

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

Michael E. Oliphant, CPA
Calvin Featherston, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertandcompany.com

Members of
American Institute of CPAs
Texas Society of CPAs

February 7, 2014

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

In planning and performing our audit of the basic financial statements of the County of Glasscock, Texas, for the year ended September 30, 2013, we considered the County's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

During our audit we noted the following item which we feel should be brought to your attention:

Cash Bonds

On October 25, 2012, the Sheriff's department issued receipt number 739986 to Rebecca Garcia for \$1,500. The receipt was signed by Matt Buske, Deputy, and was for cash paid to provide a bond for Aaron Alberto Garcia Levario. At Mr. Levario's hearing on July 18, 2013, he requested credit for the bond which had been paid, but there is no record that the money for the bond was ever given to the County and District Clerk.

The County is in the process of implementing the following controls. The Sheriff's office will use a three-part receipt book with one copy going to the individual paying the bond, the second going to the Clerk and the third retained by the Sheriff's office. The Justice of the Peace will provide a list of the bonds monthly that have been set by the Justice of the Peace and the County Judge. These lists of bonds will be compared monthly to the bonds received in the Clerk's office. The Clerk will also review the monthly Criminal Justice Information System report (CJIS) for arrests which have been made in the County.

If you have any questions on the audit report or this management letter or if you have any questions during the year, do not hesitate to call us.

Eckert & Company, LLP

2201 Sherwood Way, Suite 302 • P.O. Box 5821 • San Angelo, TX 76902-5821

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

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-7
<u>Basic Financial Statements</u>	
Government-Wide Financial Statements	
Statement of Net Position - Modified Cash Basis.....	8
Statement of Activities - Modified Cash Basis.....	9
Fund Financial Statements	
Balance Sheet - Modified Cash Basis - Governmental Funds.....	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds.....	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis.....	13
Statement of Net Position - Modified Cash Basis - Proprietary Fund.....	14
Statement of Revenues, Expenses, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Fund.....	15
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund.....	16
Statement of Fiduciary Net Position - Modified Cash Basis - Fiduciary Funds.....	17
Notes to the Financial Statements.....	18-28
<u>Other Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis - Budget and Actual - General Fund.....	29-30
Schedule of Funding Progress for the TCDRS Retirement Plan (Unaudited).....	31
<u>Supplementary Information</u>	
Taxing History for Ten Years.....	32
COMPLIANCE AND INTERNAL CONTROLS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34

FINANCIAL SECTION

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

Michael E. Oliphant, CPA
Calvin Featherston, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertandcompany.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

2201 Sherwood Way, Suite 302 • P.O. Box 5821 • San Angelo, TX 76902-5821

Basis of Accounting

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

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the TCDRS retirement plan on pages 3 through 7, 29 through 30, and 31, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of 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.

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, 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* in considering the County of Glasscock's internal control over financial reporting and compliance.

Eckert & Company, LLP

San Angelo, Texas
February 7, 2014

**COUNTY COMMISSIONERS
GLASSCOCK COUNTY**

P.O. BOX 67

GARDEN CITY, TEXAS 79739

PH. 432-354-2382

Fax 432-354-2348

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, 2013, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditors' report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$10,938,717 (net position). Of this amount, \$6,441,433 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$3,072,256 or 39% as a result of current year operations. The County's statement of activities shows total revenues of \$7,918,911 and total expenses of \$4,846,655.

The total fund balance of the General Fund is \$6,258,645 which is an increase of \$2,818,705 or 82% compared to the prior year.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

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

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 Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
	September 30,					
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 6,629,054	\$ 3,741,766	\$ 150,400	\$ 144,505	\$ 6,779,454	\$ 3,886,271
Capital Assets	3,130,883	2,917,286	1,069,586	1,111,185	4,200,469	4,028,471
Total Assets	\$ 9,759,937	\$ 6,659,052	\$ 1,219,986	\$ 1,255,690	\$ 10,979,923	\$ 7,914,742
Liabilities	\$ 41,206	\$ 48,281	\$ 0	\$ 0	\$ 41,206	\$ 48,281
Net Position						
Net Investment in Capital Assets	\$ 3,130,883	\$ 2,917,286	\$ 1,069,586	\$ 1,111,185	\$ 4,200,469	\$ 4,028,471
Restricted	296,815	0	0	0	296,815	0
Unrestricted	6,291,033	3,693,485	150,400	144,505	6,441,433	3,837,990
Total Net Position	\$ 9,718,731	\$ 6,610,771	\$ 1,219,986	\$ 1,255,690	\$ 10,938,717	\$ 7,866,461

A large portion of the County's net position resulting from modified cash basis transactions (\$4,200,469) reflects the County's investment in capital assets. These assets are not available for future spending. An additional portion of the County's net position (\$296,815) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,441,433) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$3,107,960 and \$538,225 for the fiscal years ended September 30, 2013 and 2012 respectively. Business-type activities decreased the County's net position by \$35,704 and increased the County's net position by \$36,634 for the fiscal years ended September 30, 2013 and 2012 respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities		Business-Type Activities		Totals	
	Year Ended September 30,					
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$ 1,087,083	\$ 1,297,289	\$ 86,893	\$ 140,720	\$ 1,173,976	\$ 1,438,009
Operating Grants and Contributions	25,086	49,182	0	0	25,086	49,182
General Revenues						
Maintenance and Operations Taxes	6,610,778	4,150,717	0	0	6,610,778	4,150,717
Investment Earnings	6,095	5,126	134	128	6,229	5,254
Other	102,842	41,036	0	0	102,842	41,036
Total Revenues	\$ 7,831,884	\$ 5,543,350	\$ 87,027	\$ 140,848	\$ 7,918,911	\$ 5,684,198
Expenses						
General Government	\$ 1,270,584	\$ 2,470,032	\$ 0	\$ 0	\$ 1,270,584	\$ 2,470,032
Roads and Bridges	2,145,177	1,549,097	0	0	2,145,177	1,549,097
Justice System	246,184	216,885	0	0	246,184	216,885
Public Safety	842,044	525,501	0	0	842,044	525,501
Public Health and Welfare	54,396	51,604	0	0	54,396	51,604
Culture and Education	112,551	117,551	0	0	112,551	117,551
Community and Economic Development	52,988	74,455	0	0	52,988	74,455
Water	0	0	122,731	104,214	122,731	104,214
Total Expenses	\$ 4,723,924	\$ 5,005,125	\$ 122,731	\$ 104,214	\$ 4,846,655	\$ 5,109,339
Change in Net Position	\$ 3,107,960	\$ 538,225	\$ (35,704)	\$ 36,634	\$ 3,072,256	\$ 574,859
Net Position - Beginning	6,610,771	6,072,546	1,255,690	1,219,056	7,866,461	7,291,602
Net Position - Ending	\$ 9,718,731	\$ 6,610,771	\$ 1,219,986	\$ 1,255,690	\$ 10,938,717	\$ 7,866,461

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds - Continued

The County's governmental funds reported combined ending fund balances of \$6,587,848, an increase of \$2,894,363 or 78% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$6,258,645. All of this balance is unassigned.

Special Revenue Funds \$329,203. Of these balances is \$32,388 committed to special programs and \$296,815 is restricted by legislation.

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 position of \$150,400, an increase of \$5,895 or 4% in comparison with the prior year.

General Fund Budget

The original and final amended budget for the General Fund was \$5,990,083. Significant variances between the original budget and the final amended budget were a decrease of \$53,325 in General Government expenditures and increases of \$30,010 in Justice System expenditures and \$19,460 in Public Safety expenditures.

The County has adopted a budget for the General Fund in the amount of \$8,215,352 for the fiscal year 2014, which is an increase of \$2,225,269 from the fiscal year 2013.

Capital Assets and Debt - Modified Cash Basis

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

Long-Term Debt - 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 Position - Modified Cash Basis
September 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Temporary Investments	\$ 6,545,791	\$ 150,400	\$ 6,696,191
Due from Fiduciary Funds	83,263	0	83,263
Capital Assets (Net of Accumulated Depreciation):			
Land	229,331	20,000	249,331
Buildings and Improvements	1,204,197	0	1,204,197
Water System	0	1,041,423	1,041,423
Machinery and Equipment	1,697,355	8,163	1,705,518
	<u>1,697,355</u>	<u>8,163</u>	<u>1,705,518</u>
Total Assets	<u>\$ 9,759,937</u>	<u>\$ 1,219,986</u>	<u>\$ 10,979,923</u>
<u>LIABILITIES</u>			
Due to Other Governments	<u>\$ 41,206</u>	<u>\$ 0</u>	<u>\$ 41,206</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 3,130,883	\$ 1,069,586	\$ 4,200,469
Restricted:			
Legislation	296,815	0	296,815
Unrestricted	6,291,033	150,400	6,441,433
	<u>6,291,033</u>	<u>150,400</u>	<u>6,441,433</u>
Total Net Position	<u>\$ 9,718,731</u>	<u>\$ 1,219,986</u>	<u>\$ 10,938,717</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, 2013

FUNCTIONS/PROGRAMS	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 1,270,584	\$ 665,683	\$ 15,000	\$ (589,901)	\$ 0	\$ (589,901)
Roads and Bridges	2,145,177	143,756	10,086	(1,991,335)	0	(1,991,335)
Justice System	246,184	221,721	0	(24,463)	0	(24,463)
Public Safety	842,044	47,485	0	(794,559)	0	(794,559)
Public Health and Welfare	54,396	0	0	(54,396)	0	(54,396)
Culture and Education	112,551	0	0	(112,551)	0	(112,551)
Community and Economic Development	52,988	8,438	0	(44,550)	0	(44,550)
Total Governmental Activities	\$ 4,723,924	\$ 1,087,083	\$ 25,086	\$ (3,611,755)	\$ 0	\$ (3,611,755)
Business-Type Activities:						
Water System	122,731	86,893	0	0	(35,838)	(35,838)
Total	\$ 4,846,655	\$ 1,173,976	\$ 25,086	\$ (3,611,755)	\$ (35,838)	\$ (3,647,593)
General Revenues						
Property Taxes - Operations				\$ 6,610,778	\$ 0	\$ 6,610,778
Investment Earnings				6,095	134	6,229
Miscellaneous				102,842	0	102,842
Total General Revenues				\$ 6,719,715	\$ 134	\$ 6,719,849
Change in Net Position				\$ 3,107,960	\$ (35,704)	\$ 3,072,256
Net Position - Beginning				6,610,771	1,255,690	7,866,461
Net Position - Ending				\$ 9,718,731	\$ 1,219,986	\$ 10,938,717

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

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Temporary Investments	\$ 6,221,141	\$ 324,650	\$ 6,545,791
Due from Other Funds	<u>78,710</u>	<u>4,553</u>	<u>83,263</u>
Total Assets	<u>\$ 6,299,851</u>	<u>\$ 329,203</u>	<u>\$ 6,629,054</u>
<u>LIABILITIES</u>			
Due to Other Governments	<u>\$ 41,206</u>	<u>\$ 0</u>	<u>\$ 41,206</u>
<u>FUND BALANCES</u>			
Restricted Reported in:			
Special Revenue Funds	\$ 0	\$ 296,815	\$ 296,815
Committed Reported in:			
Special Revenue Funds	0	32,388	32,388
Unassigned Fund Balance	<u>6,258,645</u>	<u>0</u>	<u>6,258,645</u>
Total Fund Balances	<u>\$ 6,258,645</u>	<u>\$ 329,203</u>	<u>\$ 6,587,848</u>
Total Liabilities and Fund Balances	<u>\$ 6,299,851</u>	<u>\$ 329,203</u>	<u>\$ 6,629,054</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position - Modified Cash Basis
September 30, 2013

Total Fund Balances - Governmental Funds	\$ 6,587,848
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	2,917,286
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	582,049
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(368,452)</u>
Net Position of Governmental Activities	<u><u>\$ 9,718,731</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, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes	\$ 6,610,778	\$ 0	\$ 6,610,778
Fees	562,429	139,518	701,947
Fines	189,788	0	189,788
Intergovernmental	107,283	0	107,283
Interest	5,860	235	6,095
Miscellaneous	215,993	0	215,993
	<u>\$ 7,692,131</u>	<u>\$ 139,753</u>	<u>\$ 7,831,884</u>
<u>EXPENDITURES</u>			
Current:			
General Government	\$ 1,297,686	\$ 2,717	\$ 1,300,403
Roads and Bridges	2,335,506	0	2,335,506
Justice System	218,043	14,782	232,825
Public Safety	834,118	46,596	880,714
Public Health and Welfare	53,582	0	53,582
Culture and Education	111,146	0	111,146
Community and Economic Development	23,345	0	23,345
	<u>\$ 4,873,426</u>	<u>\$ 64,095</u>	<u>\$ 4,937,521</u>
Net Change in Fund Balances	\$ 2,818,705	\$ 75,658	\$ 2,894,363
Fund Balances - Beginning	<u>3,439,940</u>	<u>253,545</u>	<u>3,693,485</u>
Fund Balances - Ending	<u>\$ 6,258,645</u>	<u>\$ 329,203</u>	<u>\$ 6,587,848</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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 2,894,363
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	582,049
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(368,452)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,107,960</u></u>

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

COUNTY OF GLASSCOCK
Statement of Net Position - Modified Cash Basis
Proprietary Fund
September 30, 2013

	<u>Water System Enterprise Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Temporary Investments	\$ 150,400
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>(577,144)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,069,586</u>
Total Assets	<u>\$ 1,219,986</u>
<u>LIABILITIES</u>	
Current Liabilities:	
None	<u>\$ 0</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,069,586
Unrestricted	<u>150,400</u>
Total Net Position	<u><u>\$ 1,219,986</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 Position - Modified Cash Basis
 Proprietary Fund
 Year Ended September 30, 2013

	<u>Water System Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Charges Sales and Services:	
Water Sales	\$ 82,557
Other Services	4,336
	86,893
Total Operating Revenues	\$ 86,893
<u>OPERATING EXPENSES</u>	
Salaries and Benefits	\$ 36,247
Utilities	12,448
Insurance	3,247
Repair and Maintenance	24,883
Other	4,307
Depreciation	41,599
	122,731
Total Operating Expenses	\$ 122,731
Operating Loss	\$ (35,838)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Earned	134
	134
Change in Net Position	\$ (35,704)
Total Net Position - Beginning	1,255,690
	1,255,690
Total Net Position - Ending	\$ 1,219,986
	1,219,986

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, 2013

	<u>Water System Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers and Users	\$ 86,893
Cash Payments for Goods and Services	(44,885)
Cash Payments for Salaries and Benefits	<u>(36,247)</u>
Net Cash Provided (Used) by Operating Activities	\$ 5,761
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Investments	<u>134</u>
Net Increase in Cash and Cash Equivalents	\$ 5,895
Cash and Cash Equivalents - Beginning	<u>144,505</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 150,400</u></u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Loss	\$ (35,838)
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>\$ 5,761</u></u>

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

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>100,547</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 83,263
Due to Other Governments	13,620
Due to Others	<u>3,664</u>
Total Liabilities	<u>\$ 100,547</u>

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

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

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

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

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

Separate financial statements are provided for governmental funds, 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, 2013

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 position, financial position, and cash flows. All assets and liabilities associated with the activities of the proprietary funds are reported in the financial statements.

Basis of Accounting

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

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

The government reports the following major governmental 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.

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.

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

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 position.

F. Capital Assets

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

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

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

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

H. Net Position on the Statement of Net Position

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

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

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets or Restricted by Legislation.

I. Fund Balances/Equity

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

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

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

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

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

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

Unrestricted net position for proprietary funds represents the net position available for future operations.

J. Property Tax Revenues

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

Property taxes are recognized as revenues when they are collected.

K. Interfund Transfers

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

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

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

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

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

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2013, all of the County's investments are in external investment pools or certificates of deposit with its depository bank. The County is not exposed to this risk as described in the preceding paragraph.

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments – Continued

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2013, the County was not significantly exposed to credit risk

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

The carrying amount of the County's cash and temporary investments at September 30, 2013, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,730,827
TexPool	3,561,380
TexStar	<u>1,504,531</u>
Total Cash and Temporary Investments	<u>\$ 6,796,738</u>

B. Interfund Receivables and Payables

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>\$ 78,710</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 4,553</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 78,710	Unremitted Fees
Nonmajor Governmental Funds	<u>0</u>	<u>4,553</u>	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 83,263</u>	
Totals	<u>\$ 83,263</u>	<u>\$ 83,263</u>	

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

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 168,869	\$ 60,462	\$ 0	\$ 229,331
Historical Building	240,296	0		240,296
Total Capital Assets Not Being Depreciated	<u>\$ 409,165</u>	<u>\$ 60,462</u>	<u>\$ 0</u>	<u>\$ 469,627</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 2,286,741	\$ 65,867	\$ 0	\$ 2,352,608
Machinery and Equipment	3,732,713	455,720		4,188,433
Total Capital Assets Being Depreciated	<u>\$ 6,019,454</u>	<u>\$ 521,587</u>	<u>\$ 0</u>	<u>\$ 6,541,041</u>
Total Capital Assets	<u>\$ 6,428,619</u>	<u>\$ 582,049</u>	<u>\$ 0</u>	<u>\$ 7,010,668</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (1,328,986)	\$ (59,721)	\$ 0	\$ (1,388,707)
Machinery and Equipment	(2,182,347)	(308,731)		(2,491,078)
Total Accumulated Depreciation	<u>\$ (3,511,333)</u>	<u>\$ (368,452)</u>	<u>\$ 0</u>	<u>\$ (3,879,785)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,917,286</u>	<u>\$ 213,597</u>	<u>\$ 0</u>	<u>\$ 3,130,883</u>

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets - Continued

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 20,000	\$ 0	\$ 0	\$ 20,000
Capital Assets Being Depreciated				
System	\$ 1,614,330	\$ 0	\$ 0	\$ 1,614,330
Machinery and Equipment	12,400	0	0	12,400
Total Capital Assets Being Depreciated	<u>\$ 1,626,730</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,626,730</u>
Total Capital Assets	<u>\$ 1,646,730</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,646,730</u>
Less Accumulated Depreciation				
System	\$ (532,548)	\$ (40,359)	\$ 0	\$ (572,907)
Machinery and Equipment	(2,997)	(1,240)	0	(4,237)
Total Accumulated Depreciation	<u>\$ (535,545)</u>	<u>\$ (41,599)</u>	<u>\$ 0</u>	<u>\$ (577,144)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,111,185</u>	<u>\$ (41,599)</u>	<u>\$ 0</u>	<u>\$ 1,069,586</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 30,643
Roads and Bridges	180,991
Justice System	13,359
Public Safety	111,597
Public Health and Welfare	814
Culture and Education	1,405
Community and Economic Development	29,643
Total Depreciation Expense - Governmental Activities	<u>\$ 368,452</u>
Business-Type Activities	
Water	<u>\$ 41,599</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 & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues on a calendar year basis a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

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

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

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 21.39% for the months of the accounting year in 2012 and 8.89% for the months of the accounting year in 2013.

The deposit rate payable by the employee members for calendar year 2013 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost - For the employer's accounting year ended September 30, 2013, the annual pension cost for the TCDRS plan for its employees was \$159,780, and the actual contributions were \$159,780.

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

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

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

¹ Includes Inflation at the Stated Rate

Trend Information			
<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-11	\$ 190,661	100%	\$ 0
9-30-12	229,732	100%	0
9-30-13	159,780	100%	0

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 8% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2012, was 20 years.

Funded Status and Funding Progress - As of December 31, 2012, the most recent actuarial valuation date, the plan was 97.34% funded. The actuarial accrued liability for benefits was \$4,327,883, and the actuarial value of assets was \$4,212,640, resulting in an unfunded actuarial accrued liability (UAAL) of \$115,243. The covered payroll (annual payroll of active employees covered by the plan) was \$1,130,339, and the ratio of the UAAL to the covered payroll was 10.2%.

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

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

B. 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 \$48,503 for 13 retirees during the current year.

C. Other Postemployment Benefits

Plan Description - The County participates in a cost-sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS' Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

Funding Policy - Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2013, 2012, and 2011, were \$6,698, \$6,151 and \$7,354, respectively, which equaled the contractually required contributions each year.

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 7, 2014, the date which the financial statements were available for issue.

Other 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, 2013

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 6,572,896	\$ 6,572,896	\$ 6,610,778	\$ 37,882
Fees	437,500	437,500	562,429	124,929
Fines	150,000	150,000	189,788	39,788
Intergovernmental	101,250	101,250	107,283	6,033
Interest	4,500	4,500	5,860	1,360
Miscellaneous	71,515	71,515	215,993	144,478
Total Revenues	<u>\$ 7,337,661</u>	<u>\$ 7,337,661</u>	<u>\$ 7,692,131</u>	<u>\$ 354,470</u>
<u>EXPENDITURES</u>				
General Government				
Tax Assessor-Collector	\$ 166,525	\$ 166,525	\$ 161,786	\$ 4,739
County and District Clerk	169,107	169,107	155,471	13,636
County Judge	95,922	95,922	87,680	8,242
County Commissioners	201,394	201,394	190,828	10,566
County Treasurer	74,649	74,649	72,313	2,336
Courthouse Custodian	57,614	57,614	50,475	7,139
Appraisal District	120,862	125,722	125,629	93
Insurance	165,000	165,000	164,322	678
Capital Improvements	185,000	185,000	60,462	124,538
Trapper Expense	63,000	63,000	62,400	600
Other	303,021	244,836	166,320	78,516
Total General Government	<u>\$ 1,602,094</u>	<u>\$ 1,548,769</u>	<u>\$ 1,297,686</u>	<u>\$ 251,083</u>
Roads and Bridges				
Road Crew	\$ 2,565,883	\$ 2,565,883	\$ 2,287,346	\$ 278,537
Lateral Road	10,350	10,350	10,087	263
County Road and Bridge	25,000	25,000	38,073	(13,073)
Total Roads and Bridges	<u>\$ 2,601,233</u>	<u>\$ 2,601,233</u>	<u>\$ 2,335,506</u>	<u>\$ 265,727</u>
Justice System				
County and District Clerk	\$ 56,369	\$ 56,369	\$ 51,824	\$ 4,545
Justice of the Peace	71,730	71,730	66,533	5,197
County Attorney	5,742	5,752	5,744	8
Court Reporter	2,135	2,435	2,433	2
Jail	49,873	71,073	70,658	415
Other	14,500	23,000	20,851	2,149
Total Justice System	<u>\$ 200,349</u>	<u>\$ 230,359</u>	<u>\$ 218,043</u>	<u>\$ 12,316</u>

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, 2013

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>EXPENDITURES</u> - Continued				
Public Safety				
Sheriff	\$ 561,670	\$ 561,670	\$ 535,327	\$ 26,343
Constable	38,786	38,786	35,996	2,790
Emergency Management	17,938	31,698	31,652	46
Fire Departments	180,744	186,444	184,980	1,464
Ambulance Expenses	41,400	41,400	40,163	1,237
Other	6,000	6,000	6,000	0
Total Public Safety	<u>\$ 846,538</u>	<u>\$ 865,998</u>	<u>\$ 834,118</u>	<u>\$ 31,880</u>
Public Health and Welfare				
Landfill Expenses	\$ 52,041	\$ 55,896	\$ 53,582	\$ 2,314
Indigent Health Care	525,832	525,832	0	525,832
Total Public Health and Welfare	<u>\$ 577,873</u>	<u>\$ 581,728</u>	<u>\$ 53,582</u>	<u>\$ 528,146</u>
Culture and Education				
County Agent	\$ 44,954	\$ 44,954	\$ 43,642	\$ 1,312
FCS Agent	37,992	37,992	34,360	3,632
County and FCS Agents	52,050	52,050	33,144	18,906
Total Culture and Education	<u>\$ 134,996</u>	<u>\$ 134,996</u>	<u>\$ 111,146</u>	<u>\$ 23,850</u>
Community and Economic Development				
Community Center	<u>\$ 27,000</u>	<u>\$ 27,000</u>	<u>\$ 23,345</u>	<u>\$ 3,655</u>
Total Expenditures	<u>\$ 5,990,083</u>	<u>\$ 5,990,083</u>	<u>\$ 4,873,426</u>	<u>\$ 1,116,657</u>
Net Change in Fund Balance	\$ 1,347,578	\$ 1,347,578	\$ 2,818,705	\$ 1,471,127
Fund Balance - Beginning	<u>3,439,940</u>	<u>3,439,940</u>	<u>3,439,940</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 4,787,518</u>	<u>\$ 4,787,518</u>	<u>\$ 6,258,645</u>	<u>\$ 1,471,127</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
12-31-10	\$ 2,420,441	\$ 3,718,873	\$ 1,298,432	65.09 %	\$ 909,573	142.75 %
12-31-11	3,795,990	3,965,156	169,166	95.73 %	991,993	17.05 %
12-31-12	4,212,640	4,327,883	115,243	97.34 %	1,130,339	10.20 %

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

Supplementary Information

COUNTY OF GLASSCOCK
 Taxing History for Ten Years
 September 30, 2013

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>
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
2011	1,403,800,627	0.300000	4,211,414
2012	3,055,675,455	0.220000	6,722,489

COMPLIANCE AND INTERNAL CONTROLS SECTION

Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

Michael E. Oliphant, CPA
Calvin Featherston, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertandcompany.com

Members of
American Institute of CPAs
Texas Society of CPAs

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Glasscock, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Eckert & Company, LLP

San Angelo, Texas
February 7, 2014