

REPORT ON
COUNTY OF COLEMAN
COLEMAN, TEXAS
YEAR ENDED SEPTEMBER 30, 2012

Reed, McKee & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
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February 12, 2013

To the County Judge and Commissioner's Court
County of Coleman

We have audited the financial statements of the governmental activities of the County of Coleman for the year ended September 30, 2012, and have issued our report thereon dated February 12, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 5, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the County of Coleman. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We have issued a separate letter which addresses suggested areas of improving internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Coleman are described in Note 1 to the financial statements. Accounting policies in regard to fund balance classification have been noted in the audited financial statement footnotes and statements. No other new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the County of Coleman during the years audited that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

While there can be significant estimates in financial statements as noted above, the County of Coleman had no significant amounts estimated other than the depreciation on depreciable assets over \$5,000 individually. This estimate was based on management's estimate of the remaining lives on those assets over \$5,000 depreciated on a straight line basis.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). There were no audit adjustments presented to the Treasurer.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

COUNTY OF COLEMAN
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Reed, McKee & Co., P.C.

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INDEPENDENT AUDITOR'S REPORT

County Judge and Commissioner's Court
County of Coleman
Coleman, Texas 76834

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coleman (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coleman as of September 30, 2012 and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended.

Management's discussion and analysis on pages 2 through 7 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Coleman's basic financial statements. The supplemental information on pages 29 through 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Reed, McKee & Co. P.C.
Reed, McKee & Co., P.C.
Certified Public Accountants

February 12, 2013

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

This section of the County of Coleman's annual financial report presents our discussion and analysis of the County's financial performance for the fiscal year ended September 30, 2012. Please read it in conjunction with the Independent Auditor's Report and the County's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The County's net assets as presented on the statement of assets, increased by \$260,430 as a result of this year's operations. The County's net assets consists of unrestricted assets of \$1,337,471 which may be used to meet the County's ongoing obligations and net assets invested in capital assets net of related debt of \$894,719 which represent the County's depreciable assets net of notes payable. Restricted net assets consist mainly of funds restricted for specific use of state fees collected by the county. Total assets increased \$556,560 over the prior year, with a corresponding \$296,130 increase in total liabilities. These increases are mainly due to the new motor graders which were financed.

As shown in the statement of activities the County has combined revenues of \$4,015,888 from charges for services, operating grants and general revenues. This represents an increase of \$97,241 over prior year amounts mainly due to increased grant revenue from the Homeland Security and FEMA Public assistance. The County had \$3,755,458 of total expenses that were offset by \$823,812 of charges for services and \$263,488 of operating grants and contributions. This left net expenses of \$2,668,158 which were funded by general revenues of \$2,928,588. Expenses increased \$209,356 as compared to the prior year. The largest portion of this increase again was due to expenditures on the new grants noted above as well as additional repairs on road and bridge equipment. Details of the changes by function can be seen in Table II of this document that follows.

Comparing the balance sheet for the current year to the prior year, the following items were noted. Total assets for all governmental funds are \$1,503,715, which is an increase of \$140,480 compared to the prior year. Total cash and certificates of deposit increased by \$137,493. This increase is consistent with the increase in fund balance of \$129,363. The increase in liabilities of \$11,117 is mainly due to amounts due to the state not being paid prior to yearend. Total fund balance increased from \$1,139,374 to \$1,268,737 as a result of current operations as shown in the statement of revenues, expenditures, and changes in fund balance. The overall increase of \$129,363 represents a combination of an overall increase in the general fund of \$192,232, a decrease in the road and bridge fund of \$63,583, and a decrease of \$286 in all the other funds combined. A comparison of individual funds shows that general fund revenues were up \$87,453 and general fund expenses were up \$62,309. As mentioned earlier in this discussion, grant revenues from two specific grants accounts for in the increase in general revenue and expense. Road and Bridge revenues were up slightly by \$28,522 before the capital lease proceeds. Expenses in the Road and Bridge funds were up \$673,033 due to the new capital leases as well as additional expenses in maintenance of equipment. There were no significant differences noted in the other funds revenues or expenses.

The County's budget comparison for the general fund and road and bridge fund is included in the financial statements for further analysis. Actual revenues of the general fund were \$52,824 less than the final budgeted amounts. As can be seen from looking at the budget comparison, taxes were \$31,283 less than anticipated and fines were \$10,121 less than anticipated. The net difference in budget to actual for intergovernmental revenues and miscellaneous basically offset each other. Total expenditures in the general fund were \$279,414 less than budgeted amounts. This again is partially due to not spending as many funds on permanent improvements as originally budgeted and less in each of the other functional categories. This shows that the County is staying within budgeted amounts. The original budget for the general fund projected a decrease in fund balance for the general fund of \$108,771. The amended budget projected a decrease in fund balance of \$26,450. The actual amount on increase in fund balance of \$193,232 is more to controlled expenses as noted above.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

A comparison of the Road and Bridge budget to actual shows the following information. Actual revenues were \$15,348 less than budgeted. As can be seen on Page 29, the taxes were less than anticipated by \$12,992 which makes up the largest decrease. Actual expenses were \$5,774 more than anticipated. The original budget showed an anticipated decrease in fund balance of \$152,605 and was subsequently amended to show a decrease of \$383,061. As can be seen, the actual decrease in fund balance was \$63,583. The difference in budgeted versus actual is due to capital lease proceeds not being budgeted as shown on page 31.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial report of a business enterprise.

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statement of fiduciary net assets provides financial information about activities for each of the County offices and represents funds that have not been remitted to the Treasurer as of year end.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The supplementary information includes information for further analysis.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the County's overall financial condition and operations begins with the statement of net assets and statement of activities. The primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided from charges for services such as fees and fines collected in each of the various county offices. Operating grants and contributions are separate grants for specific purposes. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

These two statements report the County's net assets and changes in them. The County's net assets (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non financial factors as well, such as changes in the County's property tax base and the condition of the County's equipment and facilities.

In the Statement of Net Assets and the Statement of Activities, we present all the activities of the County as one governmental activity which is defined below.

Governmental activities—Most of the County's basic services are reported here, including the costs of running the individual offices of the County including the tax assessor-collector, district clerk, county clerk, county judge, county treasurer, sheriff's office and other general activities. Also included within the governmental activities would be the road and bridge activities as well as each of the precincts.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the County as a whole. Laws and contracts require the County to establish some funds, such as grants and other funds for specific fines mandated by the state. The fund financial statements reflect the general fund and separate columns for all major funds as defined by GASB 34 and all other funds combined in a column referred to as all other funds. All these funds are determined to be governmental funds as defined below.

Governmental funds—Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, for money raised by the individual offices in the courthouse and jail area until those funds are remitted to the Treasurer. At the time the monthly fees are remitted by the individual offices they are considered the revenues of the County in the various funds. All of the County's fiduciary activities are reported in the separate Statement of Fiduciary Net Assets. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its operations until received from these offices.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets of the County's governmental activities increased from \$2,043,852 to \$2,304,282. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – are \$1,337,471 at September 30, 2012.

Table 1 - NET ASSETS

	Governmental Activities 2012	Governmental Activities 2011	Increase (Decrease)
Current and other assets	\$ 1,503,715	\$ 1,363,235	\$ 140,480
Capital assets, net	1,308,197	892,117	416,080
Total assets	<u>2,811,912</u>	<u>2,255,352</u>	<u>556,560</u>
Long-term liabilities	413,478	118,981	294,497
Other liabilities	94,152	92,519	1,633
Total liabilities	<u>507,630</u>	<u>211,500</u>	<u>296,130</u>
Net Assets:			
Invested in capital assets, net of related debt	894,719	772,136	122,583
Restricted	72,092	56,176	15,916
Unrestricted	1,337,471	1,215,540	121,931
Total Net Assets	<u>\$ 2,304,282</u>	<u>\$ 2,043,852</u>	<u>\$ 260,430</u>

The increases and decreases in the individual categories have been discussed previously in the financial highlights section of this discussion and analysis. As can be seen the increase in total assets of \$556,560, the largest increase is in net capital assets. This corresponds to the increase in long-term liabilities as the County financed two new motor graders in the current year.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

Table II - CHANGES IN NET ASSETS

	Governmental Activities 2012	Governmental Activities 2011	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for services	\$ 823,812	\$ 849,964	\$ (26,152)
Operating grants and contributions	263,488	163,307	100,181
General Revenues:			
Property taxes – Maintenance and operations	1,970,876	1,975,879	(5,003)
Property taxes – Roads and bridges	848,313	848,399	(86)
Investment earnings	6,681	10,171	(3,490)
Miscellaneous and intermediate revenue	102,718	70,927	31,791
Total Revenue	4,015,888	3,918,647	97,241
Expenses:			
General Government	1,316,001	1,241,586	74,415
Roads and Bridges	1,347,380	1,210,155	137,225
Justice System	288,560	317,574	(29,014)
Public Safety	576,318	590,163	(13,845)
Public Health and Welfare	227,199	186,624	40,575
Total Expenses	3,755,458	3,546,102	209,356
Increase (Decrease) in net assets	260,430	372,545	(112,115)
Net assets – beginning	2,043,852	1,671,307	372,545
Net assets – Ending	\$ 2,304,282	\$ 2,043,852	\$ 260,430

This table is provided to show the increases and decreases as compared to the prior year. All significant changes have been previously discussed in the financial highlights section of the discussion and analysis.

A comparison of the governmental activities expenses by function show that \$209,356 more was spent including depreciation with the largest dollar increase in road and bridges due to increased maintenance costs as noted previously. General government expenses as well as road and bridge expenses each were approximately 35% of total expenses. Public safety expenses remained at approximately 15% of expenses with the remaining percentages spent on the justice system and public health and welfare.

**COUNTY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$1,268,737 compared to a balance of \$1,139,374 in the prior year. This represents a \$129,363 increase in the fund balance as previously explained.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the County had \$2,433,585 invested in a broad range of capital assets, including facilities and equipment for general operations of the County and road and bridge repair. Accumulated depreciation related to these assets was \$1,125,388. Total additions to capital assets included two new financed motor graders as well as a new mower, tractor, and sheriff vehicle.

Debt

At the end of the current year, the County had total long term debt outstanding of \$413,478. This debt consisted of two notes payable to the bank secured by equipment and two new notes to a finance company also secured by equipment. For more information refer to the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County has adopted a budget for 2013 which left the general fund tax rate at 56 cents and the road and bridge tax rate at 24.71 cents.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. If there are questions concerning any of the information provided in this report or a request for additional financial information, please contact the County Treasurer at the County of Coleman, 100 W Liveoak Suite 203, Coleman, TX 76834.

BASIC FINANCIAL STATEMENTS

COUNTY OF COLEMAN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities
ASSETS	
Cash	\$ 508,601
Certificates of Deposit	765,030
Due from Other Funds	38,176
Accounts Receivable	39,525
Delinquent Taxes Receivable, Net of Allowance	154,383
Capital Assets, Net of Accumulated Depreciation	1,308,197
Total Assets	2,811,912
LIABILITIES	
Accounts Payable	56,526
Other Payables	24,069
Compensated Absences Payable	13,557
Notes Payable	413,478
Total Liabilities	507,630
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	894,719
Restricted	72,092
Unrestricted	1,337,471
Total Net Assets	\$ 2,304,282

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

COUNTY OF COLEMAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$ 1,316,001	\$ 249,960	\$ 79,955	\$ (986,086)
Roads and Bridges	1,347,380	472,653	30,130	(844,597)
Justice System	288,560	75,070	75,448	(138,042)
Public Safety	576,318	26,129	-	(550,189)
Public Health and Welfare	227,199	-	77,955	(149,244)
	<u>\$ 3,755,458</u>	<u>\$ 823,812</u>	<u>\$ 263,488</u>	<u>(2,688,158)</u>
		General Revenues:		
				1,970,876
				848,313
				6,681
				102,718
				2,928,588
				260,430
				2,043,852
				\$ 2,304,282

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

COUNTY OF COLEMAN
BALANCE SHEET
SEPTEMBER 30, 2012

	General	Road & Bridge	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 73,606	\$ 300,268	\$ 134,727	\$ 508,601
Certificates of Deposit	603,264	144,402	17,364	765,030
Due from Other Funds	26,030	5,779	4,367	36,176
Accounts Receivable	18,245	21,280	-	39,525
Delinquent Taxes Receivable	234,831	83,869	-	318,700
Allowance for Uncollectible Taxes	(122,828)	(41,489)	-	(164,317)
	<u>833,148</u>	<u>514,109</u>	<u>156,458</u>	<u>1,503,715</u>
Total Assets				
LIABILITIES				
Accounts Payable	24,341	24,868	7,317	56,526
Other Payables	24,069	-	-	24,069
Deferred Revenue	112,003	42,380	-	154,383
Total Liabilities	<u>160,413</u>	<u>67,248</u>	<u>7,317</u>	<u>234,978</u>
FUND BALANCES				
Restricted	-	-	72,092	72,092
Committed	-	446,861	77,049	523,910
Unassigned	672,735	-	-	672,735
Total Fund Balances	<u>672,735</u>	<u>446,861</u>	<u>149,141</u>	<u>1,268,737</u>
	<u>\$ 833,148</u>	<u>\$ 514,109</u>	<u>\$ 156,458</u>	<u>\$ 1,503,715</u>
Total Liabilities and Fund Balances				

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

COUNTY OF COLEMAN
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances of governmental funds	\$ 1,288,737
Net capital assets used in governmental activities are not reported in the fund financial statements.	1,308,197
Net delinquent property taxes receivable are deferred in the fund financial statements.	154,383
Compensated absences payable are not reported in the fund financial statements.	(13,557)
Notes payable are not reported in the fund financial statements.	<u>(413,478)</u>
Total net assets of governmental activities	<u>\$ 2,304,282</u>

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

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Road & Bridge	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,966,457	\$ 846,173	\$ -	\$ 2,812,630
Fees	212,258	472,653	47,077	731,988
Fines	91,824	-	-	91,824
Intergovernmental	213,366	30,809	19,313	263,488
Interest	5,114	1,394	173	6,681
Miscellaneous	26,469	98,188	467	125,124
Total Revenues	2,515,488	1,449,217	67,030	4,031,735
EXPENDITURES				
General Government	1,234,989	-	68,961	1,303,950
Roads and Bridges	-	1,853,400	-	1,853,400
Justice System	278,405	-	5,263	283,668
Public Safety	579,663	-	-	579,663
Public Health and Welfare	222,291	-	-	222,291
Total Expenditures	2,315,348	1,853,400	74,224	4,242,972
Excess (Deficiency) of Revenues Over (Under) Expenditures	200,140	(404,183)	(7,194)	(211,237)
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	340,600	-	340,600
Transfers In	-	-	6,908	6,908
Transfers Out	(6,908)	-	-	(6,908)
Total Other Financing Sources (Uses)	(6,908)	340,600	6,908	340,600
Net Change in Fund Balances	193,232	(63,583)	(286)	129,363
Fund Balances - Beginning	479,503	510,444	149,427	1,139,374
Fund Balances - Ending	<u>\$ 672,735</u>	<u>\$ 446,861</u>	<u>\$ 149,141</u>	<u>\$ 1,268,737</u>

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

COUNTY OF COLEMAN
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2012

Total net change in fund balances of governmental funds	\$ 129,383
Capital outlays are capitalized in the government-wide financial statements.	587,538
Depreciation of capital assets is recognized in the government-wide financial statements.	(149,052)
Remaining undepreciated basis in capital assets sold during the year is written off in the government-wide financial statements.	(22,406)
Net delinquent property taxes receivable are not deferred in the government-wide financial statements. The current year increase has been recognized in the Statement of Activities.	6,559
Compensated absences payable are reported in the government-wide financial statements. The current year decrease has been recognized in the Statement of Activities.	2,925
Proceeds from the issuance of capital leases is reported as an increase in liabilities in the government-wide financial statements.	(340,600)
Repayments of principal on notes payable are reported as a decrease in liabilities in the government-wide financial statements.	<u>46,103</u>
Change in net assets of governmental activities	<u>\$ 260,430</u>

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

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

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad Valorem Taxes-Current	\$ 1,899,779	\$ 1,899,779	\$ 1,868,497	\$ (31,282)
Ad Valorem Taxes-Delinquent	52,000	65,824	65,824	-
Penalty and Interest Taxes	30,000	32,137	32,136	(1)
Total Taxes	<u>1,981,779</u>	<u>1,997,740</u>	<u>1,966,457</u>	<u>(31,283)</u>
Fees				
Alcoholic Beverages	3,000	3,018	3,018	-
Law Library	5,500	5,500	4,825	(875)
Jury Fees	150	380	330	(50)
9-1-95 to 8-31-97 Fees	10	10	-	(10)
Defensive Driving Fees	1,500	1,500	1,202	(298)
9-1-97 to 8-30-99 Fees	50	50	-	(50)
Bail Bond Fee	300	329	328	(1)
D.P.S. Arrest Fees	3,200	3,200	2,504	(696)
T.P.W. Arrest Fees	200	200	172	(28)
8-31-99 to 8-31-01 Fees	50	50	-	(50)
9-1-01 to 12-31-03 Fees	50	50	13	(37)
Indigent Legal Services Fee	25	79	78	(1)
Judicial Support Fee	500	529	529	-
Time Payment Fee	700	963	962	(1)
Local Judicial Education	300	300	120	(180)
Child Safety	50	50	-	(50)
1-1-04 Forward Fees	4,000	4,000	3,669	(331)
Drug Court Program	100	155	155	-
Indigent Defense Fee	25	25	11	(14)
Jury Reimbursement Fee	400	400	339	(61)
Justice Court-Indigent	10	10	5	(5)
EMS Trauma Fund	200	200	168	(32)
Local Traffic Fee	1,900	1,900	1,497	(403)
Probate-Indigent	20	20	12	(8)
County Court-Civil-Indigent	20	20	10	(10)
D. Court-Divorce-Indigent	30	30	12	(18)
District Court-Other Indigent	100	100	62	(38)
J.P. Dismissal Fee	300	300	130	(170)
State Traffic Fees	1,000	1,000	738	(262)
Criminal Indigent Fees	-	2	2	-
Tax Assessor-Collector Fees	52,000	53,275	53,271	(4)
District Clerk Fees	21,000	21,000	20,576	(424)
County Clerk Fees	59,000	65,661	65,661	-
Sheriff's Fees	20,000	22,407	22,407	-
County Judge Fees	500	500	134	(366)
County Attorney Fees	500	882	882	-
Constable Fees	900	900	654	(246)
Dist.Clerk-Atty.General Fees	7,400	7,400	3,810	(3,590)
Prisoner Transport Reimb.	1,500	5,724	5,723	(1)
Other Revenue-Elections	500	5,074	5,074	-
Septic System Permit Fees	4,000	7,875	7,875	-
Septic System Inspection Fees	5,501	5,501	5,500	(1)
Total Fees	<u>196,491</u>	<u>220,569</u>	<u>212,258</u>	<u>(8,311)</u>

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

COUNTY OF COLEMAN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Fines				
District Clerk-Fines	23,000	23,000	16,385	(6,615)
County Clerk-Fines	16,000	18,876	18,875	(1)
Justice of Peace Fines	57,000	57,000	53,496	(3,504)
Sheriff-Fines	3,000	3,068	3,068	-
Moving Violation Fees	1	1	-	(1)
Total Fines	99,001	101,945	91,824	(10,121)
Intergovernmental				
U.S. Treasury in Lieu of Taxes	9,000	9,646	9,645	(1)
State Salary Supplement	67,500	67,500	67,500	-
Tier Two Salary Supplement	5,000	5,000	5,000	-
Tier Three Salary Supplement	5,000	5,000	5,000	-
State Excess Contribution	500	500	326	(174)
State Juror Reimbursement	3,300	3,350	3,350	-
Indigent Defense Grant	8,900	9,599	9,598	(1)
Homeland Security Grant	-	-	77,955	77,955
FEMA Public Assistance Grant	-	34,992	34,992	-
Total Intergovernmental	99,200	135,587	213,366	77,779
Interest - Interest Earned	8,000	8,000	5,114	(2,886)
Miscellaneous				
Oil and Gas Royalties	300	300	159	(141)
Other Revenue	5,000	9,051	4,050	(5,001)
Tower Rental	7,300	93,120	7,760	(85,360)
Sale of Assets	-	-	14,500	14,500
Voting Equipment Rental	2,000	2,000	-	(2,000)
Total Miscellaneous	14,600	104,471	26,469	(78,002)
Total Revenues	2,399,071	2,588,312	2,515,488	(52,824)
EXPENDITURES				
General Government				
Non-Departmental	527,530	565,398	519,221	46,177
Tax Assessor-Collector	93,098	93,389	91,678	1,711
District Clerk	83,362	83,362	72,901	10,461
County Clerk	92,184	92,353	91,888	465
County Judge	70,449	70,540	61,201	9,339
Commissioners Court	19,000	20,000	18,425	1,575
County Treasurer	71,724	71,845	65,411	6,434
Veterans Service Officer	16,832	16,857	16,255	602
County Extension Office	97,706	99,910	90,788	9,122
Courthouse and Jail Buildings	97,468	103,759	92,404	11,355
Elections	19,000	24,763	24,761	2
Permanent Improvements	153,000	160,056	90,056	70,000
Total General Government	1,341,353	1,402,232	1,234,989	167,243

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

COUNTY OF COLEMAN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Justice System				
County Attorney	105,419	105,727	101,282	4,445
District Attorney	9,800	10,549	10,548	1
Justice of Peace	63,024	63,372	61,192	2,180
Adult Probation	5,600	6,017	5,564	453
Juvenile Probation	6,500	6,500	6,421	79
District Court	118,608	121,527	92,116	29,411
Permanent Improvements	3,000	3,000	1,282	1,718
Total Justice System	<u>311,951</u>	<u>316,692</u>	<u>278,405</u>	<u>38,287</u>
Public Safety				
Sheriff	571,472	591,696	536,763	54,933
Constable	14,016	14,016	13,541	475
Permanent Improvements	30,000	30,000	29,359	641
Total Public Safety	<u>615,488</u>	<u>635,712</u>	<u>579,663</u>	<u>56,049</u>
Public Health and Welfare				
Donations	146,850	147,926	136,454	11,472
Welfare	11,200	11,200	6,893	4,307
Permanent Improvements	81,000	81,000	78,944	2,056
Total Public Health and Welfare	<u>239,050</u>	<u>240,126</u>	<u>222,291</u>	<u>17,835</u>
Total Expenditures	<u>2,507,842</u>	<u>2,594,762</u>	<u>2,315,348</u>	<u>279,414</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	-	-	(6,908)	(6,908)
Net Change in Fund Balance	(108,771)	(26,450)	103,232	219,682
Fund Balance - Beginning	<u>479,503</u>	<u>479,503</u>	<u>479,503</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 370,732</u>	<u>\$ 453,053</u>	<u>\$ 672,735</u>	<u>\$ 219,682</u>

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

COUNTY OF COLEMAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	<u>General</u>
<u>ASSETS</u>	
Cash	\$ 403,999
Certificates of Deposit	<u>50,715</u>
Total Assets	<u><u>454,714</u></u>
<u>LIABILITIES</u>	
Due to Other Funds	36,176
Due to Others	<u>418,538</u>
Total Liabilities	<u><u>\$ 454,714</u></u>

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

COUNTY OF COLEMAN
Notes to the Financial Statements
September 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Coleman County ("the County") is a political subdivision of the State of Texas and is governed by the Commissioner's Court, a five member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, as well as general administrative and support services. There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements – The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

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

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

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Measurement Focus and Basis of Accounting – Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The government-wide financial statements are presented using the economic resources, measurement focus, as well as the fiduciary fund financial statements. The fund financial statements are reported using the current financial resources measurement focus.

COUNTY OF COLEMAN
Notes to the Financial Statements - Continued
September 30, 2012

Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

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

Governmental fund financial statements use the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property tax revenues are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the year. Other revenues are recorded when collected by the various County officials.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting.

The government reports the following major governmental funds:

General Fund – This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund – This fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Measurement Focus and Basis of Accounting – Continued

Additionally, the government reports the following fund type;

Fiduciary Funds – These funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individual, private organizations, other governments, or other County funds.

Interfund Receivables and Payables – Activity between individual funds may result in amounts owed between funds which are classified as due to and from other funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net assets.

Capital Assets - In the government-wide financial statements, capital assets arising from modified accrual transactions are reported in the statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. These capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-20
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified accrual transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets – When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Compensated Absences – County employees are entitled to vacation and sick leave based upon their length of employment. Sick leave is earned at a rate of 10 days per year and can be accumulated up to 45 days but must be used and is not payable at termination. Vacation pay is earned after one year of employment at various levels depending upon the length of employment. This pay is payable upon termination and has been reflected in the government-wide financial statements.

Fund Equity – In the fund financial statements, governmental funds report fund balances in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or must be maintained intact and therefore will never convert to cash, such as inventories of supplies or prepaid amounts. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the county commissioners. However, the commissioners do develop a policy for the three unrestricted classifications – *committed*, *assigned*, and *unassigned*.

From time to time, the county commissioners may commit fund balances by a majority vote in a scheduled meeting. The commissioners' commitment may be modified or rescinded by a majority vote in a scheduled meeting. Commissioners' commitments cannot exceed the amount of fund balance that is greater than the sum of *nonspendable* and *restricted* fund balances since that practice would commit funds that the county does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Commissioners.

The Commissioners may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Commissioners may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Commissioners by a majority vote in a scheduled meeting.

When the county makes expenditures that can be made from either restricted or unrestricted balances, the expenditure should be charged to restricted balances. When the county incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditure should be charged to committed if directly associated with the specific commitment, to assigned if directly associated with the specific assignment, and to unassigned.

Property Tax Revenues – Property taxes are assessed on January 1 of each year at which time a tax lien attaches to the property to secure the payment of taxes. Property taxes are levied on October 1 of each year. The taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the following year at which time they become subject to penalties and interest. Property taxes are recognized as revenues when they are collected.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

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

Note 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

Note 3 – DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

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

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

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Deposits and Investments – Continued

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

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2012, all of the County's investments are in certificates of deposit with its depository bank. The certificates of deposit are completely covered by pledged securities as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2012, was not significantly exposed to credit risk.

Interest Rate Risk: The County's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

Foreign Currency Risk: Not applicable.

The carrying amount of the County's cash and temporary investments at September 30, 2012, approximates fair value and consisted of the following:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash on Hand and in Bank	\$ 508,601	\$ 403,999	\$ 912,600
Certificates of Deposit	765,030	50,715	815,745
Total Cash and Temporary Investments	<u>\$ 1,273,631</u>	<u>\$ 454,714</u>	<u>\$ 1,728,345</u>

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Interfund Transfers and Balances – During the year ended September 30, 2012, the General Fund made transfers totaling \$6,908 to various other nonmajor governmental funds.

The following is a summary of amounts due from and due to other funds as of September 30, 2012:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Fiduciary Funds	General Fund	\$ 26,030	Unremitted Fees
Fiduciary Funds	Road & Bridge Fund	5,779	Unremitted Fees
Fiduciary Funds	Other Governmental Funds	<u>4,367</u>	Unremitted Fees
Total		<u>\$ 36,176</u>	

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
General Road & Bridge	\$ 56,854	\$ 100,329	\$ (15,000)	\$ 142,183
Precinct One	419,850	49,000	(17,696)	451,154
Precinct Two	396,580	0	0	396,580
Precinct Three	456,834	195,300	(20,000)	632,134
Precinct Four	220,398	213,550	(35,950)	397,998
Sheriff	191,656	29,359	(25,438)	195,577
Courthouse	163,379	0	(19,058)	144,321
911 Equipment	73,638	0	0	73,638
Total Capital Assets	<u>\$ 1,979,189</u>	<u>\$ 587,538</u>	<u>\$ (133,142)</u>	<u>\$ 2,433,585</u>
Less Accumulated Depreciation	<u>(1,087,072)</u>	<u>(149,052)</u>	<u>110,736</u>	<u>(1,125,388)</u>
Capital Assets, Net	<u>\$ 892,117</u>	<u>\$ 438,486</u>	<u>\$ (22,406)</u>	<u>\$ 1,308,197</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 10,600
Road and Bridges	101,755
Justice System	4,650
Public Safety	27,139
Public Health & Welfare	4,908
Total	<u>\$ 149,052</u>

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Compensated Absences Payable – Compensated absences payable consists of an accrual of earned vacation leave that has not been taken as of September 30, 2012 and is payable to employees at that date. Below is a summary of the activity for the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Compensated Absences	\$ 16,482	\$ 0	\$ 2,925	\$ 13,557

Notes & Capital Leases Payable – Notes and capital leases payable as of September 30, 2012 consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
6% note payable to a bank, with monthly payments of \$1,356, secured by equipment, maturing January 15, 2015	\$ 48,992	\$ 0	\$ 13,708	\$ 35,284
6% note payable to a bank, with monthly payments of \$1,937, secured by equipment, maturing January 15, 2015	69,989	0	19,583	50,406
3.2% capital lease payable to a finance company with monthly payments of \$1,831 maturing June 7, 2017	0	165,300	6,986	158,314
3.2% capital lease payable to a finance company with monthly payments of \$1,626 maturing June 7, 2017	<u>0</u>	<u>175,300</u>	<u>5,826</u>	<u>169,474</u>
Total	<u>\$ 118,981</u>	<u>\$ 340,600</u>	<u>\$ 46,103</u>	<u>\$ 413,478</u>

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Notes & Capital Leases Payable - Continued

Combined debt service requirements on notes and capital leases payable is as follows:

<u>Y/E Sept 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 66,710	\$ 14,282	\$ 80,992
2014	69,981	11,012	80,993
2015	46,457	8,116	54,573
2016	34,619	6,865	41,484
2017	195,711	3,488	199,199
Totals	<u>\$ 413,478</u>	<u>\$ 43,763</u>	<u>\$ 457,241</u>

Note 4 – OTHER INFORMATION

Retirement Plan

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

The plan provisions are adopted by the governing body of the employer within the option available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy – The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 5.96% for the months those months ending December 31, 2011 and a rate of 6.40% was used for the months ending September 30, 2012.

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Retirement Plan – Continued

The deposit rate payable by the employee members for fiscal year 2012 is the rate of 7% as adopted by the governing body of the employer. The employee deposit rate and employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost – The required contribution was determined as part of the December 31, 2011 actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market valued of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 20 years. For the employer's accounting year ended September 30, 2012, the pension cost for the TCDRS plan for its employees was \$195,176, and the actual contribution was \$195,176.

The December 31, 2011 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial Valuation Date	12-31-09	12-31-10	12-31-11
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage Of Payroll, Closed	Level Percentage Of Payroll, Closed	Level Percentage Of Payroll, Closed
Amortization Period in Years	20	20	20
Asset Valuation Method	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value
Actuarial Assumptions:			
Investment Return	8.0%	8.0%	8.0%
Projected Salary Increases	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

COUNTY OF COLEMAN
Notes to the Financial Statements – Continued
September 30, 2012

Retirement Plan - Continued

**Schedule of Funding Progress for the Retirement Plan
for the Employees of Coleman County**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll (Actuarial)	UAAL as a Percentage Of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12-31-07	\$3,014,785	\$3,007,457	\$ (7,328)	100.24%	\$1,238,769	(0.59)%
12-31-08	\$2,962,370	\$3,158,184	\$ 195,814	93.80%	\$1,343,292	14.58%
12-31-09	\$3,331,889	\$3,469,986	\$ 138,097	96.02%	\$1,440,013	9.59%
12-31-10	\$3,276,255	\$3,461,851	\$ 185,596	94.64%	\$1,456,273	12.74%
12-31-11	\$3,117,897	\$3,354,214	\$ 236,317	92.95%	\$1,482,917	15.94%

SUPPLEMENTAL INFORMATION

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Taxes-Lateral Road and FM	\$ 738,478	\$ 738,478	\$ 726,786	\$ (11,692)
Taxes-Flood Control	82,053	82,053	80,754	(1,299)
Delinquent Ad Valorem Taxes	22,000	26,227	26,227	-
Penalty and Interest-Taxes	11,000	12,407	12,406	(1)
Total Taxes	<u>853,531</u>	<u>859,165</u>	<u>846,173</u>	<u>(12,992)</u>
Fees				
Vehicle Registration	375,000	383,752	383,752	-
Vehicle Registration-Supple.	87,000	88,901	88,901	-
Total Fees	<u>462,000</u>	<u>472,653</u>	<u>472,653</u>	<u>-</u>
Intergovernmental				
U.S. Treasury in Lieu of Taxes	4,000	4,255	4,254	(1)
State Lateral Road & FM Funds	26,000	26,000	25,876	(124)
FEMA Public Assistance Grant	-	102	679	577
Total Intergovernmental	<u>30,000</u>	<u>30,357</u>	<u>30,809</u>	<u>452</u>
Interest - Interest Earned	<u>3,200</u>	<u>3,200</u>	<u>1,394</u>	<u>(1,806)</u>
Miscellaneous				
Other Revenue	13,000	32,488	32,488	-
Sale of Equipment	23,000	66,702	65,700	(1,002)
Total Miscellaneous	<u>36,000</u>	<u>99,190</u>	<u>98,188</u>	<u>(1,002)</u>
Total Revenues	<u>1,384,731</u>	<u>1,464,565</u>	<u>1,449,217</u>	<u>(15,348)</u>
EXPENDITURES				
General Road & Bridge				
Salaries Commissioners	143,832	143,832	143,832	-
Salaries-Other	26,156	26,156	14,084	12,072
Social Security Taxes	39,219	39,219	38,019	1,200
Retirement	71,960	71,960	66,024	5,936
Health Insurance	107,420	107,420	102,502	4,918
Workers Compensation	28,277	28,277	-	28,277
Tax Appraisal District	39,000	39,000	32,155	6,845
Other Expenses	3,000	3,000	406	2,594
Insurance	20,000	20,000	15,056	4,944
General Precinct Expenses	10,000	19,191	19,190	1
Outside Audit	4,000	4,000	3,500	500
Capital Purchases	105,000	105,000	103,329	1,671
Flood Control-Repairs	10,000	10,000	-	10,000
Flood Control-S.W.C.D.	11,000	11,000	11,000	-
Total General Road & Bridge	<u>618,864</u>	<u>628,055</u>	<u>549,097</u>	<u>78,958</u>

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

COUNTY OF COLEMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - ROAD & BRIDGE FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Precinct 1				
Operators Salaries Precinct 1	78,468	78,468	78,468	-
Debt Service	2,800	2,800	16,268	(13,468)
Capital Purchases	30,000	49,775	49,775	-
Equipment Maintenance	30,000	30,000	25,067	4,933
Pickup Allowance	7,200	7,200	7,200	-
Fuel	33,000	33,441	33,441	-
Supplies	24,000	26,260	26,259	1
Other Precinct Expenses	3,500	3,500	2,361	1,139
Total Precinct 1	<u>208,968</u>	<u>231,444</u>	<u>238,839</u>	<u>(7,395)</u>
Precinct 2				
Operators Salaries Precinct 2	78,468	78,468	77,865	603
Capital Purchases	20,000	20,000	-	20,000
Equipment Maintenance	20,000	617	81,734	(80,917)
Pickup Allowance	7,200	7,200	7,200	-
Fuel	35,000	49,216	49,215	1
Supplies	30,000	33,415	33,415	-
Other Precinct Expenses	4,000	4,000	3,781	219
Total Precinct 2	<u>194,888</u>	<u>193,116</u>	<u>253,210</u>	<u>(60,094)</u>
Precinct 3				
Operators Salaries Precinct 3	78,468	78,468	78,468	-
Debt Service	3,500	5,824	32,393	(26,569)
Capital Purchases	30,000	195,300	195,300	-
Equipment Maintenance	35,000	43,518	43,518	-
Pickup Allowance	7,200	7,200	7,200	-
Fuel	33,000	42,715	42,714	1
Supplies	30,000	30,000	11,840	18,160
Other Precinct Expenses	3,000	3,000	1,825	1,175
Total Precinct 3	<u>220,168</u>	<u>406,025</u>	<u>413,258</u>	<u>(7,233)</u>
Precinct 4				
Operators Salaries Precinct 4	78,468	78,468	75,450	3,018
Debt Service	-	-	8,132	(8,132)
General Precinct Expenses	-	2,307	-	2,307
Capital Purchases	100,000	214,325	214,325	-
Equipment Maintenance	30,000	45,686	45,685	1
Pickup Allowance	7,200	7,200	7,200	-
Fuel	38,000	-	25,690	(25,690)
Supplies	35,000	35,000	18,418	16,582
Other Precinct Expenses	6,000	6,000	4,096	1,904
Total Precinct 4	<u>294,668</u>	<u>388,988</u>	<u>398,996</u>	<u>(10,010)</u>
Total Expenditures	<u>1,537,336</u>	<u>1,847,626</u>	<u>1,853,400</u>	<u>(5,774)</u>

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

COUNTY OF COLEMAN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL - ROAD & BRIDGE FUND - CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>OTHER FINANCING SOURCES (USES)</u>				
Capital Lease Proceeds	-	-	340,600	340,600
Net Change in Fund Balance	(152,605)	(383,061)	(63,583)	331,028
Fund Balance - Beginning	510,444	510,444	510,444	-
Fund Balance - Ending	<u>\$ 357,839</u>	<u>\$ 127,383</u>	<u>\$ 446,861</u>	<u>\$ 319,478</u>

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

COUNTY OF COLEMAN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL - OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fees				
Hot Check Fees	\$ 6,000	\$ 6,000	\$ 4,285	\$ (1,715)
Courthouse Security Fee	7,000	7,328	7,328	-
Justice Court Technology Fund	3,400	3,400	2,872	(528)
District Clerk Fees	2,780	2,780	2,472	(308)
County Clerk Fees	700	948	948	-
Law Enf Education Fund-Sheriff	1,350	1,350	-	(1,350)
Law Enf Education Fd-Constable	650	650	-	(650)
Workers Comp-General Fund	1,500	1,500	-	(1,500)
Workers Comp-R&B Fund	2,150	2,150	-	(2,150)
PVS Funds	700	829	829	-
County Clerk Archive Fees	10,000	12,220	12,220	-
District Clerk Criminal Technology Fees	500	500	63	(437)
County Clerk Criminal Technology Fees	500	500	133	(367)
Dist Clerk Civil Record Preservation Fees	1,800	1,800	1,799	(1)
Cty Clerk Civil Record Preservation Fees	500	500	450	(50)
District Clerk Archive Fees	900	916	915	(1)
County Clerk Records Management Fees	10,000	12,283	12,283	-
Supplemental Guardianship Fees	500	500	480	(20)
Total Fees	<u>50,930</u>	<u>58,154</u>	<u>47,077</u>	<u>(9,077)</u>
Intergovernmental				
HAVA Grant-Gen HAVA Compliance	22,523	-	19,313	19,313
Total Intergovernmental	<u>22,523</u>	<u>-</u>	<u>19,313</u>	<u>19,313</u>
Interest - Interest Earned				
	250	250	173	(77)
Miscellaneous				
Cookbook Sales	-	216	215	(1)
Depot Renovation Receipts	-	252	252	-
Seized Funds Received	8,000	8,000	-	(8,000)
Total Miscellaneous	<u>8,000</u>	<u>8,468</u>	<u>467</u>	<u>(8,001)</u>
Total Revenues	<u>81,703</u>	<u>64,872</u>	<u>67,030</u>	<u>2,158</u>

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

COUNTY OF COLEMAN
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - OTHER GOVERNMENTAL FUNDS - CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government				
Workers Compensation Fund	43,613	43,613	22,675	20,938
Records Management Fund	10,000	10,000	-	10,000
Historical Society Fund	3,000	3,000	400	2,600
District Clerk Records Management Fund	2,500	2,500	791	1,709
HAVA Grant Fund	22,523	-	19,313	(19,313)
Preservation of Vital Statistics Fund	2,000	2,000	610	1,390
County Clerk Archive Fund	11,550	13,499	13,498	1
District Clerk Criminal Technology Fund	500	500	-	500
County Clerk Criminal Technology Fund	500	500	-	500
District Clerk Civil Records Preserv Fund	3,500	3,500	-	3,500
County Clerk Civil Records Preserv Fund	600	600	-	600
District Clerk Archive Fund	2,000	2,000	-	2,000
County Clerk Record Management Fund	10,000	11,674	11,674	-
Supplemental Guardianship Fund	800	800	-	800
Forfeiture and Seizure Fund	8,000	8,000	-	8,000
Total General Government	<u>121,086</u>	<u>102,186</u>	<u>68,951</u>	<u>33,225</u>
Justice System				
Law Enforcement Education Fund	2,200	2,200	258	1,942
Courthouse Security Fund	20,000	20,000	-	20,000
Justice Court Technology Fund	6,500	6,500	-	6,500
County Attorney Hot Check Fund	13,100	13,100	5,005	8,095
Total Justice System	<u>41,800</u>	<u>41,800</u>	<u>5,263</u>	<u>36,537</u>
Total Expenditures	<u>162,886</u>	<u>143,986</u>	<u>74,224</u>	<u>69,762</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	6,908	6,908
Net Change in Fund Balance	(81,183)	(79,114)	(286)	(60,696)
Fund Balance - Beginning	<u>149,427</u>	<u>149,427</u>	<u>149,427</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 68,244</u>	<u>\$ 70,313</u>	<u>\$ 149,141</u>	<u>\$ (60,696)</u>

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