

MATAGORDA COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

Prepared by
Ellen Dodd, Matagorda County Auditor



Matagorda County
 Comprehensive Annual Financial Report
 For The Year Ended December 31, 2012

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Introductory Section





ELLEN DODD

COUNTY AUDITOR

MATAGORDA COUNTY
1700 SEVENTH STREET, ROOM 326
BAY CITY, TEXAS 77414-5095
(409) 244-7611

Honorable District Judges of Matagorda County and
Honorable Members of the Matagorda County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas requires the issuance within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Matagorda County for the fiscal year ended December 31, 2012.

This report consists of management's representations concerning the finances of Matagorda County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Matagorda County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Matagorda County's financial statements have been audited by Reed & Associates, PC, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2012, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended December 31, 2012, are presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The independent audit of the financial statements of Matagorda County was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are included in the Single Audit section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Matagorda County's MD&A can be found immediately following the report of the independent auditors. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules. The statistical section of the report includes selected financial and demographic information, which is generally presented on a multi-year basis.

PROFILE OF MATAGORDA COUNTY

The County of Matagorda, created in 1836 is rich in history and tradition. The County is located between Galveston and Corpus Christi along the Gulf Coast and enjoys a diversity of geography from its wide expanse of prairies to the many creeks, rivers, lakes, bays and Gulf of Mexico. Matagorda County occupies an area of 1,115 square miles and serves an estimated population of 36,702. The County is a political subdivision of the State of Texas. Neighboring counties are Brazoria, Wharton and Jackson.

The County operates as specified under the Constitution of the State of Texas and Vernon's Texas Code Annotated, which provide for a Commissioners Court consisting of the County Judge and four County Commissioners, one from each of four geographical precincts. The Commissioners Court is the governing body of the County. The County Judge is elected at large to serve a four-year term and the Commissioners serve four-year staggered terms, two members elected every two years.

The Commissioners Court has certain powers granted to it by the state legislature. Its duties include adoption of the budget, setting of the tax rates, approval of contracts, appointment of certain county officials and the development of policies and orders. The Commissioners Court shares the financial controls of the County with the County Auditor who is appointed according to Texas State statutes for two year terms by the District Judges. The County Auditor holds the basic responsibilities for establishing accounting policies and procedures, maintaining the records of all financial transactions of the County, and "examining and approving" disbursements from county funds prior to their submission to the Commissioners Court for payment.

Matagorda County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. These include volunteer fire departments, libraries and the museum. A primary service is the administration of justice, which includes the county and district courts, justices of the peace, constables, district attorney, clerks of the courts, sheriff, jail, and bailiffs. Other functions performed by the County include juvenile services, maintaining public health and welfare and the construction and maintenance of roads and bridges.

BUDGET

The annual budget serves as the foundation for the County's planning and control. Budgetary control is maintained at the subtotal level of the County budget for the following categories: Personnel, Operating Costs, Capital Outlay and Debt. Expenditures for current operating funds may not exceed available cash balances in such funds at January 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues, expenditures, or actual beginning fund balances in excess of budgeted estimates, provided that Commissioners Court declares the existence of an emergency necessitating the increase. All annual budget appropriations lapse at year end with the exception of the Commissioner's budgets. Prior to year end, the Commissioners commit a portion of unrestricted General Fund balance for the unspent portion of their precinct budgets. The County also maintains an encumbrance accounting system for the general fund as one method of maintaining budgetary control. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.

LONG TERM FINANCIAL PLANNING

The long term financial plans of the County consist of continued infrastructure improvement for roads and bridges and efforts to explore avenues for enhanced economic growth. The Commissioners Court adopted an updated tax abatement policy to aid in negotiations with potential industrial clients and to continue to attract growth for Matagorda County.

Additional appropriations for courthouse maintenance and repairs were approved to preserve our capital assets to ensure they reach their potential life expectancy.

LOCAL ECONOMY

An understanding of the financial condition of Matagorda County is enhanced through a perspective of the environment in which the County operates. Matagorda County's primary economic bases include utilities, petrochemical processing, transmission, agriculture, commercial fishing and tourism. Matagorda County has outstanding opportunities for industry growth because of its location and proximity to the Gulf of Mexico, the Colorado River and the Gulf Intercoastal Canal waterway as well as rail accessibility.

For several years, Matagorda County has partnered with the South Texas Project Nuclear Operating Company in providing Emergency Preparedness Training and Operations Drills for the safety of its citizens. This contract is not only financially favorable to the County, but has also provided invaluable emergency preparedness skills and a network of cooperation between the County leaders and departments and its industry neighbors. Through a joint partnership with the South Texas Project and Wharton County Junior College, the South Texas Center for Energy Development continues to serve as a career center for staffing at STP and also offers classes focusing on process-technology and power-technology programs to train students for work at chemical, industrial and nuclear plants.

Matagorda Regional Medical Center serves the community at its 117,000 square-foot facility located on 45 acres of land on Texas 35 west. This two-story acute care hospital has 58 patient rooms, offers expanded services, and attractive and comfortable patient and visitor areas. Currently a 40,000 square foot medical office bldg is under construction on the MRMC campus. This two-story facility will provide space for a Diagnostic Center for outpatient testing as well as physician clinic space.

The economic outlook for Matagorda County remains positive for the future. The County is currently in negotiations with potential clients for added industry and hopes that with this addition, more business opportunities will follow. The South Texas Project Nuclear Operating Company continues toward its plans to build two additional units at the site in the near future. Although the expansion has been delayed while the industry recovers from the aftermath of the nuclear disaster in Japan, the preparation continues. The future construction would bring temporary jobs to the community and upon completion provide approximately 1,000 permanent jobs to Matagorda County. Tourism continues to grow as Matagorda's coastline is developed and discovered by those who enjoy fishing, beach and river activities or just relaxing.

FINANCIAL POLICIES

The County has adopted an investment policy as required by state law and in conformity with state investment statutes. The investment policy as adopted by the County employs the prudent person concept in that priorities were established as to the investment vehicles the County would use. Compliance with the laws of the State of Texas and Safety were established as first priorities, followed by liquidity, low risk and diversification with an active versus passive management philosophy maintaining high professional and ethical standards. The County Treasurer is responsible for administering all of the investment of idle funds in the County. For the last several years, the County's depository has provided better interest rates than comparable liquid investments. During the fiscal year, the County earned approximately \$0.15 million interest on the funds invested.

In 2011 the County established a Fund Balance Policy in accordance with Governmental Accounting Standards Board Statement 54, adopting new classifications of fund balance, the method for committing fund balance and setting the order in which resources will be expended.

The County is responsible for establishing its tax rate. For the fiscal year ended December 31, 2012, the tax rate to finance general governmental services was \$0.27750 per \$100 valuation and the tax rate for the payment of principal and interest on long-term debt was \$0.00412 per \$100 of valuation.

In addition, the County also has the following financial policies:

- The Commissioners Court of the County shall formally adopt the annual budget prepared by the Budget Officer, members of the Commissioners Court and the County Auditor.
- Expenditures are controlled not to exceed available resources. All elected officials and department heads are required to keep expenditures within allocated budgets.
- Balanced financial operations will be maintained. Adequate internal accounting controls are developed and maintained to safeguard assets and provide reasonable assurance of proper recording of financial transactions.
- The County continues its effort on the replacement and upgrade of software when needed and it has provided funding when possible.
- Delivery of service to the constituents.
- Restrain the debt issuance to keep the tax rate low.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Matagorda County for its comprehensive annual financial report for the fiscal year ended December 31, 2011. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 9 consecutive years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to members of the Commissioners Court and to the District Judges for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner. The timely completion of this report could not have been achieved without the dedicated efforts of the entire staff of the Office of County Auditor and the professional services provided by our independent Auditor, Reed & Associates, P.C.

Respectfully submitted,

Ellen Dodd, County Auditor
Matagorda County, Texas
June 3, 2013

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Matagorda County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morinell

President

Jeffrey R. Emer

Executive Director

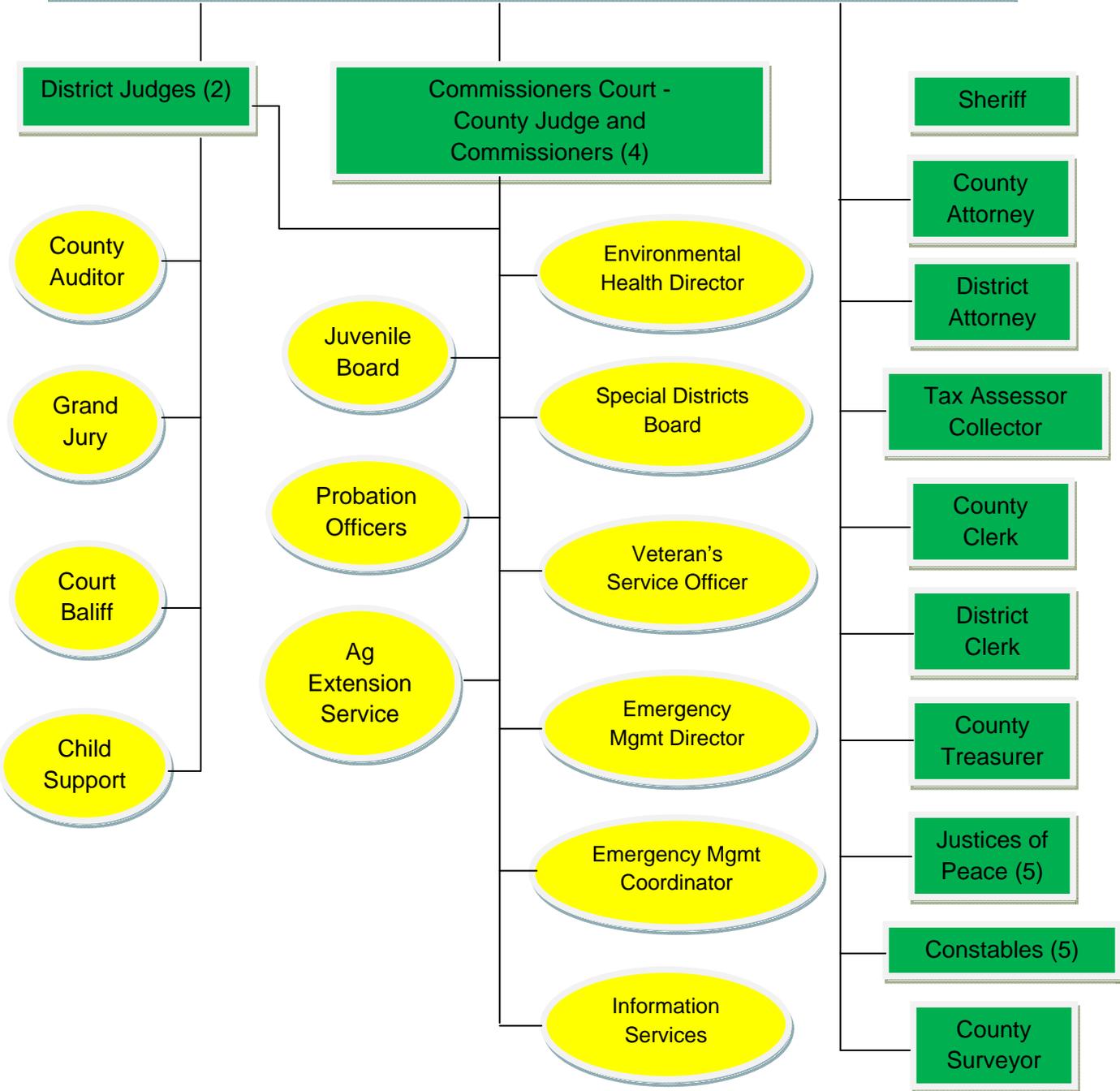


MATAGORDA COUNTY Organization Chart

Elected Officials

Appointed Officials

Matagorda County Voters



MATAGORDA COUNTY
LIST OF ELECTED AND APPOINTED OFFICIAL
DECEMBER 31, 2012

Elected Officials

Judge, 23 rd Judicial District	Ben Hardin
Judge, 130 th Judicial District	Craig Estlinbaum
County Judge	Nate McDonald
Commissioner, Precinct #1	Dan Pustka
Commissioner, Precinct #2	Kent Pollard
Commissioner, Precinct #3	James Gibson
Commissioner, Precinct #4	David J. Woodson
County Sheriff	Gary Mathis
County Attorney	Jill Cornelius
District Attorney	Steven Reis
County Tax Collector	Cristyn Hallmark
County Clerk	Janet Hickl
District Clerk	Becky Denn
County Treasurer	Tammy McDonald
Justice of Peace, Precinct #1	Jeannette Bell
Justice of Peace, Precinct #2	Suzan Thompson
Justice of Peace, Precinct #3	Jerry Purvis
Justice of Peace, Precinct #4	Mark Finlay
Justice of Peace, Precinct #6	Ray Taggart
Constable, Precinct #1	Raymond Green
Constable, Precinct #2	Frank Craft
Constable, Precinct #3	Pat Jewell
Constable, Precinct #4	Pete Medina
Constable, Precinct #6	Tom Ward
County Surveyor	James Rother

Appointed Officials

County Auditor	Ellen Dodd
Court Bailiff	Bill Orton
Child Support	Marlene Wells
Ag Extension Agent	Brent Batchelor
Environmental Health Director	Ruben Gonzales
Veterans Service Officer	Frank Osborne
Emergency Management Director	Nate McDonald
Emergency Management Coordinator	Doug Matthes
Information Services	Chris Peikert

Financial Section



Reed & Associates, PC

Certified Public Accountants
1717 8th Street, Suite 5
Bay City, Texas 77414
(979) 245-7361 ~ (979) 245-3081 (fax)
auditors@swbell.net

INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Matagorda County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated May 24, 2013, on our consideration of Matagorda 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the County's internal control over financial reporting and compliance.

Respectfully submitted,

Reed & Associates, PC

Bay City, Texas
May 24, 2013

MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

This discussion and analysis of Matagorda County's financial performance provides a narrative overview of the County's financial activities for the fiscal year ended December 31, 2012. The information presented here should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Matagorda County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

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

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

Both of the government-wide statements distinguish between functions of Matagorda 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 activities). The governmental activities of the County include general government, justice, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Matagorda County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus 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 funds 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*.

MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund and the intergovernmental grants fund. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-funded health insurance program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County uses agency funds to account for various assets held for the benefit of others.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. The combining statements and individual fund budgetary comparison schedules are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County's net position for the years ending December 31, 2012 and 2011 are summarized as follows:

MATAGORDA COUNTY'S NET POSITION

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Current and other assets	\$ 26,587,260	\$ 25,111,663	\$ 1,475,597
Capital Assets	<u>17,202,702</u>	<u>17,395,536</u>	<u>(192,834)</u>
Total assets	<u>43,789,962</u>	<u>42,507,199</u>	<u>1,282,763</u>
Current and other liabilities	1,372,694	14,209,867	(12,837,173)
Long-term liabilities	<u>5,626,675</u>	<u>4,581,465</u>	<u>1,045,210</u>
Total liabilities	<u>6,999,369</u>	<u>18,791,332</u>	<u>(11,791,963)</u>
Total deferred inflow of resources	<u>13,641,393</u>	<u>-</u>	<u>13,641,393</u>

MATAGORDA COUNTY'S NET POSITION - CONTINUED

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Invested in Capital Assets, net of related debt	16,401,437	16,381,686	19,751
Restricted for debt service	13,598	4,324	9,274
Restricted for legislative purposes	880,799	1,091,807	(211,008)
Unrestricted	<u>5,853,366</u>	<u>6,238,050</u>	<u>(384,684)</u>
 Total net position	 <u>\$ 23,149,200</u>	 <u>\$ 23,715,867</u>	 <u>\$ (566,667)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Matagorda County, assets exceeded liabilities by \$23,149,200 at the close of the most recent fiscal year.

Seventy-one percent (71%) of the County's net position, \$16,401,437, reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The County uses capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Current liabilities decreased \$12,837,173, while deferred inflow of resources increased \$13,641,393. Due to the implementation of Governmental Accounting Standard #63 (GASB) "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" unearned and unavailable current year tax revenue has been reclassified from unearned current liability to a deferred inflow of resources. This reduction was offset by an increase in the County's OPEB obligation of \$1,244,856.

The County's changes in net position for the years ended December 31, 2012 and 2011 are as follows:

MATAGORDA COUNTY'S CHANGES IN NET POSITION

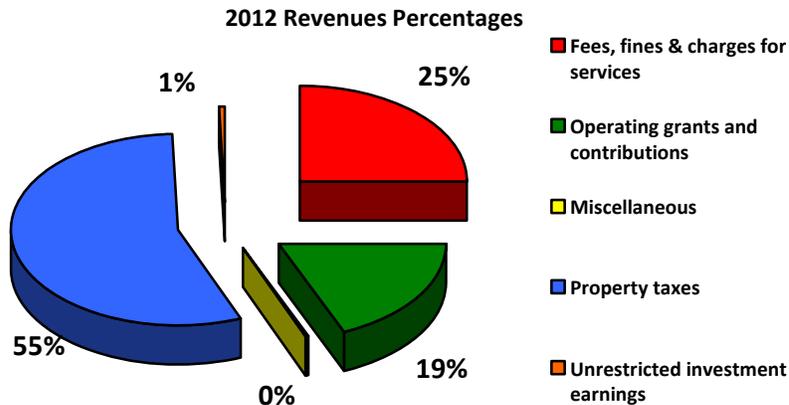
	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>Variance</u>
Revenues:			
Program revenues:			
Fees, fines and charges for services	\$ 5,761,078	\$ 5,950,174	\$ (189,096)
Operating grants and contributions	4,251,542	2,365,253	1,886,289
General revenues:			
Property taxes	12,758,819	12,243,775	515,044
Miscellaneous	33,357	117,281	(83,924)
Unrestricted investment earnings	<u>133,153</u>	<u>230,264</u>	<u>(97,111)</u>
 Total revenues	 <u>22,937,949</u>	 <u>20,906,747</u>	 <u>2,031,202</u>

MATAGORDA COUNTY'S CHANGES IN NET POSITION - CONTINUED

	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>Variance</u>
Expenses:			
General government	3,573,090	3,238,152	334,938
Justice system	3,393,214	3,617,128	(223,914)
Public safety	3,379,800	3,441,085	(61,285)
Corrections & rehabilitation	2,036,930	2,246,252	(209,322)
Health and human services	1,354,286	1,364,578	(10,292)
Community & economic development	1,324,645	2,289,523	(964,878)
Infrastructure and environmental svcs.	5,671,712	6,881,349	(1,209,637)
Intergovernmental	2,604,849	290,001	2,314,848
Interest on debt	37,868	40,020	(2,152)
Total expenses	<u>23,376,394</u>	<u>23,408,088</u>	<u>(31,694)</u>
Increase (decrease) in net position	<u>(438,445)</u>	<u>(2,501,341)</u>	<u>2,062,896</u>
Net position - beginning	23,715,867	26,217,208	(2,501,341)
Prior period adjustment	(128,222)	-	(128,222)
Net position - restated	<u>23,587,645</u>	<u>26,217,208</u>	<u>(2,629,563)</u>
Net position - ending	<u>\$ 23,149,200</u>	<u>\$ 23,715,867</u>	<u>\$ (566,667)</u>

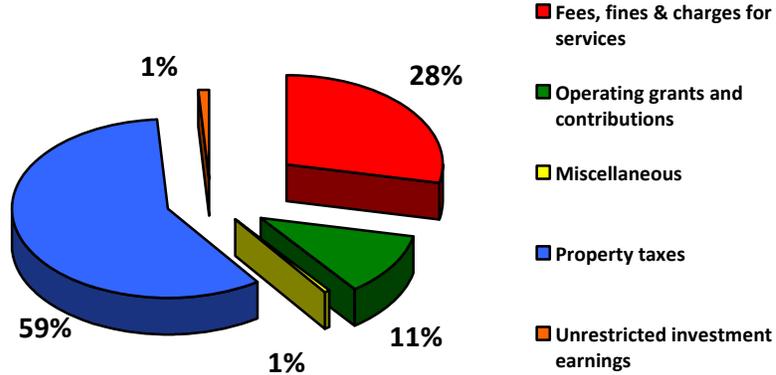
Governmental activities decreased the County's net position by only \$438,445 compared to a prior year reduction of \$2,501,341. The following are some of the more significant factors contributing to the net change in position:

- Operating grants and contributions increased \$1,886,289, intergovernmental costs increased \$2,314,848 as a result of these grants while community & economic development costs decreased \$964,878 of which \$900,145 represented grant funds from the prior year.
- Tax revenue increased by \$515,044 as a result of a slight increase in value.
- Amortized other post employment benefits of \$1,244,856 were recognized.
- Depreciation expense decreased for the year by \$903,243 due to fully depreciated infrastructure assets in the prior year.

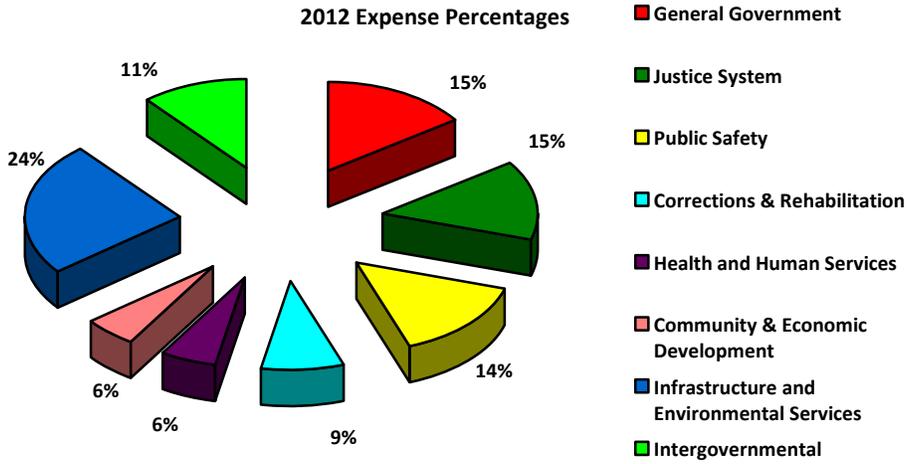


MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

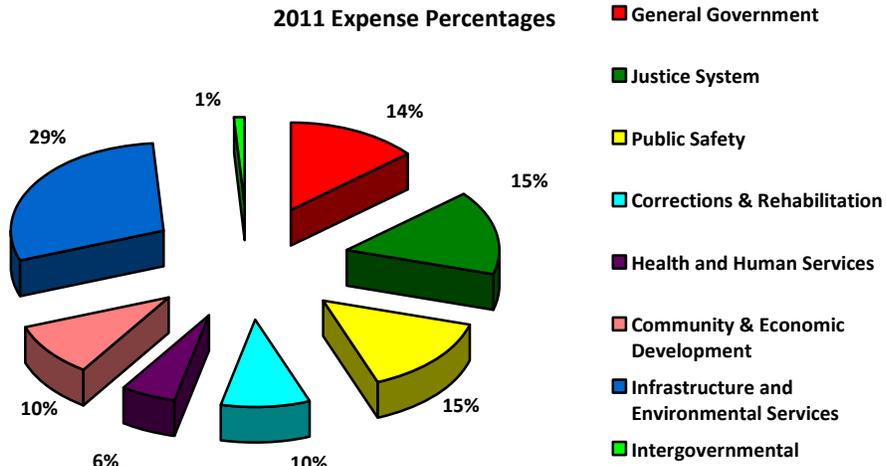
2011 Revenues Percentages



2012 Expense Percentages



2011 Expense Percentages



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General, Intergovernmental, Special Revenue, and Debt Service funds. The focus of the County's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,205,088. Approximately 75% of this amount (6.9 million) constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is divided among *committed fund balance of \$1,027,113*, *restricted fund balance of \$894,586* and *nonspendable fund balance of \$387,339*. The County's ability to spend each of these types of fund balance is more limited than with unassigned fund balance, and the limitations on spending are discussed more fully in the notes to the financial statements.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,896,050, while total fund balance was \$8,310,502. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37.5 percent of total general fund expenditures, and total fund balance represents 45.24% of that same amount.

The fund balance of Matagorda County's general fund increased by \$1,200,417 compared to a net increase of \$271,282 the prior year. Following are some of the more significant factors noted:

- As discussed above in the government-wide financial analysis, tax revenue was up \$515,044 as a result of increased values.
- Infrastructure and environmental services expenditures were down as a result of transferring the operation of the transfer station to the City of Bay City. This resulted in a reduction of expenditures in the amount of \$279,615 over the prior year.
- Community and economic development expenditures were less than reported in the prior year due to the completion of park repairs.

Proprietary funds. The County has only one proprietary fund type which is an internal service fund. This internal service fund is used to account for a self-funded health insurance program. The fund for 2012 had an operating loss of \$75,855 as compared to last year's income of \$211. Although administration and claims expenses decreased by \$69,554, prescription costs increased by \$46,365 resulting in a total decrease in expenses of \$26,447. In addition, the employer, employee and retiree/cobra contributions were lower resulting in the overall negative result for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Commissioners Court approved several increases to budgeted revenues and appropriations. The most significant amendment was to Infrastructure & Environmental Services as a result of re-appropriations of unused prior year budgets for precincts.

Actual expenditures were less than appropriations. As mentioned above Infrastructure & Environmental Services expenditures were under spent as a result of re-appropriating unused prior year budgets.

CAPITAL ASSETS AND LONG-TERM DEBT

The following table lists the County's investment in capital assets as of December 31, 2012

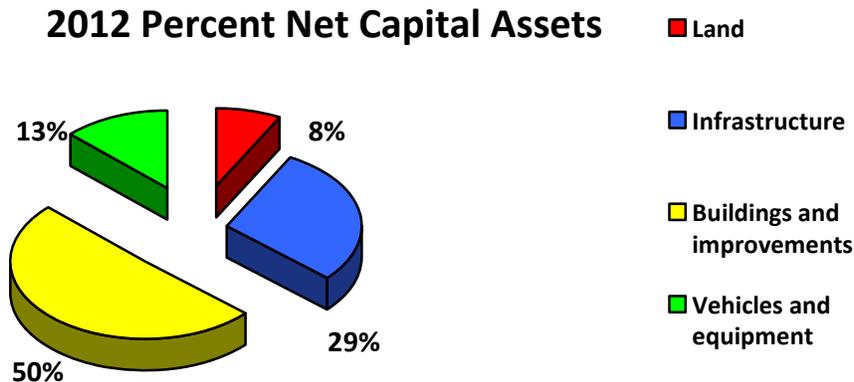
**MATAGORDA COUNTY'S CAPITAL ASSETS
 Net of Accumulated Depreciation**

	Balances 12/31/2011	Increases	Decreases	Balances 12/31/2012
Land	\$ 1,349,101	\$	\$	\$ 1,349,101
Infrastructure	39,821,092	1,366,164	809,205	40,378,051
Buildings and improvements	13,696,378	104,440		13,800,818
Vehicles and equipment	8,236,806	832,985	139,289	8,930,502
Less accumulated depreciation	<u>(45,707,873)</u>	<u>(2,484,277)</u>	<u>(936,375)</u>	<u>(47,255,775)</u>
	<u>\$ 17,395,504</u>	<u>\$ (180,688)</u>	<u>\$ 12,119</u>	<u>\$ 17,202,697</u>

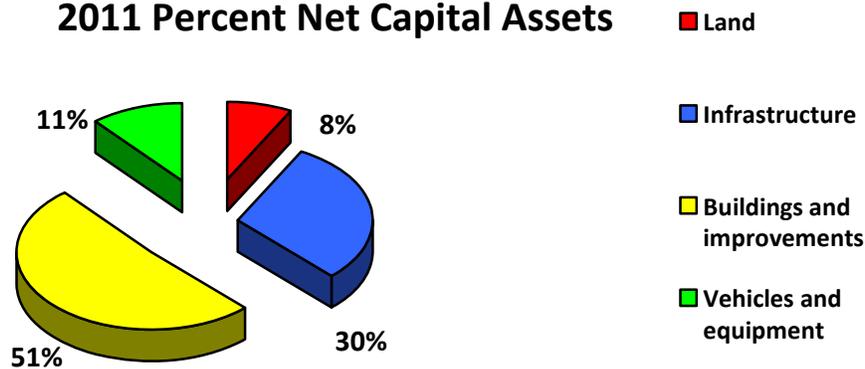
Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$17,202,697 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; equipment and vehicles; and infrastructure for roads and bridges. Overall, the capital assets decreased by \$ 192,807. The main decrease in capital assets is \$2,484,277 in depreciation expense and capital asset disposal offset by increases noted below.

- Reworking of existing roads and bridges.
- Purchase of law enforcement vehicles.
- Purchase of equipment for road construction

Additional information of Matagorda County's capital assets can be found in note D of this report.



2011 Percent Net Capital Assets



Long-term debt. In September of 2006 the County issued Certificates of Obligation in the amount of \$1,515,000 for the purpose of expansion of the jail facility. The obligation will be paid semiannually over a period of ten years at an interest rate of 4.69%. During the current fiscal year, the County's debt decreased by \$150,000 as a result of a scheduled payment and the outstanding balance as of December 31, 2012 is \$675,000. The County entered into a long-term capital lease for the purchase of a motor grader in 2011 at a cost of \$210,820 with a down payment of \$22,000. The balance remaining as of December 31, 2012 is \$126,265.

Additional information on Matagorda County's long-term debt can be found in note J of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and controlled use of the County's resources. Through the budget the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The 2013 budget was adopted on August 27, 2012 with General Fund expenditures of \$19.6 million, and a revenue budget of \$19.6 million.

The Commissioners Court adopted a maintenance and operation tax rate of .29477 per \$100 assessed valuation. The Court also adopted an interest and sinking tax rate of .00401.

The main factors affecting the 2013 Budget were as follows:

- A reduction in budgeted revenue for interest income.
- Increase in expected tax revenues in the amount of .9 million as a result of increased values.
- An increase in budgeted payroll and benefits, with two step increases (2.5% each) for employees, and 5% for elected and appointed officials of the County.
- An increase for employer paid health insurance premiums for employees and retirees in the amount of \$119,000.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Matagorda County Auditor, 1700 7th Street, Room 326, Bay City, Texas 77414, or call (979) 244-7611.

Basic Financial Statements



MATAGORDA COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,912,831
Receivables (net of allowances for uncollectibles):	
Taxes receivable	10,898,532
Other receivables	1,862,709
Prepaid items	381,782
Inventories	5,557
Interest receivable	15,100
Purchased interest receivable	13
Investments	4,510,736
Capital Assets (net of accumulated depreciation):	
Land	1,349,101
Buildings	8,372,065
Improvements	322,705
Infrastructure	4,943,645
Equipment	2,215,186
Total Assets	<u>43,789,962</u>
LIABILITIES	
Accounts payable	526,313
Claims payable	201,233
Due to other governments	110,565
Due to others	178,150
Accrued interest payable	13,897
Unavailable revenue	321,513
Escrow reserves	21,023
Noncurrent Liabilities:	
Due within one year	264,268
Due in more than one year	5,362,407
Total Liabilities	<u>6,999,369</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - current taxes	10,163,170
Unearned revenue - current taxes	3,478,223
Total deferred inflows of resources	<u>13,641,393</u>
NET POSITION	
Net Investment in Capital Assets	16,401,437
Restricted For:	
Debt Service	13,598
Other Purposes	880,799
Unrestricted	5,853,366
Total Net Position	<u>\$ 23,149,200</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Government Activities:				
General government	\$ 3,573,090	\$ 1,283,268	\$ 138,346	\$ (2,151,476)
Justice system	3,393,214	783,258	578,690	(2,031,266)
Public safety	3,379,800	3,226,989	473,253	320,442
Corrections and rehabilitation	2,036,930	93,515	6,409	(1,937,006)
Health and human services	1,354,286	61,074	--	(1,293,212)
Community and economic development	1,324,645	200,410	325,951	(798,284)
Infrastructure and environmental services	5,671,712	112,564	124,044	(5,435,104)
Intergovernmental	2,604,849	--	2,604,849	--
Interest and fees on debt	37,868	--	--	(37,868)
Total governmental activities	<u>23,376,394</u>	<u>5,761,078</u>	<u>4,251,542</u>	<u>(13,363,774)</u>
Total Primary Government	<u>\$ 23,376,394</u>	<u>\$ 5,761,078</u>	<u>\$ 4,251,542</u>	<u>(13,363,774)</u>
General Revenues:				
Property taxes				12,758,819
Miscellaneous				33,357
Unrestricted investment earnings				133,153
Total General Revenues				<u>12,925,329</u>
Change in Net Assets				<u>(438,445)</u>
Net Position - Beginning				23,715,867
Prior Period Adjustment				(128,222)
Net Position - Restated				<u>23,587,645</u>
Net Position - Ending				<u>\$ 23,149,200</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY*BALANCE SHEET - GOVERNMENTAL FUNDS**DECEMBER 31, 2012*

	General Fund	Intergovernmental Grants	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,172,468	\$ --	\$ 1,063,247	\$ 7,235,715
Receivables (net of allowances for uncollectibles):				
Taxes	10,753,769	--	144,763	10,898,532
Other receivables	1,835,234	12,950	14,145	1,862,329
Prepaid items	381,782	--	--	381,782
Due from other funds	24,571	--	--	24,571
Inventories	5,557	--	--	5,557
Interest receivable	15,100	--	--	15,100
Purchased Interest receivable	13	--	--	13
Investments	4,510,736	--	--	4,510,736
Total Assets	<u>\$ 23,699,230</u>	<u>\$ 12,950</u>	<u>\$ 1,222,155</u>	<u>\$ 24,934,335</u>
LIABILITIES				
Accounts payable	\$ 472,011	\$ 12,950	\$ 41,066	\$ 526,027
Due to other governments	110,564	--	1	110,565
Due to other funds	--	--	110	110
Due to others	171,731	--	6,419	178,150
Unavailable revenue	1,156,532	--	95,447	1,251,979
Escrow reserves	21,023	--	--	21,023
Total Liabilities	<u>1,931,861</u>	<u>12,950</u>	<u>143,043</u>	<u>2,087,854</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - current taxes	10,025,787	--	137,383	10,163,170
Unearned revenue - current taxes	3,431,080	--	47,143	3,478,223
Total deferred inflows of resources	<u>13,456,867</u>	<u>--</u>	<u>184,526</u>	<u>13,641,393</u>
FUND BALANCES (DEFICITS)				
Non-spendable:				
Prepaid items	381,782	--	--	381,782
Inventory	5,557	--	--	5,557
Restricted for:				
Debt service	--	--	13,787	13,787
Legislative purposes	--	--	880,799	880,799
Committed for:				
Precincts	1,027,113	--	--	1,027,113
Unassigned	6,896,050	--	--	6,896,050
Total Fund Balances (Deficits)	<u>8,310,502</u>	<u>--</u>	<u>894,586</u>	<u>9,205,088</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 23,699,230</u>	<u>\$ 12,950</u>	<u>\$ 1,222,155</u>	<u>\$ 24,934,335</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012*

Total fund balances - governmental funds balance sheet	\$ 9,205,088
Amounts reported for governmental activities in the Statement of Net Position ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	17,202,702
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	735,360
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	1,269,468
Payables for capital leases which are not due in the current period are not reported in the funds.	(126,265)
Payables for accrued interest not due in the current period is not reported in the funds.	(13,897)
Payables for notes which are not due in the current period are not reported in the funds.	(675,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(252,646)
Other post employment benefits not due and payable in the current period are not reported in the funds.	(4,572,764)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>377,154</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 23,149,200</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012*

	General Fund	Intergovernmental Grants	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 12,578,858	\$ --	\$ 187,209	\$ 12,766,067
Licenses and permits	794,878	--	--	794,878
Intergovernmental	1,136,347	2,604,849	531,930	4,273,126
Charges for services	4,281,209	--	164,293	4,445,502
Fines	379,955	--	--	379,955
Investment income	138,187	--	8,596	146,783
Miscellaneous	220,066	--	42,068	262,134
Total revenues	<u>19,529,500</u>	<u>2,604,849</u>	<u>934,096</u>	<u>23,068,445</u>
EXPENDITURES				
Current:				
General government	2,770,363	--	306,100	3,076,463
Justice system	2,642,837	--	427,342	3,070,179
Public safety	2,978,846	--	17,342	2,996,188
Corrections and rehabilitation	1,874,906	--	31,445	1,906,351
Health and human services	1,254,709	--	--	1,254,709
Community and economic development	1,034,597	--	1	1,034,598
Infrastructure and environmental services	4,821,509	--	--	4,821,509
Intergovernmental	--	2,604,849	--	2,604,849
Capital outlay	925,306	--	134,580	1,059,886
Debt service:				
Principal	62,555	--	150,000	212,555
Interest and fees on debt	4,150	--	35,175	39,325
Total expenditures	<u>18,369,778</u>	<u>2,604,849</u>	<u>1,101,985</u>	<u>22,076,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,159,722</u>	<u>--</u>	<u>(167,889)</u>	<u>991,833</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	40,695	--	--	40,695
Transfers out	--	--	(40,695)	(40,695)
Total other financing sources (uses)	<u>40,695</u>	<u>--</u>	<u>(40,695)</u>	<u>--</u>
Net change in fund balances	<u>1,200,417</u>	<u>--</u>	<u>(208,584)</u>	<u>991,833</u>
Fund balances - beginning	7,238,307	--	1,103,170	8,341,477
Increase (decrease) in fund balance	<u>(128,222)</u>	<u>--</u>	<u>--</u>	<u>(128,222)</u>
Fund balances - restated	7,110,085	--	1,103,170	8,213,255
Fund balances - ending	<u>\$ 8,310,502</u>	<u>\$ --</u>	<u>\$ 894,586</u>	<u>\$ 9,205,088</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012*

Net change in fund balances - total governmental funds \$ 991,833

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	2,291,470
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,484,273)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(7,248)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	150,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	61,995
(Increase) decrease in accrued interest from beginning of period to end of period.	2,017
The net revenue (expense) of internal service funds is reported with governmental activities.	(63,225)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(12,909)
Other post employment benefits are reported as earned in the SOA but as paid in the funds.	(1,244,856)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	<u>(123,249)</u>

'Change in net position of governmental activities - Statement of Activities \$ (438,445)

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
DECEMBER 31, 2012

	Nonmajor Internal Service Fund
	Insurance Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,677,116
Other receivables	380
Total Assets	<u>\$ 1,677,496</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 286
Claims payable	201,233
Due to other funds	24,461
Deferred revenue	182,049
Total Liabilities	<u>408,029</u>
NET POSITION	
Unrestricted	1,269,467
Total net position	<u><u>\$ 1,269,467</u></u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Nonmajor Internal Service Fund
	Insurance Fund
OPERATING REVENUES	
Employer contributions	\$ 2,143,462
Employee contributions	207,836
Retiree/Cobra contributions	82,455
Special district contributions	205,427
Total Operating Revenues	<u>2,639,180</u>
OPERATING EXPENSES	
Administrative expenses	504,426
Retiree premiums	274,679
Claims expense	1,514,625
Prescriptions	421,305
Total Operating Expenses	<u>2,715,035</u>
Operating Income (Loss)	<u>(75,855)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest revenue	12,630
Total Non-operating Revenues (Expenses)	<u>12,630</u>
Change in Net Position	(63,225)
Total net position - beginning	1,332,692
Total net position - ending	<u>\$ 1,269,467</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from interfund services provided	\$ 2,359,102
Cash received from external users	287,882
Cash payments for administration	(803,384)
Cash payments for claims	(2,048,514)
Net Cash Provided (Used) by Operating Activities	<u>(204,914)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Interfund loan	24,461
Net Cash Provided (Used) by Non-capital Financing Activities	<u>24,461</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends on investments	12,630
Net Cash Provided (Used) for Investing Activities	<u>12,630</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(167,823)
Cash and Cash Equivalents at Beginning of Year	1,844,939
Cash and Cash Equivalents at End of Year	<u>\$ 1,677,116</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ <u>(75,855)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	(380)
Increase (decrease) in accounts payable	(23,900)
Increase (decrease) in claims payable	(112,583)
Increase (decrease) in deferred revenue	7,804
Total Adjustments	<u>(129,059)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (204,914)</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 2,300,414
Total Assets	<u>\$ 2,300,414</u>
LIABILITIES	
Due to other governments	\$ 111,678
Due to others	2,188,736
Total Liabilities	<u>2,300,414</u>
NET POSITION	
Unrestricted	--
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

A. Summary of Significant Accounting Policies

1. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

2. Reporting entity

Matagorda County was established in 1836 by the Republic of Texas. Commissioners elected from each of four precincts serve as the governing body with the elected County Judge as the head of this body. The Commissioners and County Judge oversee all functions of general government applicable to the County as provided by state statutes.

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements using the criteria as set forth in GASB Statement No. 14, "The Financial Reporting Entity." Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

3. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

4. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The intergovernmental special revenue fund accounts for state and federal grants for which the County is the pass-through agency to other entities.

Additionally, the County reports the following fund types:

Internal service funds account for health benefits provided to County employees, retirees and dependents. Contributions to the fund consist of charges to the participating entities for covered employees along with contributions from employees and retirees.

The agency fund accounts for District Clerk, County Clerk and Inmate trust funds held for the benefit of others and the Tax Assessor Collector funds collected on behalf of others.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

5. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

6. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and following special revenue funds: district attorney legal/law, sheriff & jail discretionary, county clerk preservation & automation, countywide records mgmt preservation, courthouse security, justice court technology, district clerk records mgmt preservation and county & district court technology. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

The appropriated budget is prepared by fund, department and category. The department heads may make transfers of appropriations within a category; however, transfers of appropriations between categories require the approval of Commissioners Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the category level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, the four precinct unexpended budgets are re-appropriated and become part of the subsequent year's budget pursuant to action by Commissioners Court.

7. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the County are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

Inventories and prepaid items

Inventories on the balance sheet are stated at historical cost. Inventory items are recorded as expenditures when they are consumed on a first in first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for infrastructure 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 one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County chose to include items from 1980 forward as permitted by GASB. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-40
Buildings	40-60
Improvements	10-20
Vehicles & Equipment	3-8
Other Equipment	5-20

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Commissioners Court is the highest level of decision-making authority for the County that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. Commissioners Court has not delegated the authority to assign fund balance. When it is appropriate to assign fund balance this is accomplished in the same manner as committed funds that is through the adoption of a resolution. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

8. Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Compensated absences

It is the County's policy to permit employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Accumulated sick leave lapses when employees leave the employ of the County and, upon separation from service, no monetary obligation exists.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to the County and employees for health insurance. Operating expenses for the internal service fund includes the cost of medical claims, prescriptions and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. Deposits and Investments

Cash deposits:

Custodial credit risk: At December 31, 2012, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,213,242 and the bank balance was \$16,384,783. The County's cash deposits at December 31, 2012 and during the year ended December 31, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

Investments:

Within the guidelines provided in Government Code 10 (Chapter 2256), Public Funds Investment Act (short title), and subject to such other restrictions as may be imposed by the Commissioners Court by resolution or order, the Commissioners Court of Matagorda County, Texas is authorized to invest in obligations of or guaranteed by governmental entities, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public fund investments pools.

The County's investments at December 31, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Federal National Mortgage Association	3-5 yrs	Aaa	\$ 1,202,790
Federal Home Loan Mortgage Corporation	3-5 yrs	Aaa	1,000,000
Certificates of Deposit	1-3 yrs	FDIC	480,000
Certificates of Deposit	3-5 yrs	FDIC	1,705,880
Federal Judiciary	1-3 yrs	Not Rated	122,066
Total Investments			<u>\$ 4,510,736</u>

Interest rate risk: In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the stated maturity of its investment portfolio to a maximum of five years.

Credit risk: The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The above table indicates the credit rating by Standard & Poor's at December 31, 2012 by investment type. It is County policy to diversify the investment portfolio, display prudence in selecting investments and never invest in anything that jeopardizes the total capital position of the overall portfolio.

Concentration of credit risk: It is the intent of the County to diversify the investment instruments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets.

C. Receivables and Deferred Revenue

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the major funds and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Intergovernmental Grants</u>	<u>Nonmajor Governmental</u>	<u>Totals</u>
Taxes	\$ 10,870,086	\$	\$ 145,269	\$ 11,015,355
Less allowance	(116,317)		(506)	(116,823)
	<u>\$ 10,753,769</u>	<u>\$ --</u>	<u>\$ 144,763</u>	<u>\$ 10,898,532</u>
Other Receivables	\$ 78,706	\$	\$ 611	\$ 79,317
Taxes and Tax Statements	1,025,281		13,534	1,038,815
Grants	150,811	12,950		163,761
Fines and Fees	7,464,662			7,464,662
Less allowance	(6,884,226)			(6,884,226)
	<u>\$ 1,835,234</u>	<u>\$ 12,950</u>	<u>\$ 14,145</u>	<u>\$ 1,862,329</u>

With the exception of property taxes, fines and fees, all receivables are expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period and for amounts that have not yet been earned. Below is the detail of deferred revenue for the major funds and the nonmajor governmental funds in the aggregate:

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Nonmajor Governmental	Totals
Property taxes	\$ 727,982	\$ 7,379	\$ 735,361
Fines/fees	377,154		377,154
Grant drawdowns	51,396	88,068	139,464
	<u>\$ 1,156,532</u>	<u>\$ 95,447</u>	<u>\$ 1,251,979</u>

D. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,349,101	\$ --	\$ --	\$ 1,349,101
Capital assets being depreciated:				
Infrastructure	39,821,092	1,366,164	809,205	40,378,051
Buildings and improvements	13,696,378	104,440	--	13,800,818
Vehicles and equipment	8,236,806	832,985	139,289	8,930,502
Total capital assets being depreciated	<u>61,754,276</u>	<u>2,303,589</u>	<u>948,494</u>	<u>63,109,371</u>
Less accumulated depreciation for:				
Infrastructure	(34,612,924)	(1,630,687)	(809,205)	(35,434,406)
Buildings and improvements	(4,804,590)	(301,464)	--	(5,106,054)
Vehicles and equipment	(6,290,359)	(552,126)	(127,170)	(6,715,315)
Total accumulated depreciation	<u>(45,707,873)</u>	<u>(2,484,277)</u>	<u>(936,375)</u>	<u>(47,255,775)</u>
Total capital assets being depreciated, net	<u>16,046,403</u>	<u>(180,688)</u>	<u>12,119</u>	<u>15,853,596</u>
Governmental activities capital assets, net	<u>\$ 17,395,504</u>	<u>\$ (180,688)</u>	<u>\$ 12,119</u>	<u>\$ 17,202,697</u>

Depreciation expense net of asset disposals was charged to functions as follows:

General government	\$ 118,279
Justice system	132,128
Public safety	125,696
Corrections and rehabilitation	82,055
Health and human services	49,845
Community and economic development	83,632
Infrastructure and environmental services	1,882,049
Intergovernmental services	10,593
	<u>\$ 2,484,277</u>

E. Pension Obligations

Plan Description - The County's pension plan ("Plan") is a non-traditional, joint contributory, defined benefit plan which provides retirement, disability and death benefits to Plan members and beneficiaries through its affiliation with the Texas County and District Retirement System ("TCDRS"), an agent multiple-employer public employee retirement system. TCERS operates under the authority of Texas Government Code, Title 8, Subtitle G. The Texas legislature has the authority to establish or amend benefit provisions and the governing body of the County adopts the plan provisions within the options and constraints established by the legislature. TCERS issues a publicly available financial report that includes financial statements and required supplementary information for TCERS. That report may be obtained by writing to Texas County District Retirement System, P.O. Box 2034, Austin, TX 78768-2034 or calling (800) 823-7782. Additional nonauthoritative information is available at the TCERS web site, <http://www.tcders.org>.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

Funding Policy - Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 13.18% of annual covered payroll. The County's contributions to the TCDRS for the years ending December 31, 2012, 2011 and 2010 were \$846,713, \$862,051 and \$849,211 respectively, and were equal to the required contributions for each year.

Annual Pension Cost - The County's annual pension cost of \$846,713 for the Plan was equal to the County's required and actual contributions. Under the state law governing TCDRS, the actuary annually determines the County's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the County matching percent, which are the obligation of the County as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the County to each employee at the time his/her retirement becomes effective. Since the County needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 1997 valuation is effective for rates beginning January 1999).

Actuarial 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 % of	Level % of	Level % of
	payroll, closed	payroll, closed	payroll, closed
Amortization period in years	20	20	20
Asset valuation method	SAF: 10yr	SAF: 10yr	SAF: 10yr
	smoothed value	smoothed value	smoothed value
	ESF: fund value	ESF: fund value	ESF: fund value
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%

Schedule of Funding Information

Actuarial value of assets	22,061,414	22,428,773	23,280,940
Actuarial accrued liability (AAL)	27,189,071	28,004,109	29,303,369
Unfunded or (overfunded) actuarial accrued liability (UAAL or OAAL)	5,127,657	5,575,336	6,022,429
Funded ratio	81.14%	80.09%	79.45%
Annual covered payroll (actuarial)	7,095,458	7,377,350	7,547,030
UAAL or OAAL as percentage of covered payroll	72.27%	75.57%	79.80%

Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2010	\$ 849,211	100%	--
December 31, 2011	\$ 862,051	100%	--
December 31, 2012	\$ 846,713	100%	--

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

F. Other Postemployment Benefit (OPEB) Obligations

Description - The County, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all retired employees who qualified under the Texas County District Retirement System and are currently receiving retirement (pension) income. Such benefits are not available to members' spouses or dependents; rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage. These benefits are provided through insurance companies. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the County's firm commitment to provide OPEB through the payment of premiums on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy - The County pays the cost of the postemployment health care benefits for retirees during the life of the retiree. Retirees may elect to continue health care benefits for their spouse and family at their own expense. Substantially all of the government's employees may become eligible for these benefits if they reach normal retirement age while working for the government. The plan is financed on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	\$ 1,716,535
Interest on prior year obligation	82,316
Annual OPEB cost	<u>1,798,851</u>
Contributions made	<u>(553,995)</u>
Increase in net OPEB obligation	1,244,856
Net OPEB obligation - beginning of year	3,327,908
Net OPEB obligation - end of year	<u>\$ 4,572,764</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012, 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
12/31/10	\$ 1,284,838	\$ 500,175	38.93%	\$ 2,057,897
12/31/11	\$ 1,798,851	\$ 528,840	29.40%	\$ 3,327,908
12/31/12	\$ 1,798,851	\$ 553,995	30.80%	\$ 4,572,764

Funding Status and Funding Progress - as of January 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial present value of accrued liability for past and future service benefits equaled \$21,832,881 and there were \$0 in actuarial valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same. The total payroll (annual payroll of active employees) was \$6,651,848, and the ratio of the UAAL to the covered payroll equaled 328.22%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present 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. However, because the County maintains no Plan assets, information relative to Plan asset required disclosures is not applicable.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

Actuarial Methods and Assumptions - projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the County and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated January 1, 2011, the projected unit credit cost actuarial method was used. Because the County funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 4% discount rate, which approximates the expected rate of return on non-pension investments held by the County. Actuarial assumptions also included medical inflation taken at 10% for pre-medicare grading down to 5% in the ultimate. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

G. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities via interlocal agreement and forming a risk pool ("Pool"). The Pool is a legally separate entity operating as a common risk management and insurance program and is administered by TriStar Risk Management. The Pool provides third party liability, public officials liability, automobile liability, workers compensation, blanket crime coverage and property coverage. The County pays an annually determined premium to the pool for its share of the above insurance coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. Latest audited financial statements for the self-insured pool can be obtained by contacting PO Box 327, Bay City, Tx 77404-0327.

The County continues to carry insurance for other risks of loss through a group purchasing cooperative. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Health Care Coverage

During the year ended December 31, 2012 employees of the County were covered by a health insurance plan (the Plan). The County contributed monthly per employee, spouse, child and family to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents in excess of the County contribution. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the County and the third party administrator is renewable October 1, 2013, and terms of coverage and contribution costs are included in the contractual provisions. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Association of Counties Health Employee Benefit Program and Blue Cross Blue Shield of Texas, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and for aggregate loss. Other governmental entities and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act. Each member to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments.

The internal service fund is funded by charges to the County's other funds and other governmental units and is based upon a predetermined fixed amount per employee, spouse, child and family. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The County considers claims paid in the three months following the fiscal year end to be a reasonable estimate of claims liability.

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Changes in the balance of claims liabilities during the past three years are as follows:

	2010	2011	2012
Unpaid claims, beginning	\$ 150,779	\$ 814,503	\$ 313,815
Claims incurred	2,692,762	1,487,507	1,935,932
Claims paid	(2,029,038)	(1,988,195)	(2,048,514)
Unpaid claims, ending	<u>\$ 814,503</u>	<u>\$ 313,815</u>	<u>\$ 201,233</u>

I. Lease Obligations

The County entered into a lease agreement as lessee for financing the acquisition of a motor grader valued at \$210,820. The equipment has a twenty year estimated useful life with year to date depreciation of \$15,812. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012 were as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>
2013	\$ 66,705
2014	66,705
Total minimum lease payments	<u>133,410</u>
Less: amount representing interest	(7,145)
Present value of minimum lease payments	<u>\$ 126,265</u>

J. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2012, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Certificates of Obligation	\$ 825,000	\$ --	\$ 150,000	\$ 675,000	155,000
Capital leases*	188,820	--	62,555	126,265	61,970
Compensated absences *	239,738	289,873	276,965	252,646	47,298
Net OPEB Obligation*	3,327,908	1,798,851	553,995	4,572,764	--
Total governmental activities	<u>\$ 4,581,466</u>	<u>\$ 2,088,724</u>	<u>\$ 1,043,515</u>	<u>\$ 5,626,675</u>	<u>\$ 264,268</u>

* The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Capital leases	Governmental	General
Compensated absences	Governmental	General
Net OPEB Obligation	Governmental	General

Debt service requirements on long-term debt at December 31, 2012, are as follows:

Certificates of obligation of \$1,515,000, issued August 15, 2006 bearing interest at 4.69% and maturing March 15, 2016 were issued for the purpose of jail expansion.

MATAGORDA COUNTY

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012*

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 155,000	\$ 28,023	\$ 183,023
2014	165,000	20,519	185,519
2015	175,000	12,546	187,546
2016	180,000	4,221	184,221
Totals	\$ 675,000	\$ 65,309	\$ 740,309

K. Fund Balance

In the November 28, 2011 minutes, the Commissioners agreed to commit fund balances for each of the four precincts unspent budgeted funds at year end to be added to the subsequent years approved budget upon completion of the audit.

The following schedule presents details of restricted net position for legislative purposes at December 31, 2012:

	Other Governmental Funds
Restricted for legislative purposes:	
District attorney legal/law	\$ 83,690
Sheriff & jail discretionary	34,319
County clerk preservation & automation	519,065
Countywide records management preservation	51,542
Courthouse security	74,920
Justice court technology	58,694
District clerk records management preservation	34,891
County & district court technology	20,539
Local emergency planning	3,139
	<u>\$ 880,799</u>

L. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 110
General	Internal service fund	24,461
		<u>\$ 24,571</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. With the exception of the \$110 which represents imprest funds, interfund receivables are expected to be collected in the subsequent year.

M. Interfund Transfers

During the year, nonmajor governmental funds transferred \$40,695 in resources to the general fund to reimburse for supplemental pay using specially earmarked funds.

N. Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions. The County stopped receiving waste prior to October 9, 1993 at over 90% capacity used and officially closed in July, 2007. Post-closure costs are subject to change resulting from inflation, deflation, technology and/or changes in applicable laws and regulations and are expected to be nominal for the next five years after certification of the completion of closure. Therefore, no liability has been recorded in these financial statements.

MATAGORDA COUNTY

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012*

O. Jointly Governed and Related Organizations

1. The County is accountable for the following related organizations in that they appoint the Commissioners:

- Matagorda County Drainage District No. 1
- Matagorda County Drainage District No. 2
- Matagorda County Drainage District No. 3
- Matagorda County Drainage District No. 4
- Matagorda County Conservation & Reclamation District
- Matagorda County Hospital District

The County is not financially accountable for the above organizations nor does the County's accountability for these organizations extend significantly beyond making the appointments. Accordingly, financial information for these entities is excluded from the County's financial statements.

Latest audited financial statements for these entities may be obtained by writing 1700 7th Street, Room 302, Bay City, Tx 77414-5091.

2. The Adult Probation division is operated as a multi-county department doing business as 23rd Judicial District Community Supervision and Correction Department (CSCD) Matagorda and Wharton Counties. The CSCD services both Matagorda and Wharton Counties with each county providing required office space for the operations of the Department and substantially all of the Department's funding provided by the State.

The Department's board consists of the two District Judges for Matagorda and Wharton Counties. Matagorda County is not able to appoint a voting majority to the Department's board or otherwise impose its will. The Department is not fiscally dependent on Matagorda County since the County's role is ministerial in nature. As a result, the Department is considered to be legally separate from Matagorda County and thus not a part of the reporting entity of Matagorda County.

P. Prior Period Adjustment

The County was informed they would not receive all of the FEMA funds set up as an account receivable in prior years as a result of hurricane Ike. As a result, accounts receivable and unrestricted fund balance in the general fund were reduced by \$128,222.

Q. Contingencies

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.



Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,549,512	\$ 12,549,512	\$ 12,578,858	\$ 29,346
Licenses and permits	812,100	812,100	794,878	(17,222)
Intergovernmental	312,300	986,566	1,136,347	149,781
Charges for services	4,212,840	4,232,840	4,281,209	48,369
Fines	346,000	346,000	379,955	33,955
Investment income	146,725	146,725	132,764	(13,961)
Miscellaneous	113,217	222,462	225,489	3,027
Total revenues	18,492,694	19,296,205	19,529,500	233,295
EXPENDITURES				
GENERAL GOVERNMENT				
County Judge:				
Personnel	165,693	176,083	173,212	2,871
Operating costs	8,300	8,300	7,582	718
Total County Judge	173,993	184,383	180,794	3,589
Commissioners Court				
Operating costs	102,000	102,000	100,563	1,437
Total Commissioners Court	102,000	102,000	100,563	1,437
Information Services:				
Personnel	123,245	123,430	123,429	1
Operating costs	187,320	219,039	212,804	6,235
Capital outlay	5,000	--	--	--
Total Information Services	315,565	342,469	336,233	6,236
County Courthouse:				
Personnel	77,170	79,049	79,036	13
Operating costs	249,700	266,482	233,202	33,280
Total County Courthouse	326,870	345,531	312,238	33,293
County Office Building:				
Operating costs	109,000	104,000	88,363	15,637
Capital outlay	--	104,440	104,440	--
Total County Office Building	109,000	208,440	192,803	15,637
Unallocable by Department:				
Insurance	90,966	87,191	85,804	1,387
Appraisal fees	19,306	18,552	18,541	11
Retiree Insurance	135,300	135,300	136,890	(1,590)
Other costs	88,662	48,017	166	47,851
Total Unallocable by Department	334,234	289,060	241,401	47,659
County Clerk:				
Personnel	309,702	309,702	297,156	12,546
Operating costs	33,700	33,700	27,803	5,897
Total County Clerk	343,402	343,402	324,959	18,443

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
County Auditor:				
Personnel	355,476	355,476	355,145	331
Operating costs	11,400	11,400	8,954	2,446
Total County Auditor	366,876	366,876	364,099	2,777
County Treasurer:				
Personnel	173,680	173,680	169,185	4,495
Operating costs	22,475	22,475	20,941	1,534
Total County Treasurer	196,155	196,155	190,126	6,029
Special Districts				
Personnel	40,914	40,914	40,875	39
Operating costs	4,750	4,750	3,398	1,352
Total Special Districts	45,664	45,664	44,273	1,391
County Tax Assessor Collector:				
Personnel	447,581	447,581	440,163	7,418
Operating costs	75,900	75,900	66,288	9,612
Total Tax Assessor Collector	523,481	523,481	506,451	17,030
Elections:				
Personnel	12,274	15,647	16,366	(719)
Operating costs	26,000	70,298	64,497	5,801
Total Elections	38,274	85,945	80,863	5,082
TOTAL GENERAL GOVERNMENT	2,875,514	3,033,406	2,874,803	158,603
JUSTICE SYSTEM				
District Court:				
Personnel	154,984	154,984	153,882	1,102
Operating costs	55,500	57,965	29,478	28,487
Total District Court	210,484	212,949	183,360	29,589
County Court:				
Operating costs	19,150	24,230	23,955	275
Total County Court	19,150	24,230	23,955	275
Court Expenses:				
Operating costs	300,500	314,839	270,990	43,849
Total Court Expenses	300,500	314,839	270,990	43,849
Capital Trials				
Operating costs	25,000	--	--	--
Total Capital Trials	25,000	--	--	--
District Clerk:				
Personnel	233,709	238,869	234,285	4,584
Operating costs	22,850	22,850	16,671	6,179
Total District Clerk	256,559	261,719	250,956	10,763

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
District Attorney:				
Personnel	476,742	510,623	462,579	48,044
Operating costs	87,750	87,750	42,108	45,642
Total District Attorney	564,492	598,373	504,687	93,686
County Attorney:				
Personnel	208,949	208,949	206,714	2,235
Operating costs	17,925	17,925	13,628	4,297
Total County Attorney	226,874	226,874	220,342	6,532
Justice of the Peace #1				
Personnel	129,036	131,616	130,014	1,602
Operating costs	11,100	11,100	10,529	571
Total Justice of the Peace #1	140,136	142,716	140,543	2,173
Justice of the Peace #2				
Personnel	132,395	134,975	129,523	5,452
Operating costs	20,880	20,880	19,129	1,751
Total Justice of the Peace #2	153,275	155,855	148,652	7,203
Justice of the Peace #3				
Personnel	100,272	100,322	99,713	609
Operating costs	8,750	8,700	6,549	2,151
Total Justice of the Peace #3	109,022	109,022	106,262	2,760
Justice of the Peace #4				
Personnel	104,818	104,818	103,019	1,799
Operating costs	8,990	8,990	8,580	410
Total Justice of the Peace #4	113,808	113,808	111,599	2,209
Justice of the Peace #6				
Personnel	25,170	26,353	26,353	--
Operating costs	5,500	5,500	4,545	955
Total Justice of the Peace #6	30,670	31,853	30,898	955
Law Library:				
Operating costs	21,000	22,720	22,815	(95)
Total Law Library	21,000	22,720	22,815	(95)
Child Support:				
Personnel	84,040	83,259	35,747	47,512
Operating costs	3,200	3,981	3,014	967
Total Child Support	87,240	87,240	38,761	48,479
Juvenile Probation Board:				
Personnel	30,637	30,637	30,608	29
Total Juvenile Probation Board	30,637	30,637	30,608	29
Juvenile Probation:				
Personnel	144,583	114,340	114,322	18
Operating costs	67,000	103,755	89,541	14,214
Capital outlay	--	21,649	21,649	--
Total Juvenile Probation	211,583	239,744	225,512	14,232

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Juvenile Alternative School:				
Personnel	86,732	54,956	54,955	1
Operating costs	12,000	15,615	12,668	2,947
Total Juvenile Alternative School	98,732	70,571	67,623	2,948
Juvenile Alert Program:				
Operating costs	1,200	3,850	3,828	22
Total Juvenile Alternative Program	1,200	3,850	3,828	22
Child Protective Services:				
Operating costs	54,000	43,680	--	43,680
Total Child Protective Services	54,000	43,680	--	43,680
Unallocable by Department:				
Insurance	93,261	89,391	87,966	1,425
Appraisal fees	19,791	19,017	19,008	9
Autopsies	55,000	85,000	91,881	(6,881)
Retiree Insurance	83,261	83,261	84,240	(979)
Total unallocable by Department	251,313	276,669	283,095	(6,426)
TOTAL JUSTICE SYSTEM	2,905,675	2,967,349	2,664,486	302,863
PUBLIC SAFETY				
Constable Precinct #1:				
Personnel	17,037	17,187	17,185	2
Operating costs	15,520	15,370	8,889	6,481
Total Constable Precinct #1	32,557	32,557	26,074	6,483
Constable Precinct #2:				
Personnel	19,619	19,619	19,626	(7)
Operating costs	11,750	11,750	10,688	1,062
Total Constable Precinct #2	31,369	31,369	30,314	1,055
Constable Precinct #3:				
Personnel	12,599	12,599	12,554	45
Operating costs	4,730	6,394	5,074	1,320
Total Constable Precinct #3	17,329	18,993	17,628	1,365
Constable Precinct #4:				
Personnel	12,599	12,599	12,544	55
Operating costs	4,065	4,065	4,044	21
Total Constable Precinct #4	16,664	16,664	16,588	76
Constable Precinct #6:				
Personnel	17,039	17,039	17,025	14
Operating costs	5,900	6,796	5,650	1,146
Total Constable Precinct #6	22,939	23,835	22,675	1,160

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
County Sheriff:				
Personnel	2,104,625	2,114,625	1,999,242	115,383
Operating costs	412,550	451,024	419,935	31,089
Capital outlay	100,000	86,000	86,000	--
Total County Sheriff	2,617,175	2,651,649	2,505,177	146,472
Department of Public Safety:				
Personnel	10,688	10,688	334	10,354
Operating costs	6,000	6,000	5,529	471
Total Department of Public Safety	16,688	16,688	5,863	10,825
Game Wardens:				
Operating costs	29,800	29,800	29,521	279
Total Game Wardens	29,800	29,800	29,521	279
Fire Protection:				
Operating costs	50,800	66,400	55,457	10,943
Capital outlay	17,210	172,210	172,100	110
Total Fire Protection	68,010	238,610	227,557	11,053
Emergency Management:				
Personnel	109,942	110,042	110,026	16
Operating costs	28,500	45,745	36,699	9,046
Capital outlay	--	275,977	275,977	--
Total Emergency Management	138,442	431,764	422,702	9,062
Unallocable by department:				
Insurance	88,722	85,040	83,686	1,354
Appraisal fees	18,828	18,092	18,083	9
Retiree insurance	105,811	105,811	107,055	(1,244)
Total unallocable by department	213,361	208,943	208,824	119
TOTAL PUBLIC SAFETY	3,204,334	3,700,872	3,512,923	187,949
CORRECTIONS & REHABILITATION				
County Jail:				
Personnel	1,515,530	1,515,530	1,403,932	111,598
Operating costs	424,020	424,020	376,402	47,618
Total County Jail	1,939,550	1,939,550	1,780,334	159,216
Adult Probation:				
Operating costs	2,400	2,400	2,400	--
Total Adult Probation	2,400	2,400	2,400	--
Unallocable by department:				
Insurance	57,915	55,512	54,628	884
Appraisal fees	12,290	11,810	11,804	6
Retiree insurance	25,441	25,441	25,740	(299)
Total unallocable by department	95,646	92,763	92,172	591
TOTAL CORRECTIONS & REHABILITATION	2,037,596	2,034,713	1,874,906	159,807

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
HEALTH & HUMAN SERVICES				
Health Department:				
Personnel	238,818	237,318	234,874	2,444
Operating costs	44,275	74,275	72,829	1,446
Total Health Department	283,093	311,593	307,703	3,890
Animal Control:				
Personnel	68,811	70,311	70,219	92
Operating costs	60,700	65,500	60,904	4,596
Capital outlay	14,200	14,200	--	14,200
Total Animal Control	143,711	150,011	131,123	18,888
Mental Health:				
Operating costs	35,419	35,419	35,419	--
Total Mental Health	35,419	35,419	35,419	--
Ambulance Service:				
Operating costs	599,775	599,775	592,575	7,200
Total Ambulance Service	599,775	599,775	592,575	7,200
Aid to Others:				
Economic Action Committee	4,000	33,000	33,000	--
Edith Armstrong Center	8,400	8,400	8,400	--
Friends of the Elderly	39,900	10,900	10,900	--
Cemetery	3,000	3,000	3,000	--
Indigent Burials	2,000	2,000	2,000	--
Total Aid to Others	57,300	57,300	57,300	--
Veteran's Service Officer:				
Personnel	60,534	64,071	64,071	--
Operating costs	7,900	7,200	5,101	2,099
Total Veteran's Service Officer	68,434	71,271	69,172	2,099
Unallocable by department:				
Insurance	35,183	33,723	33,186	537
Appraisal fees	7,466	7,174	7,171	3
Retiree insurance	20,815	20,815	21,060	(245)
Total unallocable by department	63,464	61,712	61,417	295
TOTAL HEALTH & HUMAN SERVICES	1,251,196	1,287,081	1,254,709	32,372
COMMUNITY & ECONOMIC DEVELOPMENT				
521 Park:				
Operating costs	5,400	5,400	4,858	542
Total 521 Park	5,400	5,400	4,858	542
Marine Department:				
Personnel	89,105	89,105	86,379	2,726
Operating costs	71,700	92,930	94,970	(2,040)
Total Marine Department	160,805	182,035	181,349	686

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

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	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Aid to Others:				
Economic Development	60,000	60,000	60,000	--
Bay City Library	185,951	185,951	185,951	--
Palacios Library	65,119	65,119	65,119	--
Matagorda County Museum	51,000	51,000	51,000	--
Economic Development	6,000	6,000	6,000	--
Historical Commission Markers	6,000	6,000	5,981	19
Service Center	3,591	3,591	3,591	--
Total Aid to Others	<u>377,661</u>	<u>377,661</u>	<u>377,642</u>	<u>19</u>
Agricultural Extension Service:				
Personnel	170,931	134,302	113,504	20,798
Operating costs	23,200	23,200	14,801	8,399
Capital outlay	--	36,629	36,628	1
Total Agricultural Extension Service	<u>194,131</u>	<u>194,131</u>	<u>164,933</u>	<u>29,198</u>
Home Economist Service:				
Personnel	118,045	118,045	100,939	17,106
Operating costs	5,500	5,500	2,367	3,133
Total Home Economist Service	<u>123,545</u>	<u>123,545</u>	<u>103,306</u>	<u>20,239</u>
County Fairgrounds:				
Personnel	39,573	40,323	40,304	19
Operating costs	69,800	99,310	99,531	(221)
Capital outlay	--	69,305	69,305	--
Total County Fairgrounds	<u>109,373</u>	<u>208,938</u>	<u>209,140</u>	<u>(202)</u>
Unallocable by department:				
Insurance	59,031	56,581	55,680	901
Appraisal fees	12,527	12,037	12,032	5
Retiree insurance	31,223	31,223	31,590	(367)
Total unallocable by department	<u>102,781</u>	<u>99,841</u>	<u>99,302</u>	<u>539</u>
TOTAL COMMUNITY & ECONOMIC DEVELOPMENT	<u>1,073,696</u>	<u>1,191,551</u>	<u>1,140,530</u>	<u>51,021</u>
INFRASTRUCTURE & ENVIRONMENTAL SERVICES				
Transfer Station:				
Personnel	--	25,953	21,363	4,590
Operating costs	--	29,355	18,735	10,620
Capital outlay	--	35,745	35,745	--
Total Transfer Station	<u>--</u>	<u>91,053</u>	<u>75,843</u>	<u>15,210</u>
Commissioner Precinct #1:				
Personnel	425,120	425,120	381,274	43,846
Operating costs	753,646	824,212	633,604	190,608
Capital outlay	--	47,656	47,656	--
Total Commissioner Precinct #1	<u>1,178,766</u>	<u>1,296,988</u>	<u>1,062,534</u>	<u>234,454</u>

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Commissioner Precinct #2:				
Personnel	470,998	470,998	392,858	78,140
Operating costs	730,711	968,848	763,804	205,044
Capital outlay	--	49,782	49,780	2
Total Commissioner Precinct #2	<u>1,201,709</u>	<u>1,489,628</u>	<u>1,206,442</u>	<u>283,186</u>
Commissioner Precinct #3:				
Personnel	457,737	457,737	403,444	54,293
Operating costs	677,269	889,567	670,406	219,161
Capital outlay	--	15,400	15,400	--
Debt	66,705	66,705	66,705	--
Total Commissioner Precinct #3	<u>1,201,711</u>	<u>1,429,409</u>	<u>1,155,955</u>	<u>273,454</u>
Commissioner Precinct #4:				
Personnel	457,059	462,059	385,141	76,918
Operating costs	744,652	954,674	799,947	154,727
Capital outlay	--	15,000	10,626	4,374
Total Commissioner Precinct #4	<u>1,201,711</u>	<u>1,431,733</u>	<u>1,195,714</u>	<u>236,019</u>
Unallocable by department:				
Insurance	177,422	170,060	167,351	2,709
Appraisal fees	37,651	36,179	36,162	17
Retiree insurance	145,708	145,708	147,420	(1,712)
Total unallocable by department	<u>360,781</u>	<u>351,947</u>	<u>350,933</u>	<u>1,014</u>
TOTAL INFRASTRUCTURE & ENVIRONMENTAL SVCS	<u>5,144,678</u>	<u>6,090,758</u>	<u>5,047,421</u>	<u>1,043,337</u>
Total Expenditures	<u>18,492,689</u>	<u>20,305,730</u>	<u>18,369,778</u>	<u>1,935,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5</u>	<u>(1,009,525)</u>	<u>1,159,722</u>	<u>2,169,247</u>
Transfers in	--	33,881	40,695	6,814
Total other financing sources (uses)	<u>--</u>	<u>33,881</u>	<u>40,695</u>	<u>6,814</u>
Net change in fund balances	<u>5</u>	<u>(975,644)</u>	<u>1,200,417</u>	<u>2,176,061</u>
Fund balances - beginning	7,238,307	7,238,307	7,238,307	--
Increase (decrease) in fund balance	--	--	(128,222)	(128,222)
Fund balances - restated	<u>7,238,307</u>	<u>7,238,307</u>	<u>7,110,085</u>	<u>128,222</u>
Fund balances - ending	<u>\$ 7,238,312</u>	<u>\$ 6,262,663</u>	<u>\$ 8,310,502</u>	<u>\$ 2,047,839</u>

MATAGORDA COUNTY*REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF FUNDING PROGRESS**POST EMPLOYMENT HEALTHCARE BENEFITS**YEAR ENDED DECEMBER 31, 2012*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Proj Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Total Payroll (c)</u>	<u>UAAL as a Percentage of Total Payroll ((b-a)/c)</u>
1/1/2010	\$ --	\$ 18,289,792	\$ 18,289,792	--	\$ 7,580,282	241.3%
1/1/2011	--	21,832,881	21,832,881	--	7,768,050	281.1%
1/1/2011	--	21,832,881	21,832,881	--	6,651,848	328.2%

MATAGORDA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

Budgetary Basis of Accounting

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The County adopted a budget for the General fund using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The County exceeded a few departments as noted in the budgetary comparison schedule.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,015,852	\$ 47,395	\$ 1,063,247
Receivables (net of allowances for uncollectibles):			
Taxes	--	144,763	144,763
Other receivables	611	13,534	14,145
Total Assets	<u>\$ 1,016,463</u>	<u>\$ 205,692</u>	<u>\$ 1,222,155</u>
LIABILITIES			
Accounts payable	\$ 41,066	\$ --	\$ 41,066
Due to other governments	1	--	1
Due to other funds	110	--	110
Due to others	6,419	--	6,419
Unavailable revenue	88,068	7,379	95,447
Total Liabilities	<u>135,664</u>	<u>7,379</u>	<u>143,043</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - current taxes	--	137,383	137,383
Unearned revenue - current taxes	--	47,143	47,143
Total deferred inflows of resources	<u>--</u>	<u>184,526</u>	<u>184,526</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Debt service	--	13,787	13,787
Legislative purposes	880,799	--	880,799
Total Fund Balances (Deficits)	<u>880,799</u>	<u>13,787</u>	<u>894,586</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,016,463</u>	<u>\$ 205,692</u>	<u>\$ 1,222,155</u>



MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ --	\$ 187,209	\$ 187,209
Intergovernmental	531,930	--	531,930
Charges for services	164,293	--	164,293
Investment income	8,207	389	8,596
Miscellaneous	42,068	--	42,068
Total revenues	<u>746,498</u>	<u>187,598</u>	<u>934,096</u>
EXPENDITURES			
Current:			
General government	306,100	--	306,100
Justice system	427,342	--	427,342
Public safety	17,342	--	17,342
Corrections and rehabilitation	31,445	--	31,445
Community and economic development	1	--	1
Capital outlay	134,580	--	134,580
Debt service:			
Principal	--	150,000	150,000
Interest and fees on debt	--	35,175	35,175
Total expenditures	<u>916,810</u>	<u>185,175</u>	<u>1,101,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,312)</u>	<u>2,423</u>	<u>(167,889)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(40,695)	--	(40,695)
Total other financing sources (uses)	<u>(40,695)</u>	<u>--</u>	<u>(40,695)</u>
Net change in fund balances	(211,007)	2,423	(208,584)
Fund balances - beginning	1,091,806	11,364	1,103,170
Fund balances - ending	<u>\$ 880,799</u>	<u>\$ 13,787</u>	<u>\$ 894,586</u>



Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney Legal/Law -- This fund is used to account for the transactions related to hot check fees of the district attorney's office, funds awarded to the County from forfeitures and state funds for the district attorney.

Sheriff & Jail Discretionary -- This fund is used to account for the transactions related to forfeited funds and inmate commissary sales.

County Clerk Preservation & Automation -- This fund is used to account for the fees collected by the County Clerk for preservation and automation.

Countywide Records Management & Preservation -- This fund is used to account for fees collected by the County Clerk for records management and preservation.

Courthouse Security -- This fund is used to account for fees collected by the County Court, District Court and JP Court for courthouse security.

Justice Court Technology -- This fund is used to account for fees collected by the District Clerk specifically for justice court technology.

District Clerk Records Management & Preservation -- This fund is used to account for fees collected by the District Clerk for records management and preservation.

County and District Court Technology -- This fund is used to account for fees collected by the County Clerk specifically for county and district court technology.

Historical Commission Grant -- This fund is used to account for grant proceeds and local match for the purpose of conducting an historic resource survey in Matagorda County.

CDBG Disaster Recovery -- This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for recovery from presidentially declared disasters to rebuild the affected areas and provide crucial seed money to start the recovery process.

Local Emergency Planning -- This fund was created to account for the activities of the Matagorda County Local Emergency Planning Committee (LEPC) which is to carry out those responsibilities specified by Public Law (PL) 99-499 and to implement other emergency plans or strategies as deemed appropriate.

Juvenile Probation Fund -- This fund is used to account for Texas Juvenile Probation Commission grant funds for administering the juvenile probation program.

MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
ASSETS				
Cash and cash equivalents	\$ 84,102	\$ 40,437	\$ 555,639	\$ 51,542
Receivables (net of allowances for uncollectibles):				
Other receivables	--	--	504	--
Total Assets	<u>\$ 84,102</u>	<u>\$ 40,437</u>	<u>\$ 556,143</u>	<u>\$ 51,542</u>
LIABILITIES				
Accounts payable	\$ --	\$ --	\$ 37,078	\$ --
Due to other governments	--	1	--	--
Due to other funds	60	50	--	--
Due to others	352	6,067	--	--
Unavailable revenue	--	--	--	--
Total Liabilities	<u>412</u>	<u>6,118</u>	<u>37,078</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES				
FUND BALANCES (DEFICITS)				
Restricted for:				
Legislative purposes	<u>83,690</u>	<u>34,319</u>	<u>519,065</u>	<u>51,542</u>
Total Fund Balances (Deficits)	<u>83,690</u>	<u>34,319</u>	<u>519,065</u>	<u>51,542</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 84,102</u>	<u>\$ 40,437</u>	<u>\$ 556,143</u>	<u>\$ 51,542</u>

<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>District Clerk Records Mgmt Preservation</u>	<u>County & District Court Technology</u>	<u>Historical Commission Grant</u>
\$ 74,844	\$ 60,468	\$ 34,886	\$ 20,539	\$ --
76	26	5	--	--
<u>\$ 74,920</u>	<u>\$ 60,494</u>	<u>\$ 34,891</u>	<u>\$ 20,539</u>	<u>\$ --</u>
\$ --	\$ 1,800	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>1,800</u>	<u>--</u>	<u>--</u>	<u>--</u>
74,920	58,694	34,891	20,539	--
<u>74,920</u>	<u>58,694</u>	<u>34,891</u>	<u>20,539</u>	<u>--</u>
<u>\$ 74,920</u>	<u>\$ 60,494</u>	<u>\$ 34,891</u>	<u>\$ 20,539</u>	<u>\$ --</u>



MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012

	CDBG Disaster Recovery	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and cash equivalents	\$ --	\$ 3,139	\$ 90,256	\$ 1,015,852
Receivables (net of allowances for uncollectibles):				
Other receivables	--	--	--	611
Total Assets	<u>\$ --</u>	<u>\$ 3,139</u>	<u>\$ 90,256</u>	<u>\$ 1,016,463</u>
LIABILITIES				
Accounts payable	\$ --	\$ --	\$ 2,188	\$ 41,066
Due to other governments	--	--	--	1
Due to other funds	--	--	--	110
Due to others	--	--	--	6,419
Unavailable revenue	--	--	88,068	88,068
Total Liabilities	<u>--</u>	<u>--</u>	<u>90,256</u>	<u>135,664</u>
DEFERRED INFLOWS OF RESOURCES				
FUND BALANCES (DEFICITS)				
Restricted for:				
Legislative purposes	--	3,139	--	880,799
Total Fund Balances (Deficits)	<u>--</u>	<u>3,139</u>	<u>--</u>	<u>880,799</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ --</u>	<u>\$ 3,139</u>	<u>\$ 90,256</u>	<u>\$ 1,016,463</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
REVENUES				
Intergovernmental	\$ --	\$ --	\$ --	\$ --
Charges for services	45,051	3,309	64,953	10,193
Investment income	567	95	4,239	1,091
Miscellaneous	--	37,371	--	--
Total revenues	<u>45,618</u>	<u>40,775</u>	<u>69,192</u>	<u>11,284</u>
EXPENDITURES				
Current:				
General government	--	--	103,182	148,264
Justice system	11,538	--	--	--
Public safety	--	10,957	--	--
Corrections and rehabilitation	--	31,445	--	--
Community and economic development	--	--	--	--
Capital outlay	--	--	--	--
Debt service:				
Total expenditures	<u>11,538</u>	<u>42,402</u>	<u>103,182</u>	<u>148,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,080</u>	<u>(1,627)</u>	<u>(33,990)</u>	<u>(136,980)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(40,695)	--	--	--
Total other financing sources (uses)	<u>(40,695)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(6,615)	(1,627)	(33,990)	(136,980)
Fund balances - beginning	90,305	35,946	553,055	188,522
Fund balances - ending	<u>\$ 83,690</u>	<u>\$ 34,319</u>	<u>\$ 519,065</u>	<u>\$ 51,542</u>

Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology	Historical Commission Grant
\$ --	\$ --	\$ --	\$ --	\$ --
20,381	7,982	5,262	7,162	--
705	477	247	132	--
--	--	--	--	--
<u>21,086</u>	<u>8,459</u>	<u>5,509</u>	<u>7,294</u>	<u>--</u>
54,654	--	--	--	--
983	16,632	--	--	--
--	--	--	--	--
--	--	--	--	1
--	--	--	--	--
<u>55,637</u>	<u>16,632</u>	<u>--</u>	<u>--</u>	<u>1</u>
<u>(34,551)</u>	<u>(8,173)</u>	<u>5,509</u>	<u>7,294</u>	<u>(1)</u>
--	--	--	--	--
--	--	--	--	--
(34,551)	(8,173)	5,509	7,294	(1)
109,471	66,867	29,382	13,245	1
<u>\$ 74,920</u>	<u>\$ 58,694</u>	<u>\$ 34,891</u>	<u>\$ 20,539</u>	<u>\$ --</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	CDBG Disaster Recovery	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
REVENUES				
Intergovernmental	\$ 134,580	\$ --	\$ 397,350	\$ 531,930
Charges for services	--	--	--	164,293
Investment income	--	40	614	8,207
Miscellaneous	--	4,472	225	42,068
Total revenues	<u>134,580</u>	<u>4,512</u>	<u>398,189</u>	<u>746,498</u>
EXPENDITURES				
Current:				
General government	--	--	--	306,100
Justice system	--	--	398,189	427,342
Public safety	--	6,385	--	17,342
Corrections and rehabilitation	--	--	--	31,445
Community and economic development	--	--	--	1
Capital outlay	134,580	--	--	134,580
Debt service:				
Total expenditures	<u>134,580</u>	<u>6,385</u>	<u>398,189</u>	<u>916,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(1,873)</u>	<u>--</u>	<u>(170,312)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	--	--	--	(40,695)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(40,695)</u>
Net change in fund balances	--	(1,873)	--	(211,007)
Fund balances - beginning	--	5,012	--	1,091,806
Fund balances - ending	<u>\$ --</u>	<u>\$ 3,139</u>	<u>\$ --</u>	<u>\$ 880,799</u>

MATAGORDA COUNTY

DA LEGAL LAW

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 51,500	\$ 45,051	\$ (6,449)
Investment income	350	567	217
Total revenues	<u>51,850</u>	<u>45,618</u>	<u>(6,232)</u>
EXPENDITURES			
JUSTICE SYSTEM			
District Attorney:			
Operating costs	24,350	11,538	12,812
Total District Attorney	<u>24,350</u>	<u>11,538</u>	<u>12,812</u>
TOTAL JUSTICE SYSTEM	<u>24,350</u>	<u>11,538</u>	<u>12,812</u>
Total Expenditures	<u>24,350</u>	<u>11,538</u>	<u>12,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,500</u>	<u>34,080</u>	<u>6,580</u>
Transfers out	(27,500)	(40,695)	(13,195)
Total other financing sources (uses)	<u>(27,500)</u>	<u>(40,695)</u>	<u>(13,195)</u>
Net change in fund balances	--	(6,615)	(6,615)
Fund balances - beginning	90,305	90,305	--
Fund balances - ending	<u>\$ 90,305</u>	<u>\$ 83,690</u>	<u>\$ (6,615)</u>

MATAGORDA COUNTY
SHERIFF & JAIL DISCRETIONARY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 10,000	\$ 3,309	\$ (6,691)
Investment income	500	95	(405)
Miscellaneous	<u>40,000</u>	<u>37,371</u>	<u>(2,629)</u>
Total revenues	<u>50,500</u>	<u>40,775</u>	<u>(9,725)</u>
EXPENDITURES			
PUBLIC SAFETY			
County Sheriff:			
Operating costs	<u>12,500</u>	<u>10,957</u>	<u>1,543</u>
Total County Sheriff	<u>12,500</u>	<u>10,957</u>	<u>1,543</u>
TOTAL PUBLIC SAFETY	<u>12,500</u>	<u>10,957</u>	<u>1,543</u>
CORRECTIONS & REHABILITATION			
County Jail:			
Operating costs	<u>38,000</u>	<u>31,445</u>	<u>6,555</u>
Total County Jail	<u>38,000</u>	<u>31,445</u>	<u>6,555</u>
TOTAL CORRECTIONS & REHABILITATION	<u>38,000</u>	<u>31,445</u>	<u>6,555</u>
Total Expenditures	<u>50,500</u>	<u>42,402</u>	<u>8,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(1,627)</u>	<u>(1,627)</u>
Net change in fund balances	--	(1,627)	(1,627)
Fund balances - beginning	35,946	35,946	--
Fund balances - ending	<u>\$ 35,946</u>	<u>\$ 34,319</u>	<u>\$ (1,627)</u>

MATAGORDA COUNTY
 COUNTY CLERK PRESERVATION & AUTOMATION
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Charges for services	\$ 86,000	\$ 64,953	\$ (21,047)
Investment income	<u>2,000</u>	<u>4,239</u>	<u>2,239</u>
Total revenues	<u>88,000</u>	<u>69,192</u>	<u>(18,808)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
Operating costs	259,000	103,182	155,818
Capital outlay	<u>10,000</u>	<u>--</u>	<u>10,000</u>
Total County Clerk	<u>269,000</u>	<u>103,182</u>	<u>165,818</u>
TOTAL GENERAL GOVERNMENT	<u>269,000</u>	<u>103,182</u>	<u>165,818</u>
Total Expenditures	<u>269,000</u>	<u>103,182</u>	<u>165,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(181,000)</u>	<u>(33,990)</u>	<u>147,010</u>
Net change in fund balances	(181,000)	(33,990)	147,010
Fund balances - beginning	553,055	553,055	--
Fund balances - ending	<u>\$ 372,055</u>	<u>\$ 519,065</u>	<u>\$ 147,010</u>

MATAGORDA COUNTY

COUNTYWIDE RECORDS MANAGEMENT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 10,000	\$ 10,193	\$ 193
Investment income	<u>1,400</u>	<u>1,091</u>	<u>(309)</u>
Total revenues	<u>11,400</u>	<u>11,284</u>	<u>(116)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Operating costs	161,400	148,264	13,136
Total County Courthouse	<u>161,400</u>	<u>148,264</u>	<u>13,136</u>
TOTAL GENERAL GOVERNMENT	<u>161,400</u>	<u>148,264</u>	<u>13,136</u>
Total Expenditures	<u>161,400</u>	<u>148,264</u>	<u>13,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,000)</u>	<u>(136,980)</u>	<u>13,020</u>
Net change in fund balances	(150,000)	(136,980)	13,020
Fund balances - beginning	188,522	188,522	--
Fund balances - ending	<u>\$ 38,522</u>	<u>\$ 51,542</u>	<u>\$ 13,020</u>

MATAGORDA COUNTY
COURTHOUSE SECURITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Charges for services	\$ 25,500	\$ 20,381	\$ (5,119)
Investment income	<u>1,500</u>	<u>705</u>	<u>(795)</u>
Total revenues	<u>27,000</u>	<u>21,086</u>	<u>(5,914)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Personnel	51,895	52,113	(218)
Operating costs	<u>6,610</u>	<u>2,541</u>	<u>4,069</u>
Total County Courthouse	<u>58,505</u>	<u>54,654</u>	<u>3,851</u>
TOTAL GENERAL GOVERNMENT	<u>58,505</u>	<u>54,654</u>	<u>3,851</u>
JUSTICE SYSTEM			
Justice of the Peace #1			
Operating costs	--	826	(826)
Total Justice of the Peace #1	<u>--</u>	<u>826</u>	<u>(826)</u>
Justice of the Peace #2			
Operating costs	--	157	(157)
Total Justice of the Peace #2	<u>--</u>	<u>157</u>	<u>(157)</u>
TOTAL JUSTICE SYSTEM	<u>--</u>	<u>983</u>	<u>(983)</u>
Total Expenditures	<u>58,505</u>	<u>55,637</u>	<u>2,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,505)</u>	<u>(34,551)</u>	<u>(3,046)</u>
Net change in fund balances	(31,505)	(34,551)	(3,046)
Fund balances - beginning	109,471	109,471	--
Fund balances - ending	<u>\$ 77,966</u>	<u>\$ 74,920</u>	<u>\$ (3,046)</u>

MATAGORDA COUNTY
JUSTICE COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Charges for services	\$ 10,000	\$ 7,982	\$ (2,018)
Investment income	<u>750</u>	<u>477</u>	<u>(273)</u>
Total revenues	<u>10,750</u>	<u>8,459</u>	<u>(2,291)</u>
EXPENDITURES			
JUSTICE SYSTEM			
Justice Court Technology:			
Operating costs	<u>17,300</u>	<u>16,632</u>	<u>668</u>
Total Justice Court Technology	<u>17,300</u>	<u>16,632</u>	<u>668</u>
TOTAL JUSTICE SYSTEM	<u>17,300</u>	<u>16,632</u>	<u>668</u>
Total Expenditures	<u>17,300</u>	<u>16,632</u>	<u>668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,550)</u>	<u>(8,173)</u>	<u>(1,623)</u>
Net change in fund balances	(6,550)	(8,173)	(1,623)
Fund balances - beginning	66,867	66,867	--
Fund balances - ending	<u>\$ 60,317</u>	<u>\$ 58,694</u>	<u>\$ (1,623)</u>

MATAGORDA COUNTY

DISTRICT CLERK RECORDS MGMT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 5,400	\$ 5,262	\$ (138)
Investment income	200	247	47
Total revenues	<u>5,600</u>	<u>5,509</u>	<u>(91)</u>
EXPENDITURES			
JUSTICE SYSTEM			
District Clerk:			
Operating costs	5,600	--	5,600
Total District Clerk	<u>5,600</u>	<u>--</u>	<u>5,600</u>
TOTAL JUSTICE SYSTEM	<u>5,600</u>	<u>--</u>	<u>5,600</u>
Total Expenditures	<u>5,600</u>	<u>--</u>	<u>5,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>5,509</u>	<u>5,509</u>
Net change in fund balances	--	5,509	5,509
Fund balances - beginning	29,382	29,382	--
Fund balances - ending	<u>\$ 29,382</u>	<u>\$ 34,891</u>	<u>\$ 5,509</u>

MATAGORDA COUNTY
 COUNTY & DISTRICT COURT TECHNOLOGY
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 6,125	\$ 7,162	\$ 1,037
Investment income	25	132	107
Total revenues	<u>6,150</u>	<u>7,294</u>	<u>1,144</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
Operating costs	1,925	--	1,925
Total County Clerk	<u>1,925</u>	<u>--</u>	<u>1,925</u>
TOTAL GENERAL GOVERNMENT	<u>1,925</u>	<u>--</u>	<u>1,925</u>
JUSTICE SYSTEM			
District Clerk:			
Operating costs	4,225	--	4,225
Total District Clerk	<u>4,225</u>	<u>--</u>	<u>4,225</u>
TOTAL JUSTICE SYSTEM	<u>4,225</u>	<u>--</u>	<u>4,225</u>
Total Expenditures	<u>6,150</u>	<u>--</u>	<u>6,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>7,294</u>	<u>7,294</u>
Net change in fund balances	--	7,294	7,294
Fund balances - beginning	13,245	13,245	--
Fund balances - ending	<u>\$ 13,245</u>	<u>\$ 20,539</u>	<u>\$ 7,294</u>

Fiduciary Funds

Fiduciary funds are used to account for funds held in a trustee or agency capacity for the benefit of others and therefore cannot be used to support the government's own programs. Fiduciary funds include pension trust funds, investment funds, private-purpose trust funds and agency funds. The County is only combining agency funds as defined below.

County Clerk Trust Fund -- This fund is used to account for County Court awards for the benefit of minors or others considered by the County Court to be incapable of handling the award individually.

District Clerk Trust Fund -- This fund is used to account for District Court awards for the benefit of minors or others considered by the District Court to be incapable of handling the award individually.

Inmate Trust Fund -- This fund is used to account for money held on behalf of inmates booked into the County jail.

Tax Assessor Collector -- This fund is used as a clearing account for the receipt and disbursement of tax collected by the County Tax Assessor Collector on behalf of other governmental entities.

MATAGORDA COUNTY

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

DECEMBER 31, 2012

	County Clerk Trust	District Clerk Trust
ASSETS		
Cash and cash equivalents	\$ 502,657	\$ 1,655,650
Total Assets	<u>\$ 502,657</u>	<u>\$ 1,655,650</u>
LIABILITIES		
Due to other governments	\$ --	\$ --
Due to others	502,657	1,655,650
Total Liabilities	<u>502,657</u>	<u>1,655,650</u>
NET POSITION		
Unrestricted	--	--
Total Net Assets	<u>\$ --</u>	<u>\$ --</u>

Inmate Trust Fund	Tax Assessor Collector	Total Agency Funds
\$ 21,919	\$ 120,188	\$ 2,300,414
<u>\$ 21,919</u>	<u>\$ 120,188</u>	<u>\$ 2,300,414</u>
\$ --	\$ 111,678	\$ 111,678
21,919	8,510	2,188,736
<u>21,919</u>	<u>120,188</u>	<u>2,300,414</u>
--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Balance December 31 2011	Additions	Deductions	Balance December 31 2012
COUNTY CLERK TRUST FUNDS				
ASSETS				
Cash & investments	23,838	\$ 496,076	\$ 17,257	\$ 502,657
Total Assets	<u>\$ 23,838</u>	<u>\$ 496,076</u>	<u>\$ 17,257</u>	<u>\$ 502,657</u>
LIABILITIES				
Due to others	\$ 23,838	\$ 496,076	\$ 17,257	\$ 502,657
Total Liabilities	<u>\$ 23,838</u>	<u>\$ 496,076</u>	<u>\$ 17,257</u>	<u>\$ 502,657</u>
DISTRICT CLERK TRUST FUNDS				
ASSETS				
Cash & investments	\$ 1,429,345	\$ 371,557	\$ 145,252	\$ 1,655,650
Total Assets	<u>\$ 1,429,345</u>	<u>\$ 371,557</u>	<u>\$ 145,252</u>	<u>\$ 1,655,650</u>
LIABILITIES				
Due to others	\$ 1,429,345	\$ 371,557	\$ 145,252	\$ 1,655,650
Total Liabilities	<u>\$ 1,429,345</u>	<u>\$ 371,557</u>	<u>\$ 145,252</u>	<u>\$ 1,655,650</u>
INMATE TRUST FUND				
ASSETS				
Cash & investments	\$ 16,371	\$ 189,963	\$ 184,415	\$ 21,919
Total Assets	<u>\$ 16,371</u>	<u>\$ 189,963</u>	<u>\$ 184,415</u>	<u>\$ 21,919</u>
LIABILITIES				
Due to others	\$ 16,371	\$ 189,963	\$ 184,415	\$ 21,919
Total Liabilities	<u>\$ 16,371</u>	<u>\$ 189,963</u>	<u>\$ 184,415</u>	<u>\$ 21,919</u>
TAX ASSESSOR COLLECTOR				
ASSETS				
Cash & investments	\$ 174,126	\$ 76,056,931	\$ 76,110,869	\$ 120,188
Total Assets	<u>\$ 174,126</u>	<u>\$ 76,056,931</u>	<u>\$ 76,110,869</u>	<u>\$ 120,188</u>
LIABILITIES				
Due to other governments	\$ 165,647	\$ 76,051,173	\$ 76,105,142	\$ 111,678
Due to others	8,479	5,758	5,727	8,510
Total Liabilities	<u>\$ 174,126</u>	<u>\$ 76,056,931</u>	<u>\$ 76,110,869</u>	<u>\$ 120,188</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash & investments	\$ 1,643,680	\$ 77,114,527	\$ 76,457,793	\$ 2,300,414
Total Assets	<u>\$ 1,643,680</u>	<u>\$ 77,114,527</u>	<u>\$ 76,457,793</u>	<u>\$ 2,300,414</u>
LIABILITIES				
Due to other governments	\$ 165,647	\$ 76,051,173	\$ 76,105,142	\$ 111,678
Due to others	1,478,033	1,063,354	352,651	2,188,736
Total Liabilities	<u>\$ 1,643,680</u>	<u>\$ 77,114,527</u>	<u>\$ 76,457,793</u>	<u>\$ 2,300,414</u>

STATISTICAL SECTION

This part of the Matagorda County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	Page
Financial Trends	70-73
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Revenue Capacity	74-77
These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Debt Capacity	78-81
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
Demographic and Economic Information	82-83
These schedules offer demographic and economic indicators to help the reader understand how the County's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	84-86
These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



MATAGORDA COUNTY
NET POSITION BY COMPONENT
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets,										
Net of Related Debt	\$ 20,094,284	\$ 23,302,072	\$ 23,813,922	\$ 20,768,339	\$ 21,151,366	\$ 20,506,971	\$ 19,522,703	\$ 17,819,411	\$ 16,381,686	\$ 16,401,437
Restricted	20,000	--	--	52	--	5,594	5,034	3,978	1,096,131	935,092
Unrestricted	19,975,813	12,488,348	12,381,152	12,621,657	10,373,595	10,395,793	9,800,301	8,393,819	6,238,050	5,812,670
Total Governmental Activities Net Assets	\$ 40,090,097	\$ 35,790,420	\$ 36,195,074	\$ 33,390,048	\$ 31,524,961	\$ 30,908,358	\$ 29,328,038	\$ 26,217,208	\$ 23,715,867	\$ 23,149,199

MATAGORDA COUNTY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 3,046,439	\$ 2,307,507	\$ 2,744,598	\$ 2,591,435	\$ 2,374,168	\$ 2,303,706	\$ 2,800,507	\$ 2,916,150	\$ 3,238,152	\$ 3,573,090
Justice system	2,975,523	2,684,216	3,032,205	3,275,243	2,931,754	2,965,507	3,402,444	3,673,061	3,617,128	3,393,214
Public safety	2,694,246	2,683,984	3,722,659	3,264,707	3,231,579	3,245,747	3,846,603	3,301,813	3,441,085	3,379,800
Corrections and rehabilitation	1,809,524	1,794,043	2,343,039	2,477,072	2,638,771	2,363,299	2,229,983	2,396,883	2,246,252	2,036,930
Health and human services	1,214,145	1,025,635	1,175,751	1,281,386	1,180,040	1,219,112	1,283,782	1,397,815	1,364,578	1,354,286
Community and economic development	1,277,447	1,008,691	1,132,587	1,166,624	1,325,564	1,167,753	1,597,919	2,002,462	2,289,523	1,324,645
Infrastructure and environmental services	3,476,672	6,114,484	3,993,968	3,823,861	6,896,776	5,922,408	6,335,128	7,742,526	6,881,349	5,671,712
Intergovernmental	--	--	--	--	--	--	--	--	290,001	2,604,849
Interest on Long-Term Debt	--	6,292	2,621	23,980	66,736	59,224	53,070	46,788	40,020	37,868
Total governmental activities expenses	\$ 16,493,996	\$ 17,624,852	\$ 18,147,428	\$ 17,904,308	\$ 20,645,388	\$ 19,246,756	\$ 21,549,436	\$ 23,477,498	\$ 23,408,088	\$ 23,376,394
Program Revenues										
Governmental Activities:										
Charges for Services:										
General government	\$ 228,965	\$ 1,216,743	\$ 1,201,970	\$ 1,165,711	\$ 1,241,621	\$ 1,363,971	\$ 1,241,539	\$ 1,234,096	\$ 1,227,359	\$ 1,283,268
Justice system	655,762	998,948	904,122	1,287,277	1,209,619	1,422,866	1,069,513	682,049	897,829	783,258
Public safety	3,269,249	3,349,454	3,487,489	4,297,654	3,786,690	3,471,050	3,266,384	3,196,198	3,157,683	3,226,989
Corrections and rehabilitation	42,647	116,600	118,305	118,632	95,872	90,155	145,540	267,029	128,297	93,515
Health and human services	--	48,897	47,560	54,413	50,937	57,506	45,980	70,070	63,717	61,074
Community and economic development	92,277	111,369	109,702	107,775	116,050	124,171	144,380	205,118	196,767	200,410
Infrastructure and environmental services	7,167	72,744	75,379	93,447	71,490	66,402	83,753	387,145	278,522	112,564
Intergovernmental	--	--	--	--	--	--	--	--	--	--
Operating Grants and Contributions	1,399,241	1,004,400	1,794,005	942,638	1,796,638	1,661,296	2,500,369	2,383,709	2,214,978	4,251,542
Capital Grants and Contributions	422,173	188,098	--	49,915	318,103	--	--	--	--	--
Total Governmental Activities Program Revenues	\$ 6,117,481	\$ 7,107,253	\$ 7,738,532	\$ 8,117,462	\$ 8,687,020	\$ 8,257,417	\$ 8,497,458	\$ 8,425,414	\$ 8,165,152	\$ 10,012,620
Net (Expense)/Revenue										
Governmental Activities	\$ (10,376,515)	\$ (10,517,599)	\$ (10,408,896)	\$ (9,786,846)	\$ (11,958,368)	\$ (10,989,339)	\$ (13,051,978)	\$ (15,052,084)	\$ (15,242,956)	\$ (13,363,774)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property taxes	\$ 8,472,638	\$ 8,384,447	\$ 8,294,370	\$ 8,174,199	\$ 9,194,415	\$ 9,921,906	\$ 11,160,539	\$ 11,501,213	\$ 12,243,775	\$ 12,758,819
Miscellaneous	1,687,274	473,856	14,053	103,303	104,940	70,657	65,041	99,083	267,556	33,357
Unrestricted investment earnings	195,782	247,964	456,110	704,318	793,926	380,173	246,078	340,958	230,264	133,153
Total Governmental Activities	\$ 10,355,694	\$ 9,106,267	\$ 8,764,533	\$ 8,981,820	\$ 10,093,281	\$ 10,372,736	\$ 11,471,658	\$ 11,941,254	\$ 12,741,595	\$ 12,925,329
Change in Net Assets										
Governmental Activities	\$ (20,821)	\$ (1,411,332)	\$ (1,644,363)	\$ (805,026)	\$ (1,865,087)	\$ (616,603)	\$ (1,580,320)	\$ (3,110,830)	\$ (2,501,341)	\$ (438,445)

MATAGORDA COUNTY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Non-Spendable	\$ 20,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 282,669	\$ 292,680	\$ 387,399
Committed	--	--	--	--	--	--	--	--	931,516	1,027,113
Unassigned	--	--	--	--	--	--	--	--	6,014,110	6,896,050
Unreserved	10,332,639	10,653,266	10,481,450	10,063,575	7,542,080	7,496,109	7,419,087	6,684,356	--	--
Total General Fund	\$ 10,352,639	\$ 10,653,266	\$ 10,481,450	\$ 10,063,575	\$ 7,542,080	\$ 7,496,109	\$ 7,419,087	\$ 6,967,025	\$ 7,238,306	\$ 8,310,502
All Other Governmental Funds										
Restricted	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,103,170	\$ 894,586
Reserved	--	--	--	52	--	817	4,924	7,505	--	--
Unreserved, Reported In:										
Special Revenue Funds	641,263	699,870	796,122	898,220	968,729	1,066,974	1,072,242	1,092,752	--	--
Debt Service Funds	--	--	--	--	(33,467)	--	--	--	--	--
Total All Other Governmental Funds	\$ 641,263	\$ 699,870	\$ 796,122	\$ 898,272	\$ 935,262	\$ 1,067,791	\$ 1,077,166	\$ 1,100,257	\$ 1,103,170	\$ 894,586

MATAGORDA COUNTY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 8,357,402	\$ 8,313,120	\$ 8,330,557	\$ 8,341,847	\$ 9,147,597	\$ 9,903,450	\$ 11,124,689	\$ 11,422,107	\$ 12,219,087	\$ 12,766,067
Licenses and permits	970,331	833,355	830,979	828,052	833,238	842,590	818,549	813,885	792,739	794,878
Intergovernmental	1,710,510	1,020,701	1,794,052	1,010,040	1,729,944	1,694,349	2,478,021	2,130,808	2,255,663	4,273,126
Charges for services	4,177,998	4,441,197	4,541,652	5,475,765	5,098,908	4,838,363	4,524,898	4,959,784	4,622,755	4,445,502
Fines	385,380	359,315	313,281	415,787	340,318	407,980	415,196	358,715	409,390	379,955
Investment income	195,099	256,591	480,942	744,641	840,854	411,266	272,525	368,082	246,270	146,783
Miscellaneous	480,764	871,912	220,429	331,482	557,011	347,093	273,743	523,112	270,267	262,134
Total Revenues	16,277,484	16,096,191	16,511,892	17,147,614	18,547,870	18,445,091	19,907,621	20,576,493	20,816,171	23,068,445
Expenditures										
General administration	2,620,415	2,379,815	2,169,018	2,218,233	2,359,736	2,439,805	2,646,612	2,683,735	2,805,567	3,067,887
Justice	2,539,135	2,556,715	2,571,259	2,786,928	2,803,386	2,740,721	3,155,191	3,389,233	3,295,213	3,070,179
Public safety	2,304,868	2,416,017	2,878,613	2,807,335	2,881,351	2,984,941	3,547,744	2,967,366	3,090,014	2,996,188
Corrections and rehabilitation	1,546,588	1,709,487	1,988,531	2,092,130	2,550,113	2,147,703	2,018,431	2,161,546	2,087,751	1,906,351
Environmental protection	--	--	--	--	--	--	--	--	--	--
Health and human services	1,040,808	977,663	998,854	1,068,561	1,130,644	1,141,036	1,208,428	1,316,134	1,261,528	1,254,709
Community and economic development	853,060	961,982	982,734	978,022	988,856	1,093,049	1,223,005	1,223,185	1,267,022	1,034,598
Infrastructure and environmental	4,328,262	4,030,857	3,635,842	4,293,688	4,376,057	4,541,745	5,063,458	5,722,007	5,058,387	4,821,509
Intergovernmental	--	--	--	--	--	--	--	--	290,001	2,613,425
Capital outlay	1,105,468	632,931	1,342,358	2,705,570	3,691,545	1,083,682	927,524	1,358,599	1,388,221	1,059,886
Debt service:										
Principal	66,187	65,199	96,744	25,129	181,466	125,000	130,000	135,000	145,000	212,555
Interest	10,194	6,292	2,621	2,745	69,221	60,853	54,873	48,659	42,093	39,325
Total Expenditures	16,414,985	15,736,958	16,666,574	18,978,341	21,032,375	18,358,535	19,975,266	21,005,464	20,730,797	22,076,612
Excess of Revenues Over (Under) Expenditures	(137,501)	359,233	(154,682)	(1,830,727)	(2,484,505)	86,556	(67,645)	(428,971)	85,374	991,833
Other Financing Sources (Uses)										
Flow thru in	47,711	--	12,297	--	--	--	--	--	--	--
Flow thru out	(47,711)	--	(12,297)	--	--	--	--	--	--	--
Certificates of obligation	--	--	--	1,515,000	--	--	--	--	--	--
Capital lease proceeds	--	--	--	--	--	--	--	--	--	188,820
Transfers In	26,537	38,127	7,000	698,736	2,794,384	489,115	67,612	53,450	70,053	40,695
Transfers Out	(26,537)	(38,127)	(7,000)	(698,736)	(2,794,384)	(489,115)	(67,612)	(53,450)	(70,053)	(40,695)
Total Other Financing Sources (Uses)	--	--	79,119	1,515,000	--	--	--	--	188,820	--
Net Change in Fund Balances	\$ (137,501)	\$ 359,233	\$ (75,563)	\$ (315,727)	\$ (2,484,505)	\$ 86,556	\$ (67,645)	\$ (428,971)	\$ 274,194	\$ 991,833
Debt Service As A Percentage Of Noncapital Expenditures	0.50%	0.47%	0.65%	0.17%	1.45%	1.08%	0.97%	0.93%	0.97%	1.20%

MATAGORDA COUNTY
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year	Assessed Real Property	Assessed Non-real Property	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2002/03	\$ 1,327,058,095	\$ 1,622,221,157	\$ (382,827,307)	\$ 2,566,451,945	0.32200	\$ 2,566,451,945	100.000%
2003/04	2,656,745,852	327,878,186	(404,313,434)	2,580,310,604	0.31800	2,580,310,604	100.000%
2004/05	1,528,321,761	1,423,438,755	(400,342,742)	2,551,417,774	0.31800	2,551,417,774	100.000%
2005/06	2,717,106,070	459,670,380	(511,752,684)	2,665,023,766	0.30900	2,665,023,766	100.000%
2006/07	3,276,215,172	551,077,039	(463,734,746)	3,363,557,465	0.26829	3,363,557,465	100.000%
2007/08	3,580,834,451	426,262,334	(461,540,256)	3,545,556,529	0.27593	3,545,556,529	100.000%
2008/09	4,381,977,682	95,029,605	(491,074,920)	3,985,932,367	0.27518	3,985,932,367	100.000%
2009/10	3,533,533,063	1,116,722,810	(510,369,654)	4,139,886,219	0.27498	4,139,886,219	100.000%
2010/11	3,412,943,688	1,553,978,640	(552,937,135)	4,413,985,193	0.27478	4,413,985,193	100.000%
2011/12	4,085,451,154	950,761,254	(546,317,547)	4,489,894,861	0.28162	4,489,894,861	100.000%

Source: Matagorda County Appraisal District

MATAGORDA COUNTY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	Matagorda County				Overlapping Rates								Total Direct and Overlapping
	Total Direct		City		Utility Districts		Special Districts		Schools				
	Operating	Debt	Rate	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt		
2002/03	\$ 0.32200	\$ --	0.32200	0.62800	\$ --	\$ 0.36100	\$ 0.19300	\$ 0.08800	\$ 0.03000	\$ 1.45500	\$ 0.15000	\$ 3.22700	
2003/04	0.31800	--	0.31800	0.60500	0.04500	0.14300	0.13900	0.09000	0.03000	1.40700	0.10000	2.87700	
2004/05	0.31800	--	0.31800	0.62000	0.04300	0.14100	0.13000	0.09100	0.03000	1.41500	0.11000	2.89800	
2005/06	0.30900	--	0.30900	0.60500	0.04600	0.13600	0.10400	0.08300	0.03000	1.45500	0.09500	2.86300	
2006/07	0.26264	0.00565	0.26829	0.60500	0.04300	0.12700	0.05800	0.07100	0.03000	1.28000	0.09800	2.58029	
2007/08	0.26978	0.00615	0.27593	0.60500	0.04300	0.11920	0.07650	0.07100	0.03000	1.00790	0.16156	2.39009	
2008/09	0.27055	0.00463	0.27518	0.59400	0.03400	0.11600	0.07600	0.07000	0.03000	1.01900	0.12700	2.34118	
2009/10	0.27055	0.00443	0.27498	0.61300	0.03000	0.12300	0.08700	0.06700	0.03000	1.03800	0.12900	2.39198	
2010/11	0.27055	0.00423	0.27478	0.65100	0.03800	0.12600	0.08300	0.06900	0.03000	1.04700	0.11800	2.43678	
2011/12	0.27750	0.00412	0.28162	0.67500	0.03900	0.13600	0.08200	0.07100	0.03000	1.04700	0.12700	2.48862	

Source: County Tax Assessor and Palacios ISD Tax Assessor

MATAGORDA COUNTY

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011/2012			2002/2003		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
NRG	\$ 1,067,926,440	1	23.79%	\$ --	--	--
Inergy LP	368,565,452	2	8.21%	--	--	--
Texas Brine Company LLC	142,217,890	3	3.17%	25,319,130	6	0.99%
Equistar Chemicals LP	123,461,920	4	2.75%	229,408,370	3	8.94%
Midtex Gas Storage Company	101,030,850	5	2.25%	19,857,980	9	0.77%
Williams Fld Svcs - Gulf Coast Co.	91,472,830	6	2.04%	--	--	--
Oxea Corporation	60,356,580	7	1.34%	--	--	--
Flint Hills Resources INV	40,181,700	8	0.89%	--	--	--
Celanese LTD Chemical Division	34,515,020	9	0.77%	126,583,010	4	4.93%
Citgo Petroleum Corporation	33,162,400	10	0.74%	--	--	--
Reliant Energy HL&P Company	--	--	--	472,673,660	1	18.42%
Central Power & Light Company	--	--	--	461,298,320	2	17.97%
Amoco Production Company	--	--	--	34,735,370	5	1.35%
Transcontinental Gas Pipeline	--	--	--	22,040,820	7	0.86%
Santos USA Corp	--	--	--	21,101,660	8	0.82%
Holliman Oil Coporation	--	--	--	19,315,320	10	0.75%
Total	\$ 2,062,891,082		45.95%	\$ 1,432,333,640		55.81%
Total Taxable Assessed Value	\$ 4,489,894,861			\$ 2,566,451,945		

Source: Matagorda County Tax Assessor

MATAGORDA COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Tax Year/ Fiscal Year	Taxes Levied for the Fiscal Year		Adjustments	Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date						
	Fiscal Year	Amount			Percentage of Levy	Amount		Percentage of Levy	Amount	Percentage of Levy				
2002/2003	\$	8,253,713	\$	(86,983)	\$	8,166,730	\$	7,979,552	97.71%	\$	151,913	\$	8,131,465	99.57%
2003/2004		8,213,576		(15,142)		8,198,434		7,946,142	96.92%		216,771		8,162,913	99.57%
2004/2005		8,123,105		75,683		8,198,788		8,015,644	97.77%		144,350		8,159,994	99.53%
2005/2006		8,178,222		(7,519)		8,170,703		8,047,767	98.50%		96,449		8,144,216	99.68%
2006/2007		9,039,485		(12,753)		9,026,732		8,895,062	98.54%		101,515		8,996,577	99.67%
2007/2008		9,783,727		26,599		9,810,326		9,653,410	98.40%		117,659		9,771,069	99.60%
2008/2009		10,968,961		(596)		10,968,365		10,797,638	98.44%		112,142		10,909,780	99.47%
2009/2010		11,384,047		(26,975)		11,357,072		11,155,160	98.22%		119,891		11,275,051	99.28%
2010/2011		12,129,877		(23,237)		12,106,640		11,923,482	98.49%		80,810		12,004,292	99.15%
2011/2012		12,644,542		(17,488)		12,627,054		12,461,310	98.69%		--		12,461,310	98.69%

Sources: Matagorda County Tax Assessor

MATAGORDA COUNTY

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Percentage of Personal Income (1)	Per Capita Total Debt (1)
	Certificates of Obligation	Capital Leases	Total Governmental Activities		
2003	\$ --	\$ 134,420	\$ 134,420	0.02%	4
2004	--	69,221	69,221	0.01%	2
2005	--	51,595	51,595	0.01%	1
2006	1,515,000	26,466	1,541,466	0.18%	39
2007	1,360,000	--	1,360,000	0.15%	37
2008	1,235,000	--	1,235,000	0.13%	34
2009	1,105,000	--	1,105,000	0.10%	30
2010	970,000	--	970,000	0.09%	26
2011	825,000	188,820	1,013,820	0.09%	28
2012	675,000	126,265	801,265	0.07%	22

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Personal income and per capita can be found in the schedule of demographic and economic statistics on page 82.

MATAGORDA COUNTY

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2003	\$ --	\$ --	\$ --	--	\$ --
2004	--	--	--	--	--
2005	--	--	--	--	--
2006	1,515,000	52	1,514,948	0.06%	38
2007	1,360,000	--	1,360,000	0.04%	37
2008	1,235,000	817	1,234,183	0.04%	33
2009	1,105,000	4,924	1,100,076	0.03%	30
2010	970,000	7,505	962,495	0.02%	26
2011	825,000	11,363	813,637	0.02%	22
2012	675,000	13,787	661,213	0.01%	18

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt of governmental funds

(2) This is the amount restricted for debt service principal payments

(3) Estimated actual value of taxable property can be found on page 74.

(4) Population data can be found in the schedule of demographic and economic statistics on page 82.

MATAGORDA COUNTY
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
City of Bay City	9,707,500	100.000%	9,707,500
Tidehaven Independent School District	50,530,000	100.000%	50,530,000
Palacios Independent School District	4,515,000	94.076%	4,247,525
Bay City Independent School District	19,625,914	100.000%	19,625,914
Matagorda Independent School District	5,040,000	100.000%	5,040,000
Matagorda County Navigation District #1	3,150,000	100.000%	3,150,000
Caney Creek Municipal Utility District	3,276,000	100.000%	3,276,000
Beach Road Municipal Utility District	413,000	100.000%	413,000
Other Debt			
Bay City Independent School District Capital Lease	1,695,113	100.000%	1,695,113
Bay City Independent School District Notes Payable	3,510,564	100.000%	3,510,564
Matagorda Independent School District Notes Payable	100,217	100.000%	100,217
Van Vleck Independent School District Notes Payable	--	100.000%	--
Van Vleck Independent School District Capital Lease	853,857	100.000%	853,857
City of Bay City Capital Lease	59,466	100.000%	59,466
City of Bay City Notes Payable	343,135	100.000%	343,135
City of Palacios	240,983	100.000%	240,983
Subtotal, Overlapping Debt			<u>102,793,274</u>
County Direct Debt:			
Capital Lease			126,265
Certificates of Obligation			<u>675,000</u>
			<u>801,265</u>
Total Direct and Overlapping Debt			<u>\$ 103,594,539</u>

Sources: Assessed value data used to estimate applicable percentages provided by Matagorda County Appraisal District
Debt outstanding data provided by each governmental unit.

MATAGORDA COUNTY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ --	\$ --	\$ --	\$ 399,753,565	\$ 504,533,620	\$ 531,833,479	\$ 597,889,855	\$ 620,982,933	\$ 1,103,496,298	\$ 1,122,473,715
Total Net Debt Applicable to Limit	--	--	--	1,514,948	1,360,000	1,234,183	1,100,076	977,505	813,637	661,213
Legal Debt Margin	--	--	--	398,238,617	503,173,620	530,599,296	596,789,779	620,005,428	1,102,682,661	1,121,812,502
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	--	--	--	0.38%	0.27%	0.23%	0.18%	0.16%	0.07%	0.06%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 4,489,894,861
Debt Limit (25% of Assessed Value)	1,122,473,715
Debt Applicable to Limit:	
General Obligation Bonds	675,000
Less: Amount Set Aside for Repayment of General Obligation Debt	(13,787)
Total Net Debt Applicable to Limit	<u>661,213</u>
Legal Debt Margin	\$ <u>1,121,812,502</u>

Sources: Matagorda County Appraisal District and County annual audit report.

MATAGORDA COUNTY
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Population	37,954	38,290	39,205	39,529	37,122	36,860	37,265	36,978	36,763	36,809
Personal Income (thousands)	\$ 807,057	\$ 817,708	\$ 850,375	\$ 858,520	\$ 926,647	\$ 959,353	\$ 1,073,586	\$ 1,124,476	\$ 1,211,531	\$ 1,225,279
Per Capita Income	\$ 21,264	\$ 21,356	\$ 21,690	\$ 21,719	\$ 24,962	\$ 26,027	\$ 28,809	\$ 30,409	\$ 32,955	\$ 33,287
School Enrollment	7,884	7,952	7,934	7,884	7,685	7,453	7,373	7,182	7,159	7,096
Unemployment	12.6%	14.2%	14.0%	8.2%	7.2%	6.0%	7.0%	10.3%	16.4%	9.4%

Note: This data represents a one year lag from the fiscal year end as this type of information is never available for the current year under audit.

Sources: Personal income per capita and population provided by Bureau of Economic Analysis; school enrollment provided by Texas Education Agency website to include five independent school districts located within the county. Unemployment provided by Texas LMCI Tracer 2.

MATAGORDA COUNTY

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Top Employers	2012	2012	2003	2003
	Employment	Percentage of Total County Employment	Employment	Percentage of Total County Employment
South Texas Project	1,163	7.53%	1,181	7.53%
Bay City ISD	519	3.36%	602	3.84%
Wal-Mart	125	0.81%	*	--
Matagorda Hospital	246	1.59%	318	2.03%
Palacios ISD	237	1.53%	235	1.50%
City of Bay City	160	1.04%	258	1.65%
Matagorda County	217	1.40%	213	1.36%
Lyondell	143	0.93%	190	1.21%
Oxea	150	0.97%	**	--
Van Vleck ISD	143	0.93%	150	0.96%
Tidehaven ISD	130	0.84%	149	0.95%
HEB	107	0.69%	97	0.62%
McAda Drilling Fluids	65	0.42%	63	0.40%
Total	<u>3,405</u>	<u>22.04%</u>	<u>3,456</u>	<u>22.04%</u>
Total County Employment		15,451		15,682

Sources:

Each employer

Texas LMCI Tracer - Total County employment for 2012

Labor Force - Total County employment for 2003

* Top employers 2003 employment data not available.

** Opened in 2007

MATAGORDA COUNTY
 FULL-TIME-EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Full-Time-Equivalent Employees as of Year End									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	31	32	33	33	33	34	34	34	34	34
Justice system	38	35	35	35	34	37	37	37	37	34
Public safety	45	45	45	46	47	47	47	48	48	49
Corrections and rehabilitation	31	31	31	30	32	34	35	35	35	35
Community & economic development	14	9	10	10	10	10	10	10	10	10
Health & human services	7	7	7	7	7	7	7	7	7	7
Infrastructure & environmental services	33	34	34	33	34	34	35	33	37	37
Total	199	193	195	194	197	203	205	204	208	206

Source: County Treasurer and Auditor Office

MATAGORDA COUNTY
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Births filed	281	342	310	291	322	420	389	404	386	355
Deaths filed	284	251	258	239	290	261	258	273	258	287
Marriage license applications	311	289	277	251	300	261	265	321	327	328
Registered voters	20,380	21,398	20,746	21,049	20,818	21,725	20,806	21,116	20,543	21,358
Auto titles	7,714	6,399	6,115	6,103	5,934	5,833	5,489	4,513	5,491	5,686
Justice										
District Court										
Civil cases filed	937	823	978	984	951	848	764	399	425	386
Civil case dispositions	1,030	1,051	1,021	1,023	961	994	933	414	330	371
Criminal cases filed	485	413	446	557	540	526	538	718	413	379
Criminal case dispositions	478	451	423	517	514	518	548	879	483	554
County Court										
Civil cases filed	85	60	77	94	63	73	52	64	75	67
Civil case dispositions	40	34	55	31	50	59	30	65	71	61
Criminal cases filed	1,391	1,234	1,362	1,323	1,371	983	935	968	986	1,001
Criminal case dispositions	1,602	1,433	1,455	1,467	1,594	1,085	1,073	1,096	4,955	1,112
Justice of the Peace										
Civil cases filed	377	150	413	328	328	592	408	363	385	374
Civil case dispositions	85	203	126	127	176	244	166	141	181	866
Criminal cases filed	9,318	7,417	7,082	8,426	5,878	6,591	6,599	5,351	4,955	3,931
Criminal case dispositions	7,411	5,765	4,600	6,241	4,450	4,450	5,153	3,848	4,626	5,500
Public Safety										
Total calls for service	7,206	7,809	8,043	7,847	8,235	7,957	7,851	7,863	7,976	7,605
Total arrests	1,073	928	695	588	775	890	744	970	791	680
Corrections and Rehabilitation										
Number of inmates per year	2,987	2,906	2,901	2,852	2,472	1,553	1,582	1,732	1,808	1,391
Health and Human Services										
Food permits issued	256	260	278	274	260	245	245	250	249	242
Food inspections	802	567	685	606	443	333	362	*	*	*
Septic permits issued	117	136	121	138	134	160	104	123	111	97
Building permits issued	295	346	338	436	368	449	367	375	333	297
Electrical permits issued	322	291	306	510	510	496	210	446	498	510

* Information not available

Source: County records

MATAGORDA COUNTY
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
County buildings	40	40	40	40	42	42	42	42	42	42
Public Safety										
Sheriff vehicles	42	42	43	48	43	47	48	55	53	53
Fire and ambulance	40	40	39	39	48	48	48	48	48	48
Infrastructure and Env. Svcs										
County roads (miles)	*	*	*	1,126	1,126	1,126	1,126	1,126	1,126	1,126
County bridges	*	*	*	87	87	87	87	87	87	87
Community and Economic Development										
Number of county parks	7	7	8	9	9	9	9	9	9	9

* Information not available.

Sources: HGAC & TxDot and County Commissioner inventory report.



Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



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Independent Auditor's Report

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*

Commissioners Court
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Commissioners Court:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Matagorda County, as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise Matagorda County's basic financial statements, and have issued our report thereon dated May 24, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Reed & Associates, PC
May 24, 2013

Reed & Associates, PC

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Independent Auditor's Report

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Commissioners Court
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Commissioners Court:

Report on Compliance for Each Major Federal Program

We have audited Matagorda County's compliance with the types of compliance requirements described in the "OMB Circular A-133 Compliance Supplement" that could have a direct and material effect on Matagorda County's major federal program for the year ended December 31, 2012. Matagorda County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Matagorda County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Matagorda County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Matagorda County's compliance.

Opinion on Each Major Federal Program

In our opinion, Matagoda County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Matagorda County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Matagorda County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Matagorda County's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Matagorda County's basic financial statements. We issued our report thereon dated May 24, 2012, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,

Reed & Associates, PC
May 24, 2013

MATAGORDA COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
15.426/15.668	Coastal Impact Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MATAGORDA COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not Applicable		

MATAGORDA COUNTY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2012

Not Applicable



MATAGORDA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. ELECTION ASSISTANCE COMMISSION</u>			
Passed Through Texas Secretary of State:			
Help America Vote Act Requirements Payments	90.401	78633	\$ 32,722
Help America Vote Act Requirements Payments	90.401	77453	1,141
Total Passed Through Texas Secretary of State			33,863
Total U. S. Election Assistance Commission			33,863
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Programs:			
Coastal Impact Assistance Program	15.426	M10AF20087	15,150
Coastal Impact Assistance Program	15.426	M11AF00070	855,516
Coastal Impact Assistance Program	15.668	F13AF00062	93,441
Coastal Impact Assistance Program	15.668	F12AF00579	58,478
Coastal Impact Assistance Program	15.668	F12AF01263	8,115
Coastal Impact Assistance Program	15.668	F12AF00882	63,850
Coastal Impact Assistance Program	15.668	F13AF00204	46,000
Total Direct Programs			1,140,550
Passed Through Texas General Land Office:			
Coastal Impact Assistance Program	15.426	11-231-000-4816	1,660,000
Total U. S. Department of the Interior			2,800,550
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Program:			
State Criminal Alien Assistance Program	16.606	2012-H4643-TX-AP	6,409
Total U. S. Department of Justice			6,409
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Passed Through Texas General Land Office:			
Community Development Block Grant* *	14.228	DRS010112	134,580
Total U. S. Department of Housing & Urban Development			134,580
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Department of Public Safety:			
Emergency Management Performance Grant	97.042	12TX-EMPG-528	27,724
Homeland Security Grant Program *	97.067	EMW-2011-SS-00019	30,977
State Homeland Security Program	97.073	2010-SS-T0-0008	245,000
Total Passed Through Texas Department of Public Safety			303,701
Total U. S. Department of Homeland Security			303,701
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Juvenile Probation Commission:			
Foster Care Title IV-E	93.658	E2009161	2,801
Passed Through Texas Department of Family & Protective Services:			
Foster Care Title IV-E	93.658	23940146	3,528
Foster Care Title IV-E	93.658	23940147	14,183
Total Passed Through Texas Department of Family & Protective Services			17,711
Total U. S. Department of Health and Human Services			20,512

MATAGORDA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S. DEPARTMENT OF ENERGY</u>			
Passed Through State Energy Conservation Office: Energy Efficiency & Conservation Grant (ARRA)	81.128	CS0835	\$ 86,365
Total U. S. Department of Energy			\$ 86,365
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>3,385,980</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

MATAGORDA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Matagorda County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Matagorda County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Coastal Impact Assistance Program	15.426/15.688	\$ 2,602,631

