

Financial Report of
COUNTY OF GLASSCOCK

Garden City, Texas

Year Ended September 30, 2011

COUNTY OF GLASSCOCK
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 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, 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 discussed in Section I., Note C., the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Glasscock, Texas, as of September 30, 2011, and the respective changes in financial position - modified cash basis and cash flows - modified cash basis, 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 13, 2012, 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 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, 29 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 Glasscock's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eckert & Company, LLP

February 13, 2012

**COUNTY COMMISSIONERS
GLASSCOCK COUNTY**

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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

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, 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 \$7,291,602 (net assets). Of this amount, \$3,499,736 (unrestricted net assets) may be used to meet the County's ongoing obligations.

The County's total net assets increased by \$564,624 or 8% as a result of current year operations. The County's statement of activities shows total revenues of \$4,151,952 and total expenses of \$3,587,328.

The total fund balance of the General Fund was \$3,229,288 which was an increase of \$430,822 or 15% 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

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

Government-Wide Financial Analysis

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

NET ASSETS - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 3,466,657	\$ 2,980,659	\$ 66,272	\$ 88,323	\$ 3,532,929	\$ 3,068,982
Capital Assets	<u>2,639,082</u>	<u>2,491,073</u>	<u>1,152,784</u>	<u>1,194,383</u>	<u>3,791,866</u>	<u>3,685,456</u>
Total Assets	<u>\$ 6,105,739</u>	<u>\$ 5,471,732</u>	<u>\$ 1,219,056</u>	<u>\$ 1,282,706</u>	<u>\$ 7,324,795</u>	<u>\$ 6,754,438</u>
Liabilities	<u>\$ 33,193</u>	<u>\$ 27,460</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,193</u>	<u>\$ 27,460</u>
Net Assets						
Invested in Capital Assets	\$ 2,639,082	\$ 2,491,073	\$ 1,152,784	\$ 1,194,383	\$ 3,791,866	\$ 3,685,456
Unrestricted	<u>3,433,464</u>	<u>2,953,199</u>	<u>66,272</u>	<u>88,323</u>	<u>3,499,736</u>	<u>3,041,522</u>
Total Net Assets	<u>\$ 6,072,546</u>	<u>\$ 5,444,272</u>	<u>\$ 1,219,056</u>	<u>\$ 1,282,706</u>	<u>\$ 7,291,602</u>	<u>\$ 6,726,978</u>

A large portion of the County's net assets resulting from modified cash basis transactions (\$3,791,866) 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 (\$3,499,736) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - For the fiscal years ended September 30, 2011 and 2010, governmental activities increased the County's net assets resulting from modified cash basis transactions by \$628,274 and \$786,604, respectively, while business-type activities decreased the County's net assets resulting from modified cash basis transactions by \$63,650 and \$20,610, 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,					
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	\$ 639,399	\$ 498,943	\$ 57,872	\$ 85,396	\$ 697,271	\$ 584,339
Operating Grants and Contributions	141,647	51,778	0	0	141,647	51,778
General Revenues						
Maintenance and Operations Taxes	3,200,121	3,003,962	0	0	3,200,121	3,003,962
Investment Earnings	4,243	4,675	95	132	4,338	4,807
Other	108,575	54,215	0	0	108,575	54,215
Total Revenues	<u>\$ 4,093,985</u>	<u>\$ 3,613,573</u>	<u>\$ 57,967</u>	<u>\$ 85,528</u>	<u>\$ 4,151,952</u>	<u>\$ 3,699,101</u>
Expenses						
General Government	\$ 1,177,838	\$ 1,022,459	\$ 0	\$ 0	\$ 1,177,838	\$ 1,022,459
Roads and Bridges	1,376,647	1,024,213	0	0	1,376,647	1,024,213
Justice System	191,833	160,948	0	0	191,833	160,948
Public Safety	518,020	438,550	0	0	518,020	438,550
Public Health and Welfare	42,753	37,766	0	0	42,753	37,766
Culture and Education	100,076	92,379	0	0	100,076	92,379
Community and Economic Development	58,544	50,654	0	0	58,544	50,654
Water	0	0	121,617	106,138	121,617	106,138
Total Expenses	<u>\$ 3,465,711</u>	<u>\$ 2,826,969</u>	<u>\$ 121,617</u>	<u>\$ 106,138</u>	<u>\$ 3,587,328</u>	<u>\$ 2,933,107</u>
Change in Net Assets	\$ 628,274	\$ 786,604	\$ (63,650)	\$ (20,610)	\$ 564,624	\$ 765,994
Net Assets - Beginning	<u>5,444,272</u>	<u>4,657,668</u>	<u>1,282,706</u>	<u>1,303,316</u>	<u>6,726,978</u>	<u>5,960,984</u>
Net Assets - Ending	<u>\$ 6,072,546</u>	<u>\$ 5,444,272</u>	<u>\$ 1,219,056</u>	<u>\$ 1,282,706</u>	<u>\$ 7,291,602</u>	<u>\$ 6,726,978</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

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

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

The County's governmental funds reported combined ending fund balances of \$3,433,464, an increase of \$480,265 or 16% in comparison with the prior year. This fund balance is reported in various governmental funds as follows:

General Fund \$3,229,288. All of this balance is unassigned.

Special Revenue Funds \$204,176. All of these balances are committed to special programs.

Proprietary Funds - The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

The County's Enterprise Fund reported unrestricted net assets of \$66,272, a decrease of \$22,051 or 25% in comparison with the prior year.

General Fund Budget

The original and final amended budget for the General Fund was \$3,757,151. Significant variances between the original budget and the final amended budget were a decrease of \$30,855 in General Government expenditures and an increase of \$26,043 in Public Safety expenditures.

The County has adopted a budget for the General Fund in the amount of \$4,435,539 for the fiscal year 2012, which is an increase of \$678,388 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 \$2,639,082 and \$2,491,073, respectively. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress. Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2011.

The County's investment in capital assets, net of depreciation, for its business-type activities as of September 30, 2011 and 2010, was \$1,152,784, and \$1,194,383, respectively. This investment in capital assets includes land, the water system, 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 - The County had no long-term debt outstanding.

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: Kim Halfmann, 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, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Temporary Investments	\$ 3,393,304	\$ 66,272	\$ 3,459,576
Due from Fiduciary Funds	73,353	0	73,353
Capital Assets (Net of Accumulated Depreciation):			
Land	168,869	20,000	188,869
Buildings and Improvements	924,579	0	924,579
Water System	0	1,122,141	1,122,141
Machinery and Equipment	1,305,338	10,643	1,315,981
Construction In Progress	240,296	0	240,296
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,105,739</u>	<u>\$ 1,219,056</u>	<u>\$ 7,324,795</u>
<u>LIABILITIES</u>			
Due to Other Governments	<u>\$ 33,193</u>	<u>\$ 0</u>	<u>\$ 33,193</u>
<u>NET ASSETS</u>			
Invested in Capital Assets	\$ 2,639,082	\$ 1,152,784	\$ 3,791,866
Unrestricted	<u>3,433,464</u>	<u>66,272</u>	<u>3,499,736</u>
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u><u>\$ 6,072,546</u></u>	<u><u>\$ 1,219,056</u></u>	<u><u>\$ 7,291,602</u></u>

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

COUNTY OF GLASSCOCK
Statement of Activities - Modified Cash Basis
Year Ended September 30, 2011

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:						
General Government	\$ 1,177,838	\$ 485,143	\$ 131,282	\$ (561,413)	\$ 0	\$ (561,413)
Roads and Bridges	1,376,647	25,731	10,365	(1,340,551)	0	(1,340,551)
Justice System	191,833	124,173	0	(67,660)	0	(67,660)
Public Safety	518,020	0	0	(518,020)	0	(518,020)
Public Health and Welfare	42,753	0	0	(42,753)	0	(42,753)
Culture and Education	100,076	0	0	(100,076)	0	(100,076)
Community and Economic Development	58,544	4,352	0	(54,192)	0	(54,192)
Total Governmental Activities	\$ 3,465,711	\$ 639,399	\$ 141,647	\$ (2,684,665)	\$ 0	\$ (2,684,665)
Business-Type Activities:						
Water System	121,617	57,872	0	0	(63,745)	(63,745)
Total	\$ 3,587,328	\$ 697,271	\$ 141,647	\$ (2,684,665)	\$ (63,745)	\$ (2,748,410)
General Revenues						
Property Taxes - Operations				\$ 3,200,121	\$ 0	\$ 3,200,121
Investment Earnings				4,243	95	4,338
Miscellaneous				108,575	0	108,575
Total General Revenues				\$ 3,312,939	\$ 95	\$ 3,313,034
Change in Net Assets				\$ 628,274	\$ (63,650)	\$ 564,624
Net Assets - Beginning				5,444,272	1,282,706	6,726,978
Net Assets - Ending				\$ 6,072,546	\$ 1,219,056	\$ 7,291,602

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

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

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Temporary Investments	\$ 3,192,794	\$ 200,510	\$ 3,393,304
Due from Other Funds	69,687	3,666	73,353
Total Assets	\$ 3,262,481	\$ 204,176	\$ 3,466,657
<u>LIABILITIES</u>			
Due to Other Governments	\$ 33,193	\$ 0	\$ 33,193
<u>FUND BALANCES</u>			
Committed Fund Balance:			
Special Revenue Funds	\$ 0	\$ 204,176	\$ 204,176
Unassigned Fund Balance	3,229,288	0	3,229,288
Total Fund Balances	\$ 3,229,288	\$ 204,176	\$ 3,433,464
Total Liabilities and Fund Balances	\$ 3,262,481	\$ 204,176	\$ 3,466,657

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, 2011

Total Fund Balances - Governmental Funds	\$ 3,433,464
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.	2,491,073
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.	461,070
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>(313,061)</u>
Net Assets of Governmental Activities	<u><u>\$ 6,072,546</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, 2011

	General	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Taxes	\$ 3,200,121	\$ 0	\$ 3,200,121
Fees	439,302	51,796	491,098
Fines	118,987	0	118,987
Intergovernmental	161,110	0	161,110
Interest	4,032	210	4,242
Miscellaneous	102,920	857	103,777
Sale of Assets	14,650	0	14,650
	<u>\$ 4,041,122</u>	<u>\$ 52,863</u>	<u>\$ 4,093,985</u>
<u>EXPENDITURES</u>			
Current:			
General Government	\$ 1,369,238	\$ 1,800	\$ 1,371,038
Roads and Bridges	1,443,600	0	1,443,600
Justice System	170,913	0	170,913
Public Safety	455,969	1,620	457,589
Public Health and Welfare	41,939	0	41,939
Culture and Education	93,169	0	93,169
Community and Economic Development	35,472	0	35,472
	<u>\$ 3,610,300</u>	<u>\$ 3,420</u>	<u>\$ 3,613,720</u>
Net Change in Fund Balances	\$ 430,822	\$ 49,443	\$ 480,265
Fund Balances - Beginning	<u>2,798,466</u>	<u>154,733</u>	<u>2,953,199</u>
Fund Balances - Ending	<u>\$ 3,229,288</u>	<u>\$ 204,176</u>	<u>\$ 3,433,464</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 480,265
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.	461,070
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>(313,061)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 628,274</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, 2011

	<u>Water System Enterprise Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Temporary Investments	\$ 66,272
Noncurrent Assets:	
Capital Assets:	
Land	\$ 20,000
Water System	1,614,330
Equipment	12,400
Total	<u>\$ 1,646,730</u>
Less Accumulated Depreciation	<u>(493,946)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,152,784</u>
Total Assets	<u>\$ 1,219,056</u>
<u>LIABILITIES</u>	
Current Liabilities:	
None	<u>\$ 0</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 1,152,784
Unrestricted	66,272
Total Net Assets	<u><u>\$ 1,219,056</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, 2011

	<u>Water System Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Charges Sales and Services:	
Water Sales	\$ 54,222
Other Services	3,650
	57,872
Total Operating Revenues	\$ 57,872
<u>OPERATING EXPENSES</u>	
Salaries and Benefits	\$ 29,895
Utilities	13,361
Insurance	3,643
Repair and Maintenance	7,921
Other	3,271
Refund of Water Billing	21,927
Depreciation	41,599
	121,617
Total Operating Expenses	\$ 121,617
Operating Loss	\$ (63,745)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Earned	95
	95
Change in Net Assets	\$ (63,650)
Total Net Assets - Beginning	1,282,706
Total Net Assets - Ending	\$ 1,219,056

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, 2011

	<u>Water System Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers and Users	\$ 57,872
Cash Payments for Goods and Services	(28,196)
Cash Payments for Salaries and Benefits	(29,895)
Refund of Water Billing	<u>(21,927)</u>
Net Cash Provided (Used) by Operating Activities	\$ (22,146)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>95</u>
Net Decrease in Cash and Cash Equivalents	\$ (22,051)
Cash and Cash Equivalents - Beginning	<u>88,323</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 66,272</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Loss	\$ (63,745)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	<u>41,599</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (22,146)</u></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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 118,626
<u>LIABILITIES</u>	
Due to Other Funds	\$ 73,353
Due to Other Governments	38,171
Due to Others	<u>7,102</u>
Total Liabilities	<u>\$ 118,626</u>

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

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

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, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. 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.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations in the General Fund in General Government by \$158,781, Justice System by \$8,149, and Community and Economic Development by \$9,472.

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

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables and Payable - Continued

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

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	\$ 158,519	\$ 10,350	\$ 0	\$ 168,869
Buildings and Improvements	2,189,416	6,325	0	2,195,741
Machinery and Equipment	3,178,553	237,293	115,406	3,300,440
Construction in Progress	33,194	207,102	0	240,296
Total Capital Assets	\$ 5,559,682	\$ 461,070	\$ 115,406	\$ 5,905,346
Less Accumulated Depreciation				
Buildings and Improvements	\$ (1,206,908)	\$ (64,254)	\$ 0	\$ (1,271,162)
Machinery and Equipment	(1,861,701)	(248,807)	(115,406)	(1,995,102)
Total Accumulated Depreciation	\$ (3,068,609)	\$ (313,061)	\$ (115,406)	\$ (3,266,264)
Governmental Activities Capital Assets, Net	\$ 2,491,073	\$ 148,009	\$ 0	\$ 2,639,082
<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	1,614,330	0	0	1,614,330
Machinery and Equipment	12,400	0	0	12,400
Total Capital Assets	\$ 1,646,730	\$ 0	\$ 0	\$ 1,646,730
Less Accumulated Depreciation				
System	\$ (451,830)	\$ (40,359)	\$ 0	\$ (492,189)
Machinery and Equipment	(517)	(1,240)	0	(1,757)
Total Accumulated Depreciation	\$ (452,347)	\$ (41,599)	\$ 0	\$ (493,946)
Business-Type Activities Capital Assets, Net	\$ 1,194,383	\$ (41,599)	\$ 0	\$ 1,152,784

COUNTY OF GLASSCOCK
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. The employer contributed using the actuarially determined rate of 19.82% for the months of the accounting year in 2010 and 20.09% 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 \$190,661, and the actual contributions were \$190,661.

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, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	19	20	20
Asset Valuation Method	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value
Actuarial Assumptions:			
Investment Return 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

<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-09	\$ 132,733	100%	\$ 0
9-30-10	168,063	100%	0
9-30-11	190,661	100%	0

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

IV. OTHER INFORMATION - Continued

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.

E. Subsequent Events

The County's management has evaluated subsequent events through February 13, 2012, the date which the financial statements were available for issue.

Required Supplementary Information

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, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u> - Continued				
Public Safety				
Sheriff	\$ 335,273	\$ 342,445	\$ 342,167	\$ 278
Constable	31,584	31,951	29,484	2,467
Emergency Management	30,005	30,034	29,257	777
Fire Departments	28,879	47,354	43,332	4,022
Ambulance Expenses	14,900	14,900	11,729	3,171
Total Public Safety	<u>\$ 440,641</u>	<u>\$ 466,684</u>	<u>\$ 455,969</u>	<u>\$ 10,715</u>
Public Health and Welfare				
Landfill Expenses	\$ 41,800	\$ 41,865	\$ 41,862	\$ 3
Indigent Health Care	266,413	266,413	77	266,336
Total Public Health and Welfare	<u>\$ 308,213</u>	<u>\$ 308,278</u>	<u>\$ 41,939</u>	<u>\$ 266,339</u>
Culture and Education				
County Agent	\$ 40,393	\$ 42,623	\$ 42,588	\$ 35
FCS Agent	31,732	29,502	29,196	306
County and FCS Agents	25,669	25,669	21,385	4,284
Total Culture and Education	<u>\$ 97,794</u>	<u>\$ 97,794</u>	<u>\$ 93,169</u>	<u>\$ 4,625</u>
Community and Economic Development				
Community Center	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 35,472</u>	<u>\$ (9,472)</u>
Total Expenditures	<u>\$ 3,757,151</u>	<u>\$ 3,757,151</u>	<u>\$ 3,610,300</u>	<u>\$ 146,851</u>
Net Change in Fund Balance	\$ 40,159	\$ 40,159	\$ 430,822	\$ 390,663
Fund Balance - Beginning	<u>2,798,466</u>	<u>2,798,466</u>	<u>2,798,466</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 2,838,625</u>	<u>\$ 2,838,625</u>	<u>\$ 3,229,288</u>	<u>\$ 390,663</u>

COUNTY OF GLASSCOCK
Schedule of Funding Progress for the TCDRS Retirement Plan
September 30, 2011
(Unaudited)

<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>
12-31-08	\$ 2,173,574	\$ 3,258,490	\$ 1,084,916	66.70 %	\$ 794,475	136.56 %
12-31-09	2,356,987	3,610,761	1,253,774	65.28 %	918,849	136.45 %
12-31-10	2,420,441	3,718,873	1,298,432	65.09 %	909,573	142.75 %

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 GLASSCOCK
 Taxing History for Ten Years
 September 30, 2011

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>
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
2009	900,285,160	0.342000	3,078,976
2010	1,066,232,390	0.308000	3,283,995

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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

The Honorable County Judge
and Commissioners' Court
County of 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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 13, 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 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 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.

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

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 13, 2012.

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 13, 2012