

COUNTY OF CONCHO
Annual Financial Report
Year Ended September 30, 2011

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FINANCIAL SECTION



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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, 2011, 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 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, 2011, and the respective changes in modified cash basis financial position 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 June 11, 2012, 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, 28 through 30, and 31, 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.

(Signature on File)

June 11, 2012

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, 2011, 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 \$1,209,929 (net assets). The County's unrestricted net assets shows a deficit of \$51,955.

The County's total net assets decreased by \$7,601 or 1% as a result of current year operations. The County's statement of activities shows total revenues of \$2,873,823 and total expenses of \$2,881,424.

The total fund balance of the General Fund was \$269,076 which was an increase of \$76,577 or 40% 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, and the Road Bond 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

	Governmental Activities	
	September 30,	
	2011	2010
Current and Other Assets	\$ 1,183,560	\$ 559,209
Capital Assets	701,369	658,347
Total Assets	\$ 1,884,929	\$ 1,217,556
Long-Term Liabilities Outstanding	\$ 675,000	\$ 0
Other Liabilities	0	25
Total Liabilities	\$ 675,000	\$ 25
Net Assets		
Invested in Capital Assets	\$ 701,369	\$ 658,347
Restricted	560,515	0
Unrestricted (Deficit)	(51,955)	559,184
Total Net Assets	\$ 1,209,929	\$ 1,217,531

A large portion of the County's net assets resulting from modified cash basis transactions (\$701,369) 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 (\$560,515) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$51,955.

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 \$7,601 and \$177,932 for the fiscal years ended September 30, 2011 and 2010, respectively. Key elements of these decreases are as follows:

CHANGES IN NET ASSETS - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2011	2010
Revenues		
Program Revenues		
Charges for Services	\$ 776,436	\$ 645,475
Operating Grants and Contributions	200,172	174,200
General Revenues		
Maintenance and Operations Taxes	1,812,319	1,476,364
Sales Taxes	67,344	63,242
Investment Earnings	10,556	12,201
Other Revenues	6,996	15,950
Total Revenues	\$ 2,873,823	\$ 2,387,432
Expenses		
General Government	\$ 1,055,233	\$ 1,008,020
Roads and Bridges	691,684	552,333
Justice System	382,268	353,042
Public Safety	633,744	560,952
Public Health and Welfare	118,495	91,017
Total Expenses	\$ 2,881,424	\$ 2,565,364
Change in Net Assets	\$ (7,601)	\$ (177,932)
Net Assets - Beginning	1,217,530	1,405,766
Prior Period Adjustment	0	(10,304)
Net Assets - Ending	\$ 1,209,929	\$ 1,217,530

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 \$1,169,258, an increase of \$610,075 or 109% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$269,076. All of the balance is unassigned

Special Revenue Funds \$339,667. The entire balance is committed for use in each of the special revenue funds.

Road Bond Fund \$560,515. This balance is restricted for road improvements.

General Fund Budget

The original budget for the General Fund was \$2,246,579, and the final amended budget was \$2,246,854 which represents a \$275 increase in appropriations. Significant variances between the original budget and the final amended budget include a \$239,081 decrease in General Government, an \$83,272 increase in Justice System, and a \$176,712 increase in Public Safety.

The County has adopted a budget for the General Fund in the amount of \$2,257,647 for the fiscal year 2012, which is an increase of \$10,793 from the fiscal year 2011.

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, 2011 and 2010, was \$701,369 and \$658,347, respectively. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2011.

Long-Term Debt - As of September 30, 2011 and 2010, the County had total long-term debt outstanding of \$675,000 and \$-0-, 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, 2011.

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, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Temporary Investments	\$ 1,087,350
Due from Fiduciary Funds	46,575
Due from Other Governments	35,333
Debt Issue Costs	14,302
Capital Assets (Net of Accumulated Depreciation):	
Land	9,508
Buildings and Improvements	309,829
Machinery and Equipment	<u>382,032</u>
Total Assets	<u>\$ 1,884,929</u>
<u>LIABILITIES</u>	
Long-Term Liabilities:	
Due Within One Year	\$ 75,000
Due in More than One Year	<u>600,000</u>
Total Liabilities	<u>\$ 675,000</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 701,369
Restricted for:	
Road Improvements	560,515
Unrestricted (Deficit)	<u>(51,955)</u>
Total Net Assets	<u><u>\$ 1,209,929</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, 2011

<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	\$ 1,055,233	\$ 127,861	\$ 44,008	\$ (883,364)
Roads and Bridges	691,684	208,118	16,221	(467,345)
Justice System	382,268	307,726	27,460	(47,082)
Public Safety	633,744	119,889	35,333	(478,522)
Public Health and Welfare	<u>118,495</u>	<u>12,842</u>	<u>77,150</u>	<u>(28,503)</u>
Total Governmental Activities	<u>\$ 2,881,424</u>	<u>\$ 776,436</u>	<u>\$ 200,172</u>	<u>\$ (1,904,816)</u>
		General Revenues:		
				\$ 1,812,319
				67,344
				10,556
				<u>6,996</u>
		Total General Revenues		<u>\$ 1,897,215</u>
		Change in Net Assets		\$ (7,601)
		Net Assets - Beginning		<u>1,217,530</u>
		Net Assets - Ending		<u>\$ 1,209,929</u>

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

COUNTY OF CONCHO
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Road Bond</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and Temporary Investments	\$ 230,999	\$ 168,736	\$ 566,552	\$ 121,063	\$ 1,087,350
Due from Other Funds	63,858	48,671	495	1,692	114,716
Due from Other Governments	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,333</u>	<u>35,333</u>
Total Assets	<u>\$ 294,857</u>	<u>\$ 217,407</u>	<u>\$ 567,047</u>	<u>\$ 158,088</u>	<u>\$ 1,237,399</u>
<u>LIABILITIES</u>					
Due to Other Funds	<u>\$ 25,781</u>	<u>\$ 0</u>	<u>\$ 6,532</u>	<u>\$ 35,828</u>	<u>\$ 68,141</u>
<u>FUND BALANCES</u>					
Restricted Fund Balance:					
Road Bond Fund	\$ 0	\$ 0	\$ 560,515	\$ 0	\$ 560,515
Committed Fund Balance					
Special Revenue Funds	0	217,407	0	122,260	339,667
Unassigned Fund Balance	<u>269,076</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>269,076</u>
Total Fund Balances	<u>\$ 269,076</u>	<u>\$ 217,407</u>	<u>\$ 560,515</u>	<u>\$ 122,260</u>	<u>\$ 1,169,258</u>
Total Liabilities and Fund Balances	<u>\$ 294,857</u>	<u>\$ 217,407</u>	<u>\$ 567,047</u>	<u>\$ 158,088</u>	<u>\$ 1,237,399</u>

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, 2011

Total Fund Balances - Governmental Funds	\$ 1,169,258
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.	658,347
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.	146,477
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.	(8,892)
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.	(94,563)
Long-term debt issued in the current year is shown as an other financing source in the fund financial statements but is shown as an increase in long-term debt in the government-wide financial statements. The net effect of adjusting for long-term debt issued is to decrease net assets.	(675,000)
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 adjusting for debt issue costs is to increase net assets.	14,302
Net Assets of Governmental Activities	<u><u>\$ 1,209,929</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, 2011

	General	Road and Bridge	Road Bond	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,573,839	\$ 305,824	\$ 0	\$ 0	\$ 1,879,663
Fees	185,671	208,118	0	48,654	442,443
Fines	285,234	0	0	0	285,234
Intergovernmental	81,485	0	0	46,935	128,420
Grant	0	0	0	81,769	81,769
Interest	5,580	1,840	2,850	286	10,556
Miscellaneous	47,652	2,096	0	4,882	54,630
Total Revenues	\$ 2,179,461	\$ 517,878	\$ 2,850	\$ 182,526	\$ 2,882,715
EXPENDITURES					
Current:					
General Government	\$ 1,043,089	\$ 0	\$ 0	\$ 22,686	\$ 1,065,775
Roads and Bridges	0	570,750	103,033	16,221	690,004
Justice System	372,412	0	0	9,856	382,268
Public Safety	638,038	0	0	38,758	676,796
Public Health and Welfare	19,239	0	0	99,256	118,495
Total Expenditures	\$ 2,072,778	\$ 570,750	\$ 103,033	\$ 186,777	\$ 2,933,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 106,683	\$ (52,872)	\$ (100,183)	\$ (4,251)	\$ (50,623)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ 0	\$ 0	\$ 675,000	\$ 0	\$ 675,000
Bond Issuance Costs	0	0	(14,302)	0	(14,302)
Transfers In	0	30,106	0	0	30,106
Transfers Out	(30,106)	0	0	0	(30,106)
Total Other Financing Sources (Uses)	\$ (30,106)	\$ 30,106	\$ 660,698	\$ 0	\$ 660,698
Net Change in Fund Balances	\$ 76,577	\$ (22,766)	\$ 560,515	\$ (4,251)	\$ 610,075
Fund Balances - Beginning	192,499	240,173	0	126,511	559,183
Fund Balances - Ending	\$ 269,076	\$ 217,407	\$ 560,515	\$ 122,260	\$ 1,169,258

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 610,075
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.	146,477
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.	(8,892)
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.	(94,563)
Long-term debt issued in the current year is shown as an other financing source in the fund financial statements but is shown as an increase in long-term debt in the government-wide financial statements. The net effect of adjusting for long-term debt issued is to decrease net assets.	(675,000)
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 adjusting for debt issue costs is to increase net assets.	<u>14,302</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (7,601)</u></u>

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, 2011

	Permanent School Fund	Agency Funds
<u>ASSETS</u>		
Cash and Temporary Investments	\$ 23,609	\$ 138,370
Due from Other Funds	0	1,221
Total Assets	\$ 23,609	\$ 139,591
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 47,796
Due to Other Governments	0	77,073
Due to Others	0	14,722
Total Liabilities	\$ 0	\$ 139,591
<u>NET ASSETS</u>		
Restricted for Permanent School Fund	\$ 23,609	

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, 2011

	Permanent School Fund
<u>ADDITIONS</u>	
Interest Earned	\$ 169
<u>DEDUCTIONS</u>	
None	0
Change in Net Assets	\$ 169
Net Assets - Beginning	23,440
Net Assets - Ending	\$ 23,609

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

COUNTY OF CONCHO
Notes to the Financial Statements
September 30, 2011

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, 2011

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.

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.

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.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets - Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is 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. Restricted Assets

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

G. 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.

H. 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.

I. Fund Balances

The County implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. 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.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Fund Balances - Continued

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. 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 creditors.

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

K. 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.

L. 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, 2011

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.

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.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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, 2011, 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, 2011, 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, 2011, approximates fair value and consisted of the following:

Cash in Bank	\$ 312,220
Certificates of Deposit	<u>937,109</u>
Total Cash and Temporary Investments	<u><u>\$ 1,249,329</u></u>

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

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			
Nonmajor Governmental Funds	\$ 35,333	\$ 25,781	Operating Advance
Fiduciary Funds	22,170	0	Operating Advance
Fiduciary Funds	6,355	0	Unremitted Fees
	<u>\$ 63,858</u>	<u>\$ 25,781</u>	
Road and Bridge Fund			
General Fund	\$ 25,781	\$ 0	Operating Advance
Road Bond Fund	6,532	0	Operating Advance
Fiduciary Funds	10,010	0	Operating Advance
Fiduciary Funds	6,348	0	Unremitted Fees
	<u>\$ 48,671</u>	<u>\$ 0</u>	
Road Bond Fund			
Road and Bridge Fund	\$ 0	\$ 6,532	Operating Advance
Nonmajor Governmental Funds	495	0	Operating Advance
	<u>\$ 495</u>	<u>\$ 6,532</u>	
Nonmajor Governmental Funds			
General Fund	\$ 0	\$ 35,333	Operating Advance
Road Bond Fund	0	495	Operating Advance
Fiduciary Funds	1,692	0	Unremitted Fees
	<u>\$ 1,692</u>	<u>\$ 35,828</u>	
Fiduciary Funds			
General Fund	\$ 0	\$ 22,170	Operating Advance
General Fund	0	6,355	Unremitted Fees
Road and Bridge Fund	0	10,010	Operating Advance
Road and Bridge Fund	0	6,348	Unremitted Fees
Nonmajor Governmental Funds	0	1,692	Unremitted Fees
Fiduciary Funds	1,221	1,221	Unremitted Fees
	<u>\$ 1,221</u>	<u>\$ 47,796</u>	
Totals	<u>\$ 115,937</u>	<u>\$ 115,937</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	<u>\$ 30,106</u>	To Cover Fund Deficit

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

III.DETAIL NOTES ON ALL ACTIVITIES AND FUNDS – Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 9,508	\$ 0	\$ 0	\$ 9,508
Buildings and Improvements	517,126	0	0	517,126
Machinery and Equipment	<u>1,332,167</u>	<u>146,477</u>	<u>28,077</u>	<u>1,450,567</u>
Total Capital Assets	<u>\$ 1,858,801</u>	<u>\$ 146,477</u>	<u>\$ 28,077</u>	<u>\$ 1,977,201</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (185,574)	\$ (21,723)	\$ 0	\$ (207,297)
Machinery and Equipment	<u>(1,014,880)</u>	<u>(72,840)</u>	<u>(19,185)</u>	<u>(1,068,535)</u>
Total Accumulated Depreciation	<u>\$ (1,200,454)</u>	<u>\$ (94,563)</u>	<u>\$ (19,185)</u>	<u>\$ (1,275,832)</u>
Governmental Activities Capital Assets, Net	<u>\$ 658,347</u>	<u>\$ 51,914</u>	<u>\$ 8,892</u>	<u>\$ 701,369</u>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 34,190
Roads and Bridges	23,180
Public Safety	<u>37,193</u>
Total	<u>\$ 94,563</u>

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%.

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

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				Total
	Road and Bridge		Road and Bridge		
	Principal	Interest	Principal	Interest	
2012	\$ 48,970	\$ 21,030	\$ 60,916	\$ 4,007	\$ 134,923
2013	50,684	19,316	0	0	70,000
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
Totals	<u>\$ 600,852</u>	<u>\$ 87,400</u>	<u>\$ 60,916</u>	<u>\$ 4,007</u>	<u>\$ 753,175</u>

The following is a summary of the changes in capital leases for the year ended September 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	<u>\$ 485,212</u>	<u>\$ 670,852</u>	<u>\$ 494,296</u>	<u>\$ 661,768</u>

E. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

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

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

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	
2012	\$ 75,000	\$ 27,712	\$ 102,712
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>\$ 675,000</u>	<u>\$ 88,337</u>	<u>\$ 763,337</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 618 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, 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, 2011

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 contribute at an elected rate in both 2010 and 2011 that exceeded the actuarially determined rate as allowed by the provisions of the TCDRS Act. The rate contributed for the months of the accounting year in 2010 was 7% and was 7.1% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2011 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, 2011, the annual pension cost for the TCDRS plan for its employees was \$76,183, and the actual contributions were \$76,183.

Actuarial Valuation Information

Actuarial Valuation Date	12-31-08	12-31-09	12-31-10
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Closed
Amortization Period in Years	30	30	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	5.3%	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

Accounting Year Ended,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9-30-09	\$ 66,892	100%	\$ 0
9-30-10	71,204	100%	0
9-30-11	76,183	100%	0

COUNTY OF CONCHO
Notes to the Financial Statements - Continued
September 30, 2011

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010, was 20 years.

Funded Status and Funding Progress - As of December 31, 2010, the most recent actuarial valuation date, the plan was 99.14% funded. The actuarial accrued liability for benefits was \$2,524,298, and the actuarial value of assets was \$2,502,485, resulting in an unfunded actuarial accrued liability (UAAL) of \$21,813. The covered payroll (annual payroll of active employees covered by the plan) was \$1,043,435 and the ratio of the UAAL to the covered payroll was 2.09%.

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 June 11, 2012, 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, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 1,548,496	\$ 1,548,496	\$ 1,573,839	\$ 25,343
Fees	141,150	141,150	185,671	44,521
Fines	208,000	208,000	285,234	77,234
Intergovernmental	154,334	154,334	81,485	(72,849)
Interest	10,000	10,000	5,580	(4,420)
Miscellaneous	40,200	40,200	47,652	7,452
Total Revenues	<u>\$ 2,102,180</u>	<u>\$ 2,102,180</u>	<u>\$ 2,179,461</u>	<u>\$ 77,281</u>
<u>EXPENDITURES</u>				
General Government				
County Judge	\$ 84,240	\$ 112,201	\$ 108,901	\$ 3,300
Commissioners' Court	101,110	153,182	147,790	5,392
County and District Clerk	50,000	66,651	62,016	4,635
Elections	34,117	45,915	41,629	4,286
County Treasurer	66,806	106,120	99,438	6,682
Tax Assessor-Collector	72,073	105,071	99,903	5,168
Courthouse	97,400	102,841	96,319	6,522
Extension Office	88,744	104,035	94,565	9,470
Nondepartmental:				
Insurance	60,000	68,226	68,226	0
Appraisal District	92,000	93,611	93,611	0
Audit	16,000	16,312	16,312	0
Advertising and Legal Notices	2,000	3,422	3,422	0
County Trapper	59,400	56,000	56,000	0
Election Expense	20,000	20,000	17,861	2,139
County Services	5,000	2,504	800	1,704
Radio Tower	2,000	1,464	1,421	43
Miscellaneous	20,300	17,138	20,145	(3,007)
SWCD	5,000	5,000	5,000	0
Libraries	3,000	3,000	3,000	0
Redistricting	5,500	5,500	5,500	0
Health Insurance	269,616	0	0	0
Retirement	63,709	0	0	0
Social Security	70,884	0	0	0
Legislative Consultant	500	0	0	0
FAX/Phone and Supplies	750	88	88	0
GCG - Technology	5,000	1,142	1,142	0
Crushed Rock / Roller Packer	40,000	6,645	0	6,645
Total General Government	<u>\$ 1,335,149</u>	<u>\$ 1,096,068</u>	<u>\$ 1,043,089</u>	<u>\$ 52,979</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, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u> - Continued				
Justice System				
County and District Clerk	\$ 50,000	\$ 66,651	\$ 62,016	\$ 4,635
Courts - County and District	154,200	154,151	143,121	11,030
Justice of the Peace	71,472	121,355	107,546	13,809
County Attorney	45,211	61,998	59,729	2,269
Total Justice System	<u>\$ 320,883</u>	<u>\$ 404,155</u>	<u>\$ 372,412</u>	<u>\$ 31,743</u>
Public Safety				
Sheriff	\$ 328,830	\$ 462,994	\$ 418,336	\$ 44,658
Constable	8,850	12,838	16,618	(3,780)
Highway Patrol Expense	4,000	2,921	2,921	0
911 Expense	8,000	5,641	5,641	0
Fire Protection	6,200	6,200	50	6,150
Law Enforcement Center	151,401	193,399	194,472	(1,073)
Total Public Safety	<u>\$ 507,281</u>	<u>\$ 683,993</u>	<u>\$ 638,038</u>	<u>\$ 45,955</u>
Public Health and Welfare				
Veterans Service Officer	\$ 2,160	\$ 2,160	\$ 2,160	\$ 0
County Health Officer	500	500	500	0
Van Driver	7,500	7,500	6,732	768
Social Security	0	35	131	(96)
Health Insurance	0	1,796	1,796	0
Child Welfare	1,000	0	0	0
Drug-Alcohol Treatment	1,500	1,500	0	1,500
Septic Site Inspector	5,500	4,583	4,583	0
Septic Site Inspection	5,000	3,337	3,337	0
Total Public Health and Welfare	<u>\$ 23,160</u>	<u>\$ 21,411</u>	<u>\$ 19,239</u>	<u>\$ 2,172</u>
 Total Expenditures	 <u>\$ 2,186,473</u>	 <u>\$ 2,205,627</u>	 <u>\$ 2,072,778</u>	 <u>\$ 132,849</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 \$ (84,293)	 \$ (103,447)	 \$ 106,683	 \$ 210,130
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>(60,106)</u>	<u>(41,227)</u>	<u>(30,106)</u>	<u>11,121</u>
Net Change in Fund Balance	\$ (144,399)	\$ (144,674)	\$ 76,577	\$ 221,251
Fund Balance - Beginning	<u>192,499</u>	<u>192,499</u>	<u>192,499</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 48,100</u>	<u>\$ 47,825</u>	<u>\$ 269,076</u>	<u>\$ 221,251</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, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 301,915	\$ 301,915	\$ 305,824	\$ 3,909
Fees	239,290	239,290	208,118	(31,172)
Interest	1,500	1,500	1,840	340
Miscellaneous	0	0	2,096	2,096
	<u>0</u>	<u>0</u>	<u>2,096</u>	<u>2,096</u>
Total Revenues	<u>\$ 542,705</u>	<u>\$ 542,705</u>	<u>\$ 517,878</u>	<u>\$ (24,827)</u>
<u>EXPENDITURES</u>				
Roads and Bridges				
Precinct Employees	\$ 205,382	\$ 205,382	\$ 204,379	\$ 1,003
Insurance	67,872	73,134	63,948	9,186
Social Security	15,712	45,817	15,723	30,094
Retirement	14,581	14,594	14,555	39
Life Insurance	0	164	162	2
Cell Phone	0	3,027	3,026	1
Parts and Repairs	29,200	47,771	43,102	4,669
Fuel	44,000	46,231	64,056	(17,825)
Tires and Batteries	11,500	18,688	15,273	3,415
Shop Supplies	5,950	9,744	11,717	(1,973)
Utilities	7,350	7,350	3,624	3,726
Road Material	12,500	17,081	12,727	4,354
Machine Hire	3,500	4,547	3,488	1,059
Capital Lease Payments	103,000	103,000	97,417	5,583
Equipment Purchase	175,000	149,685	5,500	144,185
Miscellaneous	103,849	79,880	12,053	67,827
	<u>103,849</u>	<u>79,880</u>	<u>12,053</u>	<u>67,827</u>
Total Expenditures	<u>\$ 799,396</u>	<u>\$ 826,095</u>	<u>\$ 570,750</u>	<u>\$ 255,345</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (256,691)</u>	<u>\$ (283,390)</u>	<u>\$ (52,872)</u>	<u>\$ 230,518</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>30,106</u>	<u>30,106</u>	<u>30,106</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ (226,585)</u>	<u>\$ (253,284)</u>	<u>\$ (22,766)</u>	<u>\$ 230,518</u>
Fund Balance - Beginning	<u>240,173</u>	<u>240,173</u>	<u>240,173</u>	<u>0</u>
Fund Balance - Ending	<u><u>\$ 13,588</u></u>	<u><u>\$ (13,111)</u></u>	<u><u>\$ 217,407</u></u>	<u><u>\$ 230,518</u></u>

COUNTY OF CONCHO
 Schedule of Funding Progress for the TCDRS Retirement Plan
 September 30, 2011
 (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
12-31-08	\$ 2,083,236	\$ 2,068,329	\$ (14,907)	100.72 %	\$ 865,620	(1.72) %
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 %

¹ 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, 2011

Description	Identifying Number	Interest Rate %	Maturity Date	Amount
<u>GOVERNMENTAL FUNDS</u>				
General Fund				
First State Bank	6639	1.00	2-3-12	\$ 100,000
First State Bank	6640	1.00	2-3-12	100,000
				<u>\$ 200,000</u>
Special Road and Bridge Fund				
First State Bank	6318	0.60	1/28/12	\$ 100,000
First State Bank	6621	0.45	9/26/12	75,000
				<u>\$ 175,000</u>
Courthouse Security Fund				
First State Bank	6618	0.50	7/13/12	\$ 35,002
Bond Fund				
First State Bank	6646	0.90	4/17/12	\$ 100,000
First State Bank	6647	0.95	4/18/13	100,000
First State Bank	6648	0.95	4/18/13	100,000
First State Bank	6649	1.00	4/18/14	100,000
First State Bank	6650	1.00	4/18/14	100,000
				<u>\$ 500,000</u>
Total Governmental Funds				<u><u>\$ 910,002</u></u>
<u>FIDUCIARY FUNDS</u>				
Permanent School Fund				
First State Bank	6045	0.35	8-19-12	\$ 20,000
Agency Funds				
District Court Trust Funds				
First State Bank	6614	1.05	5-20-12	\$ 2,634
County Judge/Eola Cemetery				
First State Bank	5450	0.75	3-09-12	4,473
				<u>\$ 7,107</u>
Total Fiduciary Funds				<u><u>\$ 27,107</u></u>

COUNTY OF CONCHO
Taxing History
September 30, 2011

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>
2001	\$ 186,468,465	\$ 979,373
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

COUNTY OF CONCHO
Year Ended September 30, 2011

Federal Financial Assistance
 Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Rural Affairs
 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			
<u>RECEIPTS</u>						
Federal	\$ 200,000	\$ 0	\$ 35,414	\$ 0	\$ 35,414	\$ 164,586
Local	10,000	0	0	2,650	2,650	7,350
Total Receipts	<u>\$ 210,000</u>	<u>\$ 0</u>	<u>\$ 35,414</u>	<u>\$ 2,650</u>	<u>\$ 38,064</u>	<u>\$ 171,936</u>
<u>DISBURSEMENTS</u>						
Federal						
Water Facilities	\$ 148,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,000
Engineering	29,000	0	22,914	0	22,914	6,086
General Administration	23,000	0	12,500	0	12,500	10,500
Local						
Water Facilities	8,000	0	0	2,650	2,650	5,350
General Administration	2,000	0	0	0	0	2,000
Total Disbursements	<u>\$ 210,000</u>	<u>\$ 0</u>	<u>\$ 35,414</u>	<u>\$ 2,650</u>	<u>\$ 38,064</u>	<u>\$ 171,936</u>
Excess Receipts Over Disbursements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

COMPLIANCE AND INTERNAL CONTROLS SECTION



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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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. The reference number of the finding is: 11-1.

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*.

In addition to the finding referred to above we noted certain other matters that we reported to the management of the County in a separate letter dated June 11, 2012.

The County of Concho's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County's response, and accordingly we express no opinion on the response.

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

(Signature on File)

June 11, 2012

COUNTY OF CONCHO
Schedule of Findings and Responses
Year Ended September 30, 2011

Findings -

Reference Number: 11-1

Criteria:

The County's books should be reviewed to determine that all account balances are reasonable and correct, all bank accounts are reconciled to the general ledger, and all journal entries are properly recorded.

Condition:

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.

Cause:

The County's personnel were not maintaining the County's financial records to ensure accuracy and completeness.

Effect:

The general ledger contained numerous errors and did not accurately reflect the County's finances. Internal control over financial reporting was not effective.

Auditors' Recommendation:

The general ledger should be reviewed for completeness and accuracy, all bank accounts should be reconciled to the general ledger, and any necessary corrections should be made in a timely manner. All supporting documents and reports should be filed in an orderly manner and be available as needed.

Responses -

Reference Number: 11-1

The County will implement procedures to ensure that the County's personnel review the general ledger, reconcile the bank accounts, and make necessary adjustments when needed. The County will also make arrangements to have personnel trained in these areas.