

COUNTY OF CONCHO
Annual Financial Report
Year Ended September 30, 2013

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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

Report on the Financial Statements

We have audited the accompanying modified cash-basis 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Concho, Texas, as of September 30, 2013, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis of Accounting

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the TCDRS retirement plan on pages 3 through 7, 28 through 30, and 31, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Concho's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Concho's internal control over financial reporting and compliance.

Eckert & Company, LLP

San Angelo, Texas
April 24, 2014

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, 2013, 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 \$1,142,401 (net position). Of this amount, \$419,522 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$84,504 or 8% as the result of an increase from current year operations of \$96,763 and a decrease from a prior period adjustment of \$12,259. The County's statement of activities shows total revenues of \$3,750,139 and total expenses of \$3,653,376.

The total fund balance of the General Fund is \$458,811 which is a decrease of \$4,211 or 1% 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 position 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 position. Over time, increases or decreases in net position 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 position 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 Debt Service Fund, the Grant Fund, the Special Fund, and the Nutrition Program 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 Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2013	2012
Current and Other Assets	\$ 999,254	\$ 1,038,228
Capital Assets	658,147	667,502
Total Assets	\$ 1,657,401	\$ 1,705,730
Long-Term Liabilities Outstanding	\$ 500,000	\$ 600,000
Other Liabilities	15,000	47,833
Total Liabilities	\$ 515,000	\$ 647,833
Net Position		
Net Investment in Capital Assets	\$ 658,147	\$ 667,502
Restricted	64,732	135,051
Unrestricted	419,522	255,344
Total Net Position	\$ 1,142,401	\$ 1,057,897

A large portion of the County's net position resulting from modified cash basis transactions (\$658,147) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the County's net position (\$64,732) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$419,522) 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 increased the County's net position resulting from modified cash basis transactions by \$96,763 and decreased the County's net position resulting from modified cash basis transactions by \$152,032 for the fiscal years ended September 30, 2013 and 2012, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>Year Ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues		
Charges for Services	\$ 797,122	\$ 815,560
Operating Grants and Contributions	729,192	408,494
General Revenues		
Maintenance and Operations Taxes	1,934,444	1,868,354
Debt Service Taxes	117,448	104,995
Sales Taxes	79,910	85,816
Investment Earnings	3,060	7,268
Other Revenues	<u>88,963</u>	<u>9,827</u>
Total Revenues	<u>\$ 3,750,139</u>	<u>\$ 3,300,314</u>
Expenses		
General Government	\$ 1,134,249	\$ 1,060,495
Roads and Bridges	641,195	935,403
Justice System	372,204	360,305
Public Safety	778,784	682,782
Public Health and Welfare	709,444	383,606
Debt Service Interest	<u>17,500</u>	<u>29,755</u>
Total Expenses	<u>\$ 3,653,376</u>	<u>\$ 3,452,346</u>
Change in Net Position	\$ 96,763	\$ (152,032)
Net Position - Beginning	1,057,897	1,209,929
Prior Period Adjustment	<u>(12,259)</u>	<u>0</u>
Net Position - Ending	<u>\$ 1,142,401</u>	<u>\$ 1,057,897</u>

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 \$984,254, an increase of \$6,118 or 1% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$458,811. All of this balance is unassigned.

Special Revenue Funds \$460,711. The entire balance is committed for use in each of the Special Revenue Funds.

Road Bond Fund \$62,476. This balance is restricted for road improvements.

Debt Service Fund \$2,256. This balance is restricted for debt service.

General Fund Budget

The original and final amended budgets for the General Fund were \$2,349,525. Significant variances between the original budget and the final amended budget include a \$25,134 increase in Courthouse, an \$11,250 decrease in Contingency, and a \$16,803 decrease in Courts - County and District.

The County has adopted a budget for the General Fund in the amount of \$2,450,429 for the fiscal year 2014, which is an increase of \$100,904 from the fiscal year 2013.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2013.

Long-Term Debt - Financial statement footnote III., E. discloses the County's debt activity for the year ended September 30, 2013.

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 Position - Modified Cash Basis
September 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Temporary Investments	\$ 956,844
Due from Fiduciary Funds	27,410
Receivable - Contract for Deed	15,000
Capital Assets (Net of Accumulated Depreciation):	
Land	8,508
Buildings and Improvements	284,019
Machinery and Equipment	<u>365,620</u>
Total Assets	<u>\$ 1,657,401</u>
<u>LIABILITIES</u>	
Unearned Revenue	\$ 15,000
Long-Term Liabilities:	
Due Within One Year	100,000
Due in More than One Year	<u>400,000</u>
Total Liabilities	<u>\$ 515,000</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 658,147
Restricted for:	
Road Improvements	62,476
Debt Service	2,256
Unrestricted	<u>419,522</u>
Total Net Position	<u><u>\$ 1,142,401</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, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 1,134,249	\$ 200,888	\$ 14,934	\$ (918,427)
Roads and Bridges	641,195	230,201	16,106	(394,888)
Justice System	372,204	279,738	26,276	(66,190)
Public Safety	778,784	76,593	16,200	(685,991)
Public Health and Welfare	709,444	9,702	655,676	(44,066)
Debt Service Interest	17,500	0	0	(17,500)
Total Governmental Activities	\$ 3,653,376	\$ 797,122	\$ 729,192	\$ (2,127,062)
General Revenues:				
				\$ 1,934,444
				117,448
				79,910
				3,060
				88,963
				\$ 2,223,825
				\$ 96,763
				1,057,897
				(12,259)
				\$ 1,142,401

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

COUNTY OF CONCHO
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2013

	General	Road and Bridge	Debt Service	Grants	Special	Nutrition Program	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Temporary Investments	\$ 428,632	\$ 318,214	\$ 10,849	\$ 1,116	\$ 131,036	\$ 0	\$ 66,997	\$ 956,844
Due from Other Funds	37,355	13,549	0	0	1,233	0	0	52,137
Receivable - Contract for Deed	15,000	0	0	0	0	0	0	15,000
Total Assets	\$ 480,987	\$ 331,763	\$ 10,849	\$ 1,116	\$ 132,269	\$ 0	\$ 66,997	\$ 1,023,981
LIABILITIES								
Due to Other Funds	\$ 7,176	\$ 0	\$ 8,593	\$ 0	\$ 0	\$ 8,958	\$ 0	\$ 24,727
Unearned Revenue	15,000	0	0	0	0	0	0	15,000
Total Liabilities	\$ 22,176	\$ 0	\$ 8,593	\$ 0	\$ 0	\$ 8,958	\$ 0	\$ 39,727
FUND BALANCES								
Restricted Fund Balance:								
Road Bond Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,476	\$ 62,476
Debt Service Fund	0	0	2,256	0	0	0	0	2,256
Committed Fund Balance								
Special Revenue Funds	0	331,763	0	1,116	132,269	(8,958)	4,521	460,711
Unassigned Fund Balance	458,811	0	0	0	0	0	0	458,811
Total Fund Balances	\$ 458,811	\$ 331,763	\$ 2,256	\$ 1,116	\$ 132,269	\$ (8,958)	\$ 66,997	\$ 984,254
Total Liabilities and Fund Balances	\$ 480,987	\$ 331,763	\$ 10,849	\$ 1,116	\$ 132,269	\$ 0	\$ 66,997	\$ 1,023,981

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 Position - Modified Cash Basis
 September 30, 2013

Total Fund Balances - Governmental Funds	\$ 984,254
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 position.	667,502
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 position.	(600,000)
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 position.	119,041
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 position.	100,000
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 position.	(12,806)
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 position.	<u>(115,590)</u>
Net Position of Governmental Activities	<u><u>\$ 1,142,401</u></u>

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, 2013

	General	Road and Bridge	Debt Service	Grants	Special	Nutrition Program	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 1,674,117	\$ 340,237	\$ 117,448	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,131,802
Fees	173,328	230,201	0	0	36,557	9,702	8,659	458,447
Fines	278,675	0	0	0	0	0	0	278,675
Intergovernmental	101,210	0	0	0	0	17,156	16,106	134,472
Grant	0	0	0	641,028	0	13,192	500	654,720
Interest	1,801	883	18	0	122	0	236	3,060
Miscellaneous	97,224	545	0	0	0	0	0	97,769
Total Revenues	\$ 2,326,355	\$ 571,866	\$ 117,466	\$ 641,028	\$ 36,679	\$ 40,050	\$ 25,501	\$ 3,758,945
EXPENDITURES								
Current:								
General Government	\$ 1,127,942	\$ 0	\$ 0	\$ 0	\$ 20,335	\$ 0	\$ 0	\$ 1,148,277
Roads and Bridges	0	529,558	0	0	0	0	85,740	615,298
Justice System	372,204	0	0	0	0	0	0	372,204
Public Safety	762,269	0	0	15,400	0	0	12,435	790,104
Public Health and Welfare	17,317	0	0	625,328	0	66,799	0	709,444
Debt Service:								
Principal	0	0	100,000	0	0	0	0	100,000
Interest	0	0	17,500	0	0	0	0	17,500
Total Expenditures	\$ 2,279,732	\$ 529,558	\$ 117,500	\$ 640,728	\$ 20,335	\$ 66,799	\$ 98,175	\$ 3,752,827
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 46,623	\$ 42,308	\$ (34)	\$ 300	\$ 16,344	\$ (26,749)	\$ (72,674)	\$ 6,118

OTHER FINANCING SOURCES (USES)

Transfers In	\$ 0	\$ 33,334	\$ 0	\$ 0	\$ 0	\$ 17,500	\$ 0	\$ 50,834
Transfers Out	<u>(50,834)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(50,834)</u>
Total Other Financing Sources (Uses)	<u>\$ (50,834)</u>	<u>\$ 33,334</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,500</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (4,211)	\$ 75,642	\$ (34)	\$ 300	\$ 16,344	\$ (9,249)	\$ (72,674)	\$ 6,118
Fund Balances - Beginning	<u>463,022</u>	<u>256,121</u>	<u>2,290</u>	<u>816</u>	<u>115,925</u>	<u>291</u>	<u>139,671</u>	<u>978,136</u>
Fund Balances - Ending	<u>\$ 458,811</u>	<u>\$ 331,763</u>	<u>\$ 2,256</u>	<u>\$ 1,116</u>	<u>\$ 132,269</u>	<u>\$ (8,958)</u>	<u>\$ 66,997</u>	<u>\$ 984,254</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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 6,118
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 position.	119,041
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 premiums is to increase net position.	100,000
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 position.	(12,806)
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 position.	<u>(115,590)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 96,763</u></u>

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

COUNTY OF CONCHO
 Statement of Fiduciary Net Position - Modified Cash Basis
 Fiduciary Funds
 September 30, 2013

	Permanent School Fund	Agency Funds
<u>ASSETS</u>		
Cash and Temporary Investments	\$ 23,764	\$ 125,622
Due from Other Funds	0	1,079
Total Assets	\$ 23,764	\$ 126,701
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 28,489
Due to Other Governments	0	62,202
Due to Others	0	36,010
Total Liabilities	\$ 0	\$ 126,701
<u>NET POSITION</u>		
Restricted for Permanent School Fund	\$ 23,764	

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

COUNTY OF CONCHO
 Statement of Changes in Fiduciary Net Position - Modified Cash Basis
 Fiduciary Funds
 September 30, 2013

	<u>Permanent School Fund</u>
<u>ADDITIONS</u>	
Interest Earned	\$ 77
<u>DEDUCTIONS</u>	
None	<u>0</u>
Change in Net Position	\$ 77
Net Position - Beginning	<u>23,687</u>
Net Position - Ending	<u><u>\$ 23,764</u></u>

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

COUNTY OF CONCHO
Notes to the Financial Statements
September 30, 2013

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 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 position 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 position.

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, 2013

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 position, 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 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.

Debt Service Fund - This Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Grant Fund - This Fund is a special revenue fund and is used to account for grants which the County receives including Texas Community Development Block Grants.

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

Nutrition Program Fund - This Fund is used to account for grants and fees collected to provide meals for senior citizens.

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 position.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets

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

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. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents capital assets net of accumulated depreciation.

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

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

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Net Position on the Statement of Net Position - Continued

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

I. 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.

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.

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.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

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.

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	
Justice of the Peace	<u>\$ 10,301</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.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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, 2013, 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.

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, 2013, 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, 2013, approximates fair value and consisted of the following:

Cash in Bank	\$ 771,755
Certificates of Deposit	<u>334,475</u>
Total Cash and Temporary Investments	<u>\$ 1,106,230</u>

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

III.DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

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			
Debt Service Fund	\$ 8,593	\$ 0	Operating Advance
Nutrition Program Fund	8,958	0	Operating Advance
Fiduciary Funds	19,804	0	Unremitted Fees
Road and Bridge Fund	0	7,176	Operating Advance
	<u>\$ 37,355</u>	<u>\$ 7,176</u>	
Road and Bridge Fund			
General Fund	\$ 7,176	\$ 0	Operating Advance
Fiduciary Funds	6,373	0	Unremitted Fees
	<u>\$ 13,549</u>	<u>\$ 0</u>	
Debt Service Fund			
General Fund	<u>\$ 0</u>	<u>\$ 8,593</u>	Operating Advance
Special Fund			
Fiduciary Funds	<u>\$ 1,233</u>	<u>\$ 0</u>	Unremitted Fees
Nutrition Program Fund			
Fiduciary Funds	<u>\$ 0</u>	<u>\$ 8,958</u>	Operating Advance
Fiduciary Funds			
General Fund	\$ 0	\$ 19,804	Unremitted Fees
Road and Bridge Fund	0	6,373	Unremitted Fees
Special Fund	0	1,233	Unremitted Fees
Fiduciary Funds	1,079	1,079	Unremitted Fees
	<u>\$ 1,079</u>	<u>\$ 28,489</u>	
Totals	<u>\$ 53,216</u>	<u>\$ 53,216</u>	

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

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	\$ 33,334	To Cover Fund Deficit
General Fund	Nutrition Program	<u>17,500</u>	To Cover Fund Deficit
Total		<u>\$ 50,834</u>	

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

III.DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 8,508	\$ 0	\$ 0	\$ 8,508
Construction in Progress	<u>12,500</u>	<u>50,000</u>	<u>62,500</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	<u>\$ 21,008</u>	<u>\$ 50,000</u>	<u>\$ 62,500</u>	<u>\$ 8,508</u>
Capital Assets				
Buildings and Improvements	\$ 444,530	\$ 62,500	\$ 12,454	\$ 494,576
Machinery and Equipment	<u>1,459,181</u>	<u>69,041</u>	<u>50,904</u>	<u>1,477,318</u>
Total Capital Assets Being Depreciated	<u>\$ 1,903,711</u>	<u>\$ 131,541</u>	<u>\$ 63,358</u>	<u>\$ 1,971,894</u>
Total Capital Assets	<u>\$ 1,924,719</u>	<u>\$ 181,541</u>	<u>\$ 125,858</u>	<u>\$ 1,980,402</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (199,822)	\$ (20,855)	\$ (10,120)	\$ (210,557)
Machinery and Equipment	<u>(1,057,395)</u>	<u>(94,735)</u>	<u>(40,432)</u>	<u>(1,111,698)</u>
Total Accumulated Depreciation	<u>\$ (1,257,217)</u>	<u>\$ (115,590)</u>	<u>\$ (50,552)</u>	<u>\$ (1,322,255)</u>
Governmental Activities Capital Assets, Net	<u>\$ 667,502</u>	<u>\$ 65,951</u>	<u>\$ 75,306</u>	<u>\$ 658,147</u>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 35,972
Roads and Bridges	25,897
Public Safety	<u>53,721</u>
Total	<u>\$ 115,590</u>

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 3.20%.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Leases - Continued

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Leases				
	Road and Bridge		Road and Bridge		Total
	Principal	Interest	Principal	Interest	
2014	\$ 52,458	\$ 17,542	\$ 16,110	\$ 1,597	\$ 87,707
2015	54,294	15,706	16,626	1,081	87,707
2016	394,446	13,806	17,158	549	425,959
Totals	\$ 501,198	\$ 47,054	\$ 49,894	\$ 3,227	\$ 601,373

The following is a summary of the changes in capital leases for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	<u>\$ 600,968</u>	<u>\$ 0</u>	<u>\$ 49,876</u>	<u>\$ 551,092</u>

E. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Unlimited Tax Road Bond	<u>\$ 600,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 500,000</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%. \$ 500,000

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Long-Term Debt - Continued

The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Unlimited Tax Road Bond</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>\$ 500,000</u>	<u>\$ 43,125</u>	<u>\$ 543,125</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 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues on a calendar year basis a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained 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.

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 7.34% for the months of the accounting year in 2012. However, the governing body chose to pay a rate of 7.34% in 2013 that exceeded the actuarially determined rate as allowed by the provisions of the TCDRS Act.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

The deposit rate payable by the employee members for calendar year 2013 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, 2013, the annual pension cost for the TCDRS plan for its employees was \$84,648, and the actual contributions were \$84,648.

Actuarial Valuation Information			
Actuarial Valuation Date	12-31-10	12-31-11	12-31-12
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	20	4.1	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 ¹	8.0%	8.0%	8.0%
Projected Salary Increases ¹	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

¹ Includes Inflation at the Stated Rate

Trend Information			
<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-11	\$ 76,183	100%	\$ 0
9-30-12	83,106	100%	0
9-30-13	84,648	100%	0

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012, 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 payroll on an closed basis. The remaining amortization period at December 31, 2012, was 20 years.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2013

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

Funded Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the plan was 98.58% funded. The actuarial accrued liability for benefits was \$2,992,652, and the actuarial value of assets was \$2,950,243, resulting in an unfunded actuarial accrued liability (UAAL) of \$42,409. The covered payroll (annual payroll of active employees covered by the plan) was \$1,144,000 and the ratio of the UAAL to the covered payroll was 3.71%.

The schedule of funding progress, presented as Other Information 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. Deficit Fund Balance

The Nutrition Program fund has a deficit fund balance of \$8,958.

C. Adjustments to Fund Balances/Net Position

Net position in the government-wide statements is decreased by \$12,259 due to a prior period adjustment of unamortized debt issuance costs. This adjustment is the result of adopting Governmental Accounting Standards Board Statement No. 65.

D. Subsequent Events

The County's management has evaluated subsequent events through April 24, 2014, the date which the financial statements were available for issue.

Other 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, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,666,253	\$ 1,666,253	\$ 1,674,117	\$ 7,864
Fees	100,850	100,850	173,328	72,478
Fines	280,000	280,000	278,675	(1,325)
Intergovernmental	101,918	101,918	101,210	(708)
Interest	1,000	1,000	1,801	801
Miscellaneous	98,500	98,500	97,224	(1,276)
Total Revenues	\$ 2,248,521	\$ 2,248,521	\$ 2,326,355	\$ 77,834
EXPENDITURES				
General Government				
County Judge	\$ 103,970	\$ 103,917	\$ 103,197	\$ 720
Commissioners' Court	159,472	159,890	159,884	6
County and District Clerk	72,624	71,217	69,746	1,471
Elections	48,778	48,778	44,312	4,466
County Treasurer	122,241	122,241	119,256	2,985
Tax Assessor-Collector	112,146	111,059	110,254	805
Courthouse	76,747	101,881	101,881	0
Extension Office	105,355	102,557	100,941	1,616
Nondepartmental:				
Insurance	48,000	51,954	51,954	0
Appraisal District	113,000	113,483	113,483	0
Audit	18,000	21,729	21,729	0
Advertising and Legal Notices	2,500	1,363	1,363	0
County Trapper	63,000	62,400	62,400	0
Election Expense	20,000	15,979	15,979	0
County Services	5,000	14,256	14,256	0
Radio Tower	2,500	1,481	1,481	0
Miscellaneous	15,000	3,991	3,991	0
SWCD	5,000	5,000	5,000	0
Libraries	3,000	3,000	3,000	0
Health Insurance	4,000	795	795	0
GCG - Technology	5,000	4,290	4,290	0
Contingency	30,000	18,750	18,750	0
Total General Government	\$ 1,135,333	\$ 1,140,011	\$ 1,127,942	\$ 12,069

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, 2013

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u> - Continued				
Justice System				
County and District Clerk	\$ 72,624	\$ 71,217	\$ 69,746	\$ 1,471
Courts - County and District	150,713	133,910	120,615	13,295
Justice of the Peace	107,225	107,843	118,144	(10,301)
County Attorney	63,385	63,699	63,699	0
Total Justice System	<u>\$ 393,947</u>	<u>\$ 376,669</u>	<u>\$ 372,204</u>	<u>\$ 4,465</u>
Public Safety				
Sheriff	\$ 482,074	\$ 487,787	\$ 486,692	\$ 1,095
Constable	19,835	19,835	18,505	1,330
Highway Patrol Expense	4,500	4,656	4,656	0
911 Expense	2,000	2,042	2,042	0
Fire Protection	7,500	6,446	6,446	0
Law Enforcement Center	234,492	243,928	243,928	0
Total Public Safety	<u>\$ 750,401</u>	<u>\$ 764,694</u>	<u>\$ 762,269</u>	<u>\$ 2,425</u>
Public Health and Welfare				
County Health Officer	\$ 500	\$ 500	\$ 500	\$ 0
Van Driver	7,510	7,317	7,317	0
Child Welfare	1,000	1,000	1,000	0
Septic Site Inspector	5,000	5,500	5,500	0
Septic Site Inspection	5,000	3,000	3,000	0
Total Public Health and Welfare	<u>\$ 19,010</u>	<u>\$ 17,317</u>	<u>\$ 17,317</u>	<u>\$ 0</u>
 Total Expenditures	 <u>\$ 2,298,691</u>	 <u>\$ 2,298,691</u>	 <u>\$ 2,279,732</u>	 <u>\$ 18,959</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 \$ (50,170)	 \$ (50,170)	 \$ 46,623	 \$ 96,793
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	30,000	30,000	0	(30,000)
Transfers Out	<u>(50,834)</u>	<u>(50,834)</u>	<u>(50,834)</u>	<u>101,668</u>
Net Change in Fund Balance	\$ (71,004)	\$ (71,004)	\$ (4,211)	\$ 168,461
Fund Balance - Beginning	<u>463,022</u>	<u>463,022</u>	<u>463,022</u>	<u>(926,044)</u>
Fund Balance - Ending	<u>\$ 392,018</u>	<u>\$ 392,018</u>	<u>\$ 458,811</u>	<u>\$ (757,583)</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, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 340,580	\$ 340,580	\$ 340,237	\$ (343)
Fees	223,200	223,200	230,201	7,001
Interest	200	200	883	683
Miscellaneous	1,760	1,760	545	(1,215)
	<u>\$ 565,740</u>	<u>\$ 565,740</u>	<u>\$ 571,866</u>	<u>\$ 6,126</u>
<u>EXPENDITURES</u>				
Roads and Bridges				
Salaries	\$ 222,361	\$ 222,361	\$ 211,817	\$ 10,544
Benefits	121,224	121,269	104,881	16,388
Cell Phone	2,880	2,880	2,820	60
Parts and Repairs	28,500	29,383	26,089	3,294
Fuel	44,500	61,193	59,033	2,160
Tires and Batteries	12,500	20,177	20,177	0
Shop Supplies	7,000	7,000	2,889	4,111
Utilities	4,200	5,426	5,267	159
Road Material	11,500	15,346	14,240	1,106
Machine Hire	4,000	4,000	0	4,000
Capital Lease Payments	70,000	70,000	70,000	0
Equipment Purchase	19,000	17,242	2,041	15,201
Building Repair	1,000	1,000	0	1,000
Miscellaneous	65,839	37,227	10,304	26,923
	<u>\$ 614,504</u>	<u>\$ 614,504</u>	<u>\$ 529,558</u>	<u>\$ 84,946</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (48,764)	\$ (48,764)	\$ 42,308	\$ 91,072
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	33,334	33,334	33,334	0
Net Change in Fund Balance	\$ (15,430)	\$ (15,430)	\$ 75,642	\$ 91,072
Fund Balance - Beginning	256,121	256,121	256,121	0
Fund Balance - Ending	<u>\$ 240,691</u>	<u>\$ 240,691</u>	<u>\$ 331,763</u>	<u>\$ 91,072</u>

COUNTY OF CONCHO
 Schedule of Funding Progress for the TCDRS Retirement Plan
 September 30, 2013
 (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Annual Covered Payroll ¹	UAAL (OAAL) as a Percentage of Covered Payroll
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 %
12-31-12	2,950,243	2,992,652	42,409	98.58 %	1,144,000	3.71 %

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

Supplementary Information

COUNTY OF CONCHO
Schedule of Certificates of Deposit
September 30, 2013

<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	2/2/14	<u>\$ 100,000</u>
Special Road and Bridge Fund				
First State Bank	6318	0.40	1/22/14	\$ 100,000
First State Bank	6621	0.45	9/26/14	75,000
				<u>\$ 175,000</u>
Courthouse Security Fund				
First State Bank	6618	0.35	7/13/14	<u>\$ 35,002</u>
Total Governmental Funds				<u><u>\$ 310,002</u></u>
<u>FIDUCIARY FUNDS</u>				
Permanent School Fund				
First State Bank	6045	0.35	8/18/14	\$ 20,000
Agency Funds				
County Judge/Eola Cemetery				
First State Bank	5450	0.30	3/9/14	<u>4,473</u>
Total Fiduciary Funds				<u><u>\$ 24,473</u></u>

COUNTY OF CONCHO
Taxing History
September 30, 2013

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>
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
2012	276,775,995	2,038,905

COUNTY OF CONCHO
Year Ended September 30, 2013

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			
RECEIPTS						
Federal	\$ 500,000	\$ 40,390	\$ 325,059	\$ 0	\$ 365,449	\$ 134,551
Local	25,000	0	0	19,565	19,565	5,435
Total Receipts	<u>\$ 525,000</u>	<u>\$ 40,390</u>	<u>\$ 325,059</u>	<u>\$ 19,565</u>	<u>\$ 385,014</u>	<u>\$ 139,986</u>
DISBURSEMENTS						
Federal						
Sewer Facilities	\$ 343,750	\$ 0	\$ 217,659	\$ 0	\$ 217,659	\$ 126,091
Rehab Single Unit Residential	62,250	0	62,250	0	0	62,250
Engineering	55,000	20,890	29,550	0	50,440	4,560
General Administration	39,000	19,500	15,600	0	35,100	3,900
Local						
Rehab Single Unit Residential	25,000	0	0	19,565	19,565	5,435
Total Disbursements	<u>\$ 525,000</u>	<u>\$ 40,390</u>	<u>\$ 325,059</u>	<u>\$ 19,565</u>	<u>\$ 322,764</u>	<u>\$ 202,236</u>
Excess Receipts Over Disbursements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,250</u>	<u>\$ (62,250)</u>

COUNTY OF CONCHO
Year Ended September 30, 2013

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: 711335
 Contract Period: 9-16-11 to 9-16-13

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>	<u>Variance</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<u>RECEIPTS</u>					
Federal	<u>\$ 27,000</u>	<u>\$ 0</u>	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 0</u>
<u>DISBURSEMENTS</u>					
Federal					
Planning	<u>\$ 27,000</u>	<u>\$ 0</u>	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 0</u>
Excess Receipts Over Disbursements	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

COUNTY OF CONCHO
Year Ended September 30, 2013

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	\$ 42,953	\$ 273,269	\$ 316,222	\$ 33,778
<u>DISBURSEMENTS</u>					
Federal					
Water Facilities	\$ 268,000	\$ 0	\$ 254,604	\$ 254,604	\$ 13,396
Engineering	47,000	28,953	4,000	32,953	14,047
General Administration	35,000	14,000	14,665	28,665	6,335
Total Disbursements	\$ 350,000	\$ 42,953	\$ 273,269	\$ 316,222	\$ 33,778
Excess Receipts Over Disbursements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Concho, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Concho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County of Concho's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

San Angelo, Texas
April 24, 2014



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the County of Concho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Concho's major federal programs for the year ended September 30, 2013. The County of Concho's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Concho's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Concho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Concho's compliance.

Opinion of Each Major Federal Program

In our opinion, the County of Concho, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of County of Concho, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Concho's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eckert & Company, LLP

San Angelo, Texas
April 24, 2014

COUNTY OF CONCHO
Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the County of Concho.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the County of Concho, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB *Circular A-133*.
5. The auditors' report on compliance for the major federal award programs for the County of Concho expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the County of Concho.
7. The program tested as a major program was:

CFDA Number 14.228 Texas Community Development Block Grant
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County of Concho was not determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

D. Findings - State Compliance

None

COUNTY OF CONCHO
Schedule of Expenditure of Federal Awards
Year Ended September 30, 2013

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Passed Through the Texas Department of Agriculture			
Texas Community Development Block Grant	14.228	711225	\$ 325,059
Texas Community Development Block Grant	14.228	711335	27,000
Texas Community Development Block Grant	14.228	712047	<u>273,269</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 625,328</u></u>

COUNTY OF CONCHO
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2013

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Concho and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.