

NOLAN COUNTY, TEXAS

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

together with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

**NOLAN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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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, 2012, 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, 2012, 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 January 8, 2013, 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 27 through 30 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
January 8, 2013

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, 2012. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

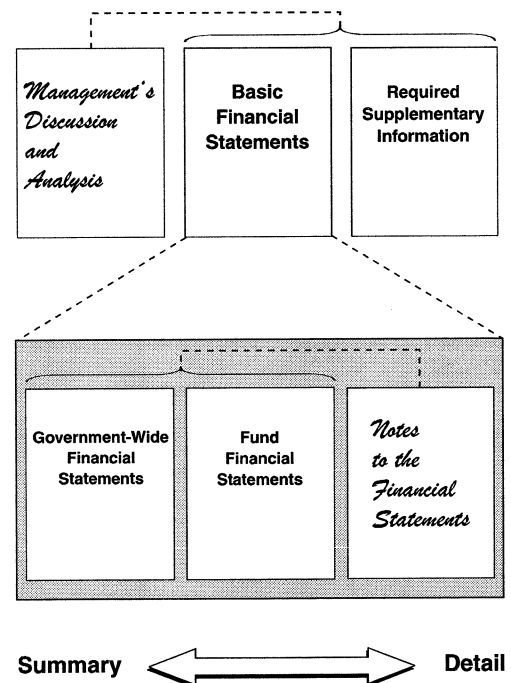
- Nolan County's total combined net assets were \$8 million at September 30, 2012. Of this amount, \$3.9 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$660 thousand less than the \$9.3 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$3.2 million. All \$3.2 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>	• Statement of net assets	• Balance sheet	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• 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 2-3) 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 5 and 7 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 28 and 29 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 8. 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

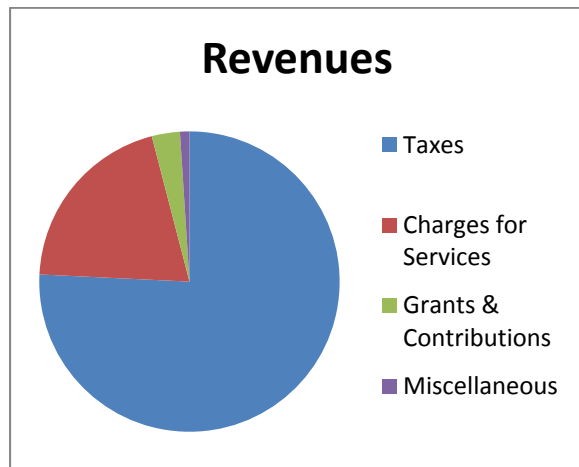
Nolan County's combined net assets were approximately \$8 million at September 30, 2012. The largest portion of the County's net assets reflects its investments, cash and accounts receivable, with the remainder reported as capital assets.

Table A-1
Nolan County's Net Assets

	Governmental Activities	
	2012	2011
Current and Other Assets	\$ 4,647,268	\$ 5,259,819
Capital and Non-Current Assets	4,008,402	2,806,895
Total Assets	8,655,670	8,066,714
Current Liabilities	176,170	167,350
Long Term Liabilities	481,867	561,571
Total Liabilities	658,037	728,921
Net Assets		
Invested in Capital Assets, net of related debt	3,509,131	2,209,192
Restricted	637,524	796,297
Unrestricted	3,850,978	4,332,304
Total Net Assets	\$ 7,997,633	\$ 7,337,793

Changes in Net Assets—Nolan County's net assets increased by approximately \$660 thousand during the current fiscal year. While property taxes increased by 5.7%, charges for services increased by approximately 14.4%.

Figure A-3
SOURCES OF REVENUE FOR FISCAL YEAR 2012



Governmental Activities—Total revenues for the fiscal year ending September 30, 2012 were \$9.3 million. Approximately 75% of the County's revenue comes from various taxes. Property tax revenue increased 5.7% due to an increase in property values and an increase in tax rates. Charges for services were 20%, with operating grants and contributions at 3%. Earnings from investments were less than 1%.

Expenses increased by \$433 thousand or 5% 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
	2012	2011	Increase (-) Decrease
Revenues:			
Program Revenues			
Charges for Services	\$ 1,849,191	\$ 1,616,816	14.4%
Operating Grants & contributions	309,529	199,607	55.1%
Capital Grants	143,538	-	100.0%
General Revenues			
Property Taxes	6,803,140	6,434,230	5.7%
Other Taxes	205,349	171,693	19.6%
Investment Earnings	32,602	14,754	121.0%
Total Revenues	9,343,349	8,437,100	10.7%
Expenses:			
General Government	1,491,458	1,364,135	9.3%
Judicial Administration	991,725	931,885	6.4%
Legal	415,387	396,769	4.7%
Financial Administration	435,315	426,876	2.0%
Public Facilities	595,001	600,076	-0.8%
Public Safety	2,056,336	2,041,207	0.7%
Farm to Market	1,779,617	1,717,253	3.6%
Health and Welfare	594,502	482,562	23.2%
Extension Service	117,262	85,510	37.1%
Debt Service Interest Expense	27,765	27,972	-0.7%
Museum and Library-Intergovernmental	179,141	175,967	1.8%
Total Expenses	8,683,509	8,250,212	5.3%
Increase in Net Assets	659,840	186,888	253.1%
Beginning Net Assets	7,337,793	7,150,905	2.6%
Ending Net Assets	\$ 7,997,633	\$ 7,337,793	

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 million, a decrease of \$744 thousand in comparison with the prior year. Approximately 81% of this total amount (\$3.2 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted by legislation, assigned for specific purposes, and for retirement of long-term debt.

The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$3.2 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 37% of total General Fund expenditures.

Nolan County's General Fund balance decreased by \$698 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 \$917 thousand over final budgeted amounts due to the capital outlay resulting from the emergency façade renovations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2012, the County had invested \$11.7 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 \$1.2 million, or 42% over last year.

Major events affecting capital assets during the year were:

- Construction on Courthouse Façade
- Land for new Jail
- 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 20.

Table A-3
Nolan County's Capital Assets

	Governmental Activities	
	2012	2011
Land	\$ 113,975	\$ 52,775
Construction in Progress	1,325,282	-
Buildings and Improvements	4,731,829	4,795,189
Furniture and Equipment	5,529,135	5,340,844
Total	11,700,221	10,188,808
Less Accumulated Depreciation	(7,691,819)	(7,381,913)
Net Capital Assets	<u>\$ 4,008,402</u>	<u>\$ 2,806,895</u>

Long Term Debt—At the end of the year, the County had \$565 thousand in outstanding debt.

Table A-4
The County's Long Term Debt

	Governmental Activities	
	2012	2011
Bonds Payable	\$ 475,000	\$ 524,000
Capital Leases Payable	32,271	82,703
Compensated Absences	57,867	54,300
Total Long-Term Debt Payable	<u>\$ 565,138</u>	<u>\$ 661,003</u>

During the year, Nolan County's debt decreased by \$96 thousand. Debt payments for the year totaled \$99,432. 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 \$402 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 21-22.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2013 budget preparation is estimated to be up \$338 million or 21% from 2012.
- The tax rate established for 2013 is \$.394635, a decrease of \$.028388 from 2012.
- 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 2013 fiscal year.

Amounts available for appropriation in the General Fund budget are \$7,743,145, an increase of 10.9% over the 2012 budget of \$6,983,639. Property taxes (benefiting from the 2012 increases in assessed valuations) are expected to lead to this increase.

Budgeted expenditures are expected to rise approximately 3.3% to \$7,266,951. The largest increments are increases in liability/property/health insurance, court appointed legal services, telephone/utilities, fuel, prisoner care and the county share of ambulance service. 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 increase.

SUBSEQUENT EVENTS

During the year ended September 30, 2012 a petition was received in June 2012 calling for a bond election. Three propositions were placed on the November 6, 2012 General Election ballot. All three propositions passed the election and General Obligation Bonds will be issued in the amount of approximately \$15.7 million during the 2013 fiscal year. Information on the bonds is listed below.

- **Bonds** – Direct obligations of the County, payable from a continuing annual ad valorem tax levied on all taxable property within the County, within the limits prescribed by law.
- **Purpose** – Proceeds from the sale of the Bonds will be used for the purpose of (1) constructing and equipping a new county jail (including the Sheriff's Department) and the purchase of land there fore located west of the city of Sweetwater in the vicinity of Avenger Field; (2) renovating and remediating the Courthouse façade; and (3) payment of professional services and costs of issuance related thereto.

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, 2012

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 3,921,609
Investments - Current	51,766
Receivables (net of allowance for uncollectibles)	652,795
Due from Other Funds	13,098
Capitalized Debt Issuance Costs	8,000
Capital Assets:	
Land	113,975
Buildings, net	787,169
Machinery and Equipment, net	1,781,976
Construction in Progress	1,325,282
Total Assets	<u>8,655,670</u>
LIABILITIES	
Accounts Payable	92,899
Noncurrent Liabilities	
Due Within One Year	83,271
Due in More Than One Year	481,867
Total Liabilities	<u>658,037</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,509,131
Restricted for:	
Restricted for Enabling Legislation	276,360
Restricted for Retirement of Long Term Debt	361,164
Unrestricted Net Assets	3,850,978
Total Net Assets	<u>\$ 7,997,633</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, 2012

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,491,458	\$ 533,376	\$ 91,052
Judicial Administration	991,725	381,062	141,222
Legal Administration	415,387	294,674	36,610
Financial Administration	435,315	55,511	-
Public Facilities	595,001	15,186	-
Public Safety	2,056,336	39,983	-
Farm to Market	1,779,617	529,399	40,645
Health and Welfare	594,502	-	-
Extension Service	117,262	-	-
Interest Expense	27,765	-	-
Intergovernmental	179,141	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 8,683,509	\$ 1,849,191	\$ 309,529

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Farm to Market

Hotel/Motel Tax

Other Taxes

Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (867,030)
-	(469,441)
-	(84,103)
-	(379,804)
-	(579,815)
143,538	(1,872,815)
-	(1,209,573)
-	(594,502)
-	(117,262)
-	(27,765)
-	(179,141)
<u>\$ 143,538</u>	<u>(6,381,251)</u>

5,879,978
923,162
153,152
52,197
<u>32,602</u>
<u>7,041,091</u>
659,840
<u>7,337,793</u>
<u>\$ 7,997,633</u>

NOLAN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Major Farm to Market Fund	Other Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 3,248,250	\$ 52,218	\$ 621,141	\$ 3,921,609
Investments - Current	23,358	17,286	11,122	51,766
Taxes Receivable	246,207	32,841	-	279,048
Allowance for Uncollectible Taxes (credit)	(177,269)	(22,989)	-	(200,258)
Receivables (Net)	517,084	17,805	39,116	574,005
Due from Other Funds	13,098	-	-	13,098
Total Assets	<u>\$ 3,870,728</u>	<u>\$ 97,161</u>	<u>\$ 671,379</u>	<u>\$ 4,639,268</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 84,861	\$ 8,038	\$ -	\$ 92,899
Deferred Revenues	553,708	9,852	-	563,560
Total Liabilities	<u>638,569</u>	<u>17,890</u>	<u>-</u>	<u>656,459</u>
Fund Balances:				
Restricted Fund Balance:				
Restricted by Legislation	-	-	276,360	276,360
Retirement of Long-Term Debt	-	-	361,164	361,164
Assigned Fund Balance:				
Farm to Market	-	79,271	-	79,271
Other Purposes	-	-	33,855	33,855
Unassigned Fund Balance	3,232,159	-	-	3,232,159
Total Fund Balances	<u>3,232,159</u>	<u>79,271</u>	<u>671,379</u>	<u>3,982,809</u>
Total Liabilities and Fund Balances	<u>\$ 3,870,728</u>	<u>\$ 97,161</u>	<u>\$ 671,379</u>	<u>\$ 4,639,268</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
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$ 3,982,809
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 \$10,188,808 and the accumulated depreciation was \$7,381,913. 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.)	2,154,892
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 2012 capital outlays and debt principal payments is to increase net assets. (See Note II B for further explanation.)	1,831,308
The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(499,746)
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.)	528,370
Net Assets of Governmental Activities	\$ 7,997,633

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, 2012

	General Fund	Major Farm to Market Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property Taxes	\$ 5,909,759	\$ 931,867	\$ -	\$ 6,841,626
Hotel/Motel Tax	-	-	182,153	182,153
Other Taxes	52,197	-	-	52,197
Licenses and Permits	55,511	369,585	-	425,096
Intergovernmental Revenue and Grants	393,805	40,645	-	434,450
Fines and Fees	847,855	135,376	134,415	1,117,646
Investment Earnings	28,261	2,648	1,693	32,602
Rents and Royalties	15,186	-	-	15,186
Other Revenue	114,566	24,439	8,649	147,654
Total Revenues	<u>7,417,140</u>	<u>1,504,560</u>	<u>326,910</u>	<u>9,248,610</u>
EXPENDITURES:				
Current:				
General Government	1,398,783	-	66,697	1,465,480
Judicial	959,975	-	31,750	991,725
Legal	367,678	-	47,709	415,387
Financial Administration	435,315	-	-	435,315
Public Facilities	509,328	-	-	509,328
Public Safety	1,870,163	-	10,658	1,880,821
Farm to Market	-	1,563,470	-	1,563,470
Health and Welfare	594,502	-	-	594,502
Extension Service	117,262	-	-	117,262
Debt Service:				
Principal Payments	-	50,432	49,000	99,432
Interest Payments	-	3,995	22,770	26,765
Capital Outlay:				
Capital Outlay	1,686,655	45,221	-	1,731,876
Intergovernmental:				
Intergovernmental	179,141	-	-	179,141
Total Expenditures	<u>8,118,802</u>	<u>1,663,118</u>	<u>228,584</u>	<u>10,010,504</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(701,662)</u>	<u>(158,558)</u>	<u>98,326</u>	<u>(761,894)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	8,185	9,585	-	17,770
Transfers In	100,000	-	5,000	105,000
Transfers Out (Use)	(105,000)	-	-	(105,000)
Total Other Financing Sources (Uses)	<u>3,185</u>	<u>9,585</u>	<u>5,000</u>	<u>17,770</u>
Net Change in Fund Balances	(698,477)	(148,973)	103,326	(744,124)
Fund Balance - October 1 (Beginning)	<u>3,930,636</u>	<u>228,244</u>	<u>568,053</u>	<u>4,726,933</u>
Fund Balance - September 30 (Ending)	<u>\$ 3,232,159</u>	<u>\$ 79,271</u>	<u>\$ 671,379</u>	<u>\$ 3,982,809</u>

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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ (744,124)
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 2012 capital outlays and debt principal payments is to increase net assets. (See Note II B for further explanation.)	1,831,308
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.	(499,746)
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.)	72,402
Change in Net Assets of Governmental Activities	\$ 659,840

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, 2012

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,308,376
Total Assets	<u>\$ 1,308,376</u>
LIABILITIES	
Due to Other Funds	\$ 13,098
Due to Other Governments	91,313
Due to Others	<u>1,203,965</u>
Total Liabilities	<u>\$ 1,308,376</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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

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" and subsequently issued guidance. 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 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 Net Assets.

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, 2012**

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, 2012**

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, 2012

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 (b) imposed by law through constitutional provisions or enabling legislation.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. Fund Balances, continued

Nolan County reported the following restricted fund balances:

Debt Service Fund	\$ 361,164
Records Management	44,834
Courthouse Security	146,278
Technology	<u>85,248</u>
Total Restricted Fund Balance	<u>\$ 637,524</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	\$ 3,388
Law Library Fund	17,977
Hot Check Fund	11,637
D.A.R.E. Fund	853
Farm to Market	<u>79,271</u>
Total Assigned Fund Balance	<u>\$ 113,126</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, 2012

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 5 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	3,910,161	885,028	
Furniture and Equipment	5,340,844	3,471,752	1,869,092	
	<u>\$ 10,188,808</u>	<u>\$ 7,381,913</u>	<u>\$ 2,806,895</u>	2,806,895
Bond Issuance Cost				9,000
Change in Net Assets				<u>2,815,895</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 524,000	
Capital Leases Payable			82,703	
Compensated Absences			54,300	
Change in Net Assets			<u>\$ 661,003</u>	<u>(661,003)</u>
Net Adjustment to Net Assets				<u>\$ 2,154,892</u>

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

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 5 and 7 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	\$ 1,731,876		
Total Capital Outlay	<u>\$ 1,731,876</u>	\$ 1,731,876	\$ 1,731,876
<u>Debt Principal Payments</u>			
Bond Principal	\$ 49,000		
Capital Lease Principal	50,432		
Total Principal Payments	<u>\$ 99,432</u>	<u>99,432</u>	<u>99,432</u>
		<u>\$ 1,831,308</u>	<u>\$ 1,831,308</u>

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

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 5 and 7 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:

	<u>Amount</u>	<u>Adjustments to Changes In Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes collected from prior year levies	\$ 84,746	\$ (84,746)	\$ -
Uncollected taxes (assumed collectible) from current year levy	18,598	18,598	18,598
Uncollected taxes (assumed collectible) from prior year levy	60,192		60,192
Adjustment to prior year estimate of collectible taxes	27,662	27,662	
Subtotal		<u>(38,486)</u>	<u>78,790</u>
<u>Adjustments to Receivables and Revenue</u>			
Beginning balance in other receivables	338,692	-	338,692
Change in other receivables	146,078	146,078	146,078
Amortization of bond issuance costs	1,000	(1,000)	(1,000)
Disposal of capital assets, net	30,623	(30,623)	(30,623)
Subtotal		<u>114,455</u>	<u>453,147</u>
<u>Adjustments to Expenses and Liabilities</u>			
Increase in unused vacation	3,567	(3,567)	(3,567)
Subtotal		<u>(3,567)</u>	<u>(3,567)</u>
Total Adjustments		<u>\$ 72,402</u>	<u>\$ 528,370</u>

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

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, 2012, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,921,609 and the bank balance was \$4,101,097. The County's deposits as of September 30, 2012 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, 2012**

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, 2012 consisted of the following:

Tex Pool	\$ <u>51,766</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, 2012 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, 2012 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, 2012**

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

B. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables at September 30, 2012 consisted of:

Due to General Fund	From Trust & Agency	\$	13,098	Admin Fees
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C. INTERFUND TRANSFERS

Transfer from:	Transfer to:	Amount	Purpose
General Fund	Jury Fund	\$ 5,000	Operating expenses
General Reserve	General Fund	100,000	Operating expenses
Total Transfers		<u>\$ 105,000</u>	

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2012, were as follows:

	Property Taxes	Fines & Fees	Totals
Governmental Activities			
General Fund	\$ 246,207	\$ 3,137,282	\$ 3,383,489
Farm to Market	32,841	17,805	50,646
Other Funds		39,116	39,116
Total Governmental Activities	279,048	3,194,203	3,473,251
Allowance for Uncollectible	(200,258)	(2,620,198)	(2,820,456)
Net Receivables	<u>\$ 78,790</u>	<u>\$ 574,005</u>	<u>\$ 652,795</u>

Payables at September 30, 2012 reported on the County's fund statements were as follows:

	Accounts Payable	Totals
Governmental Activities		
General Fund	\$ 84,861	\$ 84,861
Farm to Market	8,038	8,038
	<u>\$ 92,899</u>	<u>\$ 92,899</u>
Total Governmental Activities		
Amounts not scheduled for payment during the subsequent year	-	-
	<u>\$ -</u>	<u>\$ -</u>

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

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, 2012 was as follows:

	Balance October 1, 2011	Additions	Retirements	Reclass	Balance September 30, 2012
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 52,775	\$ 61,200	\$ -	\$ -	\$ 113,975
Construction In Progress	-	1,325,282	-	-	1,325,282
Total Non-depreciable Assets	<u>52,775</u>	<u>1,386,482</u>	<u>-</u>	<u>-</u>	<u>1,439,257</u>
Depreciable Assets:					
Buildings and Improvements	4,795,189	-	-	(63,360)	4,731,829
Machinery and Equipment	<u>5,340,844</u>	<u>345,394</u>	<u>220,463</u>	<u>63,360</u>	<u>5,529,135</u>
Total Depreciable Assets	<u>10,136,033</u>	<u>345,394</u>	<u>220,463</u>	<u>-</u>	<u>10,260,964</u>
Totals at Historic Cost	<u>10,188,808</u>	<u>1,731,876</u>	<u>220,463</u>	<u>-</u>	<u>11,700,221</u>
Less Accumulated Depreciation:					
Buildings and Improvements	3,910,161	59,873	-	(25,344)	3,944,660
Furniture and Equipment	<u>3,471,752</u>	<u>439,903</u>	<u>189,840</u>	<u>25,344</u>	<u>3,747,159</u>
Total Accumulated Depreciation	<u>7,381,913</u>	<u>499,746</u>	<u>189,840</u>	<u>-</u>	<u>7,691,819</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,806,895</u>	<u>\$ 1,232,130</u>	<u>\$ (30,623)</u>	<u>-</u>	<u>\$ 4,008,402</u>

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

General Government	\$ 22,411
Public Facilities	85,673
Public Safety	175,515
Farm to Market	<u>216,147</u>
Total Depreciation Expense	<u>\$ 499,746</u>

F. DEFERRED REVENUE

Deferred revenue at year-end as reported on Page 4 of the Funds Statements consisted of the following:

	General Fund	Farm to Market Fund	Total
Net Tax Revenue	\$ 68,938	\$ 9,852	\$ 78,790
Net Fines & Fees Revenue	<u>484,770</u>	<u>-</u>	<u>484,770</u>
Total Deferred Revenue	<u>\$ 553,708</u>	<u>\$ 9,852</u>	<u>\$ 563,560</u>

Adjustments required for Government-Wide Statement of Net Assets decreased deferred revenue by \$563,560.

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

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, 2012, accrued employee benefits recorded on the Statement of Net Assets were for vacation pay and amounted to \$57,867.

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>
2013	\$ 32,271	\$ 1,504	\$ 33,775
Total	<u>\$ 32,271</u>	<u>\$ 1,504</u>	<u>\$ 33,775</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, 2012:

	<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	\$ 475,000

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

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>
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	60,000	10,923	70,923
2018-2020	197,000	16,957	213,957
Total	<u>\$ 475,000</u>	<u>\$ 95,241</u>	<u>\$ 570,241</u>

J. CHANGES IN LONG-TERM LIABILITIES

Long-term debt activity for the year ended September 30, 2012, was as follows:

	<u>Beginning Balance October 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds, Loans and Leases Payable:					
Certificates of Obligation Bonds	\$ 524,000	\$ -	\$ 49,000	\$ 475,000	\$ 51,000
Capital Leases Payable	82,703	-	50,432	32,271	32,271
Total Bonds, Loans and Leases Payable	<u>606,703</u>	<u>-</u>	<u>99,432</u>	<u>507,271</u>	<u>83,271</u>
Other Liabilities:					
Compensated Absences	54,300	3,567	-	57,867	-
Total Governmental Activities Long-term Liabilities	<u>\$ 661,003</u>	<u>\$ 3,567</u>	<u>\$ 99,432</u>	<u>\$ 565,138</u>	<u>\$ -</u>

K. RISK MANAGEMENT

Health Insurance

During the year ended September 30, 2012, employees of Nolan County were covered by a health insurance plan (the Plan). The County paid health insurance premiums of \$534.36 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.

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

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

Workers' Compensation

During the year ended September 30, 2012, employees of Nolan County were covered by a workers' compensation plan administered by the Texas Association of Counties. The County paid a contribution of \$57,369 for the year ended September 30, 2012. These figures are subject to change based upon actual payroll figures.

K. 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 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, 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.

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 9.35% for the months of the accounting year in 2011 and 9.75% for the months of the accounting year in 2012.

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

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

L. RETIREMENT PLAN, continued

The deposit rate payable by the employee members for calendar year 2012 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, 2012, the annual pension cost for the TCDRS plan for its employees was \$329,152 and the actual contributions were \$329,152.

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8.0 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, 2011 was 20 years.

Funded Status and Funding Progress.

As of December 31, 2011, the most recent actuarial valuation date, the plan was 80.35 percent funded. The actuarial accrued liability for benefits was \$10,493,510, and the actuarial value of assets was \$8,431,533, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,061,977. The covered payroll (annual payroll of active employees covered by the plan) was \$3,827,515, and the ratio of the UAAL to the covered payroll was 53.87 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, 2012

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

L. RETIREMENT PLAN, continued

Actuarial Valuation Information:

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage	level percentage	level percentage
	of payroll, closed	of payroll, closed	of payroll, closed
Amortization period	20 years	20 years	20 years
Asset valuation method	SAF: 10 years	SAF: 10 years	SAF: 10 years
	smoothed value	smoothed value	smoothed value
	EFS: Fund value	EFS: Fund value	EFS: Fund value
Actuarial Assumptions			
Investment Return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	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
9/30/10	304,214	100%	-0-
9/30/11	325,290	100%	-0-
9/30/12	329,152	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.

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

V. COMMITMENTS AND CONTINGENCIES, continued

C. Subsequent Events

During the year ended September 30, 2012, a petition was received in June 2012 calling for a bond election. Three propositions were placed on the November 6, 2012 General Election ballot. All three propositions passed the election and General Obligation Bonds will be issued in the amount of approximately \$15.7 million during the 2013 fiscal year. Information on the bonds is listed below.

- **Bonds** – Direct obligations of the County, payable from a continuing annual ad valorem tax levied on all taxable property within the County, within the limits prescribed by law.

- **Purpose** – Proceeds from the sale of the Bonds will be used for the purpose of (1) constructing and equipping a new county jail (including the Sheriff's Department) and the purchase of land there fore located west of the city of Sweetwater in the vicinity of Avenger Field; (2) renovating and remediating the Courthouse façade; and (3) payment of professional services and costs of issuance related thereto.

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)
12/31/09	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%
12/31/11	8,431,533	10,493,510	2,061,977	80.35%	3,827,515	53.87%

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

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP Basis (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 5,874,129	\$ 5,874,129	\$ 5,909,759	\$ 35,630
Other Taxes	40,000	40,000	52,197	12,197
Licenses and Permits	49,000	49,000	55,511	6,511
Intergovernmental Revenue and Grants	169,291	328,912	393,805	64,893
Fines and Fees	772,250	772,250	847,855	75,605
Investment Earnings	17,000	17,000	28,261	11,261
Rents and Royalties	15,420	15,420	15,186	(234)
Other Revenue	66,550	66,550	114,566	48,016
Total Revenues	7,003,640	7,163,260	7,417,140	253,880
EXPENDITURES:				
Current:				
General Government	1,900,252	1,722,500	1,398,783	323,717
Judicial	935,113	958,313	959,975	(1,662)
Legal	399,943	405,786	367,678	38,108
Financial Administration	442,859	442,859	435,315	7,544
Public Facilities	563,079	563,079	509,328	53,751
Public Safety	2,002,847	1,959,147	1,870,163	88,984
Health and Welfare	495,642	602,514	594,502	8,012
Extension Service	120,036	120,036	117,262	2,774
Capital Outlay:				
Capital Outlay	-	245,157	1,686,655	(1,441,498)
Intergovernmental:				
Intergovernmental	182,656	182,656	179,141	3,515
Total Expenditures	7,042,427	7,202,047	8,118,802	(916,755)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,787)	(38,787)	(701,662)	(662,875)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	8,185	8,185
Transfers In	100,000	100,000	100,000	-
Transfers Out (Use)	(110,000)	(110,000)	(105,000)	5,000
Total Other Financing Sources (Uses)	(10,000)	(10,000)	3,185	13,185
Net Change	(48,787)	(48,787)	(698,477)	(649,690)
Fund Balance - October 1 (Beginning)	3,930,636	3,930,636	3,930,636	-
Fund Balance - September 30 (Ending)	\$ 3,881,849	\$ 3,881,849	\$ 3,232,159	\$ (649,690)

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	\$ 927,355	\$ 927,355	\$ 931,867	\$ 4,512
Licenses and Permits	400,000	400,000	369,585	(30,415)
Intergovernmental Revenue and Grants	30,000	30,000	40,645	10,645
Fines and Fees	133,000	133,000	135,376	2,376
Investment Earnings	3,000	3,000	2,648	(352)
Other Revenue	-	-	24,439	24,439
Total Revenues	1,493,355	1,493,355	1,504,560	11,205
EXPENDITURES:				
Current:				
Farm to Market	1,860,034	1,860,034	1,563,470	296,564
Debt Service:				
Principal Payments	-	50,432	50,432	-
Interest Payments	-	3,995	3,995	-
Capital Outlay:				
Capital Outlay	250,000	195,573	45,221	150,352
Total Expenditures	2,110,034	2,110,034	1,663,118	446,916
Excess (Deficiency) of Revenues Over (Under) Expenditures	(616,679)	(616,679)	(158,558)	458,121
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	9,585	9,585
Total Other Financing Sources (Uses)	-	-	9,585	9,585
Change in Fund Balance	(616,679)	(616,679)	(148,973)	467,706
Fund Balance - October 1 (Beginning)	228,244	228,244	228,244	-
Fund Balance - September 30 (Ending)	\$ (388,435)	\$ (388,434)	\$ 79,271	\$ 467,705

NOLAN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012

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 2012 budget were approved by the Commissioners' Court as provided by law. The General Fund had expenditures over appropriations during the year ending September 30, 2012 in the capital outlay and judicial line items. A piece of the granite façade of the courthouse had come loose and had fallen. It was necessary to have the façade removed for safety and a study done on how to repair or replace the façade.

COMBINING STATEMENTS

NOLAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E. Fund
ASSETS				
Cash and Cash Equivalents	\$ 3,388	\$ 17,977	\$ 11,637	\$ 853
Investments - Current	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 3,388</u>	<u>\$ 17,977</u>	<u>\$ 11,637</u>	<u>\$ 853</u>
Fund Balances:				
Restricted Fund Balance:				
Restricted by Legislation	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Assigned Fund Balance:				
Other Purposes	<u>3,388</u>	<u>17,977</u>	<u>11,637</u>	<u>853</u>
Total Fund Balances	<u>3,388</u>	<u>17,977</u>	<u>11,637</u>	<u>853</u>
Total Liabilities and Fund Balances	<u>\$ 3,388</u>	<u>\$ 17,977</u>	<u>\$ 11,637</u>	<u>\$ 853</u>

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security Fund	County Technology Fund	Total Nonmajor Special Revenue Funds	Coliseum Debt Service Fund	Total Nonmajor Governmental Funds
\$ 19,464	\$ 22,468	\$ 2,902	\$ 146,278	\$ 85,248	\$ 310,215	\$ 310,926	\$ 621,141
-	-	-	-	-	-	11,122	11,122
-	-	-	-	-	-	39,116	39,116
<u>\$ 19,464</u>	<u>\$ 22,468</u>	<u>\$ 2,902</u>	<u>\$ 146,278</u>	<u>\$ 85,248</u>	<u>\$ 310,215</u>	<u>\$ 361,164</u>	<u>\$ 671,379</u>
19,464	22,468	2,902	146,278	85,248	276,360	-	276,360
-	-	-	-	-	-	361,164	361,164
-	-	-	-	-	33,855	-	33,855
<u>19,464</u>	<u>22,468</u>	<u>2,902</u>	<u>146,278</u>	<u>85,248</u>	<u>310,215</u>	<u>361,164</u>	<u>671,379</u>
<u>\$ 19,464</u>	<u>\$ 22,468</u>	<u>\$ 2,902</u>	<u>\$ 146,278</u>	<u>\$ 85,248</u>	<u>\$ 310,215</u>	<u>\$ 361,164</u>	<u>\$ 671,379</u>

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

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E. Fund
REVENUES:				
Taxes:				
Hotel/Motel Tax	\$ -	\$ -	\$ -	\$ -
Fines and Fees	746	6,020	35,747	-
Investment Earnings	38	-	-	-
Other Revenue	8,649	-	-	-
Total Revenues	<u>9,433</u>	<u>6,020</u>	<u>35,747</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Judicial	16,400	8,275	-	-
Legal	-	-	35,853	-
Public Safety	-	-	-	4,084
Debt Service:				
Principal Payments	-	-	-	-
Interest Payments	-	-	-	-
Total Expenditures	<u>16,400</u>	<u>8,275</u>	<u>35,853</u>	<u>4,084</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,967)</u>	<u>(2,255)</u>	<u>(106)</u>	<u>(4,084)</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	(1,967)	(2,255)	(106)	(4,084)
Fund Balance - October 1 (Beginning)	<u>5,355</u>	<u>20,232</u>	<u>11,743</u>	<u>4,937</u>
Fund Balance - September 30 (Ending)	<u>\$ 3,388</u>	<u>\$ 17,977</u>	<u>\$ 11,637</u>	<u>\$ 853</u>

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security Fund	County Technology Fund	Total Nonmajor Special Revenue Funds	Coliseum Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,153	\$ 182,153
7,525	46,225	5,001	19,703	13,448	134,415	-	134,415
-	150	-	-	-	188	1,505	1,693
-	-	-	-	-	8,649	-	8,649
<u>7,525</u>	<u>46,375</u>	<u>5,001</u>	<u>19,703</u>	<u>13,448</u>	<u>143,252</u>	<u>183,658</u>	<u>326,910</u>
10,000	56,697	-	-	-	66,697	-	66,697
-	-	-	7,075	-	31,750	-	31,750
-	-	11,856	-	-	47,709	-	47,709
-	-	-	-	6,574	10,658	-	10,658
-	-	-	-	-	-	49,000	49,000
-	-	-	-	-	-	22,770	22,770
<u>10,000</u>	<u>56,697</u>	<u>11,856</u>	<u>7,075</u>	<u>6,574</u>	<u>156,814</u>	<u>71,770</u>	<u>228,584</u>
<u>(2,475)</u>	<u>(10,322)</u>	<u>(6,855)</u>	<u>12,628</u>	<u>6,874</u>	<u>(13,562)</u>	<u>111,888</u>	<u>98,326</u>
-	-	-	-	-	5,000	-	5,000
-	-	-	-	-	5,000	-	5,000
(2,475)	(10,322)	(6,855)	12,628	6,874	(8,562)	111,888	103,326
<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>\$ 19,464</u>	<u>\$ 22,468</u>	<u>\$ 2,902</u>	<u>\$ 146,278</u>	<u>\$ 85,248</u>	<u>\$ 310,215</u>	<u>\$ 361,164</u>	<u>\$ 671,379</u>

NOLAN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BALANCE OCTOBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2012
UNCLAIMED MONEY				
Assets:				
Cash and Cash Equivalents	\$ 97	\$ -	\$ -	\$ 97
Liabilities:				
Due to Others	\$ 97	\$ -	\$ -	\$ 97
TRUST & AGENCY				
Assets:				
Cash and Cash Equivalents	\$ 89,886	\$ 369,680	\$ 355,155	\$ 104,411
Liabilities:				
Due to Other Funds	\$ -	\$ 13,098	\$ -	\$ 13,098
Due to Other Governments	89,886	356,582	355,155	91,313
Total Liabilities	\$ 89,886	\$ 369,680	\$ 355,155	\$ 104,411
RESTITUTION FUND				
Assets:				
Cash and Cash Equivalents	\$ 73,146	\$ 80,808	\$ 28,389	\$ 125,565
Liabilities:				
Due to Others	\$ 73,146	\$ 80,808	\$ 28,389	\$ 125,565
EXTRADITIONS FUND				
Assets:				
Cash and Cash Equivalents	\$ 17,179	\$ 1,936	\$ 4,851	\$ 14,264
Liabilities:				
Due to Others	\$ 17,179	\$ 1,936	\$ 4,851	\$ 14,264
DISTRICT ATTORNEY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 195,294	\$ 32,891	\$ 48,358	\$ 179,827
Liabilities:				
Due to Others	\$ 195,294	\$ 32,891	\$ 48,358	\$ 179,827
SHERIFF FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 93,808	\$ 167,511	\$ 176,572	\$ 84,747
Liabilities:				
Due to Others	\$ 93,808	\$ 167,511	\$ 176,572	\$ 84,747
TAX ACCESSOR COLLECTOR FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 128,542	\$ 2,721,844	\$ 2,691,190	\$ 159,196
Liabilities:				
Due to Others	\$ 128,542	\$ 2,721,844	\$ 2,691,190	\$ 159,196

NOLAN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BALANCE OCTOBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2012
COUNTY COURT FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 608,095	\$ 26,100	\$ 223,287	\$ 410,908
Liabilities:				
Due to Others	\$ 608,095	\$ 26,100	\$ 223,287	\$ 410,908
DISTRICT CLERK FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 188,180	\$ 158,650	\$ 117,469	\$ 229,361
Liabilities:				
Due to Others	\$ 188,180	\$ 158,650	\$ 117,469	\$ 229,361
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 1,394,227	\$ 3,559,420	\$ 3,645,271	\$ 1,308,376
Liabilities:				
Due to Other Funds	\$ -	\$ 13,098	\$ -	\$ 13,098
Due to Other Governments	89,886	356,582	355,155	91,313
Due to Others	1,304,341	3,189,740	3,290,116	1,203,965
Total Liabilities	\$ 1,394,227	\$ 3,559,420	\$ 3,645,271	\$ 1,308,376

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 (the County), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective 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 opinions 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.


Certified Public Accountants

Abilene, Texas
January 8, 2013