

COUNTY OF CONCHO  
Annual Financial Report  
Year Ended September 30, 2012

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## FINANCIAL SECTION



A Limited Liability Partnership

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## INDEPENDENT AUDITORS' REPORT

The Honorable County Judge  
and Commissioners' Court  
County of Concho  
P.O. Box 158  
Paint Rock, TX 76866-0158

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Concho, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Section I., Note C., the County's policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Concho, Texas, as of September 30, 2012, and the respective changes in financial position - modified cash basis for the year then ended in conformity with the basis of accounting described in Section I., Note C.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2013, on our consideration of the County of Concho's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the TCDRS retirement plan on pages 3 through 7, 27 through 29, and 30, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Concho's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Eckert & Company, LLP*

March 19, 2013

**ALLEN AMOS**  
**Concho County Judge**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the County of Concho's financial performance provides an overview of the County's financial activities for the year ended September 30, 2012, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditors' report.

**Financial Highlights - Modified Cash Basis of Accounting**

The County's assets exceeded its liabilities at the end of the current year by \$1,057,897 (net assets). Of this amount, \$255,344 (unrestricted net assets) may be used to meet the County's ongoing obligations.

The County's total net assets decreased by \$152,032 or 13% as a result of current year operations. The County's statement of activities shows total revenues of \$3,300,314 and total expenses of \$3,452,346.

The total fund balance of the General Fund was \$463,022 which was an increase of \$193,946 or 72% compared to the prior year.

**Overview of the Financial Statements**

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other 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 a private-sector business.

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

The statement of activities presents information showing how the County's net assets changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, and public health and welfare, as well as general administrative and support services.

The County has no component units.

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

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Road and Bridge Fund, the Road Bond Fund, and the Special Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS** - Continued

**Government-Wide Financial Analysis**

**Net Assets** - A summary of the County's net assets is presented below:

NET ASSETS - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>September 30,</u>	
	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 1,038,228	\$ 1,183,560
Capital Assets	<u>667,502</u>	<u>701,369</u>
Total Assets	<u>\$ 1,705,730</u>	<u>\$ 1,884,929</u>
Long-Term Liabilities Outstanding	\$ 600,000	\$ 675,000
Other Liabilities	<u>47,833</u>	<u>0</u>
Total Liabilities	<u>\$ 647,833</u>	<u>\$ 675,000</u>
Net Assets		
Invested in Capital Assets	\$ 667,502	\$ 701,369
Restricted	135,051	560,515
Unrestricted (Deficit)	<u>255,344</u>	<u>(51,955)</u>
Total Net Assets	<u>\$ 1,057,897</u>	<u>\$ 1,209,929</u>

A large portion of the County's net assets resulting from modified cash basis transactions (\$667,502) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the County's net assets (\$135,051) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$255,344) may be used to meet the County's ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities decreased the County's net assets resulting from modified cash basis transactions by \$152,032 and \$7,601 for the fiscal years ended September 30, 2012 and 2011, respectively. Key elements of these decreases are as follows:

CHANGES IN NET ASSETS - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2011	2011
Revenues		
Program Revenues		
Charges for Services	\$ 815,560	\$ 776,436
Operating Grants and Contributions	408,494	200,172
General Revenues		
Maintenance and Operations Taxes	1,868,354	1,812,319
Debt Service Taxes	104,995	0
Sales Taxes	85,816	67,344
Investment Earnings	7,268	10,556
Other Revenues	9,827	6,996
Total Revenues	\$ 3,300,314	\$ 2,873,823
Expenses		
General Government	\$ 1,060,495	\$ 1,055,233
Roads and Bridges	935,403	691,684
Justice System	360,305	382,268
Public Safety	682,782	633,744
Public Health and Welfare	383,606	118,495
Debt Service Interest	29,755	0
Total Expenses	\$ 3,452,346	\$ 2,881,424
Change in Net Assets	\$ (152,032)	\$ (7,601)
Net Assets - Beginning	1,209,929	1,217,530
Net Assets - Ending	\$ 1,057,897	\$ 1,209,929

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$978,136, a decrease of \$191,122 or 16% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$463,022. All of the balance is unassigned.

Special Revenue Funds \$380,063. The entire balance is committed for use in each of the special revenue funds.

Road Bond Fund \$132,761. This balance is restricted for road improvements.

Debt Service Fund \$2,290. This balance is restricted debt service.

### General Fund Budget

The original budget for the General Fund was \$2,257,647, and the final amended budget was \$2,259,178 which represents a \$1,531 increase in appropriations. Significant variances between the original budget and the final amended budget include a \$10,620 increase in Appraisal District, and a \$17,376 decrease in Miscellaneous.

The County has adopted a budget for the General Fund in the amount of \$2,349,525 for the fiscal year 2013, which is an increase of \$90,347 from the fiscal year 2012.

### Capital Assets and Debt - Modified Cash Basis

**Capital Assets** - The County's investment in capital assets, net of depreciation, for its governmental type activities as of September 30, 2012 and 2011, was \$667,502 and \$701,369, respectively. This investment in capital assets includes land, buildings and improvements, machinery and equipment and construction in progress. Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2012.

**Long-Term Debt** - As of September 30, 2012 and 2011, the County had total long-term debt outstanding of \$600,000 and \$675,000 respectively. Long-term debt is an Unlimited Tax Road Bond, Series 2011. Financial statement footnote III., E. discloses the County's debt activity for the year ended September 30, 2012.

### Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Allen Amos, County Judge, County of Concho, P.O. Box 158, Paint Rock, TX 76866-0158.

Basic Financial Statements

COUNTY OF CONCHO  
Statement of Net Assets - Modified Cash Basis  
September 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Temporary Investments	\$ 975,968
Due from Fiduciary Funds	23,001
Receivable - Contract for Deed	27,000
Debt Issue Costs	12,259
Capital Assets (Net of Accumulated Depreciation):	
Land	8,508
Buildings and Improvements	244,708
Machinery and Equipment	401,786
Construction in Progress	<u>12,500</u>
Total Assets	<u>\$ 1,705,730</u>
<u>LIABILITIES</u>	
Deferred Revenue	\$ 47,833
Long-Term Liabilities:	
Due Within One Year	100,000
Due in More than One Year	<u>500,000</u>
Total Liabilities	<u>\$ 647,833</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 667,502
Restricted for:	
Road Improvements	132,761
Debt Service	2,290
Unrestricted	<u>255,344</u>
Total Net Assets	<u><u>\$ 1,057,897</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General Government	\$ 1,060,495	\$ 152,010	\$ 45,709	\$ (862,776)
Roads and Bridges	935,403	222,233	16,195	(696,975)
Justice System	360,305	358,235	26,387	24,317
Public Safety	682,782	73,394	0	(609,388)
Public Health and Welfare	383,606	9,688	320,203	(53,715)
Debt Service Interest	29,755	0	0	(29,755)
	<u>\$ 3,452,346</u>	<u>\$ 815,560</u>	<u>\$ 408,494</u>	<u>\$ (2,228,292)</u>
		General Revenues:		
				\$ 1,868,354
				104,995
				85,816
				7,268
				<u>9,827</u>
			Total General Revenues	<u>\$ 2,076,260</u>
			Change in Net Assets	\$ (152,032)
			Net Assets - Beginning	<u>1,209,929</u>
			Net Assets - Ending	<u>\$ 1,057,897</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
Balance Sheet - Modified Cash Basis  
Governmental Funds  
September 30, 2012

	General	Road and Bridge	Road Bond	Special	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Temporary Investments	\$ 477,943	\$ 239,993	\$ 132,761	\$ 114,964	\$ 10,307	\$ 975,968
Due from Other Funds	15,821	16,128	0	961	0	32,910
Receivable - Contract for Deed	27,000	0	0	0	0	27,000
<b>Total Assets</b>	<b><u>\$ 520,764</u></b>	<b><u>\$ 256,121</u></b>	<b><u>\$ 132,761</u></b>	<b><u>\$ 115,925</u></b>	<b><u>\$ 10,307</u></b>	<b><u>\$ 1,035,878</u></b>
<b>LIABILITIES</b>						
Due to Other Funds	\$ 9,909	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,909
Deferred Revenue	47,833	0	0	0	0	47,833
<b>Total Liabilities</b>	<b><u>\$ 57,742</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 57,742</u></b>
<b>FUND BALANCES</b>						
Restricted Fund Balance:						
Road Bond Fund	\$ 0	\$ 0	\$ 132,761	\$ 0	\$ 0	\$ 132,761
Debt Service Fund	0	0	0	0	2,290	2,290
Committed Fund Balance						
Special Revenue Funds	0	256,121	0	115,925	8,017	380,063
Unassigned Fund Balance	463,022	0	0	0	0	463,022
<b>Total Fund Balances</b>	<b><u>\$ 463,022</u></b>	<b><u>\$ 256,121</u></b>	<b><u>\$ 132,761</u></b>	<b><u>\$ 115,925</u></b>	<b><u>\$ 10,307</u></b>	<b><u>\$ 978,136</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 520,764</u></b>	<b><u>\$ 256,121</u></b>	<b><u>\$ 132,761</u></b>	<b><u>\$ 115,925</u></b>	<b><u>\$ 10,307</u></b>	<b><u>\$ 1,035,878</u></b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Statement of Net Assets - Modified Cash Basis  
 September 30, 2012

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 978,136</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net assets.	701,369
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The net effect of including the beginning balances of long-term debt is to decrease net assets.	(675,000)
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net assets.	117,412
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions of long-term debt in the government-wide financial statements. The net effect of including long-term debt principal payments and amortization of bond premiums is to increase net assets.	75,000
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets. The net effect of the adjustments is to decrease net assets.	(47,353)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(103,926)
Debt issue costs for long-term debt is shown as an expense when debt is issued in the fund financial statements but is shown as an asset in the government-wide financial statements and is amortized over the life of the long-term debt. The net effect of including beginning debt issue costs and adjusting for current amortization is to increase net assets.	12,259
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 1,057,897</u></u></b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year Ended September 30, 2012

	<u>General</u>	<u>Road and Bridge</u>	<u>Road Bond</u>	<u>Special</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>						
Taxes	\$ 1,639,156	\$ 315,014	\$ 0	\$ 0	\$ 104,995	\$ 2,059,165
Fees	184,612	222,233	0	38,983	9,688	455,516
Fines	356,613	0	0	0	0	356,613
Intergovernmental	41,496	0	0	0	67,964	109,460
Grant	0	0	0	0	268,434	268,434
Interest	2,005	954	4,137	166	6	7,268
Miscellaneous	70,756	2,216	0	0	18,239	91,211
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	<u>\$ 2,294,638</u>	<u>\$ 540,417</u>	<u>\$ 4,137</u>	<u>\$ 39,149</u>	<u>\$ 469,326</u>	<u>\$ 3,347,667</u>
<b><u>EXPENDITURES</u></b>						
Current:						
General Government	\$ 1,012,224	\$ 0	\$ 0	\$ 26,884	\$ 0	\$ 1,039,108
Roads and Bridges	0	561,481	403,846	0	15,907	981,234
Justice System	360,305	0	0	0	0	360,305
Public Safety	656,942	0	0	0	14,882	671,824
Public Health and Welfare	21,988	0	0	0	361,618	383,606
Debt Service:						
Principal	0	0	0	0	75,000	75,000
Interest	0	0	0	0	27,712	27,712
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>\$ 2,051,459</u>	<u>\$ 561,481</u>	<u>\$ 403,846</u>	<u>\$ 26,884</u>	<u>\$ 495,119</u>	<u>\$ 3,538,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 243,179</u>	<u>\$ (21,064)</u>	<u>\$ (399,709)</u>	<u>\$ 12,265</u>	<u>\$ (25,793)</u>	<u>\$ (191,122)</u>

OTHER FINANCING SOURCES (USES)

Transfers In	\$ 0	\$ 59,778	\$ 0	\$ 0	\$ 17,500	\$ 77,278
Transfers Out	<u>(49,233)</u>	<u>0</u>	<u>(28,045)</u>	<u>0</u>	<u>0</u>	<u>(77,278)</u>
Total Other Financing Sources (Uses)	<u>\$ (49,233)</u>	<u>\$ 59,778</u>	<u>\$ (28,045)</u>	<u>\$ 0</u>	<u>\$ 17,500</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 193,946	\$ 38,714	\$ (427,754)	\$ 12,265	\$ (8,293)	\$ (191,122)
Fund Balances - Beginning	<u>269,076</u>	<u>217,407</u>	<u>560,515</u>	<u>103,660</u>	<u>18,600</u>	<u>1,169,258</u>
Fund Balances - Ending	<u><u>\$ 463,022</u></u>	<u><u>\$ 256,121</u></u>	<u><u>\$ 132,761</u></u>	<u><u>\$ 115,925</u></u>	<u><u>\$ 10,307</u></u>	<u><u>\$ 978,136</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
 Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
 Year Ended September 30, 2012

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (191,122)</b>
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net assets.	117,412
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions of long-term debt in the government-wide financial statements. The net effect of removing long-term debt principal payments net of amortization of bond premium is to increase net assets.	75,000
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable bases of the assets. The net effect of the adjustments is to decrease net assets.	(47,353)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(103,926)
Debt issue costs for long-term debt issued in the current year is shown as an expense in the fund financial statements but is shown as an asset in the government-wide financial statements and is amortized over the life of the long-term debt. The net effect of recording amortization is to decrease net assets.	<u>(2,043)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ (152,032)</u></u></b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
 Statement of Fiduciary Net Assets - Modified Cash Basis  
 Fiduciary Funds  
 September 30, 2012

	<u>Permanent School Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and Temporary Investments	\$ 23,687	\$ 134,591
Due from Other Funds	<u>0</u>	<u>938</u>
Total Assets	<u>\$ 23,687</u>	<u>\$ 135,529</u>
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 23,939
Due to Other Governments	0	83,455
Due to Others	<u>0</u>	<u>28,135</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 135,529</u>
<u>NET ASSETS</u>		
Restricted for Permanent School Fund	<u>\$ 23,687</u>	

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
 Statement of Changes in Fiduciary Net Assets - Modified Cash Basis  
 Fiduciary Funds  
 September 30, 2012

	<u>Permanent School Fund</u>
<u>ADDITIONS</u>	
Interest Earned	\$ 78
 <u>DEDUCTIONS</u>	
None	<u>0</u>
 Change in Net Assets	 \$ 78
 Net Assets - Beginning	 <u>23,609</u>
 Net Assets - Ending	 <u><u>\$ 23,687</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CONCHO  
Notes to the Financial Statements  
September 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Concho, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**A. Reporting Entity**

The County of Concho, Texas, was organized by an Act of the Texas Legislature in 1879. The County is governed by the Commissioners' Court, a five member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, and public health and welfare, as well as general administrative and support services. There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net assets.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

**C. Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

**Basis of Accounting**

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

Road Bond Fund - This Fund is used to account for bond proceeds which are to be used for road improvements.

Special Fund - This fund accounts for fees which are collected by County officials to be used for specified purposes.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

**D. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds, these balances are eliminated in the statement of net assets.

**E. Capital Assets**

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Capital Assets - Continued**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**F. Long-Term Debt**

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

**G. Compensated Absences**

County employees are entitled to vacation and sick leave based on their length of employment. Vacation does not accumulate or vest. Employees may accumulate up to 480 hours of sick leave. Employees are not paid for unused sick leave upon separation from service and are paid only for the current year's unused vacation.

**H. Fund Balances**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Fund Balances - Continued**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

**I. Net Assets on the Statement of Net Assets**

Net assets on the statement of net assets including the following:

Invested in Capital Assets - This component of net assets represents capital assets net of accumulated depreciation.

Restricted for Road Improvements - This component of net assets represents the difference between assets and liabilities of the Road Bond Fund. This consists of this Fund's net assets with constraints placed on their use by bond covenants.

Restricted for Debt Service - This component of net assets represents the difference between assets and liabilities of the Debt Service Fund that consists of net assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets and liabilities that is not reported as Invested in Capital Assets, Restricted for Road Improvements, or Restricted for Debt Service.

**J. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

**K. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

**A. Budget - Continued**

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

**B. Excess Expenditures Over Appropriations**

Expenditures exceeded appropriations in the following program:

General Fund	
Election Expense	<u>\$ 3,037</u>

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

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

**Custodial Credit Risk - Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits and investments in certificates of deposit since they are covered by depository insurance and pledged securities held by a third party in the County's name.

**Concentration of Credit Risk:** The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2012, all of the County's investments are in certificates of deposit with its depository bank. The County is not exposed to this risk as described in the preceding paragraph.

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2012, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

The carrying amount of the County's cash and temporary investments at September 30, 2012, approximates fair value and consisted of the following:

Cash in Bank	\$	699,771
Certificates of Deposit		<u>434,475</u>
Total Cash and Temporary Investments		<u><u>\$ 1,134,246</u></u>

**B. Interfund Receivables, Payables, and Transfers**

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Road and Bridge Fund	\$ 0	\$ 9,909	Operating Advance
Fiduciary Funds	724	0	Operating Advance
Fiduciary Funds	<u>15,097</u>	<u>0</u>	Unremitted Fees
	<u>\$ 15,821</u>	<u>\$ 9,909</u>	
Road and Bridge Fund			
General Fund	\$ 9,909	\$ 0	Operating Advance
Fiduciary Funds	<u>6,219</u>	<u>0</u>	Unremitted Fees
	<u>\$ 16,128</u>	<u>\$ 0</u>	
Special Fund			
Fiduciary Funds	<u>\$ 961</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 724	Operating Advance
General Fund	0	15,097	Unremitted Fees
Road and Bridge Fund	0	6,219	Unremitted Fees
Special Fund	0	961	Unremitted Fees
Fiduciary Funds	<u>938</u>	<u>938</u>	Unremitted Fees
	<u>\$ 938</u>	<u>\$ 23,939</u>	
Totals	<u><u>\$ 33,848</u></u>	<u><u>\$ 33,848</u></u>	

All amounts due are expected to be repaid within one year.

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**III.DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Interfund Receivables, Payables, and Transfers - Continued**

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Road and Bridge Fund	\$ 31,733	To Cover Fund Deficit
General Fund	Nutrition Program	17,500	To Cover Fund Deficit
Road Bond Fund	Road and Bridge Fund	<u>28,045</u>	To Cover Fund Deficit
Total		<u>\$ 77,278</u>	

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 9,508	\$ 0	\$ 1,000	\$ 8,508
Construction in Progress	<u>0</u>	<u>12,500</u>	<u>0</u>	<u>12,500</u>
Total Capital Assets Not Being Depreciated	<u>\$ 9,508</u>	<u>\$ 12,500</u>	<u>\$ 1,000</u>	<u>\$ 21,008</u>
<b>Capital Assets</b>				
Buildings and Improvements	\$ 517,126	\$ 0	\$ 72,596	\$ 444,530
Machinery and Equipment	<u>1,450,567</u>	<u>104,912</u>	<u>96,298</u>	<u>1,459,181</u>
Total Capital Assets Being Depreciated	<u>\$ 1,967,693</u>	<u>\$ 104,912</u>	<u>\$ 168,894</u>	<u>\$ 1,903,711</u>
Total Capital Assets	<u>\$ 1,977,201</u>	<u>\$ 117,412</u>	<u>\$ 169,894</u>	<u>\$ 1,924,719</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	\$ (207,297)	\$ (18,770)	\$ (26,245)	\$ (199,822)
Machinery and Equipment	<u>(1,068,535)</u>	<u>(85,156)</u>	<u>(96,296)</u>	<u>(1,057,395)</u>
Total Accumulated Depreciation	<u>\$ (1,275,832)</u>	<u>\$ (103,926)</u>	<u>\$ (122,541)</u>	<u>\$ (1,257,217)</u>
Governmental Activities Capital Assets, Net	<u>\$ 701,369</u>	<u>\$ 13,486</u>	<u>\$ 47,353</u>	<u>\$ 667,502</u>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 33,887
Roads and Bridges	25,418
Public Safety	<u>44,621</u>
Total	<u>\$ 103,926</u>

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**III.DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Leases**

The County entered into lease agreements to finance the acquisition of equipment for the Road and Bridge Department. These lease agreements qualify as capital leases for accounting purposes and are payable from the Road and Bridge Fund. The effective interest rates are 3.5%.

The County entered into a lease agreement to finance the acquisition of equipment for the Road and Bridge Department. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 5.08%.

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Leases				Total
	Road and Bridge		Road and Bridge		
	Principal	Interest	Principal	Interest	
2013	\$ 50,684	\$ 19,316	\$ 49,086	\$ 837	\$ 119,923
2014	52,458	17,542	0	0	70,000
2015	54,294	15,706	0	0	70,000
2016	394,446	13,806	0	0	408,252
<b>Totals</b>	<b><u>\$ 551,882</u></b>	<b><u>\$ 66,370</u></b>	<b><u>\$ 49,086</u></b>	<b><u>\$ 837</u></b>	<b><u>\$ 668,175</u></b>

The following is a summary of the changes in capital leases for the year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	<u>\$ 661,768</u>	<u>\$ 0</u>	<u>\$ 60,800</u>	<u>\$ 600,968</u>

**E. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Unlimited Tax Road Bond	<u>\$ 675,000</u>	<u>\$ 0</u>	<u>\$ 75,000</u>	<u>\$ 600,000</u>	<u>\$ 100,000</u>

The County's outstanding bond issue is as follows:

Concho County, Texas, Unlimited Tax Road Bond, Series 2011. Issued for road improvements in the original amount of \$675,000. Due in variable installments through February 1, 2018, with interest rates of 2.25% to 3.75%. \$ 600,000

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**E. Long-Term Debt - Continued**

The annual debt service requirements are as follows:

Year Ending September 30,	Unlimited Tax Road Bond		Total
	Principal	Interest	
2013	\$ 100,000	\$ 17,500	\$ 117,500
2014	100,000	14,875	114,875
2015	100,000	12,000	112,000
2016	100,000	8,875	108,875
2017	100,000	5,500	105,500
2018	100,000	1,875	101,875
Totals	<u>\$ 600,000</u>	<u>\$ 60,625</u>	<u>\$ 660,625</u>

**IV. OTHER INFORMATION**

**A. Retirement Plan**

Plan Description - The County provides retirement, disability, and death benefits for its employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS).

The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at [www.tcdrs.org](http://www.tcdrs.org), by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

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

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

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**IV. OTHER INFORMATION - Continued**

**A. Retirement Plan - Continued**

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. However, the governing body chose to pay a rate of 7.1% in 2011 that exceeded the actuarially determined rate as allowed by the provisions of the TCDRS Act. For the months of the accounting year in 2012, the employer contributed the actuarially determined rate of 7.34%.

The deposit rate payable by the employee members for calendar year 2012 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost - For the employer's accounting year ended September 30, 2012, the annual pension cost for the TCDRS plan for its employees was \$83,106, and the actual contributions were \$83,106.

Actuarial Valuation Information			
Actuarial Valuation Date	12-31-09	12-31-10	12-31-11
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	30	20	20
Asset Valuation Method	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value
Actuarial Assumptions:			
Investment Return <sup>1</sup>	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

<sup>1</sup> Includes Inflation at the Stated Rate

<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-10	\$ 71,204	100%	\$ 0
9-30-11	76,183	100%	0
9-30-12	83,106	100%	0

COUNTY OF CONCHO  
Notes to the Financial Statements - Continued  
September 30, 2012

**IV. OTHER INFORMATION - Continued**

**A. Retirement Plan - Continued**

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 8% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at December 31, 2011, was 20 years.

Funded Status and Funding Progress - As of December 31, 2011, the most recent actuarial valuation date, the plan was 99.66% funded. The actuarial accrued liability for benefits was \$2,731,440, and the actuarial value of assets was \$2,722,245, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,195. The covered payroll (annual payroll of active employees covered by the plan) was \$1,080,193 and the ratio of the UAAL to the covered payroll was 0.85%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**B. Subsequent Events**

The County's management has evaluated subsequent events through March 19, 2013, the date which the financial statements were available for issue.

Required Supplementary Information

COUNTY OF CONCHO  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
General Fund  
Year Ended September 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
<b><u>REVENUES</u></b>				
Taxes	\$ 1,606,973	\$ 1,606,973	\$ 1,639,156	\$ 32,183
Fees	115,100	115,100	184,612	69,512
Fines	250,000	250,000	356,613	106,613
Intergovernmental	113,918	113,918	41,496	(72,422)
Interest	5,000	5,000	2,005	(2,995)
Miscellaneous	28,200	28,200	70,756	42,556
 Total Revenues	 <u>\$ 2,119,191</u>	 <u>\$ 2,119,191</u>	 <u>\$ 2,294,638</u>	 <u>\$ 175,447</u>
<b><u>EXPENDITURES</u></b>				
General Government				
County Judge	\$ 100,541	\$ 100,541	\$ 95,813	\$ 4,728
Commissioners' Court	154,432	154,432	143,819	10,613
County and District Clerk	70,851	70,851	58,036	12,815
Elections	47,032	47,032	43,361	3,671
County Treasurer	114,446	114,447	110,888	3,559
Tax Assessor-Collector	107,608	107,608	100,400	7,208
Courthouse	73,519	73,519	61,665	11,854
Extension Office	104,135	104,165	96,521	7,644
Nondepartmental:				
Insurance	50,000	50,000	50,000	0
Appraisal District	95,000	105,620	105,620	0
Audit	16,500	25,926	25,926	0
Advertising and Legal Notices	2,500	2,500	2,500	0
County Trapper	59,400	59,400	57,600	1,800
Election Expense	20,000	17,630	20,667	(3,037)
County Services	5,000	5,000	5,000	0
Radio Tower	1,500	2,339	2,339	0
Miscellaneous	45,000	27,624	13,473	14,151
SWCD	5,000	5,000	5,000	0
Libraries	3,000	3,000	3,000	0
Redistricting	5,500	5,596	5,596	0
Health Insurance	2,500	0	0	0
Legislative Consultant	500	500	0	500
GCG - Technology	5,000	5,000	5,000	0
 Total General Government	 <u>\$ 1,088,964</u>	 <u>\$ 1,087,730</u>	 <u>\$ 1,012,224</u>	 <u>\$ 75,506</u>

COUNTY OF CONCHO  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
General Fund - Continued  
Year Ended September 30, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>EXPENDITURES - Continued</u>				
Justice System				
County and District Clerk	\$ 70,852	\$ 70,852	\$ 58,036	\$ 12,816
Courts - County and District Justice of the Peace	155,004	155,004	144,536	10,468
County Attorney	99,858	99,858	97,876	1,982
County Attorney	61,620	61,620	59,857	1,763
Total Justice System	<u>\$ 387,334</u>	<u>\$ 387,334</u>	<u>\$ 360,305</u>	<u>\$ 27,029</u>
Public Safety				
Sheriff	\$ 447,426	\$ 447,426	\$ 418,242	\$ 29,184
Constable	18,568	18,568	15,851	2,717
Highway Patrol Expense	2,000	2,000	859	1,141
911 Expense	2,000	2,000	1,960	40
Fire Protection	7,356	7,356	5,568	1,788
Law Enforcement Center	219,606	221,106	214,462	6,644
Total Public Safety	<u>\$ 696,956</u>	<u>\$ 698,456</u>	<u>\$ 656,942</u>	<u>\$ 41,514</u>
Public Health and Welfare				
Veterans Service Officer	\$ 2,160	\$ 2,160	\$ 1,980	\$ 180
County Health Officer	500	500	500	0
Van Driver	7,500	7,500	7,500	0
Child Welfare	1,000	1,000	1,000	0
Drug-Alcohol Treatment	1,500	1,500	0	1,500
Septic Site Inspector	5,000	6,265	6,008	257
Septic Site Inspection	5,000	5,000	5,000	0
Total Public Health and Welfare	<u>\$ 22,660</u>	<u>\$ 23,925</u>	<u>\$ 21,988</u>	<u>\$ 1,937</u>
 Total Expenditures	 <u>\$ 2,195,914</u>	 <u>\$ 2,197,445</u>	 <u>\$ 2,051,459</u>	 <u>\$ 145,986</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 \$ (76,723)	 \$ (78,254)	 \$ 243,179	 \$ 321,433
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	30,000	30,000	0	(30,000)
Transfers Out	<u>(61,733)</u>	<u>(61,733)</u>	<u>(49,233)</u>	<u>12,500</u>
Net Change in Fund Balance	\$ (108,456)	\$ (109,987)	\$ 193,946	\$ 303,933
Fund Balance - Beginning	<u>269,076</u>	<u>269,076</u>	<u>269,076</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 160,620</u>	<u>\$ 159,089</u>	<u>\$ 463,022</u>	<u>\$ 303,933</u>

COUNTY OF CONCHO  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
Road and Bridge Fund  
Year Ended September 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 313,212	\$ 313,212	\$ 315,014	\$ 1,802
Fees	205,200	205,200	222,233	17,033
Interest	1,500	1,500	954	(546)
Miscellaneous	13,760	13,760	2,216	(11,544)
	<u>\$ 533,672</u>	<u>\$ 533,672</u>	<u>\$ 540,417</u>	<u>\$ 6,745</u>
<u>EXPENDITURES</u>				
Roads and Bridges				
Salaries	\$ 211,938	\$ 211,938	\$ 209,707	\$ 2,231
Benefits	114,187	113,245	103,390	9,855
Cell Phone	4,320	5,824	5,674	150
Parts and Repairs	33,500	41,447	39,656	1,791
Fuel	36,000	77,974	77,085	889
Tires and Batteries	13,000	17,154	13,644	3,510
Shop Supplies	6,500	6,163	4,774	1,389
Utilities	4,200	4,550	4,337	213
Road Material	9,500	14,110	12,310	1,800
Machine Hire	0	350	350	0
Capital Lease Payments	85,000	85,000	85,000	0
Equipment Purchase	18,804	5,974	1,536	4,438
Miscellaneous	28,451	7,761	4,018	3,743
	<u>\$ 565,400</u>	<u>\$ 591,490</u>	<u>\$ 561,481</u>	<u>\$ 30,009</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (31,728)	\$ (57,818)	\$ (21,064)	\$ 36,754
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>31,732</u>	<u>31,732</u>	<u>59,778</u>	<u>28,046</u>
Net Change in Fund Balance	\$ 4	\$ (26,086)	\$ 38,714	\$ 64,800
Fund Balance - Beginning	<u>271,407</u>	<u>217,407</u>	<u>217,407</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 271,411</u>	<u>\$ 191,321</u>	<u>\$ 256,121</u>	<u>\$ 64,800</u>

COUNTY OF CONCHO  
 Schedule of Funding Progress for the TCDRS Retirement Plan  
 September 30, 2012  
 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Annual Covered Payroll <sup>1</sup>	UAAL (OAAL) as a Percentage of Covered Payroll
12-31-09	\$ 2,362,305	\$ 2,339,518	\$ (22,787)	100.97 %	\$ 967,575	(2.36) %
12-31-10	2,502,485	2,524,298	21,813	99.14 %	1,043,435	2.09 %
12-31-11	2,722,245	2,731,440	9,195	99.66 %	1,080,193	0.85 %

<sup>1</sup> The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

Other Supplementary Information

COUNTY OF CONCHO  
Schedule of Certificates of Deposit  
September 30, 2012

<u>Description</u>	<u>Identifying Number</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>GOVERNMENTAL FUNDS</u>				
General Fund				
First State Bank	6639	0.45	2/2/13	<u>\$ 100,000</u>
Special Road and Bridge Fund				
First State Bank	6318	0.40	1/22/13	\$ 100,000
First State Bank	6621	0.45	9/26/13	75,000
				<u>\$ 175,000</u>
Courthouse Security Fund				
First State Bank	6618	0.35	7/13/13	<u>\$ 35,002</u>
Bond Fund				
First State Bank	6650	1.00	4/18/14	<u>\$ 100,000</u>
Total Governmental Funds				<u><u>\$ 410,002</u></u>
<u>FIDUCIARY FUNDS</u>				
Permanent School Fund				
First State Bank	6045	0.35	8/18/13	\$ 20,000
Agency Funds				
County Judge/Eola Cemetery				
First State Bank	5450	0.30	3/9/13	<u>4,473</u>
Total Fiduciary Funds				<u><u>\$ 24,473</u></u>

COUNTY OF CONCHO  
Taxing History  
September 30, 2012

The assessed valuations and taxes levied by the County of Concho for the past ten years are shown below:

<u>Tax Roll Year</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
2002	\$ 181,896,657	\$ 1,043,219
2003	184,543,616	1,089,197
2004	184,933,280	1,135,756
2005	190,690,018	1,232,181
2006	203,598,465	1,289,813
2007	226,761,310	1,343,693
2008	250,780,824	1,484,763
2009	232,450,430	1,486,559
2010	253,187,750	1,787,693
2011	269,170,270	1,969,611

COUNTY OF CONCHO  
Year Ended September 30, 2012

Federal Financial Assistance  
 Federal Grantor: U.S. Department of Housing and Urban Development  
 Pass Through Grantor: Texas Department of Agriculture  
 Type of Grant: Community Development Block Grant/State's Program  
 CFDA Number: 14.228  
 Project Number: 729891  
 Contract Period: 11-28-09 to 11-27-11

	Budget	Federal		Local	Total	Variance
		Prior Years	Current Year			
<b>RECEIPTS</b>						
Federal	\$ 200,000	\$ 35,414	\$ 164,586	\$ 0	\$ 200,000	\$ 0
Local	10,000	0	0	39,971	39,971	29,971
<b>Total Receipts</b>	<b>\$ 210,000</b>	<b>\$ 35,414</b>	<b>\$ 164,586</b>	<b>\$ 39,971</b>	<b>\$ 239,971</b>	<b>\$ 29,971</b>
<b>DISBURSEMENTS</b>						
Federal						
Water Facilities	\$ 149,529	\$ 0	\$ 149,529	\$ 0	\$ 149,529	\$ 0
Engineering	27,471	22,914	4,557	0	27,471	0
General Administration	23,000	12,500	10,500	0	23,000	0
Local						
Water Facilities	8,000	0	0	35,471	35,471	(27,471)
Acquisition	0	0	0	2,500	2,500	(2,500)
General Administration	2,000	0	0	2,000	2,000	0
<b>Total Disbursements</b>	<b>\$ 210,000</b>	<b>\$ 35,414</b>	<b>\$ 164,586</b>	<b>\$ 39,971</b>	<b>\$ 239,971</b>	<b>\$ (29,971)</b>
<b>Excess Receipts Over Disbursements</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

COUNTY OF CONCHO  
Year Ended September 30, 2012

Federal Financial Assistance  
 Federal Grantor: U.S. Department of Housing and Urban Development  
 Pass Through Grantor: Texas Department of Agriculture  
 Type of Grant: Community Development Block Grant/State's Program  
 CFDA Number: 14.228  
 Project Number: 712047  
 Contract Period: 6-13-12 to 6-13-14

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>	<u>Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<u>RECEIPTS</u>					
Federal	\$ 350,000	\$ 0	\$ 42,953	\$ 42,953	\$ 307,047
<u>DISBURSEMENTS</u>					
Federal					
Water Facilities	\$ 268,000	\$ 0	\$ 0	\$ 0	\$ 268,000
Engineering	47,000	0	28,953	28,953	18,047
General Administration	35,000	0	14,000	14,000	21,000
Total Disbursements	\$ 350,000	\$ 0	\$ 42,953	\$ 42,953	\$ 307,047
Excess Receipts Over Disbursements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

COUNTY OF CONCHO  
Year Ended September 30, 2012

Federal Financial Assistance  
 Federal Grantor: U.S. Department of Housing and Urban Development  
 Pass Through Grantor: Texas Department of Agriculture  
 Type of Grant: Community Development Block Grant/State's Program  
 CFDA Number: 14.228  
 Project Number: 711225  
 Contract Period: 10-1-11 to 9-30-13

	Budget	Federal		Local	Total	Variance
		Prior Years	Current Year			
<b>RECEIPTS</b>						
Federal	\$ 500,000	\$ 0	\$ 40,390	\$ 0	\$ 40,390	\$ 459,610
Local	25,000	0	0	0	0	25,000
<b>Total Receipts</b>	<b>\$ 525,000</b>	<b>\$ 0</b>	<b>\$ 40,390</b>	<b>\$ 0</b>	<b>\$ 40,390</b>	<b>\$ 484,610</b>
<b>DISBURSEMENTS</b>						
Federal						
Sewer Facilities	\$ 407,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 407,500
Rehab Single Unit Residential	7,000	0	0	0	0	7,000
Engineering	46,500	0	20,890	0	20,890	25,610
General Administration	39,000	0	19,500	0	19,500	19,500
Local						
Rehab Single Unit Residential	25,000	0	0	0	0	25,000
<b>Total Disbursements</b>	<b>\$ 525,000</b>	<b>\$ 0</b>	<b>\$ 40,390</b>	<b>\$ 0</b>	<b>\$ 40,390</b>	<b>\$ 484,610</b>
<b>Excess Receipts Over Disbursements</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

The Honorable County Judge  
and Commissioners' Court  
County of Concho  
P.O. Box 158  
Paint Rock, TX 76866-0158

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Concho, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 of Concho's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable County Judge  
and Commissioners' Court  
Page 2

We noted one matter that we reported to the management of the County of Concho in a separate letter dated March 19, 2013.

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

*Eckert & Company, LLP*

March 19, 2013

COUNTY OF CONCHO  
Schedule of Status of Prior Findings  
Year Ended September 30, 2012

**Prior Year Findings -**

Reference Number: 12-1

The County's general ledger contained numerous posting errors. Some checks for disbursements from a particular fund were written on the wrong fund's bank account which resulted in the check being posted to the general ledger in one fund's bank account when the actual check cleared the bank in a different account. This resulted in the bank reconciliations which had been prepared being incorrect and not reconciling to the balances shown in the general ledger as well as various expenditure accounts not being correct. Attempts to correct errors with journal entries were posted incorrectly and often compounded the errors. Supporting documents and reports were not available on a timely basis.

**Status of Prior Year Findings -**

Reference Number: 12-1

The County's general ledger, bank reconciliations, and overall organization of records have improved.