

CASTRO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED
SEPTEMBER 30, 2012

CASTRO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2012

TABLE OF CONTENTS

	Page
PART I – INTRODUCTORY SECTION	
LIST OF PRINCIPAL COUNTY OFFICIALS.....	i
PART II – FINANCIAL SECTION	
INDEPENDENT AUDITORS’ REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	9
Statement of Activities	10
<u>Governmental Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Road and Bridge Fund.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct #1 Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct #2 Fund	18

CASTRO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2012

TABLE OF CONTENTS

	Page
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct #3 Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct #4 Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Castro/Swisher County Juvenile Probation Department	21
Statement of Fiduciary Net Assets – Agency Funds	22
<u>Notes to Basic Financial Statements</u>	23
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for the Retirement Plan for the Employees of Castro County, Texas	38
 OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-major Governmental Funds	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	42
Combining Balance Sheet – Road and Bridge Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Road and Bridge Funds	46
Combining Statement of Fiduciary Net Assets – Agency Funds	47
 PART III – COMPLIANCE	
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>	48
Schedule of Findings	50

PART I
INTRODUCTORY SECTION

CASTRO COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2012

Carroll Gerber	County Judge
Tom McLain	Commissioner, Precinct #1
Tim Elliott	Commissioner, Precinct #2
W.A. "Bay" Baldrige	Commissioner, Precinct #3
Dan Schmucker	Commissioner, Precinct #4
Rob Kincaid, Jr.	Judge, 64 th Judicial District
Edward Lee Self	Judge, 242 nd Judicial District
James Horton	County and District Attorney
JoAnna Blanco	County and District Clerk
Pamala Rickert	County Tax Assessor/Collector
Kristen Yorton	County Treasurer
Salvador Rivera	County Sheriff
Oreda Campbell	Justice of the Peace
Chris Fuentes	Constable
Pauline George	County Auditor

PART II
FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Castro County, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and their respective budgetary comparisons, and the aggregate remaining fund information of Castro County, Texas as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Castro County, Texas' 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 of America. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and their respective budgetary comparisons, and the aggregate remaining fund information of Castro County, Texas, as of September 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2013, on our consideration of Castro County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retirement plan for the employees of Castro County, Texas on pages 3 through 8 and page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Castro County, Texas' financial statements as a whole. The combining non-major, road and bridge and agency fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major, road and bridge and agency fund financial statements listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate 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 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.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

June 18, 2013

CASTRO COUNTY DIMMITT, TEXAS

PAULINE GEORGE
COUNTY AUDITOR

(806) 647-3771
FAX (806) 647-3052

pgeorge@castrocounty.org

THE ROSS BUILDING
114 S. BROADWAY

DIMMITT, TEXAS
79027



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Castro County, we offer readers of Castro County's financial statements this narrative overview and analysis of the financial activities of Castro County for the fiscal year ended September 30, 2012.

Financial Highlights

Government-Wide Financial Statements

- The assets of Castro County exceed its liabilities at September 30, 2011 by \$5,897,256 (net assets). Of this amount \$4,020,871 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors, \$456,820 (restricted net assets) legally must be used for expenditures for specified purposes, such as road and bridge, library, juvenile probation, etc., and \$1,419,565 of the County's equity is invested in capital assets.
- The County's total long-term debt outstanding at September 30, 2012 was zero.
- The net assets (equity) of the County increased by \$401,100 during the 2012 fiscal year.

Fund Financial Statements

- As of September 30, 2012, Castro County's governmental funds reported combined ending fund balances of \$4,331,058. This fund balance reflects an increase of \$256,996 for the current year. Approximately 60% of fund balance \$2,592,529 is available for spending at the government's discretion.
- As of September 30, 2012 nonspendable fund balance consisted of \$38,281 for prepaid expenses and restricted fund balance and committed special fund was \$1,700,248.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Castro County's basic financial statements. Castro County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The statement of net assets presents information on all of Castro County's assets and liabilities, 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 Castro County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of Castro County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Castro County include general government, judicial, legal, public facilities, public safety, health and welfare and road and bridge.

The government-wide financial statements can be found on pages 9-10 of this report.

Governmental 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. Castro 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 Castro County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on 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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Castro County maintains two governmental fund types which are the general fund and special revenue funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds balance sheet for the general fund, the general road and bridge fund (special revenue fund), and individual road and bridge funds for each of the County's four precincts (also special revenue funds), which are all considered to be major funds. Data from the other non-major governmental funds (special revenue funds) are combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds (special revenue funds) is provided in the form of combined statements elsewhere in this report.

The governmental fund financial statements can be found on pages 11-14 of this report.

Castro County adopts an annual appropriated budget for its general fund, road and bridge fund (special revenue fund), and various other special revenue funds. Budgetary comparison statements have been provided for the general fund and the County's various road and bridge funds to demonstrate the County's compliance with the budget on pages 15-21.

Fiduciary funds: Fiduciary funds are used to account for assets held by Castro County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as Agency Funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The agency fund financial statement can be found on page 22 of this report.

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. The notes to the financial statements can be found following the basic financial statements in this report.

Other information: The combining statements referred to earlier in connection with non-major governmental funds (special revenue funds) and agency funds are presented immediately following the required supplementary information. Combining statements can be found on pages 39-47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Castro County, assets exceeded liabilities by \$5,897,256 at September 30, 2012 as detailed below:

Statement of Net Assets

Governmental activities:	<u>9/30/12</u>	<u>9/30/11</u>
Current and other assets	\$ 4,102,117	\$ 4,425,584
Capital assets (net accumulated depreciation)	<u>1,977,257</u>	<u>1,386,555</u>
Total assets	<u>6,079,374</u>	<u>5,812,139</u>
Current and other liabilities	123,551	175,479
Long-term liabilities	<u>58,567</u>	<u>62,886</u>
Total liabilities	<u>182,118</u>	<u>238,365</u>
Net Assets:		
Invested in capital assets	1,419,565	1,386,555
Restricted net assets	456,820	1,760,977
Unrestricted net assets	<u>4,020,871</u>	<u>2,426,242</u>
Total net assets	<u>\$ 5,897,256</u>	<u>\$ 5,573,774</u>

A total of \$1,419,565 (24 percent) of Castro County's net assets is reflected its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is outstanding. Castro County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Castro County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government's net assets increased by \$401,100 during the year ended September 30, 2012 as noted below:

Statement of Activities

	Net Change	9/30/2012	9/30/2011
Governmental Activities			
Revenues			
Program Revenues			
Charges for service	\$ 50,211	\$ 992,931	\$ 942,720
Operating grants and contributions	188,630	461,223	272,593
Capital grants and contributions	(624)	-	624
General Revenue			
Property taxes	16,274	2,634,528	2,618,254
Other taxes	45,801	228,822	183,021
Sale of assets	131,000	131,000	-
Investment earnings	(16,914)	32,767	49,681
Miscellaneous revenues	148,088	153,635	5,547
Total revenues	562,466	4,634,906	4,072,440
Expenses			
General government	(234,680)	791,107	1,025,787
Judicial	95,890	277,215	181,325
Legal system	(78,952)	-	78,952
Public facilities	268,405	407,041	138,636
Public safety	(31,220)	1,344,754	1,375,974
Health and welfare	68,165	82,027	13,862
Road and bridge	61,528	1,331,662	1,270,134
Interest on capital leases	(1,220)	-	1,220
Total expenses	147,916	4,233,806	4,085,890
Change in net assets before transfers	414,550	401,100	(13,450)
Prior period restatement / Transfers	(81,335)	(77,618)	3,717
Change in net assets	\$ 333,215	323,482	(9,733)
Net assets - beginning of year		5,573,774	5,583,507
Net assets - ending of year		\$ 5,897,256	\$ 5,573,774

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As noted earlier, Castro County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of Castro County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Castro County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2012, Castro County’s governmental funds reported combined ending fund balances of \$4,331,058. Approximately 60 percent of this total amount or \$2,592,529 constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is either restricted for special revenue purposes or committed to special projects, \$1,700,248 or in a nonspendable form (prepaid insurance) in the amount of \$38,281.

The general fund is the chief operating fund of the County. The unassigned fund balance at September 30, 2012 represents 95 percent of the total general fund expenditures.

FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund reflected a deficit of \$182,392, which drew upon fund balance. The final amended budget resulted in a deficit of \$191,392. The actual expenditures were \$133,038 less than the final budgeted amounts, and the actual revenues and net transfers in were \$338,585 more than was budgeted, and the restating of beginning fund balance of \$20,899, resulting in a favorable variance of \$492,522.

In the Road and Bridge Funds (special revenue funds), the combined original budgets reflect a deficit of \$274,484 which drew upon fund balance. The final amended budgets resulted in a deficit of \$387,484. The combined actual expenditures were \$280,416 less than the final budgeted amounts, and combined actual revenues and net transfers were \$103,005 more than was budgeted, and the restating of beginning fund balances of \$37,723, resulting in a favorable variance of \$421,144.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Castro County’s investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$1,419,565 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment. The County follows guidance from the Governmental Accounting Standards Board (“GASB”) for accounting for and reporting of infrastructure assets (roads and bridges). Consequently, the County does not currently have any infrastructure assets that are required to be included on the government wide financial statements.

Governmental activities capital assets were as follows:

GOVERNMENTAL ACTIVITIES (NET OF DEPRECIATION)

	<u>9/30/2012</u>	<u>9/30/2011</u>
Land	\$ 14,388	\$ 14,388
Buildings and Improvements	249,306	265,126
Equipment	<u>1,155,871</u>	<u>1,107,041</u>
Total	\$ <u>1,419,565</u>	\$ <u>1,386,555</u>

Additional information on Castro County’s capital assets can be found in Note 6 of this report.

CAPITAL LEASES PAYABLE

Capital Leases Payable: During the year ended September 30, 2012, Castro County had no capital leases.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The agriculture economy in the region is stable.
- The County promotes and encourages economic development to improve the economy.
- Castro County's goal is to improve the quality of life of all its citizens.

All of these factors were considered in preparing Castro County's budget for the 2013 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Castro County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Auditor, Castro County Courthouse, 100 E. Bedford, Dimmitt, TX 79027.

BASIC FINANCIAL STATEMENTS

**CASTRO COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,461,769
Investments	1,263,614
Delinquent taxes receivable, net	120,863
Accounts receivable, net	186,093
Due from other governmental entities	31,497
Prepaid expenses	38,281
Restricted assets:	
Cash and cash equivalents	557,692
Capital assets, net of accumulated depreciation	<u>1,419,565</u>
Total assets	<u>6,079,374</u>
LIABILITIES	
Accounts payable	62,738
Accrued payroll	36,939
Due to other governmental entities	23,874
Noncurrent liabilities:	
Due in more than one year	<u>58,567</u>
Total liabilities	<u>182,118</u>
NET ASSETS	
Invested in capital assets	1,419,565
Restricted:	
By enabling legislation for special projects	212,987
Special projects	243,833
Unrestricted	<u>4,020,871</u>
Total net assets	<u><u>\$ 5,897,256</u></u>

The notes to the financial statements are an integral part of this statement.

**CASTRO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Primary Governmental Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 791,107	\$ 332,606	\$ 29,284	\$ -	\$ (429,217)
Judicial	277,215	76,008	29,640	-	(171,567)
Public facilities	407,041	18,745	79,231	-	(309,065)
Public safety	1,344,754	52,305	297,124	-	(995,325)
Road and bridge	1,331,662	513,267	25,944	-	(792,451)
Public services	82,027	-	-	-	(82,027)
Total	\$ 4,233,806	\$ 992,931	\$ 461,223	\$ -	(2,779,652)
General revenues:					
Taxes:					
Property taxes					1,915,247
Property taxes, levied for road and bridge					719,281
Sales and miscellaneous taxes					228,822
Interest earnings					32,767
Miscellaneous					153,635
Gain on sale of capital assets					131,000
					<u>3,180,752</u>
					<u>401,100</u>
					5,573,774
					<u>(77,618)</u>
					<u>\$ 5,897,256</u>

The notes to the financial statements are an integral part of this statement.

**CASTRO COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General	Combined Road and Bridge	Castro/Swisher Juvenile Probation Department
ASSETS			
Cash and cash equivalents	\$ 1,239,440	\$ 1,215,435	\$ 179,273
Investments	1,230,832	32,782	-
Delinquent taxes receivable, net	89,909	30,954	-
Accounts receivable, net	186,093	-	-
Due from other funds	100,686	-	-
Due from other governmental entities	31,497	-	-
Prepaid expenses	24,113	14,106	-
	\$ 2,902,570	\$ 1,293,277	\$ 179,273
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 28,541	\$ 5,666	\$ 27,107
Due to other funds	-	-	71,282
Due to other governmental entities	23,874	-	-
Deferred revenue	177,914	27,286	-
Accrued payroll and benefits	26,195	10,024	-
	256,524	42,976	98,389
Fund balances:			
Nonspendable:			
Prepaid expenditures	24,113	14,106	-
Restricted:			
By enabling legislation for special projects	-	-	-
Special projects	-	-	80,884
Committed:			
Special projects	-	1,236,195	-
Unassigned	2,621,933	-	-
	2,646,046	1,250,301	80,884
Total fund balances	2,646,046	1,250,301	80,884
Total liabilities and fund balances	\$ 2,902,570	\$ 1,293,277	\$ 179,273

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 385,313	\$ 3,019,461
-	1,263,614
-	120,863
-	186,093
-	100,686
-	31,497
62	38,281
\$ 385,375	\$ 4,760,495
\$ 1,424	\$ 62,738
29,404	100,686
-	23,874
-	205,200
720	36,939
31,548	429,437
62	38,281
212,987	212,987
164,088	244,972
6,094	1,242,289
(29,404)	2,592,529
353,827	4,331,058
\$ 385,375	\$ 4,760,495

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balance, governmental funds	\$ 4,331,058
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	1,419,565
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	205,200
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(58,567)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 5,897,256</u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General</u>	<u>Combined Road and Bridge</u>	<u>Castro/Swisher Juvenile Probation Department</u>
REVENUES			
Property taxes	\$ 1,906,469	\$ 719,281	\$ -
Sales and miscellaneous taxes	228,822	-	-
Licenses and fees	140,919	513,268	2,210
Fines and forfeitures	192,524	-	-
Intergovernmental	159,889	25,944	236,154
Interest earnings	20,595	9,959	1,028
Miscellaneous	125,252	27,263	-
Total revenues	<u>2,774,470</u>	<u>1,295,715</u>	<u>239,392</u>
EXPENDITURES			
Current:			
Administrative	737,165	-	-
Judicial	261,750	-	-
Public facilities	303,519	-	-
Public safety	1,034,511	-	-
Road and bridge	-	1,077,101	-
Public services	80,647	-	240,397
Capital outlay	40,029	230,377	-
Total expenditures	<u>2,457,621</u>	<u>1,307,478</u>	<u>240,397</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>316,849</u>	<u>(11,763)</u>	<u>(1,005)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,700	-	318
Transfers out	(44,318)	(7,700)	-
Total other financing sources (uses)	<u>(36,618)</u>	<u>(7,700)</u>	<u>318</u>
NET CHANGE IN FUND BALANCES	<u>280,231</u>	<u>(19,463)</u>	<u>(687)</u>
FUND BALANCES - BEGINNING	2,344,916	1,232,041	156,430
PRIOR PERIOD ADJUSTMENT	<u>20,899</u>	<u>37,723</u>	<u>(74,859)</u>
FUND BALANCES, AS RESTATED	<u>2,365,815</u>	<u>1,269,764</u>	<u>81,571</u>
FUND BALANCES - ENDING	<u>\$ 2,646,046</u>	<u>\$ 1,250,301</u>	<u>\$ 80,884</u>

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,625,750
-	228,822
46,016	702,413
-	192,524
39,236	461,223
1,185	32,767
1,120	153,635
<u>87,557</u>	<u>4,397,134</u>
17,080	754,245
15,491	277,241
90,578	394,097
7,463	1,041,974
2,260	1,079,361
1,770	322,814
-	270,406
<u>134,642</u>	<u>4,140,138</u>
<u>(47,085)</u>	<u>256,996</u>
44,000	52,018
-	(52,018)
<u>44,000</u>	<u>-</u>
<u>(3,085)</u>	<u>256,996</u>
355,407	4,088,794
1,505	(14,732)
<u>356,912</u>	<u>4,074,062</u>
<u>\$ 353,827</u>	<u>\$ 4,331,058</u>

The notes to the financial statements are an integral part of this statement.

**CASTRO COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental funds: \$ 256,996

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$270,406, were exceeded by depreciation, \$368,396, in the current period. (97,990)

The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. 131,000

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in deferred income. 106,775

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences, net change 4,319

Change in net assets of governmental activities \$ 401,100

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 1,889,300	\$ 1,889,300	\$ 1,906,469	\$ 17,169
Sales and miscellaneous taxes	150,746	150,746	228,822	78,076
Licenses and fees	105,240	105,240	140,919	35,679
Fines and forfeitures	151,760	151,760	192,524	40,764
Intergovernmental	111,802	126,121	159,889	33,768
Investment earnings	30,000	30,000	20,595	(9,405)
Miscellaneous	58,100	58,100	125,252	67,152
Total revenues	<u>2,496,948</u>	<u>2,511,267</u>	<u>2,774,470</u>	<u>263,203</u>
EXPENDITURES				
Current:				
Administrative	773,498	776,650	737,165	39,485
Judicial	277,434	280,074	261,750	18,324
Public facilities	325,623	317,850	303,519	14,331
Public safety	1,045,165	1,072,875	1,034,511	38,364
Public services	101,220	100,570	80,647	19,923
Capital outlay	44,400	42,640	40,029	2,611
Total expenditures	<u>2,567,340</u>	<u>2,590,659</u>	<u>2,457,621</u>	<u>133,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(70,392)	(79,392)	316,849	396,241
OTHER FINANCING SOURCES				
Transfers in	-	-	7,700	7,700
Transfers out	(112,000)	(112,000)	(44,318)	67,682
Total other financing sources	<u>(112,000)</u>	<u>(112,000)</u>	<u>(36,618)</u>	<u>75,382</u>
NET CHANGE IN FUND BALANCE	<u>(182,392)</u>	<u>(191,392)</u>	<u>280,231</u>	<u>471,623</u>
FUND BALANCE - BEGINNING PRIOR PERIOD RESTATEMENT	2,344,916	2,344,916	2,344,916	-
	<u>-</u>	<u>-</u>	<u>20,899</u>	<u>20,899</u>
FUND BALANCES, AS RESTATED	<u>2,344,916</u>	<u>2,344,916</u>	<u>2,365,815</u>	<u>20,899</u>
FUND BALANCE - ENDING	<u>\$ 2,162,524</u>	<u>\$ 2,153,524</u>	<u>\$ 2,646,046</u>	<u>\$ 492,522</u>

The notes to the financial statements are an integral part of this statement.

**CASTRO COUNTY, TEXAS
GENERAL ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 500	\$ 500	\$ 736	\$ 236
Miscellaneous	-	-	4,495	4,495
Total revenues	<u>500</u>	<u>500</u>	<u>5,231</u>	<u>4,731</u>
EXPENDITURES				
Current:				
Road and bridge	<u>123,000</u>	<u>123,000</u>	<u>32,000</u>	<u>91,000</u>
Total expenditures	<u>123,000</u>	<u>123,000</u>	<u>32,000</u>	<u>91,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(122,500)</u>	<u>(122,500)</u>	<u>(26,769)</u>	<u>95,731</u>
OTHER FINANCING SOURCES				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing sources	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(82,500)	(82,500)	13,231	95,731
FUND BALANCE - BEGINNING	<u>83,225</u>	<u>83,225</u>	<u>83,225</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 725</u>	<u>\$ 725</u>	<u>\$ 96,456</u>	<u>\$ 95,731</u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
PRECINCT #1 ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 190,378	\$ 190,378	\$ 190,609	\$ 231
Licenses and fees	123,000	123,000	141,027	18,027
Intergovernmental	6,500	6,500	6,486	(14)
Investment earnings	3,645	3,645	2,621	(1,024)
Miscellaneous	-	-	10,874	10,874
	<u>323,523</u>	<u>323,523</u>	<u>351,617</u>	<u>28,094</u>
EXPENDITURES				
Current:				
Road and bridge	304,491	304,491	276,071	28,420
Capital outlay	30,000	146,000	136,111	9,889
	<u>334,491</u>	<u>450,491</u>	<u>412,182</u>	<u>38,309</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(10,968)</u>	<u>(126,968)</u>	<u>(60,565)</u>	<u>66,403</u>
OTHER FINANCING SOURCES				
Transfers out	(10,000)	(10,000)	(10,000)	-
	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(20,968)</u>	<u>(136,968)</u>	<u>(70,565)</u>	<u>66,403</u>
FUND BALANCE - BEGINNING	329,404	329,404	329,404	-
PRIOR PERIOD RESTATEMENT	<u>-</u>	<u>-</u>	<u>14,056</u>	<u>14,056</u>
FUND BALANCES, AS RESTATED	<u>329,404</u>	<u>329,404</u>	<u>343,460</u>	<u>14,056</u>
FUND BALANCE - ENDING	<u>\$ 308,436</u>	<u>\$ 192,436</u>	<u>\$ 272,895</u>	<u>\$ 80,459</u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
PRECINCT #2 ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 183,194	\$ 183,194	\$ 183,417	\$ 223
Licenses and fees	111,500	111,500	130,859	19,359
Intergovernmental	6,500	6,500	6,486	(14)
Investment earnings	3,225	3,225	2,064	(1,161)
Miscellaneous	-	-	2,269	2,269
	<u>304,419</u>	<u>304,419</u>	<u>325,095</u>	<u>20,676</u>
EXPENDITURES				
Current:				
Road and bridge	281,390	283,145	269,050	14,095
Capital outlay	90,000	88,245	75,266	12,979
	<u>371,390</u>	<u>371,390</u>	<u>344,316</u>	<u>27,074</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(66,971)</u>	<u>(66,971)</u>	<u>(19,221)</u>	<u>47,750</u>
OTHER FINANCING SOURCES				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(17,700)</u>	<u>7,700</u>
	<u>(10,000)</u>	<u>(10,000)</u>	<u>(17,700)</u>	<u>7,700</u>
NET CHANGE IN FUND BALANCE				
	<u>(76,971)</u>	<u>(76,971)</u>	<u>(36,921)</u>	<u>55,450</u>
FUND BALANCE - BEGINNING				
	268,439	268,439	268,439	-
PRIOR PERIOD RESTATEMENT				
	<u>-</u>	<u>-</u>	<u>6,209</u>	<u>6,209</u>
FUND BALANCES, AS RESTATED				
	<u>268,439</u>	<u>268,439</u>	<u>274,648</u>	<u>6,209</u>
FUND BALANCE - ENDING				
	<u>\$ 191,468</u>	<u>\$ 191,468</u>	<u>\$ 237,727</u>	<u>\$ 61,659</u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
PRECINCT #3 ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 176,011	\$ 176,011	\$ 176,224	\$ 213
Licenses and fees	107,000	107,000	125,775	18,775
Intergovernmental	6,500	6,500	6,486	(14)
Investment earnings	3,320	3,320	2,153	(1,167)
Miscellaneous	-	-	3,700	3,700
	<u>292,831</u>	<u>292,831</u>	<u>314,338</u>	<u>21,507</u>
EXPENDITURES				
Current:				
Road and bridge	282,420	294,395	243,894	50,501
Capital outlay	70,000	58,025	-	58,025
	<u>352,420</u>	<u>352,420</u>	<u>243,894</u>	<u>108,526</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(59,589)</u>	<u>(59,589)</u>	<u>70,444</u>	<u>130,033</u>
OTHER FINANCING SOURCES				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE				
	<u>(69,589)</u>	<u>(69,589)</u>	<u>60,444</u>	<u>130,033</u>
FUND BALANCE - BEGINNING				
	233,427	233,427	233,427	-
PRIOR PERIOD RESTATEMENT				
	<u>-</u>	<u>-</u>	<u>13,441</u>	<u>13,441</u>
FUND BALANCES, AS RESTATED				
	<u>233,427</u>	<u>233,427</u>	<u>246,868</u>	<u>13,441</u>
FUND BALANCE - ENDING				
	<u>\$ 163,838</u>	<u>\$ 163,838</u>	<u>\$ 307,312</u>	<u>\$ 143,474</u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
PRECINCT #4 ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 168,827	\$ 168,827	\$ 169,031	\$ 204
Licenses and fees	100,200	100,200	115,607	15,407
Intergovernmental	6,500	6,500	6,486	(14)
Investment earnings	3,610	3,610	2,385	(1,225)
Miscellaneous	-	-	5,925	5,925
	<u>279,137</u>	<u>279,137</u>	<u>299,434</u>	<u>20,297</u>
EXPENDITURES				
Current:				
Road and bridge	260,593	270,078	256,086	13,992
Capital outlay	30,000	20,515	19,000	1,515
	<u>290,593</u>	<u>290,593</u>	<u>275,086</u>	<u>15,507</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,456)</u>	<u>(11,456)</u>	<u>24,348</u>	<u>35,804</u>
OTHER FINANCING SOURCES				
Transfers out	(10,000)	(10,000)	(10,000)	-
	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(21,456)</u>	<u>(21,456)</u>	<u>14,348</u>	<u>35,804</u>
FUND BALANCE - BEGINNING	317,546	317,546	317,546	-
PRIOR PERIOD RESTATEMENT	-	-	4,017	4,017
FUND BALANCES, AS RESTATED	<u>317,546</u>	<u>317,546</u>	<u>321,563</u>	<u>4,017</u>
FUND BALANCE - ENDING	<u>\$ 296,090</u>	<u>\$ 296,090</u>	<u>\$ 335,911</u>	<u>\$ 39,821</u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
CASTRO/SWISHER JUVENILE PROBATION DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and fees	\$ 1,200	\$ 1,200	\$ 2,210	\$ 1,010
Intergovernmental	260,882	260,882	236,154	(24,728)
Investment earnings	-	-	1,028	1,028
Total revenues	<u>262,082</u>	<u>262,082</u>	<u>239,392</u>	<u>(22,690)</u>
EXPENDITURES				
Current:				
Public services	<u>329,482</u>	<u>329,482</u>	<u>240,397</u>	<u>89,085</u>
Total expenditures	<u>329,482</u>	<u>329,482</u>	<u>240,397</u>	<u>89,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(67,400)	(67,400)	(1,005)	66,395
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>67,400</u>	<u>67,400</u>	<u>318</u>	<u>67,082</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>67,400</u>	<u>67,400</u>	<u>318</u>	<u>67,082</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(687)</u>	<u>133,477</u>
FUND BALANCE - BEGINNING PRIOR PERIOD RESTATEMENT	<u>156,430</u>	<u>156,430</u>	<u>156,430</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>(74,859)</u>	<u>(74,859)</u>
FUND BALANCES, AS RESTATED	<u>156,430</u>	<u>156,430</u>	<u>81,571</u>	<u>(74,859)</u>
FUND BALANCE - ENDING	<u>\$ 156,430</u>	<u>\$ 156,430</u>	<u>\$ 80,884</u>	<u>\$ 58,618</u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2012

ASSETS		
Cash and cash equivalents		\$ <u>339,583</u>
Total assets		\$ <u><u>339,583</u></u>
LIABILITIES		
Due to other governments		\$ 37,443
Deposits		<u>302,140</u>
Total liabilities		\$ <u><u>339,583</u></u>

The notes to the financial statements are an integral part of this statement.

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Castro County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Financial Reporting Entity

The County, incorporated in 1876, is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four commissioners and the county judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: administrative (e.g., tax collection), judicial (courts, juries, district attorney, etc.), public safety (sheriff, jail, etc.), road and bridge, public facilities, and public services (e.g. juvenile services and assistance to indigents).

The accompanying basic financial statements present the government defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*. These financial statements do not include the operations of any other organization, because none of the criteria for inclusion as set forth in GASB Statement No. 14 have been met. Component units are legally separate organizations for which the County is financially accountable. The County has no component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The **government-wide financial statements** include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of inter-fund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Fund-Level Statements

Separate **fund financial statements** are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Combined Road and Bridge Funds, and Castro/Swisher Juvenile Probation Department meet criteria as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include the other Special Revenue funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Continued

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types which have been accrued are district clerk and county clerk fees, justice of the peace fines and fees, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and other miscellaneous revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Revenues susceptible to accrual include property taxes, fines, forfeitures, licenses, interest income, and charges for service and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Interfund eliminations have not been made in the fund financial statements.

Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public services, and capital acquisition.

The **Combined Road and Bridge Fund** is a special revenue fund used to account for the revenues derived from property taxes and license fees levied for purposes of road and bridge expenditures.

The **Castro/Swisher Juvenile Probation Department** is a special revenue fund used to account for grants received from the Texas Juvenile Justice Department as well as local funds used for providing juvenile probation services.

Continued

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continuation

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

E. Assets, Liabilities, and Net Assets or Equity

1. **Deposits and Investments**

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

The County is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment policies. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establish appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local polices.

2. **Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Continued

**CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Assets or Equity – Continuation

2. Receivables and Payables – Continuation

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$1,323,041.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year unless the half payment option is elected in which one-half the tax is due November 30, and the balance the following June 30. Tax collections between October and December are considered early and are entitled to discounts. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levies are shown net of an allowance for uncollectible accounts of \$83,990.

4. Assets Limited as to Use or Restricted

Certain funds are set aside and classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is restricted by third parties or state laws and regulations.

5. Capital Assets

Capital assets, which include buildings and improvements, and equipment, are reported in the government-wide financial statements. The County has opted to not retroactively report infrastructure assets. According to the County's capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost 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 lives:

Buildings and improvements	5 - 40 years
Vehicles and equipment	5 - 20 years

Continued

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Assets or Equity – Continuation

6. **Compensated Absences**

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Regular full-time employees are entitled to vacation of one to three weeks (depending upon years of service and employee classification) per year as earned. Vacation time earned, but not taken, is paid upon termination, but cannot be accumulated beyond what would be earned in one year plus one week. Compensation time is accrued at one and one-half the employee's regular rate for each hour worked over forty hours in a work week. After it is accrued, it is treated like vacation time earned and is paid upon termination. Sick leave accrues at 6.66 hours per month; however, unused sick leave is not paid upon termination. Accrued vacation leave and comp time are accrued in the government-wide financial statements in the amount of \$58,567 at September 30, 2012.

7. **Fund Balances**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the Commissioners' Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners' Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed.

Continued

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Assets or Equity – Continuation

7. Fund Balances – Continuation

Unassigned Fund Balance – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

8. Net Assets

In the government-wide financial statements, equity is classified as net assets and displayed in three categories.

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Assets – This amount includes all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

9. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund, the Road and Bridge Funds and the Castro/Swisher Juvenile Probation Department.

Continued

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

A. Budgetary Information – Continuation

4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for the General Fund, the Road and Bridge Funds and the Castro/Swisher Juvenile Probation Department.
5. Budgets for the General, the Road and Bridge Special Revenue Funds, and the Castro/Swisher Juvenile Probation Department are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and the Road and Bridge Funds and the Castro/Swisher Juvenile Probation Department.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

B. Deficit Fund Equity

The Emergency Management and Courthouse Records Management Funds had deficit fund balances of \$1,704 and \$27,700, respectively. Both funds have incurred expenditures in excess of the collected revenues established by state statute to be restricted for funds. The County plans on covering these deficits with operating transfers from the General Fund.

**CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2012:

Cash and deposit balances consist of:

Cash on hand	\$	1,100
Bank deposits		3,357,944
		3,357,944
Total	\$	3,359,044

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Assets:		
Unrestricted	\$	2,461,769
Restricted		557,692
Fiduciary Funds Statement of Net Assets		339,583
		339,583
Total	\$	3,359,044

As of September 30, 2012, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Governmental activities		
Certificates of deposit (interest rates .90% - 1.20%)	\$ 1,263,614	
Total fair value	\$ 1,263,614	
Portfolio weighted average maturity		330

Custodial credit risk – deposits. As of September 30, 2012, the carrying amount of the County's deposits with financial institutions was \$4,621,558 and the bank's balance was \$4,804,518. Of the bank balance, \$794,372 was insured through the Federal Depository Insurance Corporation (FDIC) and \$4,010,146 was collateralized with securities held by the pledging institution’s agent in the County’s name.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single insurer. As of September 30, 2012, 100% of the County’s carrying value of cash was deposited with the County’s depository bank and was adequately secured as described above.

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2011 tax roll was \$.476 per \$100, which means that the County has a tax margin of \$.324 per \$100 and could raise up to \$1,325,767 additional revenue from the 2011 assessed valuation of \$409,187,490 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$.30 on each \$100 of assessed valuation. The tax rate on the 2011 tax roll was \$.181 per \$100, which means that the County has a tax margin of \$.119 per \$100 and could raise up to \$481,153 additional revenue from the 2011 assessed valuation of \$404,330,360 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

NOTE 5 – SALES TAX

The County is entitled by provision of the State of Texas to a one-cent sales tax on all sales that occur within the County. The tax is assessed as a property tax reduction, for the County to use as general revenues. This sales tax is remitted monthly by the Comptroller of the State of Texas.

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has not opted to report its infrastructure retroactively.

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,388	\$ -	\$ -	\$ 14,388
Total capital assets, not being depreciated	<u>14,388</u>	<u>-</u>	<u>-</u>	<u>14,388</u>
Capital asset, being depreciated				
Buildings and improvements	899,507	-	-	899,507
Vehicles and equipment	3,254,290	401,406	(190,000)	3,465,696
Total capital assets, being depreciated	<u>4,153,797</u>	<u>401,406</u>	<u>(190,000)</u>	<u>4,365,203</u>
Less accumulated depreciation for:				
Buildings and improvements	(634,381)	(15,820)	-	(650,201)
Vehicles and equipment	(2,147,249)	(352,576)	190,000	(2,309,825)
Total accumulated depreciation	<u>(2,781,630)</u>	<u>(368,396)</u>	<u>190,000</u>	<u>(2,960,026)</u>
Total capital assets, being depreciated, net	<u>1,372,167</u>	<u>33,010</u>	<u>-</u>	<u>1,405,177</u>
Governmental activities capital assets, net	<u>\$ 1,386,555</u>	<u>\$ 33,010</u>	<u>\$ -</u>	<u>\$ 1,419,565</u>

Depreciation expense for the year ended September 30, 2012 was charged to the functions/programs of the primary government as follows:

Governmental activities		
Administrative		\$ 36,439
Public facilities		14,065
Public safety		59,625
Road and bridge		<u>258,267</u>
Total Depreciation Expense		<u>\$ 368,396</u>

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 7 – RETIREMENT PLAN

Plan Description

Castro County provides retirement, disability, and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County (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 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 9.14% for the months of the accounting year in 2011 and 9.07% for the months of the accounting year in 2012. The contribution rate payable by the employee members is 7.0% for fiscal year 2012 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Continued

**CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 – RETIREMENT PLAN – Continuation

Annual Pension Cost

For 2012, the County’s annual pension cost of \$154,246 was equal to the County’s required and actual contributions.

**TREND INFORMATION FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF
CASTRO COUNTY, TEXAS**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2010	\$ 145,228	100%	\$ -
September 30, 2011	152,042	100	-
September 30, 2012	154,246	100	-

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8.0% 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 the 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 over a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 20 years.

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 91.09% funded. The actuarial accrued liability for benefits was \$5,711,573, and the actuarial value of assets was \$5,202,703, resulting in an unfunded actuarial accrued liability (UAAL) of \$508,870. The covered payroll (annual payroll of active employees covered by the plan) was \$1,634,282, and the ratio of UAAL to the covered payroll was 31.14%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

**CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Interfund Receivables and Payables

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 100,686	\$ -
Special Revenue Funds:		
Castro/Swisher Juvenile Probation	-	71,282
Emergency Management	-	1,704
Courthouse Records Management	-	27,700
	<u>\$ 100,686</u>	<u>\$ 100,686</u>

The primary purpose of interfund receivables and payables is the reimbursement of the General Fund for expenditures paid on behalf of the special revenue funds.

Interfund Transfers

Fund	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 7,700	\$ 44,318
Special Revenue Funds:		
Road and Bridge Precinct #2	-	7,700
Castro/Swisher Juvenile Probation	318	-
Rhoads Memorial Library	42,000	-
Sunnyside Dam	2,000	-
	<u>\$ 52,018</u>	<u>\$ 52,018</u>

The primary purpose for interfund transfers is to move revenues from various funds to finance various programs and operations in other funds that the County must account for separately in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 9 – LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 62,886	\$ 52,377	\$ (56,696)	\$ 58,567	\$ -
Governmental activity long-term liabilities	<u>\$ 62,886</u>	<u>\$ 52,377</u>	<u>\$ (56,696)</u>	<u>\$ 58,567</u>	<u>\$ -</u>

NOTE 10 – OPERATING LEASES

The County leases various pieces of equipment under noncancelable operating leases. Total costs for such leases were \$13,214 for the year ended September 30, 2012. The future minimum lease payments for these are as follows:

For Year Ended:	
2013	\$ 8,845
2014	6,634
2015	<u>553</u>
Total Future Lease Payments	<u>\$ 16,032</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

NOTE 11 – RISK MANAGEMENT

The County's major areas of risk management are: public officials', law enforcement, and automobile liability, general comprehensive liability and property damage, workers' compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

CASTRO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The government-wide statement's net assets and the fund financial statement's fund balances were restated as follows:

	Government Wide Statement	Governmental Funds			
	Governmental Activities	General Fund	Combined Road & Bridge Funds	Castro/Swisher Juvenile Probation Department	Rhoads Memorial Library
Net assets/fund balances as of September 30, 2011, as previously reported	\$ 5,573,774	\$ 2,344,712	\$ 1,232,041	\$ 156,430	\$ 75,428
Correct prior year deferred revenue	18,515	-	-	18,515	-
Correct prior year refund of local funds	(83,324)	-	-	(83,324)	-
Correct prior year Juvenile Probation liabilities	(12,809)	-	-	(12,809)	-
Correct accrued compensated absences	-	20,899	37,723	2,759	1,505
Total net restatement	(77,618)	20,899	37,723	(74,859)	1,505
Restated net assets/fund balances as of October 1, 2011, as restated	\$ 5,496,156	\$ 2,365,611	\$ 1,269,764	\$ 81,571	\$ 76,933

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CASTRO COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF CASTRO COUNTY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	\$ 5,044,944	\$ 5,401,234	\$ 356,290	93.40%	\$ 1,579,665	22.55%
12/31/10	5,029,537	5,353,728	324,191	93.94	1,634,639	19.83
12/31/11	5,202,703	5,711,573	508,870	91.09	1,634,282	31.14

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted or committed by the County to expenditures for specified purposes.

Centennial Plaza – The Centennial Plaza Fund accounts for funds donated by the residents of Castro County. The funds are restricted by the donors for improvements made to the plaza.

Hazel Merritt Bequest – The Hazel Merritt Bequest Fund accounts for funds that were left to Castro County, Texas by Hazel Merritt. The funds are restricted by the terms of the will for the benefit of the library.

Rhoads Memorial Library Donations & Memorials – The Rhoads Memorial Library Donations & Memorials Fund accounts for funds that are donated to the County. The funds are restricted by the donors for the benefit of the library.

Rhoads Memorial Library – The Rhoads Memorial Library Fund accounts for funds received from the City of Dimmitt to supplement expenditures incurred by the operation of the library. The funds are restricted by the City for the use of the library.

Chapter 19 – Voter Registration – The Chapter 19- Voter Registration Fund accounts for funds issued by the Texas Secretary of State to voter registrars in Texas to help defray the County's voter registration expenses. The funds are restricted by law to be spent on any item or services designed to increase the number of registered voters, maintain and report an accurate list of the number of registered voters, and/or increase the efficiency of the voter registration office.

County Judge Excess Salary Supplement – The County Judge Excess Salary Supplement Fund accounts for additional received from the State of Texas to supplement the salary of the County Judge. The funds are restricted by law to be used to supplement the County Judge's office.

Sheriff's Petty Cash – The Sheriff's Petty Cash Fund accounts for funds committed by the Commissioners' Court to cover the costs associated with prisoner transportation.

Sheriff's Special Account – The Sheriff's Special Account Fund accounts for donations received from the residents of Castro County. The funds are restricted by the donors for the use and betterment of the county residents.

Emergency Management – The Emergency Management Fund accounts for funds transferred from the General Fund and committed by the Commissioners' Court for emergency management preparedness within the County.

Sunnyside Dam – The Sunnyside Dam Fund accounts for funds transferred from the General Fund and committed by the Commissioners' Court for maintenance of the dam.

Unclaimed Property – The Unclaimed Property Fund accounts for outstanding checks from offices that are older than one year.

Check & Sight – The Check and Sight Fund accounts for fees collected by the County Attorney for every hot check processed through the office. The fees are dedicated by law to be used at the sole discretion of the County Attorney to defray the salaries and expenses of the prosecutor's office.

Courthouse Security – The Courthouse Security Fund accounts for statutory filing fees collected by the District and County Clerks which are dedicated by law to maintain the security of the courthouse.

County Clerk Records Management – The County Clerk Records Management Fund accounts for revenue from fees collected by the County Clerk on court cases. The fees are dedicated by law to be used for specific records management projects of the office.

County Law Library – The County Law Library Fund accounts for statutory fees collected in civil cases filed in County and District Courts. The fees are restricted by law to provide and maintain a County Law Library.

Constable Law Enforcement Education – The Constable Law Enforcement Education Fund accounts for funds received from the State of Texas on behalf of the Constable. The funds are dedicated by law for the use of continuing education of law enforcement personnel.

Sheriff's Forfeited Funds – The Sheriff's Forfeited Funds accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized. The funds are dedicated by law to be used supplement the costs of the Sheriff's office.

County/District Attorney Forfeited Funds – The County/District Attorney Forfeited Funds accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized. The funds are dedicated by law to be used supplement the costs of the County/District Attorney's office.

Sheriff Law Enforcement Education – The Sheriff Law Enforcement Education Fund accounts for funds received from the State of Texas on behalf of the Sheriff. The funds are dedicated by law for the use of continuing education of law enforcement personnel.

Justice Court Technology – The Justice Court Technology Fund accounts for money charged to a defendant convicted of a misdemeanor in a justice court. It is designated for the purpose of financing the purchase of technological enhancements for a justice court.

Records Preservation and Management – The Records Preservation and Management Fund accounts for statutory fees collected by the District and County Clerks on court cases. The fees are dedicated by law to be used to preserve and maintain county records.

District Clerk Records Archive – The District Clerk Records Archive Fund accounts for fees collected by the District Clerk for the filing of a suit. The fees are dedicated by law to be expended only for the preservation and restoration of the District Clerk's record archive.

County Clerk Records Archive – The County Clerk Records Archive Fund accounts for fees collected by the County Clerk for the filing of public documents. The fees are dedicated by law to be expended only for the preservation and restoration of the County Clerk's record archive.

County/District Clerk Technology – The County/District Clerk Technology Fund accounts for fees collected from all defendants convicted in the County or District Courts. The fees are dedicated by law to be expended only for the costs of continuing education for county and district judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

Courthouse Records Management – The Courthouse Records Management Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used for specific records management and preservation purposes of the County.

Expo Building – The Expo Building Fund accounts for the rental income and deposits received in the use of the Expo Building by the residents of Castro County. The Commissioner's Court has committed these funds to be used to supplement the costs of maintaining the Expo Building.

Crime Line – The Crime Line Fund accounts for donations received from the residents of Castro County. The funds are restricted by the donors for the maintenance and upkeep of the tip based hotline maintained by the Sheriff's Department.

**CASTRO COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Centennial Plaza	Hazel Merritt Bequest	Rhoads Memorial Library Donations & Memorials
ASSETS			
Cash and cash equivalents	\$ 14,326	\$ 59,800	\$ 5,500
Prepaid expenses	-	-	-
Total assets	\$ 14,326	\$ 59,800	\$ 5,500
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll and benefits	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable:			
Prepaid expenditures	-	-	-
Restricted:			
By enabling legislation for special projects	-	-	-
Special projects	14,326	59,800	5,500
Committed:			
Special projects	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances (deficit)	14,326	59,800	5,500
Total liabilities and fund balances	\$ 14,326	\$ 59,800	\$ 5,500

<u>Rhoads Memorial Library</u>	<u>Chapter 19 - Voter Registration</u>	<u>County Judge Excess Salary Supplement</u>	<u>Sheriff's Petty Cash</u>	<u>Sheriff's Special Account</u>	<u>Emergency Management</u>
\$ 78,951	\$ 90	\$ 6	\$ 2,743	\$ 96	\$ -
62	-	-	-	-	-
<u>\$ 79,013</u>	<u>\$ 90</u>	<u>\$ 6</u>	<u>\$ 2,743</u>	<u>\$ 96</u>	<u>\$ -</u>
\$ 252	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,704
720	-	-	-	-	-
<u>972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,704</u>
62	-	-	-	-	-
-	90	6	-	-	-
77,979	-	-	-	96	-
-	-	-	2,743	-	-
-	-	-	-	-	(1,704)
<u>78,041</u>	<u>90</u>	<u>6</u>	<u>2,743</u>	<u>96</u>	<u>(1,704)</u>
<u>\$ 79,013</u>	<u>\$ 90</u>	<u>\$ 6</u>	<u>\$ 2,743</u>	<u>\$ 96</u>	<u>\$ -</u>

Continued

**CASTRO COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

Continuation

ASSETS	Sunnyside Dam	Unclaimed Property	Check & Sight
Cash and cash equivalents	\$ 1,399	\$ 7,510	\$ 18,281
Prepaid expenses	-	-	-
Total assets	<u>\$ 1,399</u>	<u>\$ 7,510</u>	<u>\$ 18,281</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll and benefits	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	-	-	-
Restricted:			
By enabling legislation for special projects	-	7,510	18,281
Special projects	-	-	-
Committed:			
Special projects	1,399	-	-
Unassigned (deficit)	-	-	-
Total fund balances (deficit)	<u>1,399</u>	<u>7,510</u>	<u>18,281</u>
Total liabilities and fund balances	<u>\$ 1,399</u>	<u>\$ 7,510</u>	<u>\$ 18,281</u>

<u>Courthouse Security</u>	<u>County Clerk Records Management</u>	<u>County Law Library</u>	<u>Constable Law Enforcement Education</u>	<u>Sheriff's Forfeited Funds</u>	<u>County/District Attorney Forfeited Funds</u>
\$ 61,576	\$ 16,253	\$ 6,062	\$ 6,221	\$ 4,390	\$ 357
-	-	-	-	-	-
<u>\$ 61,576</u>	<u>\$ 16,253</u>	<u>\$ 6,062</u>	<u>\$ 6,221</u>	<u>\$ 4,390</u>	<u>\$ 357</u>
\$ -	\$ -	\$ 372	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
61,576	16,253	5,690	6,221	4,390	357
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>61,576</u>	<u>16,253</u>	<u>5,690</u>	<u>6,221</u>	<u>4,390</u>	<u>357</u>
<u>\$ 61,576</u>	<u>\$ 16,253</u>	<u>\$ 6,062</u>	<u>\$ 6,221</u>	<u>\$ 4,390</u>	<u>\$ 357</u>

Continued

**CASTRO COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

Continuation

	Sheriff Law Enforcement Education	Justice Court Technology	District Clerk Records Archive
ASSETS			
Cash and cash equivalents	\$ 4,524	\$ 31,524	\$ 301
Prepaid expenses	-	-	-
Total assets	\$ 4,524	\$ 31,524	\$ 301
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll and benefits	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable:			
Prepaid expenditures	-	-	-
Restricted:			
By enabling legislation for special projects	4,524	31,524	301
Special projects	-	-	-
Committed:			
Special projects	-	-	-
Unassigned (deficit)	-	-	-
Total fund balances (deficit)	4,524	31,524	301
Total liabilities and fund balances	\$ 4,524	\$ 31,524	\$ 301

<u>County Clerk Records Archive</u>	<u>County/District Clerk Technology</u>	<u>Courthouse Records Management</u>	<u>Expo Building</u>	<u>Crime Line</u>	<u>Total Non- Major Governmental Funds</u>
\$ 53,009	\$ 3,255	\$ -	\$ 2,752	\$ 6,387	\$ 385,313
-	-	-	-	-	62
<u>\$ 53,009</u>	<u>\$ 3,255</u>	<u>\$ -</u>	<u>\$ 2,752</u>	<u>\$ 6,387</u>	<u>\$ 385,375</u>
\$ -	\$ -	\$ -	\$ 800	\$ -	\$ 1,424
-	-	27,700	-	-	29,404
-	-	-	-	-	720
-	-	27,700	800	-	31,548
-	-	-	-	-	62
53,009	3,255	-	-	-	212,987
-	-	-	-	6,387	164,088
-	-	-	1,952	-	6,094
-	-	(27,700)	-	-	(29,404)
<u>53,009</u>	<u>3,255</u>	<u>(27,700)</u>	<u>1,952</u>	<u>6,387</u>	<u>353,827</u>
<u>\$ 53,009</u>	<u>\$ 3,255</u>	<u>\$ -</u>	<u>\$ 2,752</u>	<u>\$ 6,387</u>	<u>\$ 385,375</u>

CASTRO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Centennial Plaza</u>	<u>Hazel Merritt Bequest</u>	<u>Rhoads Memorial Library Donations & Memorials</u>
REVENUES			
Licenses and fees	\$ -	\$ -	\$ -
Intergovernmental	-	-	427
Interest	80	333	32
Miscellaneous	-	-	-
	<u>80</u>	<u>333</u>	<u>459</u>
Total revenues			
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	-	-
Public facilities	-	-	1,572
Public safety	-	-	-
Road and bridge	-	-	-
Public services	-	-	-
	<u>-</u>	<u>-</u>	<u>1,572</u>
Total expenditures			
	<u>-</u>	<u>-</u>	<u>1,572</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>80</u>	<u>333</u>	<u>(1,113)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>80</u>	<u>333</u>	<u>(1,113)</u>
FUND BALANCES - BEGINNING	14,246	59,467	6,613
PRIOR PERIOD ADJUSTMENT	-	-	-
	<u>14,246</u>	<u>59,467</u>	<u>6,613</u>
FUND BALANCES, AS RESTATED			
	<u>14,246</u>	<u>59,467</u>	<u>6,613</u>
FUND BALANCES - ENDING (DEFICIT)	<u>\$ 14,326</u>	<u>\$ 59,800</u>	<u>\$ 5,500</u>

<u>Rhoads Memorial Library</u>	<u>Chapter 19 - Voter Registration</u>	<u>County Judge Excess Salary Supplement</u>	<u>Sheriff's Petty Cash</u>	<u>Sheriff's Special Account</u>	<u>Emergency Management</u>
\$ 3,065	\$ -	\$ -	\$ -	\$ -	\$ -
38,500	-	-	-	-	-
508	-	-	180	3	-
30	-	-	1,090	-	-
<u>42,103</u>	<u>-</u>	<u>-</u>	<u>1,270</u>	<u>3</u>	<u>-</u>
-	-	348	-	-	-
-	-	-	-	-	-
82,995	-	-	-	-	-
-	-	-	1,318	762	-
-	-	-	-	-	-
-	-	-	-	-	1,770
<u>82,995</u>	<u>-</u>	<u>348</u>	<u>1,318</u>	<u>762</u>	<u>1,770</u>
<u>(40,892)</u>	<u>-</u>	<u>(348)</u>	<u>(48)</u>	<u>(759)</u>	<u>(1,770)</u>
<u>42,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>42,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,108</u>	<u>-</u>	<u>(348)</u>	<u>(48)</u>	<u>(759)</u>	<u>(1,770)</u>
75,428	90	354	2,791	855	66
1,505	-	-	-	-	-
<u>76,933</u>	<u>90</u>	<u>354</u>	<u>2,791</u>	<u>855</u>	<u>66</u>
<u>\$ 78,041</u>	<u>\$ 90</u>	<u>\$ 6</u>	<u>\$ 2,743</u>	<u>\$ 96</u>	<u>\$ (1,704)</u>

Continued

CASTRO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Continuation

	<u>Sunnyside Dam</u>	<u>Unclaimed Property</u>	<u>Check & Sight</u>
REVENUES			
Licenses and fees	\$ -	\$ -	\$ 3,400
Intergovernmental	-	309	-
Interest	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	-	309	3,400
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	-	4,880
Public facilities	-	-	-
Public safety	-	2,500	-
Road and bridge	2,057	203	-
Public services	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	2,057	2,703	4,880
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,057)	(2,394)	(1,480)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,000	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	2,000	-	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(57)	(2,394)	(1,480)
	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING	1,456	9,904	19,761
PRIOR PERIOD ADJUSTMENT	-	-	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES, AS RESTATED	1,456	9,904	19,761
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING (DEFICIT)	\$ 1,399	\$ 7,510	\$ 18,281
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Courthouse Security</u>	<u>County Clerk Records Management</u>	<u>County Law Library</u>	<u>Constable Law Enforcement Education</u>	<u>Sheriff's Forfeited Funds</u>	<u>County/District Attorney Forfeited Funds</u>
\$ 5,756	\$ 7,904	\$ 2,805	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,756</u>	<u>7,904</u>	<u>2,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	16,395	-	-	-	-
-	-	7,673	-	-	2,938
411	-	-	-	-	-
-	-	-	155	265	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>411</u>	<u>16,395</u>	<u>7,673</u>	<u>155</u>	<u>265</u>	<u>2,938</u>
<u>5,345</u>	<u>(8,491)</u>	<u>(4,868)</u>	<u>(155)</u>	<u>(265)</u>	<u>(2,938)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,345</u>	<u>(8,491)</u>	<u>(4,868)</u>	<u>(155)</u>	<u>(265)</u>	<u>(2,938)</u>
56,231	24,744	10,558	6,376	4,655	3,295
-	-	-	-	-	-
<u>56,231</u>	<u>24,744</u>	<u>10,558</u>	<u>6,376</u>	<u>4,655</u>	<u>3,295</u>
<u>\$ 61,576</u>	<u>\$ 16,253</u>	<u>\$ 5,690</u>	<u>\$ 6,221</u>	<u>\$ 4,390</u>	<u>\$ 357</u>

Continued

CASTRO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Continuation

	Sheriff Law Enforcement Education	Justice Court Technology	District Clerk Records Archive
REVENUES			
Licenses and fees	\$ -	\$ 3,336	\$ 256
Intergovernmental	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>3,336</u>	<u>256</u>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	-	-
Public facilities	-	-	-
Public safety	1,486	-	-
Road and bridge	-	-	-
Public services	-	-	-
Total expenditures	<u>1,486</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,486)</u>	<u>3,336</u>	<u>256</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(1,486)</u>	<u>3,336</u>	<u>256</u>
FUND BALANCES - BEGINNING	6,010	28,188	45
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCES, AS RESTATED	<u>6,010</u>	<u>28,188</u>	<u>45</u>
FUND BALANCES - ENDING (DEFICIT)	<u>\$ 4,524</u>	<u>\$ 31,524</u>	<u>\$ 301</u>

<u>County Clerk Records Archive</u>	<u>County/District Clerk Technology</u>	<u>Courthouse Records Management</u>	<u>Expo Building</u>	<u>Crime Line</u>	<u>Total Non- Major Governmental Funds</u>
\$ 6,066	\$ 1,356	\$ 3,124	\$ 6,400	\$ 2,548	\$ 46,016
-	-	-	-	-	39,236
-	-	-	17	32	1,185
-	-	-	-	-	1,120
<u>6,066</u>	<u>1,356</u>	<u>3,124</u>	<u>6,417</u>	<u>2,580</u>	<u>87,557</u>
337	-	-	-	-	17,080
-	-	-	-	-	15,491
-	-	-	5,600	-	90,578
-	-	-	-	977	7,463
-	-	-	-	-	2,260
-	-	-	-	-	1,770
<u>337</u>	<u>-</u>	<u>-</u>	<u>5,600</u>	<u>977</u>	<u>134,642</u>
<u>5,729</u>	<u>1,356</u>	<u>3,124</u>	<u>817</u>	<u>1,603</u>	<u>(47,085)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
<u>5,729</u>	<u>1,356</u>	<u>3,124</u>	<u>817</u>	<u>1,603</u>	<u>(3,085)</u>
47,280	1,899	(30,824)	1,135	4,784	355,407
-	-	-	-	-	1,505
<u>47,280</u>	<u>1,899</u>	<u>(30,824)</u>	<u>1,135</u>	<u>4,784</u>	<u>356,912</u>
<u>\$ 53,009</u>	<u>\$ 3,255</u>	<u>\$ (27,700)</u>	<u>\$ 1,952</u>	<u>\$ 6,387</u>	<u>\$ 353,827</u>

**CASTRO COUNTY, TEXAS
COMBINING BALANCE SHEET
ROAD AND BRIDGE GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General Road and Bridge Fund	Precinct #1 Road and Bridge Fund	Precinct #2 Road and Bridge Fund
ASSETS			
Cash and cash equivalents	\$ 96,456	\$ 263,443	\$ 228,700
Investments	-	9,017	8,365
Taxes receivable, net	-	8,203	7,893
Prepaid expenses	-	3,564	3,593
	\$ 96,456	\$ 284,227	\$ 248,551
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 1,630	\$ 1,306
Deferred revenue	-	7,231	6,958
Accrued payroll and benefits	-	2,471	2,560
	-	11,332	10,824
Fund balances:			
Nonspendable:			
Prepaid expenditures	-	3,564	3,593
Committed:			
Special projects	96,456	269,331	234,134
	96,456	272,895	237,727
Total fund balances	96,456	272,895	237,727
Total liabilities and fund balances	\$ 96,456	\$ 284,227	\$ 248,551

Precinct #3 Road and Bridge Fund	Precinct #4 Road and Bridge Fund	Total Road and Bridge Governmental Funds
\$ 299,103	\$ 327,733	\$ 1,215,435
8,025	7,375	32,782
7,584	7,274	30,954
3,459	3,490	14,106
<u>318,171</u>	<u>345,872</u>	<u>1,293,277</u>
\$ 1,584	\$ 1,146	\$ 5,666
6,685	6,412	27,286
2,590	2,403	10,024
<u>10,859</u>	<u>9,961</u>	<u>42,976</u>
3,459	3,490	14,106
<u>303,853</u>	<u>332,421</u>	<u>1,236,195</u>
<u>307,312</u>	<u>335,911</u>	<u>1,250,301</u>
<u>\$ 318,171</u>	<u>\$ 345,872</u>	<u>\$ 1,293,277</u>

CASTRO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ROAD AND BRIDGE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Road and Bridge Fund	Precinct #1 Road and Bridge Fund	Precinct #2 Road and Bridge Fund
REVENUES			
Property taxes	\$ -	\$ 190,609	\$ 183,417
Licenses and fees	-	141,027	130,859
Intergovernmental	-	6,486	6,486
Interest	736	2,621	2,064
Miscellaneous	4,495	10,874	2,269
Total revenues	5,231	351,617	325,095
EXPENDITURES			
Current:			
Road and bridge	32,000	276,071	269,050
Capital Outlay	-	136,111	75,266
Total expenditures	32,000	412,182	344,316
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(26,769)	(60,565)	(19,221)
OTHER FINANCING SOURCES (USES)			
Transfers in	40,000	-	-
Transfers out	-	(10,000)	(17,700)
Total other financing sources (uses)	40,000	(10,000)	(17,700)
NET CHANGE IN FUND BALANCES	13,231	(70,565)	(36,921)
FUND BALANCES - BEGINNING	83,225	329,404	268,439
PRIOR PERIOD ADJUSTMENT	-	14,056	6,209
FUND BALANCES, AS RESTATED	83,225	343,460	274,648
FUND BALANCES - ENDING	\$ 96,456	\$ 272,895	\$ 237,727

Precinct #3 Road and Bridge Fund	Precinct #4 Road and Bridge Fund	Total Road and Bridge Governmental Funds
\$ 176,224	\$ 169,031	\$ 719,281
125,775	115,607	513,268
6,486	6,486	25,944
2,153	2,385	9,959
3,700	5,925	27,263
<u>314,338</u>	<u>299,434</u>	<u>1,295,715</u>
243,894	256,086	1,077,101
-	19,000	230,377
<u>243,894</u>	<u>275,086</u>	<u>1,307,478</u>
70,444	24,348	(11,763)
-	-	40,000
<u>(10,000)</u>	<u>(10,000)</u>	<u>(47,700)</u>
<u>(10,000)</u>	<u>(10,000)</u>	<u>(7,700)</u>
<u>60,444</u>	<u>14,348</u>	<u>(19,463)</u>
233,427	317,546	1,232,041
13,441	4,017	37,723
<u>246,868</u>	<u>321,563</u>	<u>1,269,764</u>
<u>\$ 307,312</u>	<u>\$ 335,911</u>	<u>\$ 1,250,301</u>

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

County Attorney – The County Attorney Fund accounts for the partial payments of restitution and fees associated with the collection of hot checks within the County limits.

County/ District Clerk – The County/District Clerk’s Fund accounts for registry funds held by the County and District Clerk.

Inmate Trust – The Inmate Trust Fund accounts for inmate funds being held for the benefit of the inmate.

Tax Assessor Collector – The Tax Assessor Collector’s Fund accounts for money collected by the Tax Assessor Collector and remitted to The State of Texas.

CASTRO COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2012

	County Attorney	County/District Clerk	Inmate Trust	Tax Assessor Collector
ASSETS				
Cash	\$ 7,344	\$ 294,185	\$ 611	\$ 37,443
Total assets	\$ 7,344	\$ 294,185	\$ 611	\$ 37,443
LIABILITIES				
Due to other governments	\$ -	\$ -	\$ -	\$ 37,443
Deposits	7,344	294,185	611	-
Total liabilities	\$ 7,344	\$ 294,185	\$ 611	\$ 37,443

Total

\$ 339,583

\$ 339,583

\$ 37,443
302,140

\$ 339,583

PART III
COMPLIANCE



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Castro County, Texas

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*

We have audited the financial statements of the governmental activities, each major fund and their respective budgetary comparisons, and the aggregate remaining fund information of Castro County, Texas as of and for the year ended September 30, 2012, which collectively comprise Castro County, Texas' basic financial statements and have issued our report thereon dated June 18, 2013. 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 Castro County, Texas' 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 Castro County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Castro County, Texas' 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Castro County, Texas' 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*.

We noted certain matters that we reported to management of Castro County, Texas in a separate letter dated June 18, 2013.

This report is intended for the information of the Commissioners' Court and County Officials and is not intended to be and should not be used by anyone other than those specified parties.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

June 18, 2013

**CASTRO COUNTY, TEXAS
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2012**

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Inadequate segregation of duties within a significant account or accounting process is considered to be a deficiency in your financial reporting controls. Certain officials of the County, because of the small size of the offices, have not been able to adequately segregate the processes of cash receipts and deposits, cash disbursements and checks, and reconciling the bank accounts. Because of this lack of segregation of duties within these processes of handling cash, there is a risk that a material misstatement could be present in the financial statements or that fraud could occur and would not be detected by management timely. Though the various offices may not be able to adequately segregate these processes within the office, the official should implement compensating controls over these processes such as having the bank reconciliations reviewed by another official of the County outside of their office.