

NOLAN COUNTY, TEXAS

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

**NOLAN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners Court
Nolan County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nolan County, Texas, as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nolan County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the aggregate remaining fund information of the Nolan County, Texas, as of September 30, 2011, and the respective changes in financial position thereof 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 December 6, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement plan funding schedule, and budgetary comparison information on pages iii through ix and 25 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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 the County's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 6, 2011

NOLAN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nolan County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2011. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

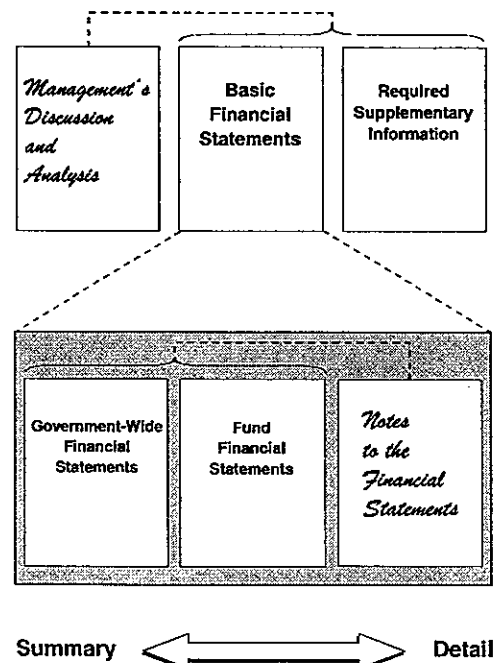
- Nolan County's total combined net assets were \$7.3 million at September 30, 2011. Of this amount, \$4.3 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$187 thousand less than the \$8.4 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$3.9 million. All \$3.9 million is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *Government-Wide Financial Statements* that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The *Governmental Funds* statements tell how general government services were financed in the short-term as well as what remains for future spending.
- *Fiduciary Fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

MAJOR FEATURES OF THE COUNTY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
<i>Type of Statement</i>	Government-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in assets and liabilities
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual basis accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Nolan County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (Page 1) presents information on all of Nolan 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 Nolan County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 2) presents information showing how the government's net assets changed during the 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.

Both of these government-wide financial statements distinguish functions of Nolan County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, farm to market roads, health and welfare, economic development, culture and recreation. These activities are financed primarily by property taxes and grants.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Nolan County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Nolan County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has two types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations can be found on Pages 4 and 6 of the basic financial statements section.

The County maintains twelve individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund and the Farm to Market Fund, both of which are considered to be major funds. Individual fund data for each of the ten non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided on Pages 26 and 27 to demonstrate compliance with this budget.

- **Fiduciary funds**—The County is the trustee, or *fiduciary*, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets found on Page 7. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

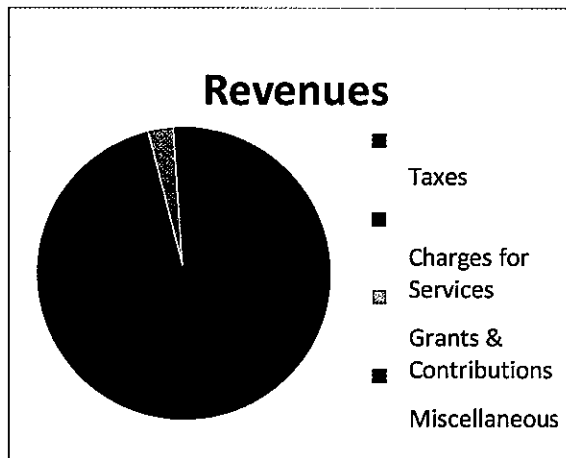
Nolan County's combined net assets were approximately \$7.3 million at September 30, 2011. The largest portion of the County's net assets reflects its investments, cash and accounts receivable, with the remainder reported as capital assets.

**Table A-1
Nolan County's Net Assets**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 5,259,819	\$ 5,067,174
Capital and Non-Current Assets	<u>2,806,895</u>	<u>2,827,905</u>
Total Assets	<u>8,066,714</u>	<u>7,895,079</u>
Current Liabilities	167,350	141,271
Long Term Liabilities	<u>561,571</u>	<u>602,903</u>
Total Liabilities	<u>728,921</u>	<u>744,174</u>
Net Assets		
Invested in Capital Assets, net of related debt	2,209,192	2,228,709
Restricted	796,297	557,779
Unrestricted	<u>4,332,304</u>	<u>4,364,417</u>
Total Net Assets	<u>\$ 7,337,793</u>	<u>\$ 7,150,905</u>

Changes in Net Assets—Nolan County's net assets increased by approximately \$187 thousand during the current fiscal year. While property taxes increased by 11.5%, charges for services decreased by approximately 9.7%.

**Figure A-3
SOURCES OF REVENUE FOR FISCAL YEAR 2011**



Governmental Activities—Total revenues for the fiscal year ending September 30, 2011 were \$8.4 million. Approximately 78% of the County's revenue comes from various taxes. Property tax revenue increased 11.5% due to an increase in property values and an increase in tax rates. Charges for services were 19%, with operating grants and contributions at 2%. Earnings from investments were less than 1%.

Expenses increased by \$618 thousand or 8.1% from the prior year. For the most part, this increase was in all areas of the government.

Table A-2
Nolan County's Changes in Net Assets

	Governmental Activities		Percent
	2011	2010	Increase (-) Decrease
Revenues:			
Program Revenues			
Charges for Services	\$ 1,616,816	\$ 1,790,598	-9.7%
Operating Grants & contributions	199,607	260,920	-23.5%
Capital Grants	-	195,937	-100.0%
General Revenues			
Property Taxes	6,434,230	5,773,123	11.5%
Other Taxes	171,693	130,865	31.2%
Investment Earnings	14,754	7,014	110.4%
Gain (Loss) on Sale of Assets	-	6,808	-100.0%
Total Revenues	8,437,100	8,165,265	3.3%
Expenses:			
General Government	1,364,135	1,114,903	22.4%
Judicial Administration	931,885	840,140	10.9%
Legal	396,769	388,683	2.1%
Financial Administration	426,876	408,002	4.6%
Public Facilities	600,076	638,570	-6.0%
Public Safety	2,041,207	1,931,562	5.7%
Farm to Market	1,717,253	1,560,495	10.0%
Health and Welfare	482,562	444,957	8.5%
Extension Service	85,510	101,922	-16.1%
Debt Service Interest Expense	27,972	27,680	1.1%
Museum and Library-Intergovernmental	175,967	175,062	0.5%
Total Expenses	8,250,212	7,631,976	8.1%
Increase in Net Assets	186,888	533,289	-65.0%
Beginning Net Assets	7,150,905	6,617,616	8.1%
Ending Net Assets	\$ 7,337,793	\$ 7,150,905	

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Nolan County's governmental funds reported a combined fund balance of \$4.7 million, an increase of \$105 thousand in comparison with the prior year. Approximately 83% of this total amount (\$3.9 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted by legislation or for retirement of long-term debt.

The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$3.9 million, the total fund balance is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 63% of total General Fund expenditures.

Nolan County's General Fund balance decreased by \$92 thousand during the current fiscal year. A key factor in this decrease was increased expenses for capital outlay.

General Fund Budgetary Highlights - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$637 thousand below final budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2011, the County had invested \$10.2 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements, depreciation and adjustments) of \$307 thousand, or 3.1% over last year.

Major events affecting capital assets during the year were:

- Heating and cooling system for library
- Machinery and equipment for Farm to Market
- New vehicles and equipment for the Sheriff's Department.

More detailed information about the County's capital assets can be found on page 19.

Table A-3
Nolan County's Capital Assets

	Governmental Activities	
	2011	2010
Land	\$ 52,775	\$ 52,775
Buildings and Improvements	4,795,189	4,795,189
Furniture and Equipment	5,340,844	5,033,887
Total	10,188,808	9,881,851
Less Accumulated Depreciation	(7,381,913)	(7,053,946)
Net Capital Assets	\$ 2,806,895	\$ 2,827,905

Long Term Debt—At the end of the year, the County had \$661 thousand in outstanding debt.

Table A-4
The County's Long Term Debt

	Governmental Activities	
	2011	2010
Bonds Payable	\$ 524,000	\$ 571,000
Capital Leases Payable	82,703	38,196
Compensated Absences	54,300	59,305
Total Long-Term Debt Payable	<u>\$ 661,003</u>	<u>\$ 668,501</u>

During the year, Nolan County's debt decreased by \$7 thousand. The County entered into a new capital lease for a dump truck in the amount of \$96,880. Debt payments for the year totaled \$99,373.

The State limits the amount of general obligation debt that a County can issue up to 25% of its total assessed valuation. The current debt limitation is \$416 million which is significantly higher than the County's outstanding general obligation debt.

More detailed information about the County's long term liabilities can be found in the notes beginning on pages 20-21.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2012 budget preparation is estimated to be down \$55 thousand or 3.3% from 2011.
- The tax rate established for 2012 is \$.423023, an increase of \$.047663 from 2011.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2012 fiscal year.

Amounts available for appropriation in the General Fund budget are \$6,983,639, an increase of 7.4% over the 2011 budget of \$6,522,477. Property taxes are expected to lead to this increase.

Budgeted expenditures are expected to decrease approximately 5.12% to \$7,032,426. The largest decrease will be due to no transfer out to Farm to Market is budgeted in the 2012 budget. The County has added no major new programs or initiatives to the 2012 budget.

If these estimates are realized, the County's budgetary General Fund balance is expected to decrease.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Nolan County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Nolan County Auditor, 100 E. 3rd Street, Suite 102, Sweetwater, Texas 79556.

BASIC FINANCIAL STATEMENTS

NOLAN COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 4,716,574
Investments - Current	51,707
Receivables (net of allowance for uncollectibles)	482,538
Capitalized Debt Issuance Costs	9,000
Capital Assets:	
Land	52,775
Buildings, net	885,028
Machinery and Equipment, net	1,869,092
Total Assets	<u>8,066,714</u>
LIABILITIES	
Accounts Payable	67,918
Noncurrent Liabilities	
Due Within One Year	99,432
Due in More Than One Year	561,571
Total Liabilities	<u>728,921</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,209,192
Restricted for:	
Restricted by Legislation	547,021
Restricted for Retirement of Long Term Debt	249,276
Unrestricted Net Assets	4,332,304
Total Net Assets	<u><u>\$ 7,337,793</u></u>

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Expenses				
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,364,135	\$ 384,182	\$ 114,378	\$ (865,575)
Judicial	931,885	599,464	49,262	(283,159)
Legal	396,769	26,767	11,614	(358,388)
Financial Administration	426,876	53,000	-	(373,876)
Public Facilities	600,076	15,186	-	(584,890)
Public Safety	2,041,207	28,945	11,880	(2,000,382)
Farm to Market	1,717,253	509,272	12,473	(1,195,508)
Health & Welfare	482,562	-	-	(482,562)
Extension Service	85,510	-	-	(85,510)
Interest	26,972	-	-	(26,972)
Fiscal Agent's Fees	1,000	-	-	(1,000)
Intergovernmental	175,967	-	-	(175,967)
TOTAL PRIMARY GOVERNMENT:	\$ 8,250,212	\$ 1,616,816	\$ 199,607	(6,433,789)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	5,565,818
Property Taxes, Levied for Farm to Market	868,412
Hotel/Motel Tax	129,696
Other Taxes	41,997
Investment Earnings	14,754
Total General Revenues	6,620,677
Change in Net Assets	186,888
Net Assets--Beginning	7,150,905
Net Assets--Ending	\$ 7,337,793

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Major Farm to Market Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,952,345	\$ 207,231	\$ 556,998	\$ 4,716,574
Investments - Current	23,331	17,267	11,109	51,707
Taxes Receivable, net	102,084	15,192	-	117,276
Receivables (Net)	354,132	11,130	-	365,262
Total Assets	<u>\$ 4,431,892</u>	<u>\$ 250,820</u>	<u>\$ 568,107</u>	<u>\$ 5,250,819</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 60,480	\$ 7,384	\$ 54	\$ 67,918
Deferred Revenues	440,776	15,192	-	455,968
Total Liabilities	<u>501,256</u>	<u>22,576</u>	<u>54</u>	<u>523,886</u>
Fund Balances:				
Restricted Fund Balance:				
Restricted by Legislation	-	228,244	276,510	504,754
Retirement of Long-Term Debt	-	-	249,276	249,276
Assigned Fund Balance:				
Special Revenue Funds	-	-	42,267	42,267
Unassigned Fund Balance	3,930,636	-	-	3,930,636
Total Fund Balances	<u>3,930,636</u>	<u>228,244</u>	<u>568,053</u>	<u>4,726,933</u>
Total Liabilities and Fund Balances	<u>\$ 4,431,892</u>	<u>\$ 250,820</u>	<u>\$ 568,107</u>	<u>\$ 5,250,819</u>

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total Fund Balances - Governmental Funds	\$ 4,726,933
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,881,851 and the accumulated depreciation was \$7,053,946. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. (See Note II A for further explanation.)	2,169,404
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase net assets. (See Note II B for further explanation.)	479,408
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(485,783)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. (See Note II B for further explanation.)	447,831
Net Assets of Governmental Activities	\$ 7,337,793

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Major Farm to Market Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 5,511,847	\$ 868,412	\$ -	\$ 6,380,259
Hotel/Motel Tax	-	-	122,206	122,206
Other Taxes	41,997	-	-	41,997
Licenses and Permits	52,999	373,432	-	426,431
Intergovernmental Revenue and Grants	187,789	12,473	-	200,262
Fines and Fees	780,286	134,284	118,304	1,032,874
Forfeits	11,880	-	-	11,880
Investment Earnings	12,590	1,526	638	14,754
Rents and Royalties	15,186	-	-	15,186
Other Revenue	89,316	8,591	3,808	101,715
Total Revenues	6,703,890	1,398,718	244,956	8,347,564
EXPENDITURES:				
Current:				
General Government	1,319,039	-	29,899	1,348,938
Judicial	906,396	-	25,489	931,885
Legal	365,386	-	31,383	396,769
Financial Administration	426,876	-	-	426,876
Public Facilities	516,063	-	-	516,063
Public Safety	1,852,969	-	5,487	1,858,456
Farm to Market	-	1,518,436	-	1,518,436
Health and Welfare	482,562	-	-	482,562
Extension Service	85,510	-	-	85,510
Debt Service:				
Interest	-	52,373	47,000	99,373
Interest	-	2,204	24,768	26,972
Capital Outlay:				
Capital Outlay	157,978	300,793	18,144	476,915
Intergovernmental:				
Intergovernmental	175,967	-	-	175,967
Total Expenditures	6,288,746	1,873,806	182,170	8,344,722
Excess (Deficiency) of Revenues Over (Under) Expenditures	415,144	(475,088)	62,786	2,842
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	1,107	4,000	-	5,107
Proceeds from Capital Leases	-	96,880	-	96,880
Transfers In	100,000	503,000	5,000	608,000
Transfers Out (Use)	(608,000)	-	-	(608,000)
Total Other Financing Sources (Uses)	(506,893)	603,880	5,000	101,987
Net Change in Fund Balances	(91,749)	128,792	67,786	104,829
Fund Balance - October 1 (Beginning)	4,022,385	99,452	500,267	4,622,104
Fund Balance - September 30 (Ending)	\$ 3,930,636	\$ 228,244	\$ 568,053	\$ 4,726,933

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 104,829
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase net assets. (See Note II B for further explanation.)	479,408
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(485,783)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. (See Note II B for further explanation.)	88,434
Change in Net Assets of Governmental Activities	\$ 186,888

The notes to the Financial Statements are an integral part of this statement.

NOLAN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,394,227
Total Assets	<u>\$ 1,394,227</u>
LIABILITIES	
Due to Other Governments	\$ 89,886
Due to Others	<u>1,304,341</u>
Total Liabilities	<u>\$ 1,394,227</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.).

A. REPORTING ENTITY

The County's modified accrual financial statements include the cash accounts of all funds handled by the Office of the County Treasurer. The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services. The County operates under a county judge/commissioners' court type of government as provided for by state statute. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. Because members of the Commissioners' Court are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the County is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, "The Financial Reporting Entity". There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the County's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities and for the business-type activities of the County. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for the County's operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The County prepares its governmental fund financial statements on the modified accrual basis of accounting using the current financial resources measurement focus. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets.

D. FUND ACCOUNTING

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Separate funds are established to account for receipts and disbursements pertaining to separate identifiable functions of the County. Each fund represents a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. As a result, total receipts and disbursements by the County Treasurer are accumulated for report purposes with no elimination of interfund transactions.

The County reports the following major governmental funds:

- **General Fund** - To account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.
- **Farm to Market** - To account for proceeds of specific revenue sources that are legally restricted for expenditures for public transportation for County citizens.

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. FUND ACCOUNTING, continued

Additionally, the County reports the following non-major fund types:

Governmental Funds:

- **Special Revenue Fund** - To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for expenditures for specified purposes.
- **Debt Service Fund** - To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Fund Types:

- **Trust and Agency Funds** - To account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

E. OTHER ACCOUNTING POLICIES

1. The County considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.
3. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. OTHER ACCOUNTING POLICIES, continued

4. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, vehicles, furniture and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-12

5. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties ("TAC"), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer authorized by Article 3.51-2 Texas Insurance Code by contractual agreement.

F. Fund Balances

Nolan County elected to implement GASB No. 54, Fund Balance Reporting and Governmental fund Type Definitions, in fiscal year 2011. The fund financial statements will present fund balances classified in a hierarchy based on the strength of the constraints governing how these balances can be spent. These classifications are listed below in descending order of restrictiveness:

- Non-spendable: This classification includes amounts that cannot be spent because they: (a) are not in spendable form (e.g., inventories and prepaid items); (b) are not expected to be converted into cash within the current period or at all (e.g., long-term receivables); or (c) are legally or contractually required to be maintained intact (e.g., the non-spendable corpus of an endowment). The County has not reported any amounts as non-spendable.
- Restricted: This classification includes amounts subject to usage constraints that have either been: (a) externally imposed by creditors (e.g., through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (v) imposed by law through constitutional provisions or enabling legislation.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. Fund Balances, continued

Nolan County reported the following restricted fund balances:

Debt Service Fund	\$ 249,276
Farm to Market	228,244
Records Management	64,486
Courthouse Security	133,650
Technology	<u>78,374</u>
Total Restricted Fund Balance	<u>\$ 754,030</u>

- **Committed:** This classification includes amounts that are constrained to use for specific purposes pursuant to formal action of Commissioners' court. These amounts cannot be used for other purposes unless the Court removes or changes the constraints via the same type of action used to initially commit them. Nolan County has not reported any amounts that are considered to be committed.
- **Assigned:** This classification includes amounts intended by the County for use for a specific purpose but which do not qualify for classification either restricted or committed. The intent can be expressed by Commissioners' Court or by a Court designee (e.g., a department head). This classification applies to the positive unrestricted and uncommitted fund balances of all governmental funds except the General Fund. The County reported the following amounts as assigned:

Jury Fund	\$ 5,355
Law Library Fund	20,232
Hot Check Fund	11,743
D.A.R.E. Fund	<u>4,937</u>
Total Assigned Fund Balance	<u>\$ 42,267</u>

- **Unassigned:** This classification applies to the residual fund balance of the General Fund and to any deficit fund balances of other governmental funds.

Nolan County will typically use restricted, committed and/or assigned fund balances, in that order, prior to using unassigned resources, but it reserves the right to deviate from this general strategy when appropriate.

Nolan County will maintain General fund unassigned fund balance at a level adequate to provide for unanticipated expenditures of a non recurring nature and to meet unexpected increases in service delivery costs. The target level for General Fund unassigned fund balance will be three to six months of budgeted General Fund expenditures.

G. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from estimates.

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Page 4 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 52,775	\$	\$ 52,775	\$
Buildings and Improvements	4,795,189	3,846,094	949,095	
Furniture and Equipment	5,033,887	3,207,852	1,826,035	
	<u>\$ 9,881,851</u>	<u>\$ 7,053,946</u>	<u>\$ 2,827,905</u>	2,827,905
Bond Issuance Cost				10,000
Change in Net Assets				<u>2,837,905</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 571,000	
Capital Leases Payable			38,196	
Compensated Absences			59,305	
Change in Net Assets			<u>\$ 668,501</u>	<u>(668,501)</u>
Net Adjustment to Net Assets				<u>\$ 2,169,404</u>

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,
continued

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Pages 4 and 6 provide reconciliations between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current Year Capital Outlay</u>			
Machinery and Equipment	\$ 476,915		
Total Capital Outlay	<u>\$ 476,915</u>	476,915	476,915
<u>Debt Principal Payments</u>			
Bond Principal	\$ 47,000		
Capital Lease Principal	52,373		
New Capital Lease	<u>(96,880)</u>		
Total Principal Payments	<u>\$ 2,493</u>	<u>2,493</u>	<u>2,493</u>
		<u>\$ 479,408</u>	<u>\$ 479,408</u>

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,
continued

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES, continued**

Another element of the reconciliations on Pages 4 and 6 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Changes In Net Assets	Adjustments to Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes collected from prior year levies	\$ 145,968	\$ (145,968)	\$ -
Uncollected taxes (assumed collectible) from current year levy	28,148	28,148	28,148
Uncollected taxes (assumed collectible) from prior year levy	89,128		89,128
Adjustment to prior year estimate of collectible taxes	171,791	171,791	
Subtotal		53,971	117,276
<u>Adjustments to Receivables and Revenue</u>			
Beginning balance in other receivables	296,092	-	296,092
Change in other receivables	42,600	42,600	42,600
Amortization of bond issuance costs	1,000	(1,000)	(1,000)
Disposal of capital assets, net	12,142	(12,142)	(12,142)
Subtotal		29,458	325,550
<u>Adjustments to Expenses and Liabilities</u>			
Decrease in unused vacation	5,005	5,005	5,005
Subtotal		5,005	5,005
Total Adjustments		\$ 88,434	\$ 447,831

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

III. PROPERTY TAXES

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

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of countywide Appraisal Districts and for the State Property Tax Board that commenced operation in January 1980.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,716,574 and the bank balance was \$4,878,949. The County's deposits as of September 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

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

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

A. DEPOSITS AND INVESTMENTS, continued

Legal and Contractual Provisions Governing Deposits and Investments, continued

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Investments held by the County at September 30, 2011 consisted of the following:

Tex Pool	<u>\$ 51,707</u>
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Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County adopted a deposit and investment policy; however, that policy does not address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2011 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County's securities are all in securities backed by the United States of America and are not exposed to custodial credit risk.

Other Credit Risk - There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies' repurchase agreements; and no-load AAAm money market mutual funds registered with the SEC. As of September 30, 2011 TexPool's investments credit quality rating was AAAm (Standard & Poor's).

The County's general policy is to report nonparticipating interest-earning investment contracts using a cost-based measure. The term "nonparticipating" means that the investment's value does not vary with the market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

B. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables and payables at September 30, 2011.

C. INTERFUND TRANSFERS

<u>Transfer from:</u>	<u>Transfer to:</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Farm to Market	\$ 503,000	Operating expenses
General Fund	Jury Fund	5,000	Operating expenses
General Fund	General Reserve	100,000	Operating expenses
Total Transfers		<u>\$ 608,000</u>	

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2011, were as follows:

	<u>Property Taxes</u>	<u>Fines & Fees</u>	<u>Totals</u>
Governmental Activities			
General Fund	\$ 261,754	\$ 2,201,715	\$ 2,463,469
Farm to Market	36,172	11,130	47,302
Total Governmental Activities	297,926	2,212,845	2,510,771
Allowance for Uncollectible	(180,650)	(1,847,583)	(2,028,233)
Net Receivables	<u>\$ 117,276</u>	<u>\$ 365,262</u>	<u>\$ 482,538</u>

Payables at September 30, 2011 reported on the County's fund statements were as follows:

	<u>Accounts Payable</u>	<u>Totals</u>
Governmental Activities		
General Fund	\$ 60,480	\$ 60,480
Farm to Market	7,384	7,384
Other Funds	54	54
Total Governmental Activities	\$ 67,918	\$ 67,918
Amounts not scheduled for payment during the subsequent year	-	-
	<u>\$ -</u>	<u>\$ -</u>

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

E. CAPITAL ASSET ACTIVITY

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

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 52,775	\$ -	\$ -	\$ 52,775
Total Non-depreciable Assets	<u>52,775</u>	<u>-</u>	<u>-</u>	<u>52,775</u>
Depreciable Assets:				
Buildings and Improvements	4,795,189			4,795,189
Machinery and Equipment	<u>5,033,887</u>	<u>476,915</u>	<u>169,958</u>	<u>5,340,844</u>
Total Depreciable Assets	<u>9,829,076</u>	<u>476,915</u>	<u>169,958</u>	<u>10,136,033</u>
Totals at Historic Cost	<u>9,881,851</u>	<u>476,915</u>	<u>169,958</u>	<u>10,188,808</u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,846,094	64,067		3,910,161
Furniture and Equipment	<u>3,207,852</u>	<u>421,716</u>	<u>157,816</u>	<u>3,471,752</u>
Total Accumulated Depreciation	<u>7,053,946</u>	<u>485,783</u>	<u>12,142</u>	<u>7,381,913</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,827,905</u>	<u>\$ (8,868)</u>	<u>\$ (12,142)</u>	<u>\$ 2,806,895</u>

Current year depreciation expense was charged to governmental functions as follows:

General Government	\$ 20,202
Public Facilities	84,013
Public Safety	182,751
Farm to Market	<u>198,817</u>
Total Depreciation Expense	<u>\$ 485,783</u>

F. DEFERRED REVENUE

Deferred revenue at year-end as reported on Page 3 of the Funds Statements consisted of the following:

	General Fund	Special Revenue Fund	Total
Net Tax Revenue	\$ 102,084	\$ 15,192	\$ 117,276
Net Fines & Fees Revenue	<u>338,692</u>		<u>338,692</u>
Total Deferred Revenue	<u>\$ 440,776</u>	<u>\$ 15,192</u>	<u>\$ 455,968</u>

Adjustments required for Government-Wide Statement of Net Assets decreased deferred revenue by \$455,968.

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

G. ACCUMULATED UNPAID ANNUAL LEAVE

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the Government-Wide Statement of Net Assets. At September 30, 2011, accrued employee benefits recorded on the Statement of Net Assets were for vacation pay and amounted to \$54,300.

H. CAPITAL LEASES

During the year ended September 30, 2008, the County entered into a lease agreement in the amount of \$128,487 for the purchase of a John Deere 770D. The County made a down payment of \$40,000 and the remainder will be paid in annual payments of \$20,653, including interest. The lease term is from 2007 to 2012. The lease agreement meets the criteria of a capital lease.

During the year ended September 30, 2011, the County entered into an agreement with General Electric Capital Corporation ("GE Capital") for the purchase of a 2011 International Dump Truck in the amount of \$96,880. The agreement calls for 3 annual payments of \$33,775 including interest at 4.66% beginning in FY 2011 and final payment due in FY 2013. The lease agreement meets the criteria of a capital lease.

Capital Lease requirements are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 50,432	\$ 3,995	\$ 54,427
2013	32,271	1,504	33,775
Total	<u>\$ 82,703</u>	<u>\$ 5,499</u>	<u>\$ 88,202</u>

I. BONDS PAYABLE

In April 2006, the County issued Certificates of Obligation in the amount of \$800,000 for paying all or a portion of the County's contractual obligations in connection with making renovations and additions to the Nolan County Coliseum, and to pay legal, fiscal and engineering fees in connection with that project.

The following are Certificates of Obligation bond issues outstanding at September 30, 2011:

	<u>Interest Rate</u>	<u>Date of issue</u>	<u>Date of Maturity</u>	<u>Bonds Outstanding</u>
Certificates of Obligation	4.250%	2006	2020	\$ 524,000

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

Debt service requirements are as follows:

<u>Year Ended September 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2012	\$ 49,000	\$ 22,270	\$ 71,270
2013	51,000	20,187	71,187
2014	53,000	18,020	71,020
2015	56,000	15,767	71,767
2016	58,000	13,387	71,387
2017-2020	257,000	27,880	284,880
Total	<u>\$ 524,000</u>	<u>\$ 117,511</u>	<u>\$ 641,511</u>

J. CHANGES IN LONG-TERM LIABILITIES

Long-term debt activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds, Loans and Leases Payable:					
Certificates of Obligation Bonds	\$ 571,000	\$ -	\$ 47,000	\$ 524,000	\$ 49,000
Capital Leases Payable	38,196	96,880	52,373	82,703	50,432
Total Bonds, Loans and Leases Payable	609,196	96,880	99,373	606,703	99,432
Other Liabilities:					
Compensated Absences	59,305	-	5,005	54,300	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 668,501</u>	<u>\$ 96,880</u>	<u>\$ 104,378</u>	<u>\$ 661,003</u>	<u>\$ -</u>

NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

K. RISK MANAGEMENT

Health Insurance

During the year ended September 30, 2011 employees of Nolan County were covered by a health insurance plan (the Plan). The County paid health insurance premiums of \$504.60 per month for employees only, an additional \$50.46 per month for an employee and spouse and \$200.18 per month for an employee and family. The County also paid \$22.16 per month for employee dental care. Employees, at their option, authorized payroll to pay any additional cost for dependent coverage. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

Workers' Compensation

During the year ended September 30, 2011, employees of Nolan County were covered by a workers' compensation plan administered by the Texas Association of Counties. The County paid a contribution of \$57,424 for the year ended September 30, 2011. These figures are subject to change based upon actual payroll figures.

L. RETIREMENT PLAN

Plan Description:

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 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 their employer.

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 employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

L. RETIREMENT PLAN, continued

Funding Policy:

The employer has elected the annually determined contribution rate (Variable Rate) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.55% for the months of the accounting year in 2010 and 9.35% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2011 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

If a plan has had adverse experience, the TCDRS Act has provisions that allow the employer to contribute a fixed supplemental contribution rate determined by the System's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

Annual Pension Cost:

For the employer's accounting year ending September 30, 2011, the annual pension cost for the TCDRS plan for its employees was \$325,290 and the actual contributions were \$325,290.

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

Funded Status and Funding Progress.

As of December 31, 2010, the most recent actuarial valuation date, the plan was 81.15 percent funded. The actuarial accrued liability for benefits was \$9,617,079, and the actuarial value of assets was \$7,804,734, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,812,345. The covered payroll (annual payroll of active employees covered by the plan) was \$3,687,800, and the ratio of the UAAL to the covered payroll was 49.14 percent.

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

**NOLAN COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued

L. RETIREMENT PLAN, continued

Actuarial Valuation Information:

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20 years	20 years	20 years
Asset valuation method	SAF: 10 years smoothed value EFS: Fund value	SAF: 10 years smoothed value EFS: Fund value	SAF: 10 years smoothed value EFS: Fund value
Actuarial Assumptions			
Investment Return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information for the Retirement Plan
for the Employees of Nolan County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/09	\$ 260,851	100%	-0-
9/30/10	304,214	100%	-0-
9/30/11	325,290	100%	-0-

V. COMMITMENTS AND CONTINGENCIES

A. Contingencies

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

B. Litigation

The County Attorney has indicated that there is no pending litigation against the County.

REQUIRED SUPPLEMENTARY INFORMATION

NOLAN COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM TREND DATA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF THE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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)
12/31/08	6,601,226	8,190,748	1,589,522	80.59%	3,078,259	51.64%
12/31/09	7,268,869	8,835,927	1,567,058	82.26%	3,484,560	44.97%
12/31/10	7,804,734	9,617,079	1,812,345	81.15%	3,687,800	49.14%

NOLAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 5,390,857	\$ 5,390,857	\$ 5,511,847	\$ 120,990
Other Taxes	40,000	40,000	41,997	1,997
Licenses and Permits	50,000	50,000	52,999	2,999
Intergovernmental Revenue and Grants	174,400	174,400	187,789	13,389
Fines and Fees	780,250	780,250	780,286	36
Forfeits	-	-	11,880	11,880
Investment Earnings	5,000	5,000	12,590	7,590
Rents and Royalties	15,420	15,420	15,186	(234)
Other Revenue	66,550	66,550	89,316	22,766
Total Revenues	6,522,477	6,522,477	6,703,890	181,413
EXPENDITURES:				
Current:				
General Government	1,825,723	1,672,498	1,319,039	353,459
Judicial	891,133	930,358	906,396	23,962
Legal	394,593	394,593	365,386	29,207
Financial Administration	437,798	437,798	426,876	10,922
Public Facilities	609,884	609,884	516,063	93,821
Public Safety	1,908,319	1,924,319	1,852,969	71,350
Health and Welfare	495,642	495,642	482,562	13,080
Extension Service	119,125	119,125	85,510	33,615
Capital Outlay:				
Capital Outlay	60,000	158,000	157,978	22
Intergovernmental:				
Intergovernmental	183,704	183,704	175,967	7,737
Total Expenditures	6,925,921	6,925,921	6,288,746	637,175
Excess (Deficiency) of Revenues Over (Under) Expenditures	(403,444)	(403,444)	415,144	818,588
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	1,107	1,107
Transfers In	100,000	100,000	100,000	-
Transfers Out (Use)	(610,000)	(610,000)	(608,000)	2,000
Total Other Financing Sources (Uses)	(510,000)	(510,000)	(506,893)	3,107
Change in Fund Balance	(913,444)	(913,444)	(91,749)	821,695
Fund Balance - October 1 (Beginning)	4,022,385	4,022,385	4,022,385	-
Fund Balance - September 30 (Ending)	\$ 3,108,941	\$ 3,108,941	\$ 3,930,636	\$ 821,695

NOLAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FARM TO MARKET
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 852,186	\$ 852,186	\$ 868,412	\$ 16,226
Licenses and Permits	400,000	400,000	373,432	(26,568)
Intergovernmental Revenue and Grants	30,000	30,000	12,473	(17,527)
Fines and Fees	133,000	133,000	134,284	1,284
Investment Earnings	300	300	1,526	1,226
Other Revenue	-	-	8,591	8,591
Total Revenues	1,415,486	1,415,486	1,398,718	(16,768)
EXPENDITURES:				
Current:				
Farm to Market	1,932,089	1,825,512	1,518,436	307,076
Debt Service:				
Principal	-	52,373	52,373	-
Interest	-	2,204	2,204	-
Capital Outlay:				
Capital Outlay	250,000	302,000	300,793	1,207
Total Expenditures	2,182,089	2,182,089	1,873,806	308,283
Excess (Deficiency) of Revenues Over (Under) Expenditures	(766,603)	(766,603)	(475,088)	291,515
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	4,000	4,000
Proceeds from Capital Leases	-	-	96,880	96,880
Transfers In	500,000	500,000	503,000	3,000
Total Other Financing Sources (Uses)	500,000	500,000	603,880	103,880
Change in Fund Balance	(266,603)	(266,603)	128,792	395,395
Fund Balance - October 1 (Beginning)	99,452	99,452	99,452	-
Fund Balance - September 30 (Ending)	\$ (167,151)	\$ (167,151)	\$ 228,244	\$ 395,395

NOLAN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011

I. BUDGETARY DATA

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

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2011 budget were approved by the Commissioners' Court as provided by law. There were no General Fund expenditures over appropriations during the year ending September 30, 2011.

COMBINING STATEMENTS

NOLAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E Fund
ASSETS				
Cash and Cash Equivalents	\$ 5,355	\$ 20,286	\$ 11,743	\$ 4,937
Investments - Current	-	-	-	-
Total Assets	<u>\$ 5,355</u>	<u>\$ 20,286</u>	<u>\$ 11,743</u>	<u>\$ 4,937</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 54	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>54</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Restricted by Legislation	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Assigned Fund Balance:				
Special Revenue Funds	5,355	20,232	11,743	4,937
Total Fund Balances	<u>5,355</u>	<u>20,232</u>	<u>11,743</u>	<u>4,937</u>
Total Liabilities and Fund Balances	<u>\$ 5,355</u>	<u>\$ 20,286</u>	<u>\$ 11,743</u>	<u>\$ 4,937</u>

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security Fund	County Technology Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 21,939	\$ 32,790	\$ 9,757	\$ 133,650	\$ 78,374	\$ 318,831	\$ 238,167	\$ 556,998
-	-	-	-	-	-	11,109	11,109
<u>\$ 21,939</u>	<u>\$ 32,790</u>	<u>\$ 9,757</u>	<u>\$ 133,650</u>	<u>\$ 78,374</u>	<u>\$ 318,831</u>	<u>\$ 249,276</u>	<u>\$ 568,107</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54	\$ -	\$ 54
-	-	-	-	-	54	-	54
21,939	32,790	9,757	133,650	78,374	276,510	-	276,510
-	-	-	-	-	-	249,276	249,276
-	-	-	-	-	42,267	-	42,267
<u>21,939</u>	<u>32,790</u>	<u>9,757</u>	<u>133,650</u>	<u>78,374</u>	<u>318,777</u>	<u>249,276</u>	<u>568,053</u>
<u>\$ 21,939</u>	<u>\$ 32,790</u>	<u>\$ 9,757</u>	<u>\$ 133,650</u>	<u>\$ 78,374</u>	<u>\$ 318,831</u>	<u>\$ 249,276</u>	<u>\$ 568,107</u>

NOLAN COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E Fund
REVENUES:				
Taxes:				
Hotel/Motel Tax	\$ -	\$ -	\$ -	\$ -
Fines and Fees	644	7,360	27,392	-
Investment Earnings	9	-	-	-
Other Revenue	3,808	-	-	-
Total Revenues	<u>4,461</u>	<u>7,360</u>	<u>27,392</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Judicial	9,080	3,715	-	-
Legal	-	-	29,535	-
Public Safety	-	-	-	1,556
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>9,080</u>	<u>3,715</u>	<u>29,535</u>	<u>1,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,619)</u>	<u>3,645</u>	<u>(2,143)</u>	<u>(1,556)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	381	3,645	(2,143)	(1,556)
Fund Balance - October 1 (Beginning)	<u>4,974</u>	<u>16,587</u>	<u>13,886</u>	<u>6,493</u>
Fund Balance - September 30 (Ending)	<u>\$ 5,355</u>	<u>\$ 20,232</u>	<u>\$ 11,743</u>	<u>\$ 4,937</u>

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security Fund	County Technology Fund	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,206	\$ 122,206
7,137	35,466	5,154	20,171	14,980	118,304	-	118,304
-	39	-	-	-	48	590	638
-	-	-	-	-	3,808	-	3,808
7,137	35,505	5,154	20,171	14,980	122,160	122,796	244,956
-	29,899	-	-	-	29,899	-	29,899
-	-	-	12,694	-	25,489	-	25,489
-	-	1,848	-	-	31,383	-	31,383
-	-	-	-	3,931	5,487	-	5,487
-	-	-	-	-	-	47,000	47,000
-	-	-	-	-	-	24,768	24,768
-	-	-	18,144	-	18,144	-	18,144
-	29,899	1,848	30,838	3,931	110,402	71,768	182,170
7,137	5,606	3,306	(10,667)	11,049	11,758	51,028	62,786
-	-	-	-	-	5,000	-	5,000
-	-	-	-	-	5,000	-	5,000
7,137	5,606	3,306	(10,667)	11,049	16,758	51,028	67,786
14,802	27,184	6,451	144,317	67,325	302,019	198,248	500,267
\$ 21,939	\$ 32,790	\$ 9,757	\$ 133,650	\$ 78,374	\$ 318,777	\$ 249,276	\$ 568,053

NOLAN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BALANCE OCTOBER 1 2010	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2011
UNCLAIMED MONEY				
Assets:				
Cash and Cash Equivalents	\$ 97	\$ -	\$ -	\$ 97
Liabilities:				
Due to Others	\$ 97	\$ -	\$ -	\$ 97
TRUST & AGENCY				
Assets:				
Cash and Cash Equivalents	\$ 101,608	\$ 401,863	\$ 413,585	\$ 89,886
Liabilities:				
Due to Other Governments	\$ 101,608	\$ 401,863	\$ 413,585	\$ 89,886
RESTITUTION FUND				
Assets:				
Cash and Cash Equivalents	\$ 59,926	\$ 38,773	\$ 25,553	\$ 73,146
Liabilities:				
Due to Others	\$ 59,926	\$ 38,773	\$ 25,553	\$ 73,146
EXTRADITIONS FUND				
Assets:				
Cash and Cash Equivalents	\$ 18,075	\$ 1,259	\$ 2,155	\$ 17,179
Liabilities:				
Due to Others	\$ 18,075	\$ 1,259	\$ 2,155	\$ 17,179
DISTRICT ATTORNEY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 302,789	\$ 19,967	\$ 127,462	\$ 195,294
Liabilities:				
Due to Others	\$ 302,789	\$ 19,967	\$ 127,462	\$ 195,294
SHERIFF FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 43,993	\$ 239,056	\$ 189,241	\$ 93,808
Liabilities:				
Due to Others	\$ 43,993	\$ 239,056	\$ 189,241	\$ 93,808

NOLAN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BALANCE OCTOBER 1 2010	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2011
TAX ACCESSOR COLLECTOR FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 115,126	\$ 2,306,395	\$ 2,292,979	\$ 128,542
Liabilities:				
Due to Others	\$ 115,126	\$ 2,306,395	\$ 2,292,979	\$ 128,542
COUNTY COURT FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 8,410	\$ 738,526	\$ 138,841	\$ 608,095
Liabilities:				
Due to Others	\$ 8,410	\$ 738,526	\$ 138,841	\$ 608,095
DISTRICT CLERK FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 151,461	\$ 64,747	\$ 28,028	\$ 188,180
Liabilities:				
Due to Others	\$ 151,461	\$ 64,747	\$ 28,028	\$ 188,180
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 801,485	\$ 3,810,586	\$ 3,217,844	\$ 1,394,227
Liabilities:				
Due to Other Governments	\$ 101,608	\$ 401,863	\$ 413,585	\$ 89,886
Due to Others	699,877	3,408,723	2,804,259	1,304,341
Total Liabilities	\$ 801,485	\$ 3,810,586	\$ 3,217,844	\$ 1,394,227

OTHER INFORMATION REQUIRED BY GAO

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

To the Honorable Judge and
Members of Commissioners Court
Nolan County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nolan County, Texas, as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Commissioners Court, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis Kinard & Co, PC
Certified Public Accountants

Abilene, Texas
December 6, 2011

NOLAN COUNTY, TEXAS

AUDIT REPORTING PACKAGE

September 30, 2011

NOLAN COUNTY

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Required Communications

To the Honorable Judge and
 Members of the Commissioners Court of
 Nolan County, Texas:

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Nolan County, Texas for the year ended September 30, 2011 and have issued our report thereon dated December 6, 2011. Professional standards require that we provide you with the following information related to our audit:

Area	Comments
Auditors' Responsibilities Under United States Generally Accepted Auditing Standards	
In order for those charged with governance to understand the nature of assurance provided by an audit, the auditor should communicate their responsibilities under United States Generally Accepted Auditing Standards.	Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and <i>Government Auditing Standards</i> , as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 17, 2011. As stated in our engagement letter our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement contract, we will advise management about the appropriateness of accounting policies and their application.

The County's significant accounting policies are described in the notes to the financial statements. As part of our audit, we reviewed the accounting policies followed by management in preparing the financial statements. We believe the accounting policies of the County are consistent with industry practice and are in accordance with generally accepted accounting principles.

No new accounting policies of significance were adopted and the application of existing policies was not changed during the year ended September 30, 2011. We noted no transactions entered into by the County during the year ended September 30, 2011 for which there is a lack of authoritative guidance or consensus. In addition, we noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Audit Findings - continued*Qualitative Aspects of Accounting Practices - continued*

Accounting estimates are an integral part of the financial statements that require management's judgments based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events affecting them may differ significantly from management's expectations.

The most sensitive estimates affecting the financial statements were:

- We believe that the estimate of future useful lives of fixed assets is a particularly sensitive accounting estimate. Management's estimate is based on knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the estimated useful lives of fixed assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- The estimate for uncollectible taxes and fines receivable are also sensitive accounting estimates. Management's estimates are based on the experience of past and current collections of tax levy and fines. We evaluated the key factors used to develop the estimated uncollectible taxes and fines receivable and determined they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most sensitive disclosures affecting the financial statements were:

- Changes in Long-Term Liabilities – Information for this disclosure is based on beginning balances of debt and the current principal payments and any additions to principal. The disclosure provides a detailed look at the debt of the County.
- Retirement Plan – Information for this disclosure was obtained from the TCDRS website and is based on actuarial valuations..

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

**Other Information in Documents
Containing Audited Financial
Statements**

The auditor has a responsibility with respect to information in a document prepared by the County that contains the audited financial statements.

We are not aware of any document prepared by the County that will incorporate the audited financial statements.

**Planned Scope and Timing of the
Audit**

It is the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence. However, communication with those charged with governance may assist in understanding better the consequences of the auditor's work for their oversight activities.

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated August 17, 2011.

**Consultation with Other
Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

The auditor is required to inform those charged with governance of any major issues, including any discussions regarding the application of accounting principles or auditing standards that were discussed with management in connection with the initial or recurring retention of the auditor.

There were no such matters discussed with management prior to our initial or recurring retention as the County's auditors.

Difficulties Encountered in Performing the Audit

The auditor should inform those charged with governance of any difficulties encountered in dealing with management related to the performance and completion of the audit.

We encountered no significant difficulties in dealing with management in performing and completing our audit. Management of the County did a commendable job in preparing for the audit. They prepared the requested schedules and documents in a timely manner and were available for questions at all times.

Management Representations

The auditor is required to inform those charged with governance that certain representations are being requested from management in connection with the audit.

We have requested certain representations from management that are included in the management representation letter dated December 6, 2011.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Appendix A, Summary of Audit Adjustments, summarizes misstatements detected as a result of audit procedures that were corrected by management.

Appendix B, Summary of Proposed but Unrecorded Journal Entries, summarizes uncorrected misstatements of the financial statements.

This information is intended solely for the use of the Honorable Judge and Members of the Commissioners Court and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.

If you have any questions regarding the above, please do not hesitate to call.

Sincerely,

Dan Kinard & Co., PC

Certified Public Accountants

Abilene, Texas

December 6, 2011

**NOLAN COUNTY
2011 Audit Reporting Package**

Appendix A

An entry was made to reduce accounts payable and expenditures by \$57,353 in the general fund for fiscal year 2012 amounts.

NOLAN COUNTY
2011 Audit Reporting Package

Appendix B

There were no proposed but unrecorded journal entries in the current year.