

Financial Report of

COUNTY OF GLASSCOCK

Garden City, Texas

Year Ended September 30, 2009

COUNTY OF GLASSCOCK
 Annual Financial Report
 Year Ended September 30, 2009

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FINANCIAL SECTION

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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INDEPENDENT AUDITORS' REPORT

The Honorable County Judge
and Commissioners' Court
County of Glasscock
P.O. Box 67
Garden City, TX 79739-0067

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of and for the year ended September 30, 2009, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of September 30, 2009, and the respective changes in modified cash basis financial position and cash flows, where applicable, thereof 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 February 10, 2010, on our consideration of the County of Glasscock'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.

Management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 30 through 31, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable County Judge
and Commissioners' Court
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Glasscock'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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eckert & Company, LLP

February 10, 2010

**COUNTY COMMISSIONERS
GLASSCOCK COUNTY**

P.O. BOX 67

GARDEN CITY, TEXAS 79739

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Commissioners

Jimmy Strube Pct. 1

Mark Halfmann Pct. 2

Gary Jones Pct. 3

Michael Hoch Pct. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNAUDITED

Our discussion and analysis of the County of Glasscock's financial performance provides an overview of the County's financial activities for the year ended September 30, 2009, 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 \$5,960,984 (net assets). Of this amount, \$2,446,342 (unrestricted net assets) may be used to meet the County's ongoing obligations.

The County's total net assets increased by \$533,247 as a result of current year operations. The County's statement of activities shows total revenues of \$3,592,437 and total expenses of \$3,059,190.

The total fund balance, all of which is unreserved, of the General Fund was \$2,234,310 which was an increase of \$289,095 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Overview of the Financial Statements - Continued

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.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. Business-type activities consist of a water system.

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 which is considered to be a major fund. 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.

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its water system.

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. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

UNAUDITED

Government-Wide Financial Analysis

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

NET ASSETS - MODIFIED CASH BASIS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>September 30,</u>					
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 2,386,571	\$ 2,084,876	\$ 80,457	\$ 63,634	\$ 2,467,028	\$ 2,148,510
Capital Assets	<u>2,291,783</u>	<u>2,033,400</u>	<u>1,222,859</u>	<u>1,263,218</u>	<u>3,514,642</u>	<u>3,296,618</u>
Total Assets	<u>\$ 4,678,354</u>	<u>\$ 4,118,276</u>	<u>\$ 1,303,316</u>	<u>\$ 1,326,852</u>	<u>\$ 5,981,670</u>	<u>\$ 5,445,128</u>
Liabilities	<u>\$ 20,686</u>	<u>\$ 17,391</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,686</u>	<u>\$ 17,391</u>
Net Assets						
Invested in Capital Assets	\$ 2,291,783	\$ 2,033,400	\$ 1,222,859	\$ 1,263,218	\$ 3,514,642	\$ 3,296,618
Unrestricted	<u>2,365,885</u>	<u>2,067,485</u>	<u>80,457</u>	<u>63,634</u>	<u>2,446,342</u>	<u>2,131,119</u>
Total Net Assets	<u>\$ 4,657,668</u>	<u>\$ 4,100,885</u>	<u>\$ 1,303,316</u>	<u>\$ 1,326,852</u>	<u>\$ 5,960,984</u>	<u>\$ 5,427,737</u>

A large portion of the County's net assets resulting from modified cash basis transactions (\$3,514,642) reflects the County's investment in capital assets (land, buildings and equipment). These assets are not available for future spending. The remaining balance of unrestricted net assets (\$2,446,342) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Government-Wide Financial Analysis - Continued

Governmental Activities - For the fiscal years ended September 30, 2009 and 2008, governmental activities increased the County's net assets resulting from modified cash basis transactions by \$556,783 and \$668,635, respectively, while business-type activities decreased the County's net assets resulting from modified cash basis transactions by \$23,536 and \$35,331, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET ASSETS - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
	Year Ended September 30,					
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$ 515,905	\$ 462,786	\$ 76,011	\$ 63,939	\$ 591,916	\$ 526,725
Operating Grants and Contributions	172,720	139,797	0	0	172,720	139,797
General Revenues						
Maintenance and Operations Taxes	2,788,549	2,618,340	0	0	2,788,549	2,618,340
Investment Earnings	13,723	67,484	473	1,953	14,196	69,437
Other	25,056	41,860	0	0	25,056	41,860
Total Revenues	\$ 3,515,953	\$ 3,330,267	\$ 76,484	\$ 65,892	\$ 3,592,437	\$ 3,396,159
Expenses						
General Government	\$ 557,134	\$ 909,395	\$ 0	\$ 0	\$ 557,134	\$ 909,395
Roads and Bridges	1,274,038	1,077,445	0	0	1,274,038	1,077,445
Justice System	319,386	146,970	0	0	319,386	146,970
Public Safety	629,639	349,993	0	0	629,639	349,993
Public Health and Welfare	35,179	27,845	0	0	35,179	27,845
Culture and Education	93,517	95,700	0	0	93,517	95,700
Community and Economic Development	50,277	54,284	0	0	50,277	54,284
Water	0	0	100,020	101,223	100,020	101,223
Total Expenses	\$ 2,959,170	\$ 2,661,632	\$ 100,020	\$ 101,223	\$ 3,059,190	\$ 2,762,855
Change in Net Assets	\$ 556,783	\$ 668,635	\$ (23,536)	\$ (35,331)	\$ 533,247	\$ 633,304
Net Assets - Beginning	4,100,885	3,432,250	1,326,852	1,362,183	5,427,737	4,794,433
Net Assets - Ending	\$ 4,657,668	\$ 4,100,885	\$ 1,303,316	\$ 1,326,852	\$ 5,960,984	\$ 5,427,737

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

Government-Wide Financial Analysis - Continued

The above "Changes in Net Assets" reflects the following:

Governmental Activities

- The total cost of all governmental activities this year was \$2,959,170.
- Some costs, \$515,905 were recovered through charges for services from those who directly benefited from the programs.
- Other costs, \$172,720, were recovered through operating grants and contributions.
- The total net cost (total cost less program revenues) of all governmental activities this year was \$2,270,545.
- The amount paid by taxpayers for these activities through property taxes was \$2,788,549.
- The amount funded by investment earnings and other revenues was \$38,779.

Business-Type Activities

- The total cost of all business-type activities this year was \$100,020.
- Charges for services from those who directly benefited from the programs were \$76,011.
- The total net cost of all business-type activities this year was \$24,009.
- Investment earnings generated additional revenues of \$473.

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 unreserved 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 \$2,365,885, an increase of \$298,400 in comparison with the prior year. This total amount constitutes unreserved fund balance, which is available for spending at the County's discretion.

Proprietary Funds - The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets amounted to \$80,457. Total net assets decreased \$23,536.

General Fund Budget

The original and final amended budget for the General Fund was \$3,484,748. Significant variances between the original budget and the final amended budget were a decrease of \$72,406 in General Government expenditures, a decrease of \$77,875 in Road and Bridge expenditures, an increase of \$112,834 in Justice System expenditures, and an increase of \$29,572 in Public Safety expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

UNAUDITED

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, 2009 and 2008, was \$2,291,783 and \$2,033,400, respectively. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Major additions during the current year included a fire truck, a maintainer, and replacing the jail roof.

The County's investment in capital assets, net of depreciation, for its business-type activities as of September 30, 2009 and 2008, was \$1,222,859, and \$1,263,218, respectively. This investment in capital assets includes land and the water system.

CAPITAL ASSETS NET OF DEPRECIATION - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2009	2008	2009	2008	2009	2008
Land	\$ 158,519	\$ 133,519	\$ 20,000	\$ 20,000	\$ 178,519	\$ 153,519
Buildings and Improvements	1,059,665	985,344	0	0	1,059,665	985,344
Water System	0	0	1,202,859	1,243,218	1,202,859	1,243,218
Machinery and Equipment	1,073,599	914,537	0	0	1,073,599	914,537
Totals	\$ 2,291,783	\$ 2,033,400	\$ 1,222,859	\$ 1,263,218	\$ 3,514,642	\$ 3,296,618

Long-Term Debt - The County had no long-term debt outstanding.

Economic Factors and Next Year's Budget

The County has adopted a budget for the General Fund in the amount of \$3,665,119, for the fiscal year 2010, which is an increase of \$180,371 from the fiscal year 2009.

The County's assessed valuation for property taxes is \$900,285,160 for the fiscal year 2010, which is a decrease of \$161,959,010 from the fiscal year 2009.

The County's total tax rate for property taxes is \$.342000 for the fiscal year 2010, which is an increase of \$.078600 from the fiscal year 2009.

The County's total tax levy for property taxes is \$3,078,976 for the fiscal year 2010, which is an increase of \$281,022 from the fiscal year 2009.

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: Wilburn Bednar, County Judge, County of Glasscock, P.O. Box 67, Garden City, TX 79739-0067.

Basic Financial Statements

COUNTY OF GLASSCOCK
Statement of Net Assets - Modified Cash Basis
September 30, 2009

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Temporary Investments	\$ 2,346,884	\$ 80,457	\$ 2,427,341
Due from Fiduciary Funds	39,687	0	39,687
Capital Assets (Net of Accumulated Depreciation):			
Land	158,519	20,000	178,519
Buildings and Improvements	1,059,665	0	1,059,665
Water System	0	1,202,859	1,202,859
Machinery and Equipment	1,073,599	0	1,073,599
Total Assets	\$ 4,678,354	\$ 1,303,316	\$ 5,981,670
<u>LIABILITIES</u>			
Due to Other Governments	\$ 20,686	\$ 0	\$ 20,686
<u>NET ASSETS</u>			
Invested in Capital Assets	\$ 2,291,783	\$ 1,222,859	\$ 3,514,642
Unrestricted	2,365,885	80,457	2,446,342
Total Net Assets	\$ 4,657,668	\$ 1,303,316	\$ 5,960,984

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

COUNTY OF GLASSCOCK
Statement of Activities - Modified Cash Basis
Year Ended September 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities:						
General Government	\$ 557,134	\$ 371,718	\$ 15,000	\$ (170,416)	\$ 0	\$ (170,416)
Roads and Bridges	1,274,038	40,899	10,400	(1,222,739)	0	(1,222,739)
Justice System	319,386	102,063	0	(217,323)	0	(217,323)
Public Safety	629,639	0	147,320	(482,319)	0	(482,319)
Public Health and Welfare	35,179	0	0	(35,179)	0	(35,179)
Culture and Education	93,517	0	0	(93,517)	0	(93,517)
Community and Economic Development	50,277	1,225	0	(49,052)	0	(49,052)
Total Governmental Activities	\$ 2,959,170	\$ 515,905	\$ 172,720	\$ (2,270,545)	\$ 0	\$ (2,270,545)
Business-Type Activities:						
Water System	100,020	76,011	0	0	(24,009)	(24,009)
Total	\$ 3,059,190	\$ 591,916	\$ 172,720	\$ (2,270,545)	\$ (24,009)	\$ (2,294,554)
General Revenues						
Property Taxes - Operations				\$ 2,788,549	\$ 0	\$ 2,788,549
Investment Earnings				13,723	473	14,196
Miscellaneous				25,056	0	25,056
Total General Revenues				\$ 2,827,328	\$ 473	\$ 2,827,801
Change in Net Assets				\$ 556,783	\$ (23,536)	\$ 533,247
Net Assets - Beginning				4,100,885	1,326,852	5,427,737
Net Assets - Ending				\$ 4,657,668	\$ 1,303,316	\$ 5,960,984

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

COUNTY OF GLASSCOCK
Balance Sheet - Modified Cash Basis
Governmental Funds
September 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Temporary Investments	\$ 2,218,335	\$ 128,549	\$ 2,346,884
Due from Other Funds	36,661	3,026	39,687
Total Assets	\$ 2,254,996	\$ 131,575	\$ 2,386,571
<u>LIABILITIES</u>			
Due to Other Governments	\$ 20,686	\$ 0	\$ 20,686
<u>FUND BALANCES</u>			
Unreserved, Reported in:			
General Fund	\$ 2,234,310	\$ 0	\$ 2,234,310
Special Revenue Funds	0	131,575	131,575
Total Fund Balances	\$ 2,234,310	\$ 131,575	\$ 2,365,885
Total Liabilities and Fund Balances	\$ 2,254,996	\$ 131,575	\$ 2,386,571

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

COUNTY OF GLASSCOCK
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets - Modified Cash Basis
September 30, 2009

Total Fund Balances - Governmental Funds	\$ 2,365,885
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.	2,033,400
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.	515,699
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.	<u>(257,316)</u>
Net Assets of Governmental Activities	<u><u>\$ 4,657,668</u></u>

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

COUNTY OF GLASSCOCK
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 Year Ended September 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes	\$ 2,788,549	\$ 0	\$ 2,788,549
Fees	336,839	37,678	374,517
Fines	88,416	0	88,416
Intergovernmental	191,402	0	191,402
Interest	12,807	916	13,723
Miscellaneous	<u>58,547</u>	<u>800</u>	<u>59,347</u>
Total Revenues	<u>\$ 3,476,560</u>	<u>\$ 39,394</u>	<u>\$ 3,515,954</u>
<u>EXPENDITURES</u>			
Current:			
General Government	\$ 1,033,376	\$ 3,869	\$ 1,037,245
Roads and Bridges	1,166,717	0	1,166,717
Justice System	286,484	20,503	306,987
Public Safety	560,440	5,717	566,157
Public Health and Welfare	34,366	0	34,366
Culture and Education	85,026	0	85,026
Community and Economic Development	<u>21,056</u>	<u>0</u>	<u>21,056</u>
Total Expenditures	<u>\$ 3,187,465</u>	<u>\$ 30,089</u>	<u>\$ 3,217,554</u>
Net Change in Fund Balances	\$ 289,095	\$ 9,305	\$ 298,400
Fund Balances - Beginning	<u>1,945,215</u>	<u>122,270</u>	<u>2,067,485</u>
Fund Balances - Ending	<u>\$ 2,234,310</u>	<u>\$ 131,575</u>	<u>\$ 2,365,885</u>

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

COUNTY OF GLASSCOCK
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, 2009

Total Net Change in Fund Balances - Governmental Funds	\$ 298,400
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.	515,699
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.	<u>(257,316)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 556,783</u></u>

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

COUNTY OF GLASSCOCK
Statement of Net Assets - Modified Cash Basis
Proprietary Fund
September 30, 2009

	<u>Water System Enterprise Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Temporary Investments	\$ <u>80,457</u>
Noncurrent Assets:	
Capital Assets:	
Land	\$ 20,000
Water System	<u>1,614,330</u>
Total	\$ 1,634,330
Less Accumulated Depreciation	<u>(411,471)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,222,859</u>
Total Assets	<u>\$ 1,303,316</u>
<u>LIABILITIES</u>	
Current Liabilities:	
None	<u>\$ 0</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 1,222,859
Unrestricted	<u>80,457</u>
Total Net Assets	<u><u>\$ 1,303,316</u></u>

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

COUNTY OF GLASSCOCK
 Statement of Revenues, Expenses, and Changes in Fund Net Assets - Modified Cash Basis
 Proprietary Fund
 Year Ended September 30, 2009

	<u>Water System Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Charges Sales and Services:	
Water Sales	\$ 74,896
Other Services	<u>1,115</u>
Total Operating Revenues	<u>\$ 76,011</u>
<u>OPERATING EXPENSES</u>	
Salaries and Benefits	\$ 30,466
Utilities	12,717
Insurance	6,500
Repair and Maintenance	5,560
Other	4,418
Depreciation	<u>40,359</u>
Total Operating Expenses	<u>\$ 100,020</u>
Operating Loss	\$ (24,009)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Earned	<u>473</u>
Change in Net Assets	\$ (23,536)
Total Net Assets - Beginning	<u>1,326,852</u>
Total Net Assets - Ending	<u><u>\$ 1,303,316</u></u>

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

COUNTY OF GLASSCOCK
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
Year Ended September 30, 2009

	<u>Water System Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers and Users	\$ 76,011
Cash Payments for Goods and Services	(29,195)
Cash Payments for Salaries and Benefits	<u>(30,466)</u>
Net Cash Provided (Used) by Operating Activities	\$ 16,350
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Net Decrease in Due to Other Funds	(100)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>473</u>
Net Increase in Cash and Cash Equivalents	\$ 16,723
Cash and Cash Equivalents - Beginning	<u>63,734</u>
Cash and Cash Equivalents - Ending	<u>\$ 80,457</u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Loss	\$ (24,009)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	<u>40,359</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,350</u>

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

COUNTY OF GLASSCOCK
 Statement of Fiduciary Net Assets - Modified Cash Basis
 Fiduciary Funds
 September 30, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	<u>\$ 49,923</u>
 <u>LIABILITIES</u>	
Due to Other Funds	\$ 39,687
Due to Other Governments	8,003
Due to Others	<u>2,233</u>
Total Liabilities	<u>\$ 49,923</u>

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

COUNTY OF GLASSCOCK
Notes to the Financial Statements
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Glasscock, 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 Glasscock, Texas, was organized by an Act of the Texas Legislature in April 1893. 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, public health and welfare, culture and education, and community and economic development, as well as general administrative and support services. The County also provides water utilities. 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, proprietary 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

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 proprietary fund and 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.

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.

Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and the changes in net assets, financial position, and cash flows. All assets and liabilities associated with the activities of the proprietary funds are reported in the financial statements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards apply to the modified cash basis of accounting and to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

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 and the proprietary fund 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 fund:

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.

The government reports the following major proprietary fund:

Enterprise Fund - Water Fund - This Fund accounts for the operation of the water system.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

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. Cash and Cash Equivalents - Proprietary Funds

For purposes of the statement of cash flows for proprietary fund types, the County considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

E. 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.

F. 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.

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
Water System	40

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. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

G. 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.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental and business-type 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. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide financial statements.

I. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation leave does not accumulate or vest, but employees may accumulate up to 90 days of sick leave. Upon separation from service, employees are paid for any current vacation leave which has been earned but not used; however, unused sick leave is not paid.

J. Fund Equity

Fund equity is presented in the fund financial statements as follows:

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unrestricted net assets for proprietary funds represent the net assets available for future operations.

K. Property Tax Revenues

Property values are assessed on January 1 of each year at which time a tax lien attaches to the property to secure the payment of taxes. Property taxes are levied on October 1 of each year. The taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year at which time they become subject to penalties and interest.

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.

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.

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in Public Safety – Fire Department by \$134,009.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

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

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

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2009, all of the County's investments are in external investment pools or certificates of deposit with its depository bank. The certificates of deposit are completely covered by pledged securities 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, 2009, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

The carrying amount of the County's cash and temporary investments at September 30, 2009, approximates fair value and consisted of the following:

Cash in Bank		\$ 1,144,093
TexPool		<u>1,333,171</u>
Total Cash and Temporary Investments		<u>\$ 2,477,264</u>

B. Interfund Receivables and Payables

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			
Fiduciary Funds	<u>\$ 36,661</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 3,026</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 36,661	Unremitted Fees
Nonmajor Governmental Funds	0	<u>3,026</u>	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 39,687</u>	
Totals	<u>\$ 39,687</u>	<u>\$ 39,687</u>	

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

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 133,519	\$ 25,000	\$ 0	\$ 158,519
Buildings and Improvements	2,039,212	150,204	0	2,189,416
Machinery and Equipment	<u>2,446,161</u>	<u>351,095</u>	<u>53,000</u>	<u>2,744,256</u>
Total Capital Assets	<u>\$ 4,618,892</u>	<u>\$ 526,299</u>	<u>\$ 53,000</u>	<u>\$ 5,092,191</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (1,053,868)	\$ (75,883)	\$ 0	\$ (1,129,751)
Machinery and Equipment	<u>(1,531,624)</u>	<u>(181,433)</u>	<u>(42,400)</u>	<u>(1,670,657)</u>
Total Accumulated Depreciation	<u>\$ (2,585,492)</u>	<u>\$ (257,316)</u>	<u>\$ (42,400)</u>	<u>\$ (2,800,408)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,033,400</u>	<u>\$ 268,983</u>	<u>\$ 10,600</u>	<u>\$ 2,291,783</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 20,000	\$ 0	\$ 0	\$ 20,000
System	<u>1,614,330</u>	<u>0</u>	<u>0</u>	<u>1,614,330</u>
Total Capital Assets	<u>\$ 1,634,330</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,634,330</u>
Less Accumulated Depreciation				
System	<u>(371,112)</u>	<u>(40,359)</u>	<u>0</u>	<u>(411,471)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,263,218</u>	<u>\$ (40,359)</u>	<u>\$ 0</u>	<u>\$ 1,222,859</u>

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets - Continued

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 26,474
Roads and Bridges	96,721
Justice System	32,113
Public Safety	63,482
Public Health and Welfare	814
Culture and Education	8,491
Community and Economic Development	<u>29,221</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 257,316</u>
Business-Type Activities	
Water	<u>\$ 40,359</u>

IV. OTHER INFORMATION

A. Retirement Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the 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 GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

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. The employer contributed using the actuarially determined rate of 11.91% for the months of the accounting year in 2008 and 16.13% for the months of the accounting year in 2009.

The deposit rate payable by the employee members for calendar year 2009 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, 2009, the annual pension cost for the TCDRS plan for its employees was \$132,733, and the actual contributions were \$132,733.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement 27 parameters based on the actuarial valuations as of December 31, 2006 and December 31, 2007, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial Valuation Date	12-31-06	12-31-07	12-31-08
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	15	15	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%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

¹ Includes Inflation at the Stated Rate

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

Trend Information			
<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-07	\$ 74,437	100%	\$ 0
9-30-08	89,434	100%	0
9-30-09	132,733	100%	0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll¹</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12-31-06	\$ 2,596,077	\$ 3,060,490	\$ 464,413	84.83 %	\$ 710,649	65.35 %
12-31-07	2,856,680	3,557,725	701,045	80.30 %	730,712	95.94 %
12-31-08	2,173,574	3,078,546	904,972	70.60 %	794,475	113.91 %

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

B. Postretirement Health Care Benefits

The County pays health insurance premiums for retired elected officials and other retired employees. The County pays the premiums monthly as they are billed by the insurance carrier and charges the cost to insurance in the financial statements. The County paid premiums totaling \$46,151 for ten retirees during the current year.

C. Self-Insurance

The County has entered into an interlocal participation agreement with the West Texas Rural Counties Association Insurance Pool (the Pool). The Pool is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide assistance in financing each member's risk of loss pursuant to the provisions of Article 715c, Texas Revised Civil Statutes Annotated, and Chapter 172 of the Local Government Code. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The County's participation in the Pool is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid to the Pool. The Pool is required to provide stop-loss coverage and/or maintain reserves to insure that the participation of the County is maintained on a nonassessable basis at all times. The County made contributions to the Pool for the coverage selected based upon rates established by the Pool's Board of Trustees. Contributions are adjusted annually based upon

COUNTY OF GLASSCOCK
Notes to the Financial Statements - Continued
September 30, 2009

IV. OTHER INFORMATION - Continued

C. Self-Insurance - Continued

the County's loss experience. The Pool may impose a surcharge on the County as a condition of continued participation in the Pool when the County has a higher loss experience than identified in the underwriting standards. The County's participation in the Pool consists of the Risk Management Pool which provides coverage for property damage, general liability, law enforcement liability, automobile liability and physical damage, public officials' liability, and workers' compensation.

D. Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County is required by state and federal laws and regulations to annually provide assurance that financial resources will be available to provide for closure, postclosure care, and remediation or containment of environmental hazards. The County has complied with this requirement by obtaining a letter of credit from a bank.

Required Supplementary Information

COUNTY OF GLASSCOCK
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Modified Cash Basis - Budget and Actual
General Fund
Year Ended September 30, 2009

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,869,457	\$ 2,869,457	\$ 2,788,549	\$ (80,908)
Fees	314,100	314,100	336,839	22,739
Fines	100,000	100,000	88,416	(11,584)
Intergovernmental	43,317	43,317	191,402	148,085
Interest	60,000	60,000	12,807	(47,193)
Miscellaneous	40,325	40,325	58,547	18,222
Total Revenues	\$ 3,427,199	\$ 3,427,199	\$ 3,476,560	\$ 49,361
EXPENDITURES				
General Government				
Tax Assessor-Collector	\$ 147,926	\$ 150,126	\$ 141,348	\$ 8,778
County and District Clerk	9,888	100,527	100,239	288
County Judge	80,364	86,932	86,402	530
County Commissioners	156,074	159,424	157,863	1,561
County Treasurer	66,354	67,579	67,126	453
Courthouse Custodian	35,508	36,438	36,177	261
Appraisal District	63,067	63,067	61,028	2,039
Insurance	150,000	156,900	156,634	266
Trapper Expense	52,800	52,800	52,800	0
Other	358,607	174,389	173,759	630
Total General Government	\$ 1,120,588	\$ 1,048,182	\$ 1,033,376	\$ 14,806
Roads and Bridges				
Road Crew	\$ 1,404,546	\$ 1,326,671	\$ 1,156,317	\$ 170,354
Lateral Road	10,350	10,350	10,400	(50)
Total Roads and Bridges	\$ 1,414,896	\$ 1,337,021	\$ 1,166,717	\$ 170,304
Justice System				
County and District Clerk	\$ 32,963	\$ 33,509	\$ 33,413	\$ 96
Justice of the Peace	38,173	38,976	38,690	286
County Attorney	6,497	6,592	6,588	4
Court Reporter	2,134	2,189	2,086	103
Jail	78,581	188,231	187,958	273
Other	16,500	18,185	17,749	436
Total Justice System	\$ 174,848	\$ 287,682	\$ 286,484	\$ 1,198

COUNTY OF GLASSCOCK
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Modified Cash Basis - Budget and Actual
 General Fund - Continued
 Year Ended September 30, 2009

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u> - Continued				
Public Safety				
Sheriff	\$ 282,619	\$ 299,326	\$ 298,843	\$ 483
Constable	25,873	28,523	28,440	83
Emergency Management	14,637	16,177	15,338	839
Fire Departments	53,879	58,604	192,613	(134,009)
Ambulance Expenses	14,900	18,850	18,832	18
Other	6,375	6,375	6,374	1
Total Public Safety	<u>\$ 398,283</u>	<u>\$ 427,855</u>	<u>\$ 560,440</u>	<u>\$ (132,585)</u>
Public Health and Welfare				
Landfill Expenses	\$ 26,500	\$ 34,375	\$ 34,366	\$ 9
Indigent Health Care	229,570	229,570	0	229,570
Total Public Health and Welfare	<u>\$ 256,070</u>	<u>\$ 263,945</u>	<u>\$ 34,366</u>	<u>\$ 229,579</u>
Culture and Education				
County Agent	\$ 37,601	\$ 37,601	\$ 38,046	\$ (445)
FCS Agent	29,139	29,139	26,515	2,624
County and FCS Agents	23,823	23,823	20,465	3,358
Total Culture and Education	<u>\$ 90,563</u>	<u>\$ 90,563</u>	<u>\$ 85,026</u>	<u>\$ 5,537</u>
Community and Economic Development				
Community Center	\$ 29,500	\$ 29,500	\$ 21,056	\$ 8,444
Total Expenditures	<u>\$ 3,484,748</u>	<u>\$ 3,484,748</u>	<u>\$ 3,187,465</u>	<u>\$ 297,283</u>
Net Change in Fund Balance	\$ (57,549)	\$ (57,549)	\$ 289,095	\$ 346,644
Fund Balance - Beginning	<u>1,945,215</u>	<u>1,945,215</u>	<u>1,945,215</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 1,887,666</u>	<u>\$ 1,887,666</u>	<u>\$ 2,234,310</u>	<u>\$ 0</u>

Supplementary Information

COUNTY OF GLASSCOCK
 Taxing History for Ten Years
 September 30, 2009

The assessed valuations, tax rates, and taxes levied by the County of Glasscock for the past ten years are shown below:

<u>Roll Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Taxes Levied</u>
1999	\$ 252,313,620	\$ 0.624363	\$ 1,575,352
2000	334,036,680	0.560000	1,866,141
2001	449,110,580	0.460000	2,066,092
2002	369,469,480	0.575880	2,127,701
2003	370,738,910	0.592520	2,196,702
2004	429,273,062	0.528910	2,270,470
2005	549,015,264	0.412326	2,263,732
2006	675,386,250	0.362300	2,446,921
2007	774,463,670	0.343165	2,657,687
2008	1,062,244,170	0.263400	2,797,954

COMPLIANCE AND INTERNAL CONTROLS SECTION

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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

The Honorable County Judge
and Commissioners' Court
County of Glasscock
P.O. Box 67
Garden City, TX 79739-0067

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 10, 2010. 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 Glasscock'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 Glasscock's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Glasscock's internal control over financial reporting.

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

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

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

We noted one matter involving internal control over financial reporting that we reported to management of the County of Glasscock in a separate letter dated February 10, 2010.

The Honorable County Judge
and Commissioners' Court
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Glasscock'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*.

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.

Eckert & Company, LLP

February 10, 2010