

In October 2007, CMS deferred federal funding to the State of Texas for the various private UPL Programs in Texas pending the outcome of its review. Because of this deferral, which created substantial uncertainty regarding the Texas Private UPL Program (Program), the District had not recognized any benefit of the expected expense reduction of \$24,000 that would be realizable if the Texas Private UPL Program were to proceed. The District has reflected this amount as an expense and included this amount in accounts payable and other current liabilities in the accompanying Statements of Activities and Net Assets, respectively. The Program was subsequently put on hold for 2008. In August 2008, CMS approved the Program, and subsequently the District recognized a benefit of \$18,000 as an expense reduction.

Additionally, the District has other contracts with UTSMS, Children's Medical Center of Dallas, and Zale Lipshy University Hospital for certain patient and non-patient services to both provide and receive services.

XII. SUBSEQUENT EVENT – DISCRETELY PRESENTED COMPONENT UNIT

On November 4, 2008, Dallas County voters overwhelmingly approved supporting ad valorem tax increases of up to 2.5 cents per one hundred dollars of taxable valuation to support the issuance of up to \$747,000 in a combination of tax and revenue bonds for the District. The bonds are the primary funding source for a hospital replacement program with an estimated cost of \$ 1,300,000. Other anticipated funding sources include proceeds from a \$150,000 "I Stand For Parkland" philanthropic campaign, \$350,000 in current and future hospital cash and investments, and interest on bond proceeds.

No material commitments have been made on the hospital replacement program.

XIII. NEW ACCOUNTING PRONOUNCEMENTS

GASB 49: Pollution Remediation Obligations - The GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which identifies the circumstances under which a governmental entity is required to report a liability related to pollution remediation. This statement is effective for the County beginning in the fiscal year ending September 30, 2009. A government is required to estimate expected outlays for pollution remediation using an "expected cash flows" measurement technique if it knows a site is polluted and if any of the predefined recognition triggers occur. Information about pollution obligations associated with clean up efforts should also be disclosed in the notes to the financial statements.

GASB 51: Accounting and Financial Reporting for Intangible Assets – The statement provides needed guidance regarding how to identify, account for, and report intangible assets. This statement is effective for the County beginning in fiscal year ending September 30, 2010. This statement requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. Specific guidance is provided regarding recognition in the statement of net assets only if considered identifiable; recognizing intangible assets that are internally generated; and, the amortization of intangible assets.

DALLAS COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2008
(in thousands of dollars)

XIII. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

GASB 52: Land and Other Real Estate held as Investments by Endowments – The statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. This statement is effective for the County beginning in fiscal year ending September 30, 2009. This statement requires governments performing investment functions similar to endowments (including pension plans, other post employment benefit (OPEB) plans, external investment pools, and Internal Revenue Code Section 457 deferred compensation plans) to report the changes in fair value as investment income.

GASB 53: Accounting and Financial Reporting for Derivative Investments – This statement requires governments to measure most derivative instruments at fair value in financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. Changes in fair value for effective hedges have to be recognized in the reporting period when they occurred. GASB 53 becomes effective for fiscal years beginning after June 15, 2009.

GASB 54: Fund Balance Reporting and Governmental Fund Type Definitions – This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing government fund types. GASB 54 becomes effective for fiscal years beginning after June 15, 2010.

County Management has not yet determined the impact on the County's financial statements, which may result from these new accounting pronouncements.

REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)

DALLAS COUNTY, TEXAS
Required Supplementary Information
General Fund
(Unaudited)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 269,088 | \$ 269,088 | \$ 263,382 | \$ (5,706) |
| Licenses and permits | 510 | 510 | 547 | 37 |
| Fines and forfeitures | 20,293 | 20,293 | 18,557 | (1,736) |
| Investment income | 10,588 | 10,588 | 4,965 | (5,623) |
| Rental revenues | 3,213 | 3,213 | 4,173 | 960 |
| Intergovernmental revenues | 7,305 | 7,305 | 1,724 | (5,581) |
| Charges for current services | 117,523 | 117,523 | 113,943 | (3,580) |
| Miscellaneous | 5,845 | 5,845 | 13,713 | 7,868 |
| Total revenues | <u>434,365</u> | <u>434,365</u> | <u>421,004</u> | <u>(13,361)</u> |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Salaries | 37,801 | 36,393 | 36,211 | 182 |
| Allowances | 56 | 64 | 64 | - |
| Operating | 42,191 | 44,672 | 40,161 | 4,511 |
| Property | 3,456 | 3,736 | 2,877 | 859 |
| Total general government | <u>83,504</u> | <u>84,865</u> | <u>79,313</u> | <u>5,552</u> |
| Judicial: | | | | |
| Salaries | 95,107 | 96,770 | 96,758 | 12 |
| Allowances | 95 | 114 | 114 | - |
| Operating | 28,798 | 30,884 | 27,828 | 3,056 |
| Property | 83 | 665 | 333 | 332 |
| Total judicial | <u>124,083</u> | <u>128,433</u> | <u>125,033</u> | <u>3,400</u> |
| Public Safety: | | | | |
| Salaries | 186,470 | 197,401 | 195,675 | 1,726 |
| Allowances | 63 | 64 | 64 | - |
| Operating | 26,644 | 30,506 | 26,872 | 3,634 |
| Property | 1,690 | 1,951 | 593 | 1,358 |
| Total public safety | <u>214,867</u> | <u>229,922</u> | <u>223,204</u> | <u>6,718</u> |
| Health: | | | | |
| Salaries | 7,595 | 7,251 | 7,251 | - |
| Allowances | 43 | 82 | 82 | - |
| Operating | 8,870 | 9,225 | 9,040 | 185 |
| Property | - | 107 | 107 | - |
| Total health | <u>16,508</u> | <u>16,665</u> | <u>16,480</u> | <u>185</u> |

See Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
(Continued)

DALLAS COUNTY, TEXAS
 Required Supplementary Information
 General Fund
 (Unaudited)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2008
 (in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| Public Welfare: | | | | |
| Salaries | \$ 7,118 | \$ 7,117 | \$ 7,117 | \$ - |
| Allowances | 61 | 54 | 54 | - |
| Operating | 2,705 | 2,726 | 1,997 | 729 |
| Property | 167 | 167 | - | 167 |
| Total public welfare | <u>10,051</u> | <u>10,064</u> | <u>9,168</u> | <u>896</u> |
| Reserves | <u>47,175</u> | <u>26,239</u> | <u>-</u> | <u>26,239</u> |
| Total expenditures | <u>496,188</u> | <u>496,188</u> | <u>453,198</u> | <u>42,990</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(61,823)</u> | <u>(61,823)</u> | <u>(32,194)</u> | <u>29,629</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 28,809 | 28,809 | 32,176 | 3,367 |
| Operating transfers (out) | <u>(5,783)</u> | <u>(5,783)</u> | <u>(5,133)</u> | <u>650</u> |
| Total other financing sources (uses) | <u>23,026</u> | <u>23,026</u> | <u>27,043</u> | <u>4,017</u> |
| Net change in fund balance | (38,797) | (38,797) | (5,151) | 33,646 |
| Fund balance - beginning | 39,961 | 39,961 | 39,961 | - |
| Fund balance - ending | <u>\$ 1,164</u> | <u>\$ 1,164</u> | <u>\$ 34,810</u> | <u>\$ 33,646</u> |

See Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 (Continued)

DALLAS COUNTY, TEXAS
 Required Supplementary Information
 Major Projects Special Revenue Fund
 (Unaudited)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2008
 (in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 41,404 | \$ 41,404 | \$ 40,494 | \$ (910) |
| Investments and rentals | 5,758 | 5,758 | 2,659 | (3,099) |
| Miscellaneous | - | - | 2,549 | 2,549 |
| Total revenues | <u>47,162</u> | <u>47,162</u> | <u>45,702</u> | <u>(1,460)</u> |
| EXPENDITURES: | | | | |
| Capital outlay | 104,606 | 68,091 | 74,697 | (6,606) |
| Highways and streets | 51,769 | 96,330 | 15,869 | 80,461 |
| Total expenditures | <u>156,375</u> | <u>164,421</u> | <u>90,566</u> | <u>73,855</u> |
| Reserves | 8,441 | 395 | - | 395 |
| Excess (deficiency) of revenues over (under) expenditures | <u>(117,654)</u> | <u>(117,654)</u> | <u>(44,864)</u> | <u>72,790</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 32,583 | 32,583 | 30,242 | (2,341) |
| Transfers (out) | (4,599) | (4,599) | (4,599) | - |
| Total other financing sources (uses) | <u>27,984</u> | <u>27,984</u> | <u>25,643</u> | <u>(2,341)</u> |
| Net change in fund balance | (89,670) | (89,670) | (19,221) | 70,449 |
| Fund balance - beginning | 96,015 | 96,015 | 96,015 | - |
| Fund balance - ending | <u>\$ 6,345</u> | <u>\$ 6,345</u> | <u>\$ 76,794</u> | <u>\$ 70,449</u> |

See Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 (Continued)

DALLAS COUNTY, TEXAS
 Required Supplementary Information
 Major Grants - Special Revenue Fund
 (Unaudited)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2008
 (in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 5 | \$ 5 | \$ 74 | \$ 69 |
| Intergovernmental revenues | 87,303 | 87,303 | 83,486 | (3,817) |
| Total revenues | <u>87,308</u> | <u>87,308</u> | <u>83,560</u> | <u>(3,748)</u> |
| EXPENDITURES: | | | | |
| Judicial | 2,991 | 2,991 | 2,825 | 166 |
| Public safety | 9,306 | 9,306 | 7,858 | 1,448 |
| Health | 33,287 | 33,287 | 30,104 | 3,183 |
| Education | 11,850 | 11,850 | 11,599 | 251 |
| Public welfare | 39,114 | 39,114 | 36,529 | 2,585 |
| Total expenditures | <u>96,548</u> | <u>96,548</u> | <u>88,915</u> | <u>7,633</u> |
| Excess (Deficiency) of revenues over (under) expenditures | <u>(9,240)</u> | <u>(9,240)</u> | <u>(5,355)</u> | <u>3,885</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>5,133</u> | <u>5,133</u> | <u>5,133</u> | <u>-</u> |
| Total other financing sources and (uses) | <u>5,133</u> | <u>5,133</u> | <u>5,133</u> | <u>-</u> |
| Net change in fund balance | (4,107) | (4,107) | (222) | 3,885 |
| Fund balance - beginning | 6,171 | 6,171 | 6,171 | - |
| Fund balance - ending | <u>\$ 2,064</u> | <u>\$ 2,064</u> | <u>\$ 5,949</u> | <u>\$ 3,885</u> |

See Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 (Concluded)

DALLAS COUNTY, TEXAS

Notes to Schedules of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Unaudited)

September 30, 2008

Budgetary information – The budget is prepared in accordance with financial policies approved by the County Budget Officer and the Commissioners Court following a public hearing. The Budget Officer is required by policy to present Commissioners Court with a balanced budget that contains a no-tax increase assumption as a starting point for budget discussions. The adopted budget must contain a projected unreserved cash balance not less than 10.5% of budgeted expenditures and may utilize a draw-down of beginning balance only to the extent that such draw-down does not exceed 4% of total General Fund resources. The amounts budgeted in a fiscal year for expenditures in various funds may not exceed the balances in those funds as of the first day of the fiscal year plus any anticipated revenue for the fiscal year as estimated by the County Auditor.

The following are the funds which have legally adopted annual budgets prepared on a cash basis: General Fund, Debt Service Fund and Special Revenue Funds (except for District Attorney funds). A legally adopted budget is not prepared for the Payroll Special Revenue Fund. Project-length financial plans are adopted for Capital Projects Funds. Budget funds are allocated annually for Major Project's funds in accordance to long-term requirements and projections.

Budget laws of the State of Texas provides that “the amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor.” In addition, the law provides that the Commissioners Court “may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund but no such transfer shall increase the total budget.”

Each year, all departments submit to the Budget Officer requests for appropriation. These requests are reviewed, compiled and presented to the Commissioners Court for approval. The Commissioners Court conducts departmental budget reviews, adjusts budget requests to final form and conducts a public hearing in the County Administration Building. One copy of the proposed budget must be filed with the County Clerk and one with the County Auditor. Copies must be available to the public. The Commissioners Court must provide for the public hearing on the budget on some date within seven calendar days after the filing of the budget and prior to October 31 of the current fiscal year.

The County controls appropriations at the category level (i.e., salaries, allowances, operations and property) for each department or project within the General Fund and some of the Special Revenue Funds. Grants are budgeted in total and not at the category level. All Debt Service Fund expenditures for principal and interest on long-term debt are considered to be in the operations category. Certain appropriation transfers may be made between categories or departments only with the approval of the Commissioners Court. Other transfers (e.g. court costs) may be authorized by the Budget director. Transfers that were made during fiscal year 2008 did not increase the County's overall budget. Unencumbered amounts for annually budgeted funds lapse at fiscal year end. The original budgets inclusive of prior period encumbered funds presented in the report are the approved budgets before amendments and transfers. The final budgets presented in this report reflect the budgets as amended for all appropriation transfers processed during the fiscal year. More comprehensive accounting of activity on the budgetary basis is provided in a separate report, which is available for public inspection in the office of the Dallas County Auditor, 509 Main Street, Room 407, and Dallas, Texas 75202-3504.

DALLAS COUNTY, TEXAS

**Notes to Schedules of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
(Unaudited)**

September 30, 2008

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds and Capital Projects Funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they do not constitute expenditures or liabilities.

DALLAS COUNTY, TEXAS
 Required Supplementary Information
 (Unaudited)
 Infrastructure Assets Under Modified Approach
 September 30, 2008
 (in thousands of dollars)

ROADS

A federal highway administration pavement condition rating (PCR) was utilized to assess the condition of the 136.77 lane miles of County roads. District 1 does not have any County roads. The County policy is to maintain roads at a minimum of 2.5 on the 4.0 scale. The following conditions were defined and associated to a rating:

| Condition | Rating |
|------------------|---------------|
| Excellent | 4 |
| Good | 3 |
| Fair | 2 |
| Poor | 1 |

**Percentage of roads with
2.5 or better
condition**

| <u>Road and Bridge District</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| District 1 | --- % | --- % | --- % | --- % | --- % |
| District 2 | 100.0 | 97.5 | 97.5 | 98.5 | 100.0 |
| District 3 | 95.7 | 97.9 | 94.4 | 95.8 | 97.1 |
| District 4 | 66.7 (a) | 100.0 | 100.0 | 100.0 | 100.0 |
| Overall System | 87.5% | 98.5% | 95.0% | 96.2% | 99.3% |

(a) Maintenance deferred until TxDot and DART construction adjacent to County road is complete.

Comparison of Estimated to Actual Maintenance Costs

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Estimated | \$ 962 | \$962 | \$1,026 | \$1,100 | \$1,100 |
| Actual | 1,701 | 1,238 | 1,149 | 1,038 | 1,340 |

DALLAS COUNTY, TEXAS
 Required Supplementary Information
 (Unaudited)
 Infrastructure Assets Under Modified Approach
 September 30, 2008
 (in thousands of dollars)

Bridges

| | <u>Rating</u> | <u>Number</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Very good | 6.0 – 9.0 | 36 | 97% | 92% | 93% | 86% | 76% |
| Good | 4.0 – 5.9 | 1 | 3 | 8 | 7 | 14 | 24 |
| Fair | 3.0 – 3.9 | --- | --- | --- | --- | --- | --- |
| Poor | 0.0 – 2.9 | --- | --- | --- | --- | --- | --- |
| Total | | <u>37</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

The condition of the County’s bridges is determined using the State of Texas Bridge Inventory Inspection System (BRINSAP). A numerical condition range 0.0 (beyond repair) to 9.0 (excellent condition) is used to assess each of seven elements of the structure. These include deck, superstructure, substructure, channel, culvert, approaches, and miscellaneous items.

Public Works bridge inventory reported 37 and 38 bridges for the years ending September 30, 2008 and 2007, respectively. One bridge was annexed by the City of Wilmer during fiscal 2008. Net decrease to infrastructure assets was \$374.

County’s policy is to maintain bridges at the 4.0 – 5.9 level. Consistent with County policy, the above chart shows that 97% of the County’s bridges are in very good or better condition and the rest are in good condition.

Comparison of Estimated to Actual Maintenance Costs

| | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------|-------------|-------------|-------------|-------------|-------------|
| Estimated | \$1,000 | \$1,348 | \$1,000 | \$18 | \$12 |
| Actual | 230 | 337 | 202 | 15 | 12 |

DALLAS COUNTY, TEXAS
Required Supplementary Information
(Unaudited)
Primary Government

Schedule of Funding Progress
for the Retirement Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded OAAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll {((b-a)/c)} |
|-----------------------------|--|---|-------------------------------------|--------------------------|---------------------------|---|
| December 31, 2005 | \$ 715,013 | \$ 791,643 | \$ (76,630) | 90.32% | \$ 245,948 | (31.16)% |
| December 31, 2006 | 797,277 | 850,390 | (53,113) | 93.75 | 279,800 | (18.98) |
| December 31, 2007 | 861,802 | 915,681 | (53,879) | 94.12 | 306,761 | (17.56) |

Schedule of Funding Progress
for Other Postemployment Benefits Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded OAAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll {((b-a)/c)} |
|-----------------------------|--|---|-------------------------------------|--------------------------|---------------------------|---|
| October 1, 2005 | N/A | N/A | N/A | N/A | N/A | N/A |
| October 1, 2006 | N/A | N/A | N/A | N/A | N/A | N/A |
| October 1, 2007 | \$ 0 | \$ 165,000 | \$ (165,000) | 0% | \$ 288,600 | (57.2)% |

Note: The above table is for GASB 45 disclosure reporting requirements effective beginning with fiscal year 2008. For additional information see Note VIII on page 56.

DALLAS COUNTY, TEXAS
Required Supplementary Information
(Unaudited)
Discretely Presented Component Unit

Three-Year Historical Trend Beginning January 1, 2006
Schedule of Funding Progress of Defined Benefit Pension Plan
(in thousands of dollars)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded OAAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll {((b-a)/c)} |
|-----------------------------|--|---|-------------------------------------|--------------------------|---------------------------|---|
| December 31, 2006 | \$ 338,161 | \$ 377,881 | \$ (39,720) | 89.5% | \$ 285,265 | (13.9)% |
| December 31, 2007 | 383,100 | 410,600 | (27,500) | 93.3 | 331,200 | (8.3) |
| December 31, 2008 | 432,300 | 460,600 | (28,300) | 93.9 | 373,100 | (7.1) |

Schedule of Funding Progress
for Other Postemployment Benefits Plan

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded OAAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll {((b-a)/c)} |
|-----------------------------|--|---|-------------------------------------|--------------------------|---------------------------|---|
| December 31, 2005 | N/A | N/A | N/A | N/A | N/A | N/A |
| December 31, 2006 | N/A | N/A | N/A | N/A | N/A | N/A |
| December 31, 2007 | 0 | \$ 18,000 | \$ (18,000) | 0% | \$ 401,000 | (4.5)% |

SUPPLEMENTARY INFORMATION

DALLAS COUNTY, TEXAS
NON-MAJOR GOVERNMENT FUNDS
SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects funded by bond sales) that are legally restricted to expenditures for specified purposes. The following are the County's Special Revenue Funds:

Road and Bridge - used to account for the receipt and disbursement of funds designated for construction and maintenance of County roads and bridges other than specific improvement programs for which road bonds are issued.

Permanent Improvement Fund - receives an allocation of property taxes for building maintenance and construction of permanent improvements.

Law Library Fund - used to account for a statutory fee from each civil case filed in a County or District Court that is restricted to the establishment and maintenance of a law library for the use of the judges and litigants of the County.

Payroll Fund – a clearing fund used to account for transfers of salary expense from budgetary funds and the issuance of paychecks to individual employees.

Major Technology - used to account for monies received from property taxes that are dedicated to improvement of the County's computer systems.

District Attorney - HIDTA/Federal Sharing – used to account for funds from participation in the Dallas Area “High Intensity Drug Traffic Area.”

District Attorney Special Fund - used to account for funds to be used at the discretion of the District Attorney.

District Attorney Forfeiture Funds - used to account for money and property forfeited in criminal seizures. Funds are to be used for criminal justice.

Historical Commission - used to account for donations and other funds received for the preservation of historical landmarks.

Historical Exhibit Fund - used to account for proceeds from the John F. Kennedy Sixth Floor Exhibit.

Alternative Dispute Resolution Fund - used to account for filing fees imposed on civil court cases for the purpose of funding a system for the peaceable and expeditious resolution of citizen disputes.

Appellate Justice System Fund - used to account for fees collected on civil cases filed in the County for the purpose of assisting the court of appeals, including costs incurred by a county within the judicial district.

HUD Section 8 Fund – used to account for federal awards from HUD for Section 8 activity.

DALLAS COUNTY, TEXAS
NON-MAJOR GOVERNMENT FUNDS
SPECIAL REVENUE FUNDS

Capital Projects Funds

The Capital Projects Funds are used to account for proceeds from bond issues specifically designated for capital expenditures. The following are the County's Capital Projects Funds:

Tax and Revenue:

Tax and Parking Garage Revenue, Series 2006 – used to acquire, construct, and equip County jail facilities as a replacement for the Kays Jail facilities and the County's existing Institute of Forensic Sciences building.

Tax Refunding Bonds, Series 2005 – used to partially refund Tax Road Bonds, Series 1996 and Tax Road Bonds, Series 2000.

Tax and Revenue, Series 2004 - used to construct and equip the underground Historical Plaza Parking Garage and to expand the County's underground parking adjacent to the George Allen Building.

Certifications of Obligation Fund - used to finance certain equipment purchases and capital improvements to County facilities.

Permanent Improvement Bonds - used to account for proceeds from improvements to various County buildings, in addition to the acquisition and improvement of open-space land.

Road Bond Funds - used to account for proceeds from bonds issued for the purchase of right-of-way and for the subsequent construction and maintenance of roads and bridges throughout the County.

DALLAS COUNTY, TEXAS

Combining Balance Sheet
 Non-major Governmental Funds
 September 30, 2008
 (in thousands of dollars)

Special Revenue - Continued

| | | | | | | District Attorney | | District Attorney Forfeitures | | | Historical Commission |
|--|--------------------|--------------------------|----------------|-----------------|---------------------|-------------------|---------------|-------------------------------|---------------|---------------|--------------------------|
| | Road and Bridge | Permanent Improvement | Law Library | Payroll Fund | Major Technology | HIDTA Federal | Special | Federal | State | Other | |
| ASSETS | | | | | | | | | | | |
| Cash and investments | \$ 16,213 | \$ 1,556 | \$ 582 | \$ - | \$ 5,699 | \$ 186 | \$ 215 | \$ 884 | \$ 605 | \$ 112 | \$ 13 |
| Receivables: | | | | | | | | | | | |
| Taxes - current | - | 3,341 | - | - | 22,598 | - | - | - | - | - | - |
| Less allowance for uncollectible | - | (291) | - | - | (1,412) | - | - | - | - | - | - |
| Net taxes receivable | - | 3,050 | - | - | 21,186 | - | - | - | - | - | - |
| Accounts | 277,216 | - | 2,874 | - | - | - | - | - | - | - | - |
| Less allowance for uncollectible | (270,872) | - | (2,837) | - | - | - | - | - | - | - | - |
| Net accounts receivable | 6,344 | - | 37 | - | - | - | - | - | - | - | - |
| Accrued interest | 102 | 10 | - | - | 36 | - | - | - | - | - | - |
| Due from other governmental units | - | - | - | - | - | - | - | - | - | - | - |
| Inventories | 334 | - | - | - | - | - | - | - | - | - | - |
| Prepayments and advances | 42 | - | 5 | - | - | - | - | - | - | - | - |
| Total assets | \$ 23,035 | \$ 4,616 | \$ 624 | \$ - | \$ 26,921 | \$ 186 | \$ 215 | \$ 884 | \$ 605 | \$ 112 | \$ 13 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts payable | \$ 271 | \$ 54 | \$ 26 | \$ - | \$ 1,304 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | 2 | 8 | - | - | - | - | - | - | - | - |
| Due to other governmental units | 3,059 | - | - | - | - | - | - | - | - | - | - |
| Deferred and unearned revenue | 5,481 | 3,045 | 37 | - | 21,144 | - | - | - | - | - | - |
| Total liabilities | 8,811 | 3,101 | 71 | - | 22,448 | - | - | - | - | - | - |
| FUND BALANCES | | | | | | | | | | | |
| Reserved for encumbrances | - | - | - | - | 1,737 | - | - | - | - | - | - |
| Reserved for inventories | 334 | - | - | - | - | - | - | - | - | - | - |
| Reserved for prepayments, advances and change funds | 42 | - | 5 | - | - | - | - | - | - | - | - |
| Reserved for HUD Section 8 Grants | - | - | - | - | - | - | - | - | - | - | - |
| Unreserved special revenue funds | 13,848 | 1,515 | 548 | - | 2,736 | 186 | 215 | 884 | 605 | 112 | 13 |
| Unreserved capital project funds | - | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | 14,224 | 1,515 | 553 | - | 4,473 | 186 | 215 | 884 | 605 | 112 | 13 |
| Total liabilities and fund balances | \$ 23,035 | \$ 4,616 | \$ 624 | \$ - | \$ 26,921 | \$ 186 | \$ 215 | \$ 884 | \$ 605 | \$ 112 | \$ 13 |

DALLAS COUNTY, TEXAS

Combining Balance Sheet

Non-major Governmental Funds

September 30, 2008

(in thousands of dollars)

Special Revenue - Continued

| | Historical Exhibit | Alternative Dispute Resolution | Appellate Justice System | HUD Section 8 Grants | Total |
|--|-------------------------------|---|---|-------------------------------------|------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 210 | \$ 1,132 | \$ 659 | \$ 7,059 | \$ 35,125 |
| Receivables: | | | | | |
| Taxes - current | - | - | - | - | 25,939 |
| Less allowance for uncollectible | - | - | - | - | (1,703) |
| Net taxes receivable | - | - | - | - | 24,236 |
| Accounts | 86 | 2,235 | 867 | - | 283,278 |
| Less allowance for uncollectible | - | (2,197) | (831) | - | (276,737) |
| Net accounts receivable | 86 | 38 | 36 | - | 6,541 |
| Accrued interest | - | 7 | - | - | 155 |
| Due from other governmental units | - | - | - | 232 | 232 |
| Inventories | - | - | - | - | 334 |
| Prepayments and advances | - | - | - | - | 47 |
| Total assets | <u>\$ 296</u> | <u>\$ 1,177</u> | <u>\$ 695</u> | <u>\$ 7,291</u> | <u>\$ 66,670</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 11 | \$ 2 | \$ 21 | \$ 157 | \$ 1,846 |
| Due to other funds | - | - | - | 21 | 31 |
| Due to other governmental units | - | - | - | - | 3,059 |
| Deferred and unearned revenue | - | 39 | 10 | - | 29,756 |
| Total liabilities | 11 | 41 | 31 | 178 | 34,692 |
| FUND BALANCES | | | | | |
| Reserved for encumbrances | - | 1 | - | 17 | 1,755 |
| Reserved for inventories | - | - | - | - | 334 |
| Reserved for prepayments, advances and change funds | 2 | - | - | - | 49 |
| Reserved for HUD Section 8 Grants | - | - | - | 7,096 | 7,096 |
| Unreserved special revenue funds | 283 | 1,135 | 664 | - | 22,744 |
| Unreserved capital project funds | - | - | - | - | - |
| Total fund balances | 285 | 1,136 | 664 | 7,113 | 31,978 |
| Total liabilities and fund balances | <u>\$ 296</u> | <u>\$ 1,177</u> | <u>\$ 695</u> | <u>\$ 7,291</u> | <u>\$ 66,670</u> |

DALLAS COUNTY, TEXAS

Combining Balance Sheet
 Non-major Governmental Funds
 September 30, 2008
 (in thousands of dollars)

Capital Projects - Concluded

| | Tax and Revenue | Tax and Parking | Certificates of Obligation | Permanent Improvement | Roads | Total | Total Non-major Governmental Funds |
|--|----------------------------|----------------------------|---|----------------------------------|------------------|------------------|---|
| ASSETS | | | | | | | |
| Cash and investments | \$ 19 | \$ - | \$ 353 | \$ 1,283 | \$ 21,319 | \$ 22,974 | \$ 58,099 |
| Receivables: | | | | | | | |
| Taxes - current | - | - | - | - | - | - | 25,939 |
| Less allowance for uncollectible | - | - | - | - | - | - | (1,703) |
| Net taxes receivable | - | - | - | - | - | - | 24,236 |
| Accounts | - | - | - | - | - | - | 283,278 |
| Less allowance for uncollectible | - | - | - | - | - | - | (276,737) |
| Net accounts receivable | - | - | - | - | - | - | 6,541 |
| Accrued interest | - | - | - | - | - | - | 155 |
| Due from other governmental units | - | - | - | - | 4,698 | 4,698 | 4,930 |
| Inventories | - | - | - | - | - | - | 334 |
| Prepayments and advances | - | - | - | - | - | - | 47 |
| Total assets | <u>\$ 19</u> | <u>\$ -</u> | <u>\$ 353</u> | <u>\$ 1,283</u> | <u>\$ 26,017</u> | <u>\$ 27,672</u> | <u>\$ 94,342</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities : | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 1 | \$ 2 | \$ 665 | \$ 668 | \$ 2,514 |
| Due to other funds | - | - | - | - | - | - | 31 |
| Due to other governmental units | - | - | - | - | 235 | 235 | 3,294 |
| Deferred and unearned revenue | - | - | - | - | - | - | 29,756 |
| Total liabilities | - | - | 1 | 2 | 900 | 903 | 35,595 |
| FUND BALANCES | | | | | | | |
| Reserved for encumbrances | 2 | - | 9 | 152 | 13,549 | 13,712 | 15,467 |
| Reserved for inventories | - | - | - | - | - | - | 334 |
| Reserved for prepayments, advances and change funds | - | - | - | - | - | - | 49 |
| Reserved for HUD Section 8 Grants | - | - | - | - | - | - | 7,096 |
| Unreserved special revenue funds | - | - | - | - | - | - | 22,744 |
| Unreserved capital project funds | 17 | - | 343 | 1,129 | 11,568 | 13,057 | 13,057 |
| Total fund balances | <u>19</u> | <u>-</u> | <u>352</u> | <u>1,281</u> | <u>25,117</u> | <u>26,769</u> | <u>58,747</u> |
| Total liabilities and fund balances | <u>\$ 19</u> | <u>\$ -</u> | <u>\$ 353</u> | <u>\$ 1,283</u> | <u>\$ 26,017</u> | <u>\$ 27,672</u> | <u>\$ 94,342</u> |

DALLAS COUNTY, TEXAS
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2008
(in thousands of dollars)

Special Revenue - Continued

| | Road and Bridge | Permanent Improvement | Law Library | Major Technology | District Attorney | | District Attorney Forfeitures | | |
|--|----------------------------|----------------------------------|------------------------|-----------------------------|--------------------------|----------------|--------------------------------------|---------------|---------------|
| | | | | | HIDTA Federal | Special | Federal | State | Other |
| REVENUES | | | | | | | | | |
| Property taxes | \$ - | \$ 2,812 | \$ - | \$ 19,682 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Highway license fees | 30,866 | - | - | - | - | - | - | - | - |
| Fines and forfeitures | 8,950 | - | - | - | - | - | - | - | - |
| Investment income | 434 | - | 21 | 230 | 6 | - | 25 | 16 | 4 |
| Intergovernmental revenues | - | - | - | - | - | - | - | - | - |
| Charges for current services | 3,453 | - | 882 | - | - | - | - | - | - |
| Miscellaneous | 543 | - | - | - | 5 | 380 | 130 | 525 | - |
| Total revenues | 44,246 | 2,812 | 903 | 19,912 | 11 | 380 | 155 | 541 | 4 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | 1,773 | - | 20,365 | - | - | - | - | - |
| Judicial | - | - | 1,063 | - | - | 518 | 202 | 311 | 6 |
| Highways and streets | 10,238 | - | - | - | - | - | - | - | - |
| Public welfare | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | - | - |
| Total expenditures | 10,238 | 1,773 | 1,063 | 20,365 | - | 518 | 202 | 311 | 6 |
| Excess (deficiency) of revenues over (under) expenditures | 34,008 | 1,039 | (160) | (453) | 11 | (138) | (47) | 230 | (2) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers (out) | (31,807) | - | - | - | - | - | - | (60) | - |
| Total other financing sources (uses) | (31,807) | - | - | - | - | - | - | (60) | - |
| Net change in fund balance | 2,201 | 1,039 | (160) | (453) | 11 | (138) | (47) | 170 | (2) |
| Fund balance - beginning | 12,023 | 476 | 713 | 4,926 | 175 | 353 | 931 | 435 | 114 |
| Fund balance - ending | \$ 14,224 | \$ 1,515 | \$ 553 | \$ 4,473 | \$ 186 | \$ 215 | \$ 884 | \$ 605 | \$ 112 |

DALLAS COUNTY, TEXAS
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2008
(in thousands of dollars)

Special Revenue - Continued

| | <u>Historical Commission</u> | <u>Historical Exhibit</u> | <u>Alternative Dispute Resolution</u> | <u>Appellate Justice System</u> | <u>HUD Section 8 Grants</u> | <u>Total</u> |
|--|----------------------------------|-------------------------------|---|---|-------------------------------------|------------------|
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 22,494 |
| Highway license fees | - | - | - | - | - | 30,866 |
| Fines and forfeitures | - | - | - | - | - | 8,950 |
| Investment income | - | 13 | 20 | 22 | 229 | 1,020 |
| Intergovernmental revenues | - | - | - | - | 26,184 | 26,184 |
| Charges for current services | - | 2,714 | 933 | 301 | - | 8,283 |
| Miscellaneous | - | - | - | - | - | 1,583 |
| Total revenues | <u>-</u> | <u>2,727</u> | <u>953</u> | <u>323</u> | <u>26,413</u> | <u>99,380</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 1 | 2,722 | - | - | - | 24,861 |
| Judicial | - | - | 422 | 204 | - | 2,726 |
| Highways and streets | - | - | - | - | - | 10,238 |
| Public welfare | - | - | - | - | 24,787 | 24,787 |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | <u>1</u> | <u>2,722</u> | <u>422</u> | <u>204</u> | <u>24,787</u> | <u>62,612</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1)</u> | <u>5</u> | <u>531</u> | <u>119</u> | <u>1,626</u> | <u>36,768</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers (out) | <u>-</u> | <u>(150)</u> | <u>(168)</u> | <u>(125)</u> | <u>-</u> | <u>(32,310)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>(150)</u> | <u>(168)</u> | <u>(125)</u> | <u>-</u> | <u>(32,310)</u> |
| Net change in fund balance | (1) | (145) | 363 | (6) | 1,626 | 4,458 |
| Fund balance - beginning | 14 | 430 | 773 | 670 | 5,487 | 27,520 |
| Fund balance - ending | <u>\$ 13</u> | <u>\$ 285</u> | <u>\$ 1,136</u> | <u>\$ 664</u> | <u>\$ 7,113</u> | <u>\$ 31,978</u> |

DALLAS COUNTY, TEXAS
Combining Statements of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended September 30, 2008
(in thousands of dollars)

Capital Projects - Concluded

| | <u>Tax and Revenue</u> | <u>Tax and Parking</u> | <u>Certificates of Obligation</u> | <u>Permanent Improvement</u> | <u>Roads</u> | <u>Total</u> | <u>Total Non-major Governmental Funds</u> |
|--|----------------------------|----------------------------|---------------------------------------|----------------------------------|------------------|------------------|---|
| REVENUES | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 22,494 |
| Highway license fees | - | - | - | - | - | - | 30,866 |
| Fines and forfeitures | - | - | - | - | - | - | 8,950 |
| Investment income | - | - | - | - | - | - | 1,020 |
| Intergovernmental revenues | - | - | - | - | 1,557 | 1,557 | 27,741 |
| Charges for current services | - | - | - | - | - | - | 8,283 |
| Miscellaneous | - | - | - | - | - | - | 1,583 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,557</u> | <u>1,557</u> | <u>100,937</u> |
| Total revenues | - | - | - | - | 1,557 | 1,557 | 100,937 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | 24,861 |
| Judicial | - | - | - | - | - | - | 2,726 |
| Highways and streets | - | - | - | - | - | - | 10,238 |
| Public welfare | - | - | - | - | - | - | 24,787 |
| Capital outlay | 2 | - | 27 | 1 | 8,071 | 8,101 | 8,101 |
| | <u>2</u> | <u>-</u> | <u>27</u> | <u>1</u> | <u>8,071</u> | <u>8,101</u> | <u>70,713</u> |
| Total expenditures | 2 | - | 27 | 1 | 8,071 | 8,101 | 70,713 |
| Excess (deficiency) of revenues over (under) expenditures | (2) | - | (27) | (1) | (6,514) | (6,544) | 30,224 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers (out) | - | (25,009) | - | - | (500) | (25,509) | (57,819) |
| Total other financing sources (uses) | - | (25,009) | - | - | (500) | (25,509) | (57,819) |
| Net change in fund balance | (2) | (25,009) | (27) | (1) | (7,014) | (32,053) | (27,595) |
| Fund balance - beginning | 21 | 25,009 | 379 | 1,282 | 32,131 | 58,822 | 86,342 |
| Fund balance - ending | <u>\$ 19</u> | <u>\$ -</u> | <u>\$ 352</u> | <u>\$ 1,281</u> | <u>\$ 25,117</u> | <u>\$ 26,769</u> | <u>\$ 58,747</u> |

DALLAS COUNTY, TEXAS
Debt Service Fund - County Wide - Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 30,449 | \$ 30,449 | \$ 29,766 | \$ (683) |
| Investments and rentals | 5,907 | 5,907 | 1,667 | (4,240) |
| Intergovernmental revenues | 1 | 1 | - | (1) |
| Charges for current services | - | - | 1,127 | 1,127 |
| Miscellaneous | - | - | 7 | 7 |
| Total revenues | <u>36,357</u> | <u>36,357</u> | <u>32,567</u> | <u>(3,790)</u> |
| EXPENDITURES: | | | | |
| Principal | 27,915 | 27,915 | 27,915 | - |
| Interest | <u>8,902</u> | <u>8,902</u> | <u>8,902</u> | <u>-</u> |
| Total expenditures | <u>36,817</u> | <u>36,817</u> | <u>36,817</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(460)</u> | <u>(460)</u> | <u>(4,250)</u> | <u>(3,790)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>1,873</u> | <u>1,873</u> | <u>-</u> | <u>(1,873)</u> |
| Total other financing sources (uses) | <u>1,873</u> | <u>1,873</u> | <u>-</u> | <u>(1,873)</u> |
| Net change in fund balance | 1,413 | 1,413 | (4,250) | (5,663) |
| Fund balance - beginning | <u>7,631</u> | <u>7,631</u> | <u>7,631</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 9,044</u> | <u>\$ 9,044</u> | <u>\$ 3,381</u> | <u>\$ (5,663)</u> |

(Continued)

DALLAS COUNTY, TEXAS
Road and Bridge Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Highway license fees | \$ 30,574 | \$ 30,574 | \$ 30,866 | \$ 292 |
| Fines and forfeitures | 9,852 | 9,852 | 8,950 | (902) |
| Investment income | 1,153 | 1,153 | 434 | (719) |
| Charges for current services | 2,102 | 2,102 | 3,453 | 1,351 |
| Miscellaneous | 154 | 154 | 543 | 389 |
| Total revenues | <u>43,835</u> | <u>43,835</u> | <u>44,246</u> | <u>411</u> |
| EXPENDITURES: | | | | |
| Highways and streets: | | | | |
| Salaries | 5,395 | 5,337 | 5,141 | 196 |
| Allowances | 43 | 39 | 39 | - |
| Operating | 10,988 | 11,008 | 4,539 | 6,469 |
| Property | 1,000 | 1,523 | 519 | 1,004 |
| Total highways and streets | <u>17,426</u> | <u>17,907</u> | <u>10,238</u> | <u>7,669</u> |
| Reserves | 4,391 | 3,837 | - | 3,837 |
| Total expenditures | <u>21,817</u> | <u>21,744</u> | <u>10,238</u> | <u>11,506</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>22,018</u> | <u>22,091</u> | <u>34,008</u> | <u>11,917</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(32,941)</u> | <u>(33,014)</u> | <u>(31,807)</u> | <u>1,207</u> |
| Total other financing sources (uses) | <u>(32,941)</u> | <u>(33,014)</u> | <u>(31,807)</u> | <u>1,207</u> |
| Net change in fund balance | (10,923) | (10,923) | 2,201 | 13,124 |
| Fund balance - beginning | <u>12,023</u> | <u>12,023</u> | <u>12,023</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 1,100</u> | <u>\$ 1,100</u> | <u>\$ 14,224</u> | <u>\$ 13,124</u> |

DALLAS COUNTY, TEXAS
 Permanent Improvement Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2008
 (in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 2,874 | \$ 2,874 | \$ 2,812 | \$ (62) |
| Total revenues | <u>2,874</u> | <u>2,874</u> | <u>2,812</u> | <u>(62)</u> |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Property | 2,974 | 2,974 | 1,773 | 1,201 |
| Total expenditures | <u>2,974</u> | <u>2,974</u> | <u>1,773</u> | <u>1,201</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(100)</u> | <u>(100)</u> | <u>1,039</u> | <u>1,139</u> |
| Net change in fund balance | (100) | (100) | 1,039 | 1,139 |
| Fund balance - beginning | 476 | 476 | 476 | - |
| Fund balance - ending | <u>\$ 376</u> | <u>\$ 376</u> | <u>\$ 1,515</u> | <u>\$ 1,139</u> |

DALLAS COUNTY, TEXAS
 Law Library Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2008
 (in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 38 | \$ 38 | \$ 21 | \$ (17) |
| Charges for current services | 912 | 912 | 882 | (30) |
| Total revenues | <u>950</u> | <u>950</u> | <u>903</u> | <u>(47)</u> |
| EXPENDITURES: | | | | |
| Judicial: | | | | |
| Salaries | 446 | 465 | 465 | - |
| Operating | 590 | 629 | 598 | 31 |
| Total judicial | <u>1,036</u> | <u>1,094</u> | <u>1,063</u> | <u>31</u> |
| Reserves | 431 | 373 | - | 373 |
| Excess (deficiency) of revenues over (under) expenditures | <u>(517)</u> | <u>(517)</u> | <u>(160)</u> | <u>357</u> |
| Net change in fund balance | (517) | (517) | (160) | 357 |
| Fund balance - beginning | 713 | 713 | 713 | - |
| Fund balance - ending | <u>\$ 196</u> | <u>\$ 196</u> | <u>\$ 553</u> | <u>\$ 357</u> |

DALLAS COUNTY, TEXAS
Major Technology Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------------|------------------------|------------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Property taxes | \$ 20,120 | \$ 20,120 | \$ 19,682 | \$ (438) |
| Investment income | 604 | 604 | 230 | (374) |
| Total revenues | <u>20,724</u> | <u>20,724</u> | <u>19,912</u> | <u>(812)</u> |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Property | 19,748 | 21,619 | 20,365 | 1,254 |
| Reserves | <u>1,871</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>21,619</u> | <u>21,619</u> | <u>20,365</u> | <u>1,254</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(895)</u> | <u>(895)</u> | <u>(453)</u> | <u>442</u> |
| Net change in fund balance | (895) | (895) | (453) | 442 |
| Fund balance - beginning | <u>4,926</u> | <u>4,926</u> | <u>4,926</u> | <u>-</u> |
| Fund balance - ending | <u><u>\$ 4,031</u></u> | <u><u>\$ 4,031</u></u> | <u><u>\$ 4,473</u></u> | <u><u>\$ 442</u></u> |

(Continued)

DALLAS COUNTY, TEXAS
 Historical Commission Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2008
 (in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-------|-------------------|---|
| | Original | Final | | |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Operating | 10 | 10 | 1 | 9 |
| Total expenditures | 10 | 10 | 1 | 9 |
| Excess (deficiency) of revenues over (under) expenditures | (10) | (10) | (1) | 9 |
| Net change in fund balance | (10) | (10) | (1) | 9 |
| Fund balance - beginning | 14 | 14 | 14 | - |
| Fund balance - ending | \$ 4 | \$ 4 | \$ 13 | \$ 9 |

DALLAS COUNTY, TEXAS
Historical Exhibit Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 22 | \$ 22 | \$ 13 | \$ (9) |
| Charges for current services | <u>2,814</u> | <u>2,814</u> | <u>2,714</u> | <u>(100)</u> |
| Total revenues | <u>2,836</u> | <u>2,836</u> | <u>2,727</u> | <u>(109)</u> |
| EXPENDITURES: | | | | |
| General government: | | | | |
| Operating | <u>2,920</u> | <u>2,920</u> | <u>2,722</u> | <u>198</u> |
| Total expenditures | <u>2,920</u> | <u>2,920</u> | <u>2,722</u> | <u>198</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(84)</u> | <u>(84)</u> | <u>5</u> | <u>89</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(150)</u> | <u>(150)</u> | <u>(150)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(150)</u> | <u>(150)</u> | <u>(150)</u> | <u>-</u> |
| Net change in fund balance | (234) | (234) | (145) | 89 |
| Fund balance - beginning | <u>430</u> | <u>430</u> | <u>430</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 196</u> | <u>\$ 196</u> | <u>\$ 285</u> | <u>\$ 89</u> |

DALLAS COUNTY, TEXAS
Alternative Dispute Resolution Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 45 | \$ 45 | \$ 20 | \$ (25) |
| Charges for current services | 917 | 917 | 933 | 16 |
| Total revenues | <u>962</u> | <u>962</u> | <u>953</u> | <u>(9)</u> |
| EXPENDITURES: | | | | |
| Judicial: | | | | |
| Salaries | 79 | 79 | 72 | 7 |
| Operating | <u>352</u> | <u>352</u> | <u>350</u> | <u>2</u> |
| Total expenditures | 431 | 431 | 422 | 9 |
| Excess of revenues over expenditures | <u>531</u> | <u>531</u> | <u>531</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(168)</u> | <u>(168)</u> | <u>(168)</u> | <u>-</u> |
| Total other financing sources and (uses) | <u>(168)</u> | <u>(168)</u> | <u>(168)</u> | <u>-</u> |
| Net change in fund balances | 363 | 363 | 363 | - |
| Fund balances - beginning | <u>773</u> | <u>773</u> | <u>773</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 1,136</u> | <u>\$ 1,136</u> | <u>\$ 1,136</u> | <u>\$ -</u> |

DALLAS COUNTY, TEXAS
Appellate Justice System Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 37 | \$ 37 | \$ 22 | \$ (15) |
| Charges for current services | 370 | 370 | 301 | (69) |
| Total revenues | <u>407</u> | <u>407</u> | <u>323</u> | <u>(84)</u> |
| EXPENDITURES: | | | | |
| Judicial: | | | | |
| Operating | 447 | 447 | 204 | 243 |
| Total judicial | <u>447</u> | <u>447</u> | <u>204</u> | <u>243</u> |
| Reserves | 375 | 375 | - | 375 |
| Total expenditures | <u>822</u> | <u>822</u> | <u>204</u> | <u>618</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(415)</u> | <u>(415)</u> | <u>119</u> | <u>534</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(125)</u> | <u>(125)</u> | <u>(125)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(125)</u> | <u>(125)</u> | <u>(125)</u> | <u>-</u> |
| Net change in fund balance | (540) | (540) | (6) | 534 |
| Fund balance - beginning | <u>670</u> | <u>670</u> | <u>670</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 130</u> | <u>\$ 130</u> | <u>\$ 664</u> | <u>\$ 534</u> |

DALLAS COUNTY, TEXAS
 HUD Section 8 Grants Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2008
 (in thousands of dollars)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Investment income | \$ 287 | \$ 287 | \$ 229 | \$ (58) |
| Intergovernmental revenues | 26,253 | 26,253 | 26,184 | (69) |
| Total revenues | <u>26,540</u> | <u>26,540</u> | <u>26,413</u> | <u>(127)</u> |
| EXPENDITURES: | | | | |
| Public welfare | 26,948 | 26,948 | 24,787 | 2,161 |
| Total expenditures | <u>26,948</u> | <u>26,948</u> | <u>24,787</u> | <u>2,161</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(408)</u> | <u>(408)</u> | 1,626 | 2,034 |
| Net change in fund balance | (408) | (408) | 1,626 | 2,034 |
| Fund balance - beginning | <u>5,487</u> | <u>5,487</u> | <u>5,487</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 5,079</u> | <u>\$ 5,079</u> | <u>\$ 7,113</u> | <u>\$ 2,034</u> |



FIDUCIARY SECTION

DALLAS COUNTY, TEXAS
FIDUCIARY – AGENCY FUNDS

Agency Funds are used to account for assets held by the County in an agency capacity for individuals, private organizations, other governmental units and/or other funds. The following are the County's Agency Funds:

Escrow Fund - used to account for miscellaneous amounts temporarily held for other individuals or entities outside control of commissioners court.

Juvenile Probation Commission Fund – advance funding from State to satisfy special conditions of grant award.

State Reports Fund - used to account for state fees collected by the County and subsequently disbursed to the State.

County Clerk, District Clerk, Sheriff, Justices of the Peace and Constables Fee Funds - used to account for monies received with ultimate disposition of receipts to be determined at a future date.

Community Supervision and Corrections - used to account for the activities of a State agency with funds in the County depository.

Housing Finance Corporation - 1993 Refunding - used to account for monies received as a result of refunding of 1983 Mortgage Revenue bonds issued by Dallas County Housing Finance Corporation.

Juvenile Department Child Support - used to account for money held for other parties in the child support program in accordance with court orders.

Housing Finance Corporation - 1994 Refunding - used to account for monies received as a result of refunding 1984 Mortgage Revenue Bonds issued by Dallas County Housing Finance Corporation.

Community Supervision and Corrections Special - used to account for the receipt and distribution of restitution payments made by probationers.

Youth Village - used to account for donated money to be used for the benefit of youths temporarily housed in the facility.

Tax Assessor-Collector - used to account for initial receipt and distribution to proper parties of taxes and fees collected for various entities of government.

Police Agencies Forfeiture Funds - used to account for seized monies awaiting judicial determination for local police agencies.

Attorney General Forfeiture Funds. - used to account for seized monies awaiting judicial determination for the Attorney General.

Gambling Forfeiture Funds - used to account for seized monies for gambling awaiting judicial determination for the Department of Public Safety.

Narcotics Forfeiture Funds - used to account for seized monies for narcotics awaiting judicial determination for the Department of Public Safety.

DALLAS COUNTY, TEXAS
 Combining Statement of Fiduciary Assets and Liabilities- Agency Funds - continued
 September 30, 2008
 (in thousands of dollars)

| | <u>Fee Office Funds</u> | | | | | | <u>Fee Office Funds</u> | | | Housing Finance Corporation 1993 Refunding |
|--|---|---|--------------------------|-------------------------|---------------------------|----------------------|--|--------------------------------------|---------------------|---|
| | Administrative Fund Escrow | Grant Fund Juvenile Probation Commission | State Reports | County Clerk | District Clerk | Sheriff | Community Supervision and Corrections | Justices of the Peace | Constables | |
| Assets: | | | | | | | | | | |
| Cash and investments | \$ 34,247 | \$ 228 | \$5,304 | \$ 63,407 | \$14,097 | \$ 901 | \$ 10,152 | \$ 3,138 | \$ 98 | \$ 129 |
| Accrued interest | 216 | 1 | - | - | - | - | 5 | - | - | - |
| Cash and investments held in escrow | 9,375 | - | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ 43,838</u> | <u>\$ 229</u> | <u>\$5,304</u> | <u>\$ 63,407</u> | <u>\$14,097</u> | <u>\$ 901</u> | <u>\$ 10,157</u> | <u>\$ 3,138</u> | <u>\$ 98</u> | <u>\$ 129</u> |
| Liabilities: | | | | | | | | | | |
| Due to other governmental units and others | \$ 43,838 | \$ 229 | \$5,304 | \$ 63,407 | \$14,097 | \$ 901 | \$ 10,157 | \$ 3,138 | \$ 98 | \$ 129 |
| Total liabilities | <u>\$ 43,838</u> | <u>\$ 229</u> | <u>\$5,304</u> | <u>\$ 63,407</u> | <u>\$14,097</u> | <u>\$ 901</u> | <u>\$ 10,157</u> | <u>\$ 3,138</u> | <u>\$ 98</u> | <u>\$ 129</u> |

DALLAS COUNTY, TEXAS
 Combining Statement of Fiduciary Assets and Liabilities- Agency Funds - continued
 September 30, 2008
 (in thousands of dollars)

| | <u>Departmental Special Funds</u> | | | | | <u>District Attorney Forfeiture Funds</u> | | | | <u>Total</u> |
|--|--|---|--|--------------------------|---|---|-----------------------------|-----------------|------------------|-------------------|
| | <u>Juvenile Department Child Support</u> | <u>Housing Finance Corporation - 1994 Refunding</u> | <u>Community Supervision and Corrections Special</u> | <u>Youth Village</u> | <u>Tax Assessor - Collector</u> | <u>Police Agencies</u> | <u>Attorney General</u> | <u>Gambling</u> | <u>Narcotics</u> | |
| Assets: | | | | | | | | | | |
| Cash and investments | \$ 285 | \$ 1,926 | \$ 1,342 | \$ 1 | \$ 50,082 | \$ 31 | \$ 26 | \$ 49 | \$ 120 | \$ 185,563 |
| Accrued interest | - | - | - | - | 3 | - | - | - | - | 225 |
| Cash and investments held in escrow | - | - | - | - | - | - | - | - | - | 9,375 |
| Total assets | <u>\$ 285</u> | <u>\$ 1,926</u> | <u>\$ 1,342</u> | <u>\$ 1</u> | <u>\$ 50,085</u> | <u>\$ 31</u> | <u>\$ 26</u> | <u>\$ 49</u> | <u>\$ 120</u> | <u>\$ 195,163</u> |
| Liabilities: | | | | | | | | | | |
| Due to other governmental units and others | \$ 285 | \$ 1,926 | \$ 1,342 | \$ 1 | \$ 50,085 | \$ 31 | \$ 26 | \$ 49 | \$ 120 | \$ 195,163 |
| Total liabilities | <u>\$ 285</u> | <u>\$ 1,926</u> | <u>\$ 1,342</u> | <u>\$ 1</u> | <u>\$ 50,085</u> | <u>\$ 31</u> | <u>\$ 26</u> | <u>\$ 49</u> | <u>\$ 120</u> | <u>\$ 195,163</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|---|--|------------------|--------------------|---|
| Administrative Fund - Escrow | | | | |
| Assets: | | | | |
| Cash and investments | \$ 30,222 | \$ 31,955 | \$ (27,930) | \$ 34,247 |
| Accrued interest receivable | - | 216 | - | 216 |
| Cash and investments held in escrow | <u>8,803</u> | <u>637</u> | <u>(65)</u> | <u>9,375</u> |
| Total assets | <u>\$ 39,025</u> | <u>\$ 32,808</u> | <u>\$ (27,995)</u> | <u>\$ 43,838</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - administrative | <u>\$ 39,025</u> | <u>\$ 64,699</u> | <u>\$ (59,886)</u> | <u>\$ 43,838</u> |
| Total liabilities | <u>\$ 39,025</u> | <u>\$ 64,699</u> | <u>\$ (59,886)</u> | <u>\$ 43,838</u> |
| Grant Fund - Juvenile Probation Commission | | | | |
| Assets: | | | | |
| Cash and investments | \$ 274 | \$ 656 | \$ (702) | \$ 228 |
| Accrued interest receivable | <u>-</u> | <u>1</u> | <u>-</u> | <u>1</u> |
| Total assets | <u>\$ 274</u> | <u>\$ 657</u> | <u>\$ (702)</u> | <u>\$ 229</u> |
| Liabilities: | | | | |
| Accounts payable - grants | <u>\$ 274</u> | <u>\$ 1,313</u> | <u>\$ (1,358)</u> | <u>\$ 229</u> |
| Total liabilities | <u>\$ 274</u> | <u>\$ 1,313</u> | <u>\$ (1,358)</u> | <u>\$ 229</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Balance October 1, 2007 | Additions | Deductions | Balance September 30, 2008 |
|---|--|------------------|-------------------|---|
| <hr/> Fee Office Fund - State Reports <hr/> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 4,485 | \$ 699,225 | \$ (698,406) | \$ 5,304 |
| Total assets | \$ 4,485 | \$ 699,225 | \$ (698,406) | \$ 5,304 |
| Liabilities: | | | | |
| Due to other governmental units and others - fee office | \$ 4,485 | \$ 20,283 | \$ (19,464) | \$ 5,304 |
| Total liabilities | \$ 4,485 | \$ 20,283 | \$ (19,464) | \$ 5,304 |
| <hr/> Fee Office Fund - County Clerk <hr/> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 43,977 | \$ 188,281 | \$ (168,851) | \$ 63,407 |
| Total assets | \$ 43,977 | \$ 188,281 | \$ (168,851) | \$ 63,407 |
| Liabilities: | | | | |
| Due to other governmental units and others - fee office | \$ 43,977 | \$ 173,916 | \$ (154,486) | \$ 63,407 |
| Total liabilities | \$ 43,977 | \$ 173,916 | \$ (154,486) | \$ 63,407 |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|---|--|------------------|--------------------|---|
| <hr/> Fee Office Fund - District Clerk <hr/> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 17,418 | \$ 57,694 | \$ (61,015) | \$ 14,097 |
| Total assets | <u>\$ 17,418</u> | <u>\$ 57,694</u> | <u>\$ (61,015)</u> | <u>\$ 14,097</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - fee office | \$ 17,418 | \$ 11,823 | \$ (15,144) | \$ 14,097 |
| Total liabilities | <u>\$ 17,418</u> | <u>\$ 11,823</u> | <u>\$ (15,144)</u> | <u>\$ 14,097</u> |
| <hr/> Fee Office Fund - Sheriff <hr/> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,092 | \$ 13,758 | \$ (13,949) | \$ 901 |
| Total assets | <u>\$ 1,092</u> | <u>\$ 13,758</u> | <u>\$ (13,949)</u> | <u>\$ 901</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - fee office | \$ 1,092 | \$ 10,342 | \$ (10,533) | \$ 901 |
| Total liabilities | <u>\$ 1,092</u> | <u>\$ 10,342</u> | <u>\$ (10,533)</u> | <u>\$ 901</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|--|--|------------------|--------------------|---|
| Fee Office Fund - Community Supervision and Corrections | | | | |
| Assets: | | | | |
| Cash and investments | \$ 12,560 | \$ 83,252 | \$ (85,660) | \$ 10,152 |
| Accrued interest receivable | <u>7</u> | <u>30</u> | <u>(32)</u> | <u>5</u> |
| Total assets | <u>\$ 12,567</u> | <u>\$ 83,282</u> | <u>\$ (85,692)</u> | <u>\$ 10,157</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - fee office | <u>\$ 12,567</u> | <u>\$ 40,348</u> | <u>\$ (42,758)</u> | <u>\$ 10,157</u> |
| Total liabilities | <u>\$ 12,567</u> | <u>\$ 40,348</u> | <u>\$ (42,758)</u> | <u>\$ 10,157</u> |
| Fee Office Fund - Justices of the Peace | | | | |
| Assets: | | | | |
| Cash and investments | <u>\$ 2,860</u> | <u>\$ 968</u> | <u>\$ (690)</u> | <u>\$ 3,138</u> |
| Total assets | <u>\$ 2,860</u> | <u>\$ 968</u> | <u>\$ (690)</u> | <u>\$ 3,138</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - fee office | <u>\$ 2,860</u> | <u>\$ 957</u> | <u>\$ (679)</u> | <u>\$ 3,138</u> |
| Total liabilities | <u>\$ 2,860</u> | <u>\$ 957</u> | <u>\$ (679)</u> | <u>\$ 3,138</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Balance October 1, 2007 | Additions | Deductions | Balance September 30, 2008 |
|---|--|------------------|-------------------|---|
| <hr/> Fee Office Fund - Constables <hr/> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 75 | \$ 2,600 | \$ (2,577) | \$ 98 |
| Total assets | \$ 75 | \$ 2,600 | \$ (2,577) | \$ 98 |
| Liabilities: | | | | |
| Due to other governmental units and others - fee office | \$ 75 | \$ 1,376 | \$ (1,353) | \$ 98 |
| Total liabilities | \$ 75 | \$ 1,376 | \$ (1,353) | \$ 98 |
| <hr/> Departmental Special Fund - Housing Finance Corporation - 1993 Refunding <hr/> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 415 | \$ 157,140 | \$ (157,426) | \$ 129 |
| Total assets | \$ 415 | \$ 157,140 | \$ (157,426) | \$ 129 |
| Liabilities: | | | | |
| Due to other governmental units and others - departmental special | \$ 415 | \$ 320 | \$ (606) | \$ 129 |
| Total liabilities | \$ 415 | \$ 320 | \$ (606) | \$ 129 |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|--|--|------------------|-------------------|---|
| Departmental Special Fund - Juvenile Department Child Support | | | | |
| Assets: | | | | |
| Cash and investments | \$ 343 | \$ 114 | \$ (172) | \$ 285 |
| Total assets | <u>\$ 343</u> | <u>\$ 114</u> | <u>\$ (172)</u> | <u>\$ 285</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - departmental special | \$ 343 | \$ 66 | \$ (124) | \$ 285 |
| Total liabilities | <u>\$ 343</u> | <u>\$ 66</u> | <u>\$ (124)</u> | <u>\$ 285</u> |

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|---|--|------------------|-------------------|---|
| Departmental Special Fund - Housing Finance Corporation - 1994 Refunding | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,760 | \$ 1,931 | \$ (1,765) | \$ 1,926 |
| Accrued interest receivable | - | 1 | (1) | - |
| Total assets | <u>\$ 1,760</u> | <u>\$ 1,932</u> | <u>\$ (1,766)</u> | <u>\$ 1,926</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - departmental special | \$ 1,760 | \$ 1,111 | \$ (945) | \$ 1,926 |
| Total liabilities | <u>\$ 1,760</u> | <u>\$ 1,111</u> | <u>\$ (945)</u> | <u>\$ 1,926</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|--|--|------------------|-------------------|---|
| Departmental Special Fund - Community Supervision and Corrections Special | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1,324 | \$ 7,499 | \$ (7,481) | \$ 1,342 |
| Total assets | <u>\$ 1,324</u> | <u>\$ 7,499</u> | <u>\$ (7,481)</u> | <u>\$ 1,342</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - departmental special | \$ 1,324 | \$ 7,587 | \$ (7,569) | 1,342 |
| Total liabilities | <u>\$ 1,324</u> | <u>\$ 7,587</u> | <u>\$ (7,569)</u> | <u>\$ 1,342</u> |
| Departmental Special Fund - Youth Village | | | | |
| Assets: | | | | |
| Cash and investments | \$ 1 | \$ - | \$ - | \$ 1 |
| Total assets | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1</u> |
| Liabilities: | | | | |
| Due to other governmental units and others - departmental special | \$ 1 | \$ - | \$ - | \$ 1 |
| Total liabilities | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | Balance October 1, 2007 | Additions | Deductions | Balance September 30, 2008 |
|---|--|------------------|-------------------|---|
| Departmental Special Fund - Tax Assessor and Collector | | | | |
| Assets: | | | | |
| Cash and investments | \$ 56,000 | \$ 420,824 | \$ (426,742) | \$ 50,082 |
| Accrued interest receivable | - | 3 | - | 3 |
| Total assets | \$ 56,000 | \$ 420,827 | \$ (426,742) | \$ 50,085 |
| Liabilities: | | | | |
| Due to other governmental units and others - departmental special | \$ 56,000 | \$ 420,827 | \$ (426,742) | \$ 50,085 |
| Total liabilities | \$ 56,000 | \$ 420,827 | \$ (426,742) | \$ 50,085 |
| District Attorney Forfeiture Funds - Police Agencies | | | | |
| Assets: | | | | |
| Cash and investments | \$ 30 | \$ 735 | \$ (734) | \$ 31 |
| Total assets | \$ 30 | \$ 735 | \$ (734) | \$ 31 |
| Liabilities: | | | | |
| Due to other governmental units and others | \$ 30 | \$ 1 | \$ - | \$ 31 |
| Total liabilities | \$ 30 | \$ 1 | \$ - | \$ 31 |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|--|--|------------------|-------------------|---|
| District Attorney Forfeiture Funds - Attorney General | | | | |
| Assets: | | | | |
| Cash and investments | \$ 28 | \$ 9 | \$ (11) | \$ 26 |
| Total assets | <u>\$ 28</u> | <u>\$ 9</u> | <u>\$ (11)</u> | <u>\$ 26</u> |
| Liabilities: | | | | |
| Due to other governmental units and others | \$ 28 | \$ 3 | \$ (5) | \$ 26 |
| Total liabilities | <u>\$ 28</u> | <u>\$ 3</u> | <u>\$ (5)</u> | <u>\$ 26</u> |
| District Attorney Forfeiture Funds - Gambling | | | | |
| Assets: | | | | |
| Cash and investments | \$ 46 | \$ 1,034 | \$ (1,031) | \$ 49 |
| Total assets | <u>\$ 46</u> | <u>\$ 1,034</u> | <u>\$ (1,031)</u> | <u>\$ 49</u> |
| Liabilities: | | | | |
| Due to other governmental units and others | \$ 46 | \$ 3 | \$ - | \$ 49 |
| Total liabilities | <u>\$ 46</u> | <u>\$ 3</u> | <u>\$ -</u> | <u>\$ 49</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - continued
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance October 1, 2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance September 30, 2008</u> |
|---|--|------------------|-------------------|---|
| District Attorney Forfeiture Funds - Narcotics | | | | |
| <hr/> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 121 | \$ 122 | \$ (123) | \$ 120 |
| Total assets | <u>\$ 121</u> | <u>\$ 122</u> | <u>\$ (123)</u> | <u>\$ 120</u> |
| Liabilities: | | | | |
| Due to other governmental units and others | \$ 121 | \$ 27 | \$ (28) | \$ 120 |
| Total liabilities | <u>\$ 121</u> | <u>\$ 27</u> | <u>\$ (28)</u> | <u>\$ 120</u> |

DALLAS COUNTY, TEXAS
Combining Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds - concluded
For the Year Ended September 30, 2008
(in thousands of dollars)

| | <u>Balance</u> <u>October 1,</u> <u>2007</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>September 30,</u> <u>2008</u> |
|--|--|-------------------------|---------------------------|---|
| Assets: | | | | |
| Cash and investments | \$ 173,031 | \$ 1,667,798 | \$ (1,655,266) | \$ 185,563 |
| Accrued interest | 7 | 251 | (33) | 225 |
| Cash and investments held in escrow | <u>8,803</u> | <u>637</u> | <u>(65)</u> | <u>9,375</u> |
| Total assets | <u>\$ 181,841</u> | <u>\$ 1,668,686</u> | <u>\$ (1,655,364)</u> | <u>\$ 195,163</u> |
| Liabilities: | | | | |
| Due to other governmental units and others | <u>\$ 181,841</u> | <u>\$ 755,002</u> | <u>\$ (741,680)</u> | <u>\$ 195,163</u> |
| Total liabilities | <u>\$ 181,841</u> | <u>\$ 755,002</u> | <u>\$ (741,680)</u> | <u>\$ 195,163</u> |

STATISTICAL SECTION
(Unaudited)

STATISTICAL SECTION

This part of the County's comprehensive annual financial report presents detailed information to enhance the understanding of the information in the financial statements, note disclosures, and required supplementary information and what the data indicates about the County's overall financial health.

| Contents | Page |
|--|-------------|
| Financial Trends | 123 |
| These schedules contain trend information to aid in understanding how the County's financial performance and well-being have changed over time. | |
| Revenue Capacity | 128 |
| These schedules contain information to aid in assessing the County's most significant local revenue source - property tax. | |
| Debt Capacity | 133 |
| These schedules present information to aid in assessing the County's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 138 |
| These schedules offer demographic and economic indicators to aid in understanding the environment within which the County's financial activities take place. | |
| Operating Information | 140 |
| These schedules contain service and infrastructure data to aid in understanding how the information in the County's financial report relates to services the County provides and the activities it performs. | |

DALLAS COUNTY, TEXAS
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)
(in thousands of dollars)
(unaudited)

Table 1

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ 285,000 | \$ 298,000 | \$ 334,983 | \$ 318,404 | \$ 343,757 | \$ 371,524 | \$ 429,277 |
| Restricted | 31,395 | 27,618 | 24,123 | 16,584 | 21,548 | 59,017 | 40,360 |
| Unrestricted | <u>(74,655)</u> | <u>(56,351)</u> | <u>(31,472)</u> | <u>69,644</u> | <u>91,806</u> | <u>46,414</u> | <u>18,529</u> |
| Total governmental activities net assets | <u>\$ 241,740</u> | <u>\$ 269,267</u> | <u>\$ 327,634</u> | <u>\$ 404,632</u> | <u>\$ 457,111</u> | <u>\$ 476,955</u> | <u>\$ 488,166</u> |

Source: Dallas County Financial Records

Note: Data was not accumulated for presentation prior to implementation of GASB 34 in 2002

DALLAS COUNTY, TEXAS

Table 2

Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)
(in thousands of dollars)
(unaudited)

| Expenses | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental activities: | | | | | | | |
| General government | \$ 65,372 | \$ 68,466 | \$ 71,871 | \$ 72,765 | \$ 77,465 | \$ 99,805 | \$ 126,656 |
| Judicial | 98,247 | 102,611 | 98,858 | 102,371 | 115,244 | 126,971 | 134,413 |
| Public Safety | 167,880 | 172,274 | 169,137 | 172,347 | 198,138 | 216,521 | 235,161 |
| Highways and Streets | 27,634 | 21,748 | 21,143 | 33,852 | 29,174 | 32,955 | 34,689 |
| Health | 47,470 | 39,576 | 40,506 | 44,285 | 45,948 | 41,590 | 46,735 |
| Education | 5,636 | 5,671 | 6,461 | 7,941 | 9,547 | 10,189 | 11,699 |
| Public Welfare | 51,732 | 58,871 | 56,735 | 61,106 | 65,908 | 66,913 | 72,374 |
| Libraries | - | 23 | 60 | 23 | 12 | 10 | 3 |
| Interest on long term debt | 14,248 | 11,795 | 11,534 | 10,131 | 9,288 | 10,599 | 9,784 |
| Total primary government expenses | \$ 478,219 | \$ 481,035 | \$ 476,305 | \$ 504,821 | \$ 550,724 | \$ 605,553 | \$ 671,514 |
| Program Revenues | | | | | | | |
| Governmental activities: | | | | | | | |
| Charges for services: | | | | | | | |
| General government | \$ 54,577 | \$ 48,567 | \$ 50,562 | \$ 44,371 | \$ 50,809 | \$ 47,125 | \$ 55,659 |
| Judicial | 42,471 | 44,299 | 48,633 | 52,703 | 58,257 | 58,164 | 60,655 |
| Public Safety | 27,385 | 20,642 | 19,928 | 21,046 | 20,337 | 22,845 | 21,156 |
| Highways and Streets | 40,050 | 39,508 | 36,778 | 38,954 | 41,849 | 42,244 | 44,495 |
| Health | 13,954 | 8,477 | 6,451 | 6,193 | 6,409 | 6,150 | 6,385 |
| Education | - | - | - | - | - | - | - |
| Public Welfare | 1,102 | 1,457 | 1,400 | 2,671 | 2,530 | 1,134 | 1,423 |
| Libraries | - | - | - | - | - | - | - |
| Interest on long term debt | - | - | - | - | - | - | - |
| Operating grants and contributions: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Judicial | 1,660 | 3,415 | 2,107 | 3,009 | 3,330 | 1,636 | 2,475 |
| Public Safety | 4,170 | 6,259 | 6,774 | 4,269 | 5,977 | 5,419 | 5,373 |
| Highways and Streets | - | - | - | - | - | - | - |
| Health | 22,175 | 19,821 | 27,067 | 26,892 | 26,359 | 26,472 | 28,943 |
| Education | 4,243 | 8,136 | 6,019 | 9,060 | 9,444 | 7,879 | 12,155 |
| Public Welfare | 40,323 | 48,019 | 47,528 | 44,132 | 47,706 | 51,880 | 59,293 |
| Interest on long term debt | - | - | - | - | - | - | - |
| Capital grants and contributions: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Judicial | 1,276 | 17 | 1,252 | - | - | 26 | - |
| Public Safety | 61 | 17 | - | - | - | 480 | 621 |
| Highways and Streets | - | - | - | - | - | - | - |
| Health | - | - | 564 | - | - | - | - |
| Education | - | - | - | - | - | - | - |
| Public Welfare | 1,994 | - | 5,592 | 4,192 | 10,649 | 5,650 | 442 |
| Interest on long term debt | - | - | - | - | - | - | - |
| Total governmental activities program revenues | \$ 255,441 | \$ 248,634 | \$ 260,655 | \$ 257,492 | \$ 283,656 | \$ 277,104 | \$ 299,075 |
| General Revenues and Other Changes in Net Assets | | | | | | | |
| Governmental activities: | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | \$ 236,929 | \$ 242,408 | \$ 255,324 | \$ 267,462 | \$ 284,946 | \$ 309,560 | \$ 356,596 |
| Alcoholic beverage taxes | 9,732 | 9,778 | 10,120 | 10,695 | 11,129 | 11,858 | 12,119 |
| Gain on the sale of property | - | - | - | 31,203 | - | - | - |
| Unrestricted grants and contributions | 2,281 | 2,986 | 4,180 | 5,243 | 3,640 | 3,534 | 4,659 |
| Investment earnings | 8,271 | 4,756 | 4,393 | 9,724 | 19,832 | 23,341 | 10,276 |
| Total primary government | \$ 257,213 | \$ 259,928 | \$ 274,017 | \$ 324,327 | \$ 319,547 | \$ 348,293 | \$ 383,650 |
| Change in Net Assets | | | | | | | |
| Governmental activities | \$ 34,435 | \$ 27,527 | \$ 58,367 | \$ 76,998 | \$ 52,479 | \$ 19,844 | \$ 11,211 |
| Total primary government | \$ 34,435 | \$ 27,527 | \$ 58,367 | \$ 76,998 | \$ 52,479 | \$ 19,844 | \$ 11,211 |

Source: Dallas County Financial Records

Note: Data was not accumulated for presentation prior to implementation of GASB 34 in 2002

DALLAS COUNTY, TEXAS
 Governmental Activities Tax Revenues by Source
 Last Seven Fiscal Years
 (accrual basis of accounting)
 (in thousands of dollars)
 (unaudited)

Table 3

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Property Taxes | \$ 236,929 | \$ 242,408 | \$ 255,324 | \$ 267,462 | \$ 284,946 | \$ 309,560 | \$ 356,596 |
| Alcoholic beverage / other taxes | 9,732 | 9,778 | 10,120 | 10,695 | 11,129 | 11,858 | 12,119 |
| Total Taxes | <u>\$ 246,661</u> | <u>\$ 252,186</u> | <u>\$ 265,444</u> | <u>\$ 278,157</u> | <u>\$ 296,075</u> | <u>\$ 321,418</u> | <u>\$ 368,715</u> |

Source: Dallas County Financial Records

Note: Data was not accumulated for presentation prior to implementation of GASB 34 in 2002

DALLAS COUNTY, TEXAS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(in thousands of dollars)
(unaudited)

Table 4

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 12,594 | \$ 11,876 | \$ 12,284 | \$ 12,065 | \$ 11,637 | \$ 13,926 | \$ 16,925 | \$ 12,050 | \$ 7,822 | \$ 8,073 |
| Unreserved | 40,478 | 31,321 | 30,821 | 35,245 | 24,577 | 41,195 | 38,857 | 44,346 | 32,139 | 26,737 |
| Total general fund | <u>\$ 53,072</u> | <u>\$ 43,197</u> | <u>\$ 43,105</u> | <u>\$ 47,310</u> | <u>\$ 36,214</u> | <u>\$ 55,121</u> | <u>\$ 55,782</u> | <u>\$ 56,396</u> | <u>\$ 39,961</u> | <u>\$ 34,810</u> |
| All other governmental funds | | | | | | | | | | |
| Reserved | \$ 22,396 | \$ 12,635 | \$ 18,700 | \$ 26,345 | \$ 33,404 | \$ 48,856 | \$ 39,364 | \$ 40,519 | \$ 107,960 | \$ 90,351 |
| Unreserved reported in: | | | | | | | | | | |
| Debt Service | 19,693 | 17,047 | 17,567 | 14,461 | 12,181 | 5,484 | 7,369 | 13,420 | 7,631 | 3,381 |
| Major Projects | - | - | - | 33,267 | 31,056 | 12,440 | 53,696 | 65,709 | 6,091 | 6,249 |
| Grants Funds | - | - | - | - | 1,054 | 4,950 | 6,780 | 6,437 | 9,298 | 1,993 |
| Special Revenue | 30,817 | 38,630 | 53,458 | 22,299 | 24,084 | 21,060 | 22,153 | 21,091 | 19,916 | 29,840 |
| Capital Projects | 41,498 | 62,202 | 76,934 | 62,622 | 78,104 | 72,395 | 39,851 | 81,422 | 45,263 | 13,057 |
| Total all other governmental funds | <u>\$ 114,404</u> | <u>\$ 130,514</u> | <u>\$ 166,659</u> | <u>\$ 158,994</u> | <u>\$ 179,883</u> | <u>\$ 165,185</u> | <u>\$ 169,213</u> | <u>\$ 228,598</u> | <u>\$ 196,159</u> | <u>\$ 144,871</u> |

Source: Dallas County Financial Records

DALLAS COUNTY, TEXAS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(in thousands of dollars)
(unaudited)

Table 5

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 189,660 | \$ 203,738 | \$ 219,273 | \$ 236,929 | \$ 242,408 | \$ 255,324 | \$ 262,124 | \$ 286,792 | \$ 308,443 | \$ 356,136 |
| Licenses, fees and permits | 31,918 | 34,753 | 36,245 | 36,497 | 33,564 | 33,776 | 33,458 | 32,704 | 33,826 | 31,413 |
| Fines and forfeitures | 18,773 | 17,124 | 19,638 | 18,683 | 19,931 | 22,837 | 24,404 | 26,060 | 25,691 | 27,507 |
| Investments and rentals | 18,068 | 20,153 | 19,750 | 12,122 | 9,924 | 9,605 | 14,856 | 22,851 | 26,654 | 14,558 |
| Intergovernmental revenues | 55,572 | 62,586 | 75,294 | 84,702 | 88,704 | 101,494 | 94,575 | 104,752 | 103,944 | 112,951 |
| Charges for current services | 89,162 | 100,471 | 99,065 | 106,583 | 100,308 | 95,172 | 100,209 | 115,239 | 114,991 | 123,353 |
| Miscellaneous revenues | 11,109 | 12,586 | 13,884 | 11,229 | 10,865 | 13,545 | 13,023 | 16,277 | 11,579 | 17,852 |
| Total revenues | <u>414,262</u> | <u>451,411</u> | <u>483,149</u> | <u>506,745</u> | <u>505,704</u> | <u>531,753</u> | <u>542,649</u> | <u>604,675</u> | <u>625,128</u> | <u>683,770</u> |
| Expenditures | | | | | | | | | | |
| General government and judicial (a) | 149,444 | 157,259 | 161,371 | 168,915 | 169,363 | 170,880 | 179,375 | 194,847 | 221,496 | 234,758 |
| Public safety (a) | 133,848 | 144,292 | 142,566 | 160,781 | 165,571 | 165,390 | 169,831 | 192,710 | 211,970 | 231,062 |
| Streets and highways (a) | 11,183 | 18,139 | 20,355 | 11,673 | 10,161 | 13,666 | 20,059 | 22,040 | 22,728 | 26,107 |
| Health (a) | 35,990 | 41,043 | 43,010 | 47,202 | 39,713 | 40,659 | 43,895 | 45,484 | 41,020 | 46,584 |
| Welfare (a) | 36,470 | 45,110 | 54,093 | 51,434 | 58,536 | 60,113 | 60,225 | 70,261 | 65,364 | 70,484 |
| Libraries (a) | 45 | 47 | 41 | 40 | 40 | 49 | 19 | - | - | - |
| Education (a) | - | - | - | 5,569 | 5,604 | 6,455 | 8,061 | 9,512 | 10,102 | 11,599 |
| Capital outlay (a) | 26,233 | 24,049 | 18,202 | 17,102 | 24,794 | 41,188 | 48,869 | 34,748 | 59,172 | 82,798 |
| Debt Service | | | | | | | | | | |
| Principal | 37,895 | 37,200 | 35,930 | 34,140 | 32,795 | 35,225 | 34,940 | 32,180 | 30,980 | 27,915 |
| Interest | 14,675 | 12,962 | 12,971 | 13,225 | 11,404 | 10,645 | 9,265 | 8,310 | 11,170 | 8,902 |
| Total expenditures | <u>445,783</u> | <u>480,101</u> | <u>488,539</u> | <u>510,081</u> | <u>517,981</u> | <u>544,270</u> | <u>574,539</u> | <u>610,092</u> | <u>674,002</u> | <u>740,209</u> |
| Excess of revenues over (under) expenditures | <u>(31,521)</u> | <u>(28,690)</u> | <u>(5,390)</u> | <u>(3,336)</u> | <u>(12,277)</u> | <u>(12,517)</u> | <u>(31,890)</u> | <u>(5,417)</u> | <u>(48,874)</u> | <u>(56,439)</u> |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 35,160 | 49,902 | 56,917 | 50,001 | 49,544 | 67,357 | 60,473 | 59,833 | 71,749 | 67,551 |
| Transfers out | (35,160) | (49,902) | (56,917) | (50,001) | (49,544) | (67,357) | (60,473) | (59,833) | (71,749) | (67,551) |
| Proceeds from refunding bonds | - | - | 74,884 | - | - | - | 24,096 | - | - | - |
| Proceeds from sale of bonds | 8,700 | 35,000 | 39,524 | - | 22,070 | 16,145 | 36,535 | 63,220 | - | - |
| Premium on bonds issued | - | - | - | - | - | 509 | 1,933 | 2,196 | - | - |
| Accrued interest on revenue bonds | - | - | - | - | - | 72 | - | - | - | - |
| Payments to refunded bond escrow agent | - | - | (73,946) | - | - | - | (25,985) | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>8,700</u> | <u>35,000</u> | <u>40,462</u> | <u>-</u> | <u>22,070</u> | <u>16,726</u> | <u>36,579</u> | <u>65,416</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>(22,821)</u> | <u>6,310</u> | <u>35,072</u> | <u>(3,336)</u> | <u>9,793</u> | <u>4,209</u> | <u>4,689</u> | <u>59,999</u> | <u>(48,874)</u> | <u>(56,439)</u> |
| (a) Sum of expenditures | 393,213 | 429,939 | 439,638 | 462,716 | 473,782 | 498,400 | 530,334 | 569,602 | 631,852 | 703,392 |
| (b) Less: Expenditures capitalized for government-wide statement of net assets (on page 44) | <u>(16,452)</u> | <u>(9,661)</u> | <u>(7,574)</u> | <u>(15,218)</u> | <u>(18,434)</u> | <u>(43,723)</u> | <u>(43,349)</u> | <u>(45,354)</u> | <u>(66,128)</u> | <u>(84,369)</u> |
| Noncapital expenditures | <u>\$ 376,761</u> | <u>\$ 420,278</u> | <u>\$ 432,064</u> | <u>\$ 447,498</u> | <u>\$ 455,348</u> | <u>\$ 454,677</u> | <u>\$ 486,985</u> | <u>\$ 524,248</u> | <u>\$ 565,724</u> | <u>\$ 619,023</u> |
| Debt service as a percentage of noncapital expenditures | 14.0% | 11.9% | 11.3% | 10.6% | 9.7% | 10.1% | 9.1% | 7.7% | 7.5% | 5.9% |

DALLAS COUNTY, TEXAS
General Governmental Tax Revenues by Source
Last Seven Fiscal Years
(modified accrual basis of accounting)
(in thousands of dollars)
(Unaudited)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Property Tax | \$ 236,929 | \$ 242,408 | \$ 255,324 | \$ 262,124 | \$ 286,792 | \$ 308,443 | \$ 356,136 |
| Alcoholic beverage / other taxes | 9,732 | 9,778 | 10,120 | 10,695 | 11,129 | 11,858 | 12,119 |
| Total Taxes | <u>\$ 246,661</u> | <u>\$ 252,186</u> | <u>\$ 265,444</u> | <u>\$ 272,819</u> | <u>\$ 297,921</u> | <u>\$ 320,301</u> | <u>\$ 368,255</u> |

Source: Dallas County Financial Records

Note: Data was not accumulated for presentation prior to implementation of GASB 34 in 2002

Table 6

DALLAS COUNTY, TEXAS
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)
(unaudited)

| Year | Real Property | | Personal Property | | Total | | Total Primary Government Direct Tax Rate | Statutory Ratio of Assessed Value to True Value |
|------|-------------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|--|---|
| | Assessed Value | Estimated True Value | Assessed Value | Estimated True Value | Assessed Value | Estimated True Value | | |
| 1999 | \$ 104,784,168 | \$ 105,215,142 | \$ 24,414,768 | \$ 24,414,768 | \$ 129,198,936 | \$ 129,629,910 | 0.39200 | 99.67 % |
| 2000 | 113,609,498 | 114,741,061 | 25,530,867 | 25,530,867 | 139,140,365 | 140,271,929 | 0.45000 | 99.19 % |
| 2001 | 123,189,433 | 124,337,500 | 28,560,279 | 28,560,279 | 151,749,712 | 152,897,779 | 0.45000 | 99.25 % |
| 2002 | 130,890,166 | 131,328,094 | 28,898,480 | 28,898,480 | 159,788,646 | 160,226,574 | 0.45000 | 99.73 % |
| 2003 | 132,669,788 | 133,793,253 | 27,047,926 | 27,047,926 | 159,717,714 | 160,841,179 | 0.45790 | 99.30 % |
| 2004 | 137,634,909 | 139,194,180 | 25,506,283 | 25,506,283 | 163,141,192 | 164,700,463 | 0.45790 | 99.05 % |
| 2005 | 145,616,669 | 147,709,138 | 25,613,845 | 25,613,845 | 171,230,514 | 173,322,983 | 0.46790 | 98.79 % |
| 2006 | 158,357,737 | 161,310,649 | 25,992,417 | 25,992,417 | 184,350,154 | 187,303,066 | 0.46790 | 98.42 % |
| 2007 | 175,200,112 | 177,328,144 | 28,323,579 | 28,323,579 | 203,523,691 | 205,651,723 | 0.48210 | 98.97 % |
| 2008 | 187,657,752 | 189,375,558 | 30,463,426 | 30,463,426 | 218,121,178 | 219,838,984 | 0.48210 | 99.22 % |

* Estimated true value includes values under protest as claimed by property owners.

Source: Dallas County Tax Assessor-Collector.

Note: Assessed values shown in this table includes rolling stock and amounts allowed for all exemptions. The Dallas County Commissioners Court approved the greater of 20% or \$5,000 allowance for homestead exemption for all taxpayers. The Dallas County Commissioners Court approved an additional \$69,000 allowance for homestead exemption for taxpayers over 65 years of age. The approved allowance for disabled veterans is \$1,500 for disabilities of 10% to 30%, \$2,000 for disabilities of 31% to 50%, \$2,500 for disabilities of 51% to 70%, and \$3,000 for disabilities greater than 70%.

Note: The differences between assessed value and estimated true value are the result of property items whose values were in dispute at the time of certification of values by the Appraisal District.

Note: Effective January 1, 2008 the Dallas County Commissioners Court approved a tax limitation "freeze" on the total taxes imposed by the county on property held by disabled and over 65 homeowners.

Note: The assessment date is January 1.

Table 7

DALLAS COUNTY, TEXAS
Property Tax Rates and Tax Levies
Last Ten Tax Years
Tax Rates Per \$100 of Taxable Value
(unaudited)

| Tax Year | General Fund | Major Technology Fund | Permanent Improvement Fund | Major Capital Development Fund | Debt Service Funds | Total Primary Government | Component Unit | Total Reporting Entity |
|---|--------------|-----------------------|----------------------------|--------------------------------|--------------------|--------------------------|----------------|------------------------|
| Rates (1) | | | | | | | | |
| 1999 | 0.14420 | 0.00500 | 0.00180 | 0.01050 | 0.03450 | 0.19600 | 0.19600 | 0.39200 |
| 2000 | 0.14520 | 0.00500 | 0.00180 | 0.01050 | 0.03350 | 0.19600 | 0.25400 | 0.45000 |
| 2001 | 0.14520 | 0.00500 | 0.00180 | 0.01050 | 0.03350 | 0.19600 | 0.25400 | 0.45000 |
| 2002 | 0.14420 | 0.00500 | 0.00180 | 0.01450 | 0.03050 | 0.19600 | 0.25400 | 0.45000 |
| 2003 | 0.15832 | 0.00500 | 0.00180 | 0.01450 | 0.02428 | 0.20390 | 0.25400 | 0.45790 |
| 2004 | 0.15210 | 0.00500 | 0.00180 | 0.01301 | 0.03199 | 0.20390 | 0.25400 | 0.45790 |
| 2005 | 0.16210 | 0.00500 | 0.00180 | 0.01621 | 0.02879 | 0.21390 | 0.25400 | 0.46790 |
| 2006 | 0.15450 | 0.01260 | 0.00180 | 0.02525 | 0.01975 | 0.21390 | 0.25400 | 0.46790 |
| 2007 | 0.16870 | 0.01260 | 0.00180 | 0.02593 | 0.01907 | 0.22810 | 0.25400 | 0.48210 |
| 2008 | 0.16870 | 0.01260 | 0.00180 | 0.02996 | 0.01504 | 0.22810 | 0.25400 | 0.48210 |
| Tax levies (1) (in thousands of dollars) | | | | | | | | |
| 1999 | \$ 153,098 | \$ 5,306 | \$ 1,915 | \$ 11,154 | \$ 36,625 | \$ 208,098 (b) | 208,098 | \$ 416,196 |
| 2000 | 165,529 | 5,700 | 2,052 | 11,970 | 38,190 | 223,441 (b) | 289,535 | 512,976 |
| 2001 | 179,571 | 6,184 | 2,226 | 12,985 | 41,430 | 242,396 (b) | 314,100 | 556,496 |
| 2002 | 185,186 | 6,421 | 2,311 | 18,621 | 39,169 | 251,708 (b) | 326,195 | 577,903 |
| 2003 | 202,119 | 6,383 | 2,298 | 18,511 | 30,997 | 260,308 (b) | 324,269 | 584,577 |
| 2004 | 197,148 | 6,481 | 2,333 | 16,863 | 41,465 | 264,290 (b) | 329,229 | 593,519 |
| 2005 | 219,902 | 6,783 | 2,442 | 21,990 | 39,056 | 290,173 (b) | 344,572 | 634,745 |
| 2006 | 226,423 | 18,466 | 2,638 | 37,004 | 28,944 | 313,475 (c) | 372,243 | 685,718 |
| 2007 | 272,413 | 20,346 | 2,907 | 41,871 | 30,794 | 368,331 (d) | 410,153 | 778,484 |
| 2008 | 287,381 | 21,464 | 3,066 | 51,041 | 25,617 | 388,569 (e) | 433,936 | 822,505 |

Note (1) Tax levy figures are shown net of exemptions. Tax rates shown are amounts per hundred dollars of net assessed value. Effective January 1, 2008 the Dallas County Commissioners Court approved a tax limitation "freeze" on the total taxes imposed by the county on property held by disabled and over 65 homeowners.

(a) includes tax increment financing (listed below) for collection by Dallas County with remittance to the City without actual

Note (2) Legal Limitation

| | |
|--|----------------|
| Original - Texas Constitution, Article 8, Section 9 | \$ 0.80000 |
| Additional authorized by voters - Texas Constitution | 0.15000 |
| Additional authorized by Texas Constitution Article 9, Section 9 | 0.75000 |
| Legal limitation includes provision for debt service | <u>1.70000</u> |

revenue recognition totaling:

- (b) in excess of \$ 1 million
- (c) \$ 1.7 million
- (d) \$ 2.9 million
- (e) \$ 4.7 million (projected)

Taxes due: October 1

Taxes delinquent: February 1 year following levy

Tax lien and assessment date: January 1 year of levy

Taxes added to delinquent roll: April 1 (personal property) or July 1 (real property) in the year following levy

Delinquent tax penalty and interest:

- February of delinquent year - 6% penalty plus 1% interest
- March of delinquent year - 7% penalty plus 2% interest
- April of delinquent year - 8% penalty plus 3% interest
- May of delinquent year - 9% penalty plus 4% interest
- June of delinquent year - 10% penalty plus 5% interest
- After July 1 of delinquent year - 12% penalty plus 1% interest per month delinquent

Table 8

DALLAS COUNTY, TEXAS
Property Tax Rates
Direct and Overlapping Governments
Last Ten Tax Years
(unaudited)
(Rates are per \$100 property value)

| Name | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Dallas County | 0.19600 | 0.19600 | 0.19600 | 0.19600 | 0.20390 | 0.20390 | 0.21390 | 0.21390 | 0.22810 | 0.22810 |
| Hospital District | 0.19600 | 0.25400 | 0.25400 | 0.25400 | 0.25400 | 0.25400 | 0.25400 | 0.25400 | 0.25400 | 0.25400 |
| Community College District | 0.05000 | 0.05000 | 0.06000 | 0.06000 | 0.07780 | 0.08030 | 0.08160 | 0.08100 | 0.08040 | 0.08940 |
| <u>School Districts</u> | | | | | | | | | | |
| Carrollton-Farmers Branch | 1.61370 | 1.67370 | 1.72420 | 1.72240 | 1.73580 | 1.78240 | 1.82590 | 1.68300 | 1.36700 | 1.36230 |
| Cedar Hill | 1.63000 | 1.63000 | 1.63000 | 1.68000 | 1.70160 | 1.74130 | 1.84843 | 1.74330 | 1.40000 | 1.50000 |
| Coppell | 1.60000 | 1.60000 | 1.65500 | 1.70500 | 1.73500 | 1.73500 | 1.72900 | 1.59900 | 1.26900 | 1.27900 |
| Dallas | 1.46053 | 1.54753 | 1.54753 | 1.58753 | 1.63950 | 1.66940 | 1.68836 | 1.50264 | 1.19964 | 1.18340 |
| Desoto | 1.66000 | 1.66000 | 1.68000 | 1.71000 | 1.71000 | 1.74000 | 1.79000 | 1.76000 | 1.49000 | 1.51000 |
| Duncanville | 1.64000 | 1.68000 | 1.67000 | 1.75000 | 1.85500 | 1.83600 | 1.86600 | 1.73600 | 1.41800 | 1.41800 |
| Ferris | 1.49000 | 1.49000 | 1.51000 | 1.53950 | 1.53700 | 1.77190 | 1.77190 | 1.57070 | 1.26970 | 1.27720 |
| Garland | 1.47840 | 1.40530 | 1.47170 | 1.45860 | 1.55850 | 1.62140 | 1.67010 | 1.54490 | 1.25330 | 1.25330 |
| Grand Prairie | 1.46680 | 1.60810 | 1.66710 | 1.66710 | 1.72710 | 1.75110 | 1.75860 | 1.62970 | 1.46500 | 1.46500 |
| Grapevine-Colleyville | 1.55229 | 1.55200 | 1.58200 | 1.65979 | 1.70100 | 1.70105 | 1.70000 | 1.57430 | 1.29000 | 1.29000 |
| Highland Park | 1.60550 | 1.58300 | 1.61000 | 1.61000 | 1.61000 | 1.61000 | 1.53000 | 1.35570 | 1.03670 | 1.09000 |
| Irving | 1.66840 | 1.69500 | 1.69500 | 1.77060 | 1.81500 | 1.83700 | 1.81400 | 1.64400 | 1.34850 | 1.39100 |
| Lancaster | 1.67579 | 1.65200 | 1.67000 | 1.67000 | 1.64915 | 1.85446 | 1.85446 | 1.72600 | 1.40770 | 1.41270 |
| Mesquite | 1.58000 | 1.58000 | 1.58000 | 1.62000 | 1.67000 | 1.76000 | 1.76240 | 1.66800 | 1.37670 | 1.40000 |
| Richardson | 1.64860 | 1.66830 | 1.79930 | 1.80810 | 1.82000 | 1.82000 | 1.82000 | 1.63005 | 1.34005 | 1.34005 |
| Sunnyvale | 1.21750 | 1.24670 | 1.30000 | 1.34947 | 1.46600 | 1.44600 | 1.66590 | 1.51905 | 1.38005 | 1.37000 |
| Wilmer / Hutchins* | 1.49910 | 1.52760 | 1.55840 | 1.54820 | 1.54820 | 1.58000 | 1.28540 | 0.00000 | 0.00000 | 0.00000 |
| <u>Cities and Towns</u> | | | | | | | | | | |
| Addison | 0.38460 | 0.38100 | 0.38480 | 0.39990 | 0.42280 | 0.47600 | 0.47600 | 0.46400 | 0.43370 | 0.45350 |
| Balch Springs | 0.59999 | 0.59999 | 0.62900 | 0.61700 | 0.54000 | 0.52550 | 0.55571 | 0.57728 | 0.62098 | 0.62000 |
| Carrollton | 0.60430 | 0.59930 | 0.59930 | 0.59930 | 0.59930 | 0.59930 | 0.63288 | 0.63288 | 0.61788 | 0.61788 |
| Cedar Hill | 0.64269 | 0.64269 | 0.64140 | 0.64140 | 0.64140 | 0.64140 | 0.64140 | 0.64140 | 0.64140 | 0.64140 |
| Cockrell Hill | 0.75202 | 0.77048 | 0.74507 | 0.74036 | 0.77349 | 0.73379 | 0.76159 | 0.76853 | 0.78811 | 0.78811 |
| Combine** | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.21000 | 0.21000 |
| Coppell | 0.64860 | 0.64860 | 0.64860 | 0.64860 | 0.64860 | 0.64860 | 0.64860 | 0.64146 | 0.64146 | 0.64146 |
| Dallas | 0.66750 | 0.66750 | 0.66750 | 0.69980 | 0.69980 | 0.71970 | 0.74170 | 0.72920 | 0.74790 | 0.74790 |
| Desoto | 0.61139 | 0.61139 | 0.63639 | 0.65921 | 0.65879 | 0.66689 | 0.68499 | 0.69835 | 0.70973 | 0.69973 |
| Duncanville | 0.71800 | 0.71800 | 0.71800 | 0.71800 | 0.71800 | 0.71800 | 0.71800 | 0.69600 | 0.69600 | 0.69600 |
| Farmers Branch | 0.44000 | 0.44000 | 0.44000 | 0.44000 | 0.46000 | 0.49450 | 0.49450 | 0.49450 | 0.49450 | 0.49450 |
| Garland | 0.61360 | 0.63360 | 0.64110 | 0.64110 | 0.64110 | 0.64110 | 0.66610 | 0.67860 | 0.68860 | 0.69960 |
| Glenn Heights | 0.79240 | 0.79000 | 0.72840 | 0.70990 | 0.69576 | 0.65310 | 0.65310 | 0.69617 | 0.68404 | 0.69436 |
| Grand Prairie | 0.67500 | 0.67000 | 0.67000 | 0.67000 | 0.67000 | 0.67000 | 0.67000 | 0.67000 | 0.67000 | 0.67000 |
| Highland Park | 0.25750 | 0.24620 | 0.22900 | 0.22080 | 0.23000 | 0.23000 | 0.23000 | 0.22500 | 0.22000 | 0.22000 |
| Hutchins | 0.54412 | 0.50151 | 0.48165 | 0.50882 | 0.52917 | 0.53300 | 0.54000 | 0.54109 | 0.53755 | 0.52810 |
| Irving | 0.48800 | 0.48800 | 0.48800 | 0.49800 | 0.53280 | 0.54790 | 0.54790 | 0.54790 | 0.54060 | 0.54060 |
| Lancaster | 0.55170 | 0.67170 | 0.67170 | 0.67170 | 0.67170 | 0.67170 | 0.67170 | 0.67170 | 0.73750 | 0.77750 |
| Mesquite | 0.54148 | 0.54148 | 0.54148 | 0.54148 | 0.54148 | 0.58148 | 0.60148 | 0.62000 | 0.64000 | 0.64000 |
| Richardson | 0.44385 | 0.44385 | 0.44385 | 0.47785 | 0.47785 | 0.52516 | 0.52516 | 0.57516 | 0.57516 | 0.57516 |
| Rowlett | 0.64000 | 0.64000 | 0.64000 | 0.64000 | 0.64000 | 0.67695 | 0.74717 | 0.74717 | 0.74717 | 0.74717 |
| Sachse | 0.64670 | 0.62664 | 0.58882 | 0.57540 | 0.56006 | 0.55832 | 0.55832 | 0.55341 | 0.55341 | 0.61000 |
| Seagoville | 0.53779 | 0.58000 | 0.58000 | 0.65000 | 0.65000 | 0.63500 | 0.63500 | 0.63500 | 0.63500 | 0.63500 |
| Sunnyvale | 0.37997 | 0.37997 | 0.37997 | 0.37997 | 0.37997 | 0.37997 | 0.37997 | 0.37997 | 0.37997 | 0.37796 |
| University Park | 0.39537 | 0.37159 | 0.33999 | 0.32932 | 0.32601 | 0.32539 | 0.30958 | 0.29272 | 0.26836 | 0.26548 |
| Wilmer | 0.66000 | 0.66000 | 0.66000 | 0.66000 | 0.66000 | 0.66000 | 0.66000 | 0.61000 | 0.61000 | 0.48566 |

Source: Financial reports of governmental units which have overlapping debt.
Dallas Central Appraisal District

Note: Rate established for stated tax to fund adopted budget of the following fiscal year.

* Wilmer - Hutchins ISD was absorbed by Dallas ISD beginning in 2006

** The City of Combine was not a taxable entity until 2007

Table 9

DALLAS COUNTY, TEXAS
Principal Property Taxpayers
September 30, 2008
(in thousands of dollars)
(unaudited)

| Name of Taxpayer | Type of Property | 2008 | | | 1999 | | |
|----------------------------------|---------------------|--------------------------|------|---|--------------------------|------|---|
| | | Total Assessed Valuation | Rank | Percent of Dallas County Assessed Valuation | Total Assessed Valuation | Rank | Percent of Dallas County Assessed Valuation |
| AT&T/Cingular Telephone Company | Telephone Utility | \$ 1,568,500 | 1 | 0.84 % | \$ 1,177,566 | 2 | 0.91 % |
| Texas Utilities Electric Company | Electric Utility | 1,384,673 | 2 | 0.74 | 1,072,126 | 4 | 0.83 |
| Texas Instruments/Raytheon | Electronics | 1,331,474 | 3 | 0.71 | 1,266,827 | 1 | 0.98 |
| NorthPark Land Partners | Real Estate | 590,682 | 4 | 0.31 | — | | — |
| Crescent Real Estate | Real Estate | 567,651 | 5 | 0.30 | 1,197,750 | 3 | 0.93 |
| Verizon/GTE | Telephone Utility | 550,663 | 6 | 0.29 | 263,142 | 9 | 0.20 |
| Wal-Mart | Retail | 533,885 | 7 | 0.28 | — | | — |
| Southwest Airlines | Airline | 491,159 | 8 | 0.26 | 502,927 | 5 | 0.39 |
| Teachers Insurance | Insurance | 488,333 | 9 | 0.26 | — | | — |
| Galleria Mall INV LP | Real Estate | 418,988 | 10 | 0.22 | — | | — |
| Metropolitan | Insurance | — | | — | 268,136 | 8 | 0.21 |
| Northrop Grumman | Defense/Aeronautics | — | | — | 237,476 | 10 | 0.18 |
| Dallas Main LP | Real Estate | — | | — | 320,187 | 7 | 0.25 |
| Post Apartment Homes LP | Real Estate | — | | — | 341,706 | 6 | 0.27 |
| Total | | <u>\$ 7,926,008</u> | | <u>4.24 %</u> | <u>\$ 6,647,843</u> | | <u>5.15 %</u> |

Notes: (a) Estimated amounts based on 1999 and 2008 appraisal roll.
(b) Amounts exclude property under protest.

Source: Dallas County Tax Assessor-Collector.

Table 10

DALLAS COUNTY, TEXAS
Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands of dollars)
(unaudited)

| Year | Tax Levies | Collections of Current Tax Levy During Fiscal Period | Percentage of Collected During Fiscal Period | Collections of Delinquent Tax During Fiscal Period | Total Collections | Percentage of Total Collections to Tax Levies |
|------|-------------|--|--|--|-------------------|---|
| 1999 | \$ 416,196 | \$ 406,745 (a) | 97.73 % (a) | 4,897 (c) | \$ 411,643 | 98.91 % |
| 2000 | 512,976 | 501,144 (a) | 97.69 (a) | 3,650 (c) | 504,794 | 98.40 |
| 2001 | 556,476 | 537,790 (a) | 96.64 (a) | 4,963 (c) | 542,753 | 97.53 |
| 2002 | 577,903 | 553,641 (a) | 95.80 (a) | 4,287 (c) | 557,928 | 96.54 |
| 2003 | 584,578 | 566,558 (a) | 96.92 (a) | 6,260 (c) | 572,818 | 97.99 |
| 2004 | 593,519 | 582,127 (b) | 98.08 (b) | 8,908 (d) | 591,035 | 99.58 |
| 2005 | 638,335 (e) | 624,911 (b) | 97.90 (b) | 7,027 (d) | 631,938 | 99.00 |
| 2006 | 683,907 (e) | 671,481 (b) | 98.18 (b) | 7,951 (d) | 679,432 | 99.35 |
| 2007 | 767,576 (e) | 756,012 (b) | 98.49 (b) | 8,016 (d) | 764,028 | 99.54 |
| 2008 | 822,505 (f) | | | | | |

Source: Dallas County Financial Records.

- Notes: (a) Current fiscal period collections are those collected between October 1 of the year levied through June 30 (date of delinquency) for the following year.
(b) Current fiscal period collections are those collected between October 1 and September 30.
(c) Delinquent taxes include current tax year delinquencies and prior fiscal period taxes collected (in the nine months between October 1 and June 30) for prior tax years.
(d) Delinquent taxes include taxes collected in subsequent fiscal years.
(e) Total levy as of the last supplement processed during the fiscal year.
(f) Collections on the 2008 tax roll are incomplete until the end of the fiscal year, September 30, 2009.

Tax collections exclude TIF payments and are reported net of commission for the office of the Tax Assessor Collector.

Original levy excludes property under protest which is subsequently added to tax rolls as a result of arbitration.

Taxes due: October 1

Taxes delinquent: February 1 year following levy

Tax lien and assessment date: January 1 year of levy

Taxes added to delinquent roll: April 1 (for personal property) or July 1 (for real property) in the year following levy

Delinquent tax penalty and interest:

February of delinquent year - 6% penalty plus 1% interest

March of delinquent year - 7% penalty plus 2% interest

April of delinquent year - 8% penalty plus 3% interest

May of delinquent year - 9% penalty plus 4% interest

June of delinquent year - 10% penalty plus 5% interest

After July 1 of delinquent year - 12% penalty plus 1% interest per month delinquent

Records of uncollected taxes are provided to the County's law firm under a contract authorized by the Commissioners Court in accordance with Sections 6.30, 33.11 and 33.07 of the Property Tax Code of the State of Texas. A delinquent tax notice is mailed to the taxpayer not less than 30 or more than 60 days prior to the date (either April 1, for personal property or July 1, for real property) at which unpaid accounts are placed with the law firm for collection. The taxpayer is notified by the law firm that the delinquent tax account has been placed for collection with the law firm. If payment is not received within a reasonable period of time, the law firm will file suit for collection.

DALLAS COUNTY, TEXAS
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)
(in thousands of dollars, except per capita amount)

| Year | Estimated Population | Assessed Value | Gross Bonded Debt (1) | Less Debt Service Funds | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Percentage of Personal Income (2) | Net Bonded Debt Per Capita |
|-------------|---------------------------------|---------------------------|----------------------------------|------------------------------------|----------------------------|---|--|---|
| 1999 | 2,051 | \$ 129,629,910 | \$ 278,142 * | \$ 19,693 | \$ 258,449 | 0.19937 % | 0.3607 % | \$ 126 |
| 2000 | 2,062 | 140,271,929 | 277,356 * | 17,047 | 260,309 | 0.18557 % | 0.3245 % | 126 |
| 2001 | 2,219 | 152,897,778 | 280,623 * | 17,567 | 263,056 | 0.17205 % | 0.3197 % | 118 |
| 2002 | 2,245 | 160,226,576 | 247,753 * | 14,671 | 233,082 | 0.14547 % | 0.2809 % | 104 |
| 2003 | 2,284 | 160,841,180 | 238,143 * | 12,327 | 225,816 | 0.14040 % | 0.2679 % | 99 |
| 2004 | 2,284 | 164,700,463 | 220,640 * | 5,633 | 215,007 | 0.13054 % | 0.2397 % | 94 |
| 2005 | 2,330 | 173,322,983 | 188,131 * | 7,369 | 180,762 | 0.10429 % | 0.1890 % | 78 |
| 2006 | 2,383 | 187,303,067 | 221,723 * | 13,420 | 208,303 | 0.11121 % | 0.2047 % | 87 |
| 2007 | 2,417 | 205,651,722 | 186,676 ** | 7,631 | 179,045 | 0.08706 % | 0.1710 % | 74 |
| 2008 | 2,452 | 219,838,984 | 158,885 ** | 3,381 | 155,504 | 0.07074 % | 0.1426 % | 63 |

Note: Assessed Value includes rolling stock, values under protest as claimed by property owners and adjusted market value.

(1) Total gross bonded debt for the primary government is all general obligation bonds.

(2) Figures for 2004-2007 reflect adjusted personal income numbers.

See schedule of Demographic and Economic Statistics on page 138 (Table 15) for personal income data.

* Includes Premium on Tax notes and Bonds

** Excludes Premium on Tax Notes and Bonds

Source: Dallas County Financial Records.

Table 12

DALLAS COUNTY, TEXAS
Direct and Overlapping Bonded Debt
September 30, 2008
(in thousands of dollars)
(unaudited)

| <u>Name</u> | <u>Indebtedness as of</u> | <u>Gross Debt Less Sinking Funds</u> | <u>Percentage of Debt Applicable to Dallas County</u> | <u>Dallas County's Share of Debt</u> |
|---|-------------------------------|--|---|--|
| Dallas County | 9/30/2008 | \$ 155,504 | 100.0% | \$ 155,504 |
| Hospital District | 9/30/2008 | — | 100.0% | — |
| Water Control and Improvement District No. 6 | 9/30/2008 | 13,696 | 100.0% | 13,696 |
| Total direct | | <u>\$ 169,200</u> | | <u>\$ 169,200</u> |
| Overlapping Debt: | | | | |
| Independent school districts: | | | | |
| Carrollton-Farmers Branch | 8/31/2008 | \$ 408,441 | 81.8% | \$ 334,105 |
| Cedar Hill | 8/31/2008 | 104,915 | 100.0% | 104,915 |
| Coppell | 8/31/2008 | 130,790 | 100.0% | 130,790 |
| Dallas | 6/30/2008 | 1,500,000 (a) | 100.0% | 1,500,000 |
| Desoto | 8/31/2008 | 150,835 | 100.0% | 150,835 |
| Duncanville | 8/31/2008 | 170,664 | 100.0% | 170,664 |
| Ferris | 8/31/2008 | 56,028 | 8.0% | 4,482 |
| Garland | 8/31/2008 | 391,719 | 100.0% | 391,719 |
| Grand Prairie | 8/31/2008 | 409,402 (a) | 100.0% | 409,402 |
| Grapevine-Colleyville | 8/31/2008 | 345,913 | 1.0% | 3,459 |
| Highland Park | 8/31/2008 | 119,538 | 100.0% | 119,538 |
| Irving | 8/31/2008 | 514,339 | 100.0% | 514,339 |
| Lancaster | 8/31/2008 | 110,119 (a) | 100.0% | 110,119 |
| Mesquite | 8/31/2008 | 426,273 | 100.0% | 426,273 |
| Richardson | 6/30/2008 | 422,247 | 100.0% | 422,247 |
| Sunnyvale | 8/31/2008 | 43,294 | 100.0% | 43,294 |
| Total independent school districts | | <u>\$ 5,304,517</u> | | <u>\$ 4,836,181</u> |

Source: Financial reports of governmental units which have overlapping debt.

Note:

(a) 2007 Figures (2008 figures not available)

(Continued)

Table 12

DALLAS COUNTY, TEXAS
Computation of Direct and Overlapping Bonded Debt
September 30, 2008
(in thousands of dollars)
(unaudited)

| <u>Name</u> | <u>Indebtedness as of</u> | <u>Gross Debt Less Sinking Funds</u> | <u>Percentage of Debt Applicable to Dallas County</u> | <u>Dallas County's Share of Debt</u> |
|-------------------------------|-------------------------------|--|---|--|
| Overlapping Debt (Continued): | | | | |
| Cities and towns: | | | | |
| Addison | 9/30/2008 | \$ 59,550 | 100.0% | \$ 59,550 |
| Balch Springs | 9/30/2008 | 9,810 (a) | 100.0% | 9,810 |
| Carrollton | 9/30/2008 | 149,162 | 64.7% | 96,508 |
| Cedar Hill | 9/30/2008 | 64,984 | 98.3% | 63,879 |
| Coppell | 9/30/2008 | 66,860 | 98.9% | 66,125 |
| Dallas | 9/30/2008 | 1,668,943 (a) | 97.1% | 1,620,544 |
| Desoto | 9/30/2008 | 86,396 | 100.0% | 86,396 |
| Duncanville | 9/30/2008 | 9,491 | 100.0% | 9,491 |
| Farmers Branch | 9/30/2008 | 7,239 | 100.0% | 7,239 |
| Garland | 9/30/2008 | 269,353 | 100.0% | 269,353 |
| Glenn Heights | 9/30/2008 | 7,220 | 72.4% | 5,227 |
| Grand Prairie | 9/30/2008 | 146,141 | 55.9% | 81,693 |
| Hutchins | 9/30/2008 | 5,588 (a) | 100.0% | 5,588 |
| Irving | 9/30/2008 | 192,503 | 100.0% | 192,503 |
| Lancaster | 9/30/2008 | 54,475 | 100.0% | 54,475 |
| Mesquite | 9/30/2008 | 94,286 (a) | 100.0% | 94,286 |
| Richardson | 9/30/2008 | 197,181 | 86.7% | 170,956 |
| Rowlett | 9/30/2008 | 97,339 | 85.8% | 83,517 |
| Sachse | 9/30/2008 | 4,453 (a) | 93.5% | 4,164 |
| Seagoville | 9/30/2008 | 2,381 (a) | 99.6% | 2,371 |
| Sunnyvale | 9/30/2008 | 5,768 | 100.0% | 5,768 |
| Wilmer | 9/30/2008 | 110 (a) | 100.0% | 110 |
| Total cities and towns | | 3,199,233 | | 2,989,552 |
| Total Overlapping | | 8,503,750 | | 7,825,734 |
| Total Direct and Overlapping | | \$ 8,672,950 | | \$ 7,994,934 |

Source: Financial reports of governmental units which have overlapping debt.

Note:

(a) 2007 Figures (2008 figures not available)

(Concluded)

DALLAS COUNTY, TEXAS
 Legal Debt Margin - Primary Government
 Last Ten Fiscal Years
 (in thousands of dollars)
 (unaudited)

Table 13

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt Limit (Article 3, Section 52 of the Texas Constitution) | \$ 26,193,765 | \$ 28,399,885 | \$ 30,794,940 | \$ 32,719,808 | \$ 33,164,120 | \$ 34,405,411 | \$ 36,400,734 | \$ 39,585,249 | \$ 43,795,676 | \$ 46,909,632 (1) |
| Total net debt applicable to limit | <u>138,629</u> | <u>156,953</u> | <u>176,070</u> | <u>160,298</u> | <u>144,941</u> | <u>132,919</u> | <u>91,805</u> | <u>75,736</u> | <u>65,628</u> | <u>55,831</u> |
| Legal debt margin | <u>\$ 26,055,136</u> | <u>\$ 28,242,932</u> | <u>\$ 30,618,870</u> | <u>\$ 32,559,510</u> | <u>\$ 33,019,179</u> | <u>\$ 34,272,492</u> | <u>\$ 36,308,929</u> | <u>\$ 39,509,513</u> | <u>\$ 43,730,048</u> | <u>\$ 46,853,801</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.53% | 0.55% | 0.57% | 0.49% | 0.44% | 0.39% | 0.25% | 0.19% | 0.15% | 0.12% |
| Debt Limit (Under Texas General Law) | \$ 6,444,533 | \$ 6,956,520 | \$ 7,587,002 | \$ 7,988,886 | \$ 7,985,220 | \$ 8,156,396 | \$ 8,560,839 | \$ 9,216,671 | \$ 10,175,314 | \$ 10,905,098 (2) |
| Total net debt applicable to limit | <u>119,820</u> | <u>103,356</u> | <u>86,986</u> | <u>72,784</u> | <u>80,496</u> | <u>81,214</u> | <u>86,518</u> | <u>128,137</u> | <u>113,417</u> | <u>99,673</u> |
| Legal debt margin | <u>\$ 6,324,713</u> | <u>\$ 6,853,164</u> | <u>\$ 7,500,016</u> | <u>\$ 7,916,102</u> | <u>\$ 7,904,724</u> | <u>\$ 8,075,182</u> | <u>\$ 8,474,321</u> | <u>\$ 9,088,534</u> | <u>\$ 10,061,897</u> | <u>\$ 10,805,425</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 1.86% | 1.49% | 1.15% | 0.91% | 1.01% | 1.00% | 1.01% | 1.39% | 1.11% | 0.91% |

Legal Debt Margin Calculation for Fiscal Year 2008

| | | |
|--|--------------|-----------------------|
| Assessed valuation of real property* | | \$ <u>187,638,529</u> |
| Assessed valuation of all taxable property* | | <u>218,101,955</u> |
| Bonds issued under Article 3, Section 52 of the Texas Constitution: | | |
| Debt limit, one-fourth of real property assessed valuation | | 46,909,632 (1) |
| Amount of debt applied to debt limit: | | |
| Bonded debt | \$ (57,045) | |
| Less debt service funds - appropriation for future debt payments | | <u>1,214</u> |
| Total amount of debt applicable to debt limit | | <u>(55,831)</u> |
| Legal debt margin, bonds issued under Article 3, section 52, of the Texas Constitution | | <u>\$ 46,853,801</u> |
| Bonds issued under Texas General Laws: | | |
| Debt limit, five percent of assessed valuation of all taxable property | | 10,905,098 (2) |
| Amount of debt applied to debt limit: | | |
| Bonded debt | \$ (101,840) | |
| Less debt service funds - appropriation for future debt payments | | <u>2,167</u> |
| Total amount of debt applicable to debt limit | | <u>(99,673)</u> |
| Legal debt margin, bonds issued under Texas General Laws | | <u>\$ 10,805,425</u> |

(1) As to bonds issued under Article 3, Section 52e of the Texas Constitution, counties "may issue bonds or otherwise lend its credit in any amount not to exceed one-fourth of the assessed valuation of the real property of such district or territory."

(2) Government Code 1301.003 (c) "the total indebtedness of any County for the purpose provided in this chapter, shall not be increased by any issue of bonds to a sum exceeding five percent of its said taxable values."

| | Real Property | All |
|--|-----------------------|-----------------------|
| * Assessed value of real property | \$ 187,657,752 | \$ 218,121,178 |
| Rolling Stock | (19,223) | (19,223) |
| Adjusted Assessed Value of Real Property | <u>\$ 187,638,529</u> | <u>\$ 218,101,955</u> |

DALLAS COUNTY, TEXAS
Pledged Revenue Coverage
Last Four Fiscal Years
(in thousands of dollars)
(unaudited)

| Fiscal Year | Total Resources | Less: Operating Expenses | Net Available Revenue | Debt Service | | Total | Coverage |
|-------------|-----------------|--------------------------|-----------------------|--------------|----------|----------|----------|
| | | | | Principal | Interest | | |
| 2005 | \$ 1,046 | \$ - | \$ 1,046 | \$ 305 | \$ 741 | \$ 1,046 | 1.00 |
| 2006 | 1,084 | - | 1,084 | 350 | 734 | 1,084 | 1.00 |
| 2007 | 1,201 | 48 | 1,153 | 380 | 724 | 1,104 | 1.04 |
| (1) 2008 | 1,194 | 150 | 1,044 | 410 | 712 | 1,122 | 0.93 |

(1) Operating expenses for FY 2008 include expenses for Founders Plaza & George Allen parking garage systems.

Note: Parking garage opened March 19, 2007. George Allen parking garage system revenues are available for debt service use.

DALLAS COUNTY, TEXAS
Demographic and Economic Statistics
Last Ten Years
(unaudited)

| Year | Population (1) | Personal Income (in millions of dollars) (2) | Wage Mean (3) | Median Age (4) | School Enrollment (5) | Unemployment Rate (6) | |
|-------------|---------------------------|---|--------------------------|---------------------------|----------------------------------|----------------------------------|-----|
| 1999 | 2,050,865 | \$ 71,648 | \$ 32,602 | 30.3 | 154,759 | 3.3 | (c) |
| 2000 | 2,062,100 | 80,217 | 36,047 | 30.8 | 155,427 | 3.6 | (c) |
| 2001 | 2,218,899 | 82,272 | 36,373 | 31.3 | 157,726 | 5.1 | (c) |
| 2002 | 2,245,398 | 82,983 | 36,205 | 31.8 | 150,742 | 6.4 | (c) |
| 2003 | 2,283,953 | 84,278 | 36,617 | 31.9 | 149,597 | 6.6 | (c) |
| 2004 | 2,284,096 | 89,692 (a) | 39,766 | 32.2 | 148,131 | 5.5 | (c) |
| 2005 | 2,330,050 | 95,652 (a) | 40,959 | 32.6 | 146,216 | 5.2 | (c) |
| 2006 | 2,383,300 | 101,747 (a) | 41,321 | 32.4 | 158,700 | 4.6 | (c) |
| 2007 | 2,417,650 | 104,705 (a) | 42,174 | 32.8 | 158,126 | 4.3 | (c) |
| 2008 | 2,451,800 | 109,053 | 44,060 | 33.1 | 158,126 (b) | 5.3 | (c) |

Source:

- 1) North Texas Commission (ntc-dfw.org/ntpoppopest.html)
- 2) Bureau of Economic Analysis - U.S. Department of Commerce (www.bea.gov) for amounts through Fiscal Year 2005. After 2005, personal income estimated using CPI South-Urban available from U.S. Department of Labor.
- 3) Texas Workforce Commission LMI Tracer (www.texasindustryprofiles.com/apps/win/eds.php)
- 4) U.S. Census Bureau - ACS Survey (factfinder.census.gov) for Dallas County, TX.
- 5) Dallas Independent School District Financial Report
- 6) U.S. Department of Labor (Bureau of Labor Statistics) for Dallas metropolitan area.

Note:

- (a) Adjusted personal income figures reflect new Bureau of Labor Statistics estimates for 2006 and revisions for 2004-2005.
- (b) 2007 Figure (2008 figure not available)
- (c) The unemployment rate is reported for the month of September. 1999-2007 unemployment figures were previously reported as an annual average.

Table 16

DALLAS COUNTY, TEXAS
Principal Employers
September 30, 2008
(unaudited)

| 2008 | | | | | 1999 | | | |
|-------------------------------------|---|-----------|------|---------------------------------------|-------------------------------------|---|-----------|---------------------------------------|
| Company | Product | Employees | Rank | Percentage of Total County Employment | Company | Product | Employees | Percentage of Total County Employment |
| Wal-Mart Stores, Inc. | Retail | 33,500 | 1 | 1.37 % | AMR Corporation (American Airlines) | Airline, Technology and Management Services | 35,000 | 1.71 % |
| AMR Corporation (American Airlines) | Airline, Technology and Management Services | 25,655 | 2 | 1.05 | Raytheon Company | Defense Systems & Electronics | 20,000 | 0.98 |
| Dallas Public Schools | Public Independent School District | 20,000 * | 3 | N/A | Dallas Public Schools | Public Independent School District | 17,169 | 0.84 |
| Texas Health Resource | Non-profit Health Care | 17,299 | 4 | 0.71 | City of Dallas | Municipality | 14,200 | 0.69 |
| AT&T Inc. | Telecommunications | 16,200 | 5 | 0.66 | U.S. Postal Services | Federal Agency | 12,418 | 0.61 |
| Baylor Health Care System | Health Care Provider | 16,000 | 6 | 0.65 | Baylor Health Care System | Health Care | 11,900 | 0.58 |
| Lockheed Martin Aeronautics Co. | Military Aircraft Design and Production | 14,776 | 7 | 0.60 | Electronic Data Services | Information Technology Services | 11,000 | 0.54 |
| City of Dallas | Municipality | 14,764 | 8 | 0.60 | Texas Instruments, Inc. | Electronics and Semi-conductors | 11,000 | 0.54 |
| Verizon Communications | Telecommunications Service Firm | 13,800 | 9 | 0.56 | GTE Corporation | Telecommunications | 10,713 | 0.52 |
| Texas Instruments, Inc. | Electronics and Semi-conductors | 11,300 | 10 | 0.46 | SBC Telephone Co. | Telephone Utility | 10,590 | 0.52 |
| Kroger Food Stores | Retail Grocery | 10,400 | 11 | 0.42 | Bank of America | Financial Services | 10,000 | 0.49 |
| Brinker International | Restaurants | 9,600 | 12 | 0.39 | J.C. Penney Company, Inc. | Retail | 10,000 | 0.49 |
| JPMorgan Chase | Financial Services | 9,045 | 13 | 0.37 | Kroger Food Stores | Retail Grocery | 9,000 | 0.44 |
| Target Corp. | Retail | 8,643 | 14 | 0.35 | Tom Thumb Food & Pharmacy | Retail Grocery | 9,000 | 0.44 |
| Albertson's | Retail Grocery | 8,200 | 15 | 0.33 | Baylor University Medical Center | Healthcare and Medical Training | 8,108 | 0.40 |
| Dallas County Hospital District | Health Care to Dallas County | 9,125 | 16 | 0.37 | Columbia Healthcare | Healthcare Service | 8,000 | 0.39 |
| Bank of America | Financial Services | 8,000 | 16 | 0.33 | United Parcel Service | Package Distribution Company | 8,000 | 0.39 |
| Electronic Data Services | Information Technology Services | 7,300 | 17 | 0.30 | Alcatel USA | Voice, Data & Switching Infrastructure Mfg. | 7,000 | 0.34 |
| Dallas County | Government | 7,738 | 18 | 0.32 | Minyard Food Stores, Inc | Retail Grocery | 7,000 | 0.34 |
| J.C. Penney Company, Inc. | Retail | 7,298 | 19 | 0.30 | Nortel Networks (Northern Telecom) | Telecommunications Equipment Mfg. | 7,000 | 0.34 |
| Bell Helicopter Textron | Helicopter and Tilt Rotor Design | 6,448 | 21 | 0.26 | | | | |
| Tom Thumb Food & Pharmacy | Retail Grocery | 6,335 | 22 | 0.26 | | | | |
| Southwest Airlines | Commercial Airlines | 5,978 | 23 | 0.24 | | | | |
| Minyard Food Stores, Inc. | Retail Grocery | 5,054 | 24 | 0.21 | | | | |
| Walgreens | Retail Pharmacy | 4,700 | 25 | 0.19 | | | | |

* 2007 Figures (2008 figures not available)

Source: Dallas Business Journal and Ft. Worth Business Press Book of Lists 2008, City of Dallas and Dallas County Records

Dallas County Financial Records

<http://www.ntc-dfw.org/northtexas/corporate/largestemployers.htm>

www.dallascityhall.org

www.dallasisd.org

Table 17

DALLAS COUNTY, TEXAS
 Full-time Equivalent County Government Employees by Function
 Last Ten Fiscal Years
 (unaudited)

| Function | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Government | 4,891 | 3,447 | 3,440 | 3,934 | 4,367 | 4,518 | 4,821 | 5,080 | 4,260 | 4,164 |
| Public Safety | | | | | | | | | | |
| Constable | 217 | 199 | 221 | 222 | 224 | 224 | 257 | 256 | 270 | 293 |
| Sheriff | 1,684 | 1,820 | 1,823 | 1,700 | 1,692 | 1,884 | 1,693 | 1,828 | 2,280 | 2,392 |
| Truancy* | - | - | - | - | - | 22 | 22 | 18 | 28 | 27 |
| Juvenile** | - | - | - | - | - | - | - | - | 817 | 775 |
| Highways and streets | | | | | | | | | | |
| Road and Bridge | 149 | 149 | 149 | 150 | 151 | 117 | 117 | 103 | 86 | 87 |
| Total | <u>6,941</u> | <u>5,615</u> | <u>5,633</u> | <u>6,006</u> | <u>6,434</u> | <u>6,765</u> | <u>6,910</u> | <u>7,285</u> | <u>7,741</u> | <u>7,738</u> |

* Department effective 2004

** Previously reported in General Government category

Source: Dallas County Financial Records

Table 18

DALLAS COUNTY, TEXAS
Operating Indicators by Function
Last Ten Fiscal Years
(unaudited)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Assessor-Collector of Taxes: | | | | | | | | | | |
| Employees | 229 | 206 | 227 | 233 | 233 | 229 | 229 | 229 | 227 | 227 |
| Ad valorem assessment notices issued | 724,845 | 729,154 | 731,051 | 743,709 | 750,087 | 762,082 | 771,740 | 780,046 | 790,552 | 795,364 |
| Motor vehicle registrations | 2,225,885 | 2,351,354 | 1,818,868 | 1,816,528 | 1,929,114 | 1,806,423 | 1,856,256 | 1,981,824 | 1,987,802 | 2,036,945 |
| Number of entity collection contracts | — | — | 37 | 39 | 42 | 44 | 48 | 51 | 51 | 53 |
| Constables (3): | | | | | | | | | | |
| Employees | 217 | 199 | 221 | 222 | 224 | 224 | 257 | 256 | 288 | 312 |
| Civil process papers served | 150,784 | 157,953 | 165,627 | 151,020 | 144,620 | 127,907 | 128,722 | 122,517 | 123,926 | 126,021 |
| County Clerk: | | | | | | | | | | |
| Employees | 169 | 191 | 191 | 192 | 192 | 195 | 198 | 201 | 205 | 207 |
| Marriage licenses | 18,612 | 18,482 | 19,660 | 17,778 | 17,209 | 17,071 | 17,277 | 16,535 | 16,630 | 17,000 |
| Civil suits | 14,201 | 14,854 | 13,557 | 15,774 | 15,261 | 15,277 | 16,882 | 17,629 | 18,337 | 13,462 |
| Probate cases | 9,566 | 9,545 | 9,331 | 9,681 | 8,826 | 9,515 | 9,566 | 10,230 | 10,891 | 10,965 |
| Criminal cases | 64,260 | 62,829 | 61,194 | 54,694 | 52,244 | 63,502 | 66,691 | 67,505 | 64,852 | 63,000 |
| District Clerk: | | | | | | | | | | |
| Employees | 240 | 243 | 246 | 250 | 250 | 254 | 262 | 266 | 267 | 266 |
| Civil process cases | 48,262 | 51,359 | 42,601 | 44,505 | 44,952 | 45,710 | 45,706 | 42,152 | 45,006 | 47,671 |
| Criminal cases | 25,943 | 26,170 | 26,246 | 26,114 | 27,566 | 29,564 | 29,907 | 28,879 | 27,379 | 26,319 |
| Jurors | 116,252 | 115,474 | 123,653 | 113,489 | 118,960 | 100,049 | 96,219 | 102,165 | 100,003 | 105,672 |
| Justice of the Peace Courts (1): | | | | | | | | | | |
| Employees | 140 | 112 | 143 | 143 | 140 | 136 | 149 | 147 | 170 | 167 |
| Cases | 244,800 | 242,446 | 185,633 | 263,529 | 307,499 | 314,708 | 366,492 | 412,118 | 411,311 | 466,453 |
| Sheriff (5): | | | | | | | | | | |
| Employees | 1,684 | 1,820 | 1,823 | 1,700 | 1,692 | 1,684 | 1,693 | 1,828 | 2,068 | 2,195 |
| Daily average in county jail | 7,017 | 6,776 | 6,218 | 6,663 | 6,827 | 7,017 | 7,330 | 8,037 | 6,568 | 6,060 |
| Persons booked | 93,757 | 108,909 | 99,751 | 93,786 | 95,858 | 93,757 | 101,080 | 107,571 | 96,751 | 99,078 |
| Civil process papers served | 785 | 5,338 | 6,083 | 6,825 | 6,616 | 785 | 841 | 589 | 492 | 795 |
| Truancy Courts (2) : | | | | | | | | | | |
| Employees | — | — | — | — | — | 22 | 22 | 18 | 29 | 29 |
| Cases Filed | — | — | — | — | — | 19,061 | 14,300 | 20,933 | 16,270 | 32,619 |
| County Treasurer | | | | | | | | | | |
| Employees | 18 | 20 | 20 | 20 | 20 | 18 | 18 | 18 | 18 | 18 |
| Total Receipts (4) | \$ 25,877,091 | \$ 29,696,957 | \$ 39,248,528 | \$ 33,736,025 | \$ 29,368,183 | \$ 27,530,654 | \$ 34,833,076 | \$ 37,138,554 | \$ 43,216,196 | \$ 45,112,755 |
| Investment Earnings (4) | \$ 16,483 | \$ 16,704 | \$ 16,321 | \$ 8,379 | \$ 5,425 | \$ 5,360 | \$ 11,396 | \$ 20,525 | \$ 26,323 | \$ 17,716 |

Sources: Dallas County Financial Records
 Figures are based on budgeted amounts/employees

Note (1): Redistricting of JP in FY2002 reduced number of courts from 14 to 11. Incumbents in 3 non-named courts served out balance of elected term 12/31/04

(2): Truancy courts became effective April 2004. Dallas County currently operates four Truancy courts.

(3): Redistricting of Constables in FY2002 reduced number of Precincts from 8 to 5. Incumbents in 2 non-named precincts will serve out balance of elected term. One incumbent was appointed to another political office. In FY 2008, the increase in number of employees was a result of budgeted positions which were filled in FY 08.

(4): In thousands of dollars.

(5): In FY 2008, the increase in number of employees was a result of budgeted positions which were filled in FY 08.

Table 19

DALLAS COUNTY, TEXAS
Capital Asset Statistics by Function
Last Seven Fiscal Years
(unaudited)

| Function | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------|------|------|------|------|------|--------|--------|
| General Government | | | | | | | |
| Number of buildings | 22 | 22 | 22 | 22 | 22 | 22 (a) | 21 (b) |
| Public Safety | | | | | | | |
| Number of buildings | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Number of jails | 5 | 5 | 5 | 4 | 4 | 5 | 6 |
| Number of vehicles | 405 | 485 | 492 | 479 | 593 | 584 | 640 |
| Highways and streets | | | | | | | |
| Number of buildings | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Streets (lane miles) | 147 | 142 | 137 | 137 | 137 | 137 | 137 |
| Number of bridges | 51 | 51 | 51 | 51 | 41 | 38 | 37 |
| Health | | | | | | | |
| Number of buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Welfare | | | | | | | |
| Number of buildings | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Judicial | | | | | | | |
| Number of buildings | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Number of Juvenile beds | 486 | 486 | 670 | 706 | 750 | 750 | 762 |
| Number of courts | 73 | 71 | 71 | 69 | 70 | 71 | 71 |

Source: Operating Indicators were provided by the various operating departments.

Notes:

(a) Includes a demolished (FY 07) building. The land is currently being used to construct a new county building (Forensic Science)

(b) Does not include Forensic Science building which is currently under construction and not operational.

Statistics were not accumulated for presentation prior to implementation of GASB 34 in 2002.

OTHER REPORTS

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

To the Honorable County Judge and Commissioners of
Dallas County, Texas:

We have audited the basic financial statements of Dallas County (the "County") as of and for the year ended September 30, 2008, and have issued our report thereon dated March 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also audited the basic financial statements of Dallas County Hospital District (the "District"), a component unit of Dallas County, Texas – (dba Parkland Health & Hospital System), as of and for the year ended September 30, 2008, and have issued our report thereon dated December 18, 2008. This report does not include the results of testing of internal control over financial reporting or compliance and other matters of the District that are reported separately.

We did not audit the financial statements of the Parkland Foundation, a discretely presented component unit of the District. Those financial statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Parkland Foundation, is based solely on the reports of the other auditors. The financial statements of the Parkland Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or 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 entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated March 27, 2009.

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

Deloitte & Touche LLP

March 27, 2009

