

PECOS COUNTY, TEXAS

FINANCIAL REPORT

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprises the County's basic financial statements as listed in the table of contents.

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 did not audit the financial statements of the Pecos County Memorial Hospital, an enterprise fund, which represents 100 percent of the assets, net position and revenues and expenses of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pecos County Memorial Hospital, is based on the report of the other auditors. 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 from 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas, as of December 31, 2012, and the respective changes in financial position and where applicable the 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, the schedule of funding progress and budgetary comparison information on pages 4 through 11 and 66 through 73 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 and other auditors 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 County's financial statements as a whole. The combining nonmajor fund financial statements, combining special revenue fund financial statements, combining fiduciary agency fund statement of assets and liabilities, and the schedule of general fund revenues and expenditures budget and actual (detail), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 nonmajor fund financial statements, combining special revenue fund financial statements, combining fiduciary agency fund statement of assets and liabilities. The schedule of general fund revenues and expenditures budget and actual (detail) 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 combining nonmajor fund financial statements, the combining special revenue fund financial statements, the combining fiduciary agency fund statement of assets and liabilities and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of Pecos County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pecos County, Texas' internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas
September 30, 2013

PECOS COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Pecos County, Texas (the County), we offer readers of the County's financial statements this overview and analysis of the financial activities of the County for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which begin on page 12.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$42,781,839 (*net position*). Of this amount \$451,278 (*unrestricted net position*) may be used to meet the County's ongoing obligations.
- As of the close of the current year, the County's governmental funds reported combined ending fund balances of \$18,671,468 a decrease of \$1,639,992 in comparison with the prior year. Approximately 58% of this total amount, \$10,757,030, is *available for spending* at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,821,164 or 58% percent of total general fund expenditures.
- The County's total bond debt decreased by \$3,570,000 (37%) during the current fiscal year.

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 supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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 the 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. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

PECOS COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-Wide Financial Statements – Continued

Both of the government-wide financial statements distinguish functions of Pecos County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The government wide financial statements can be found on pages 12 through 14 of this report.

FUND FINANCIAL STATEMENTS

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. The 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains three governmental fund types. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, and the debt service fund, which are considered to be major funds. All other special revenue funds and capital project funds are considered nonmajor governmental funds and are combined into the aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements as other supplemental information elsewhere in this report.

The governmental fund financial statements can be found on pages 15 through 19 of this report.

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND FINANCIAL STATEMENTS – CONTINUED

Governmental Funds – Continued

The County adopts an annual appropriated budget for its general fund and road and bridge fund. Budgetary comparison statements, which are considered required supplementary information, have been provided for these funds to demonstrate compliance with this budget on pages 67 through 73.

Proprietary Funds: The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Pecos County Memorial Hospital fund, formerly presented as a discretely presented component unit, is now presented as an enterprise fund of the County. The Pecos County Memorial Hospital fund is considered a major fund of the County. Internal service funds are an accounting device 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-insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21 through 25 of this report.

Fiduciary Funds: Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. 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 basic programs. The basic fiduciary fund financial statements can be found on page 26 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information for budgetary data. Combining fund statements can be found on pages 92 through 105.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$42,781,839 at the close of the most recent fiscal year. A large portion of the County's net position (81%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is outstanding.

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED

The County uses these 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.

**Pecos County, Texas
Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
			Restated			Restated
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 52,473,321	\$ 48,222,842	\$ 7,250,491	\$ 8,063,841	\$ 59,723,812	\$ 56,286,683
Capital assets	20,069,470	24,597,078	16,649,932	16,870,292	36,719,402	41,467,370
Total assets	72,542,791	72,819,920	23,900,423	24,934,133	96,443,214	97,754,053
Long-term liabilities	12,185,100	15,024,552	7,825,531	9,604,212	20,010,631	24,628,764
Other liabilities	29,418,446	26,630,715	5,797,898	3,712,735	35,216,344	30,343,450
Total liabilities	41,603,546	41,655,267	13,623,429	13,316,947	55,226,975	54,972,214
Invested in capital assets, net of related debt	15,582,482	21,406,758	10,461,251	13,020,114	26,043,733	34,426,872
Restricted	7,359,007	7,903,689	-	-	7,359,007	7,903,689
Unrestricted	7,997,756	1,854,206	240,835	(1,402,928)	8,238,591	451,278
Total net position	\$ 30,939,245	\$ 31,164,653	\$ 10,702,086	\$ 11,617,186	\$ 41,641,331	\$ 42,781,839

A significant portion of the County's net position (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$451,278 may be used to meet the government's ongoing obligations to citizens and creditors.

The Pecos County Memorial Hospital auditors restated 2011 business-type activities, for the correction of an error in expense recognition. See Note 15.

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Governmental activities and business-type activities increased the County's net position by \$225,408 and \$915,100, respectively. Key elements of this increase are as follows:

**Pecos County, Texas
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	Restated 2011	2012	Restated 2011	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,398,724	\$ 4,197,870	\$ 16,693,751	\$ 21,505,407	\$ 22,092,475	\$ 25,703,277
Operating grants and contributions	2,271,413	2,443,493	8,160	623,850	2,279,573	3,067,343
Capital grants and contributions	-	-	94,334	131,850	94,334	131,850
General revenues:						
Property taxes	24,738,409	24,800,534	-	-	24,738,409	24,800,534
Other taxes	49,946	75,313	-	-	49,946	75,313
Investment earnings	554,182	477,211	47,374	64,297	601,556	541,508
Payment in lieu of taxes	1,021,784	2,077,231	-	-	1,021,784	2,077,231
Other	8,591	3,595	-	-	8,591	3,595
Total revenues	\$ 34,043,049	\$ 34,075,247	\$ 16,843,619	\$ 22,325,404	\$ 50,886,668	\$ 56,400,651
Expenses:						
General government	\$ 5,810,170	\$ 5,091,828	\$ -	\$ -	\$ 5,810,170	\$ 5,091,828
Judicial	2,376,902	2,577,803	-	-	2,376,902	2,577,803
Financial administration	1,240,136	1,365,901	-	-	1,240,136	1,365,901
Public facilities	2,360,408	1,189,737	-	-	2,360,408	1,189,737
Public safety	5,529,499	6,012,169	-	-	5,529,499	6,012,169
Public service	657,818	569,653	-	-	657,818	569,653
Health and welfare	2,337,751	2,900,737	-	-	2,337,751	2,900,737
Culture and recreation	2,956,701	3,219,606	-	-	2,956,701	3,219,606
Highways and streets	3,949,922	4,434,671	-	-	3,949,922	4,434,671
Conservation	185,981	200,671	-	-	185,981	200,671
Airport	58,457	84,337	-	-	58,457	84,337
Interest on long-term debt	318,702	99,883	-	-	318,702	99,883
Pecos County Memorial Hospital	-	-	22,038,524	27,513,147	22,038,524	27,513,147
Total expenses	27,782,447	27,746,996	22,038,524	27,513,147	49,820,971	55,260,143
Change in net position:						
Before transfers	6,260,602	6,328,251	(5,194,905)	(5,187,743)	1,065,697	1,140,508
Contributed capital	(2,761,572)	(3,174,697)	2,761,572	3,174,697	-	-
Transfers	(3,333,993)	(2,928,146)	3,333,993	2,928,146	-	-
Change in net position	165,037	225,408	900,660	915,100	1,065,697	1,140,508
Net position, beginning	30,774,208	30,939,245	9,801,426	10,702,086	40,575,634	41,641,331
Net position, ending	\$ 30,939,245	\$ 31,164,653	\$ 10,702,086	\$ 11,617,186	\$ 41,641,331	\$ 42,781,839

PECOS COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

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

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$18,671,468, a decrease of \$1,639,992 in comparison with the prior year. Approximately 58% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to cover debt service, inventory, and revenues restricted for airport use generated from airport assets.

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 \$8,821,164, while total fund balance was \$15,091,876.

Proprietary Funds: Unrestricted fund deficit of the County's enterprise fund, Pecos Memorial Hospital at the end of the year amounted to \$(859,495). The remainder of the fund balance is investment in capital assets, net of related debt. The change in net position for the fund was an increase of \$1,581,725. Unrestricted fund balance of the County's health self-insurance plan at the end of the year amounted to \$2,479,643. The change in unrestricted net position for the fund was a decrease of \$1,184,792.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

- Actual revenues for 2012 were \$303,662 more than final budgeted revenues.
- Actual expenditures for 2012 were \$1,938,783 less than the final amended budget.
- The County received PILOT funds during 2012 totaling \$2,077,231.
- All expenditure categories were less than the final budgeted figures.

This resulted in a net decrease in the general fund balance for the year of \$2,130,957 after accounting for other financing sources as detailed on page 18 of this report.

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The County's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$41,467,370 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and other improvements.

**Pecos County, Texas
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Land	\$ 1,260,531	\$ 1,260,531	\$ -	\$ -	\$ 1,260,531	\$ 1,260,531
Buildings	9,052,558	13,287,132	11,942,386	11,482,161	20,994,944	24,769,293
Improvements - other	1,825,866	3,066,340	250,429	84,372	2,076,295	3,150,712
Machinery and equipment	5,871,157	5,984,193	2,345,125	2,591,147	8,216,282	8,575,340
Construction in progress	1,618,884	504,172	286,718	579,946	1,905,602	1,084,118
Infrastructure	440,474	494,710	-	-	440,474	494,710
Leased assets	-	-	664,867	849,812	664,867	849,812
Capitalized Interest	-	-	1,160,407	1,282,854	1,160,407	1,282,854
Total	\$ 20,069,470	\$ 24,597,078	\$ 16,649,932	\$ 16,870,292	\$ 36,719,402	\$ 41,467,370

Additional information on the County's capital assets can be found in Note 6 on page 47 of this report.

Long-term debt: At the end of the current fiscal year, the County had total bonded debt outstanding of \$6,035,000. The County's debt is comprised as follows:

	Governmental Activities	
	2011	2012
Certificates of obligation	\$ 415,000	\$ -
General obligation	3,085,000	3,055,000
Tax notes	595,000	-
Unamortized bond premium	162,381	135,320
Capital lease obligation	112,012	-
Compensated absences	875,105	1,086,752
Other post-employment benefits obligation	8,839,150	12,034,173
Total governmental activities	\$ 14,083,648	\$ 16,311,245
	Business-type Activities	
	2011	2012
General obligation bonds	\$ 3,520,000	\$ 2,980,000
Certificates of obligation	705,000	-
Refunding bonds	1,285,000	-
Capital lease obligation	678,681	870,178
Compensated absences	858,865	1,036,611
Other post-employment benefits obligation	4,632,639	6,939,892
Total business-type activities	\$ 11,680,185	\$ 11,826,681

**PECOS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSET AND DEBT ADMINISTRATION

Additional information on Pecos County's long-term debt can be found in Note 8 on pages 50 through 52.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The average unemployment rate for the County of Pecos as compares to the state of Texas as per the Texas Workforce Commission data is the same as detailed below for 2013:

Area	Year	Period	Adjusted	Labor Force	Employment	Unemployment	Unemployment Rate
Pecos County	2013	July	No	8,928	8,494	434	4.9%
Texas	2013	July	No	12,869,362	12,011,285	858,077	6.7%

- The oil and gas industry in the region has leveled off, with optimism on the increase due to the recent completion of a horizontal well which has expanded the reach of the Wolfcamp play in Texas and Pecos County.
- The mineral valuation in Pecos County decreased in 2013 due mainly to the low price of natural gas and is expected to increase somewhat in 2014 due to increasing oil and gas prices.
- Pecos County has recently had a new oil & gas service industry express interest in moving into the area, as well as a new Solar Farm wishing to start solar infrastructure in Texas in Pecos County.

All of these factors were considered in preparing the Pecos County's budget for the 2013 and 2014 fiscal years.

Requests for Information

This financial report is designed to provide a general overview of Pecos County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Pecos, 103 W Callaghan, Fort Stockton, Texas 79735.

BASIC FINANCIAL STATEMENTS

**PECOS COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 17,079,145	\$ 3,407,641	\$ 20,486,786
Investments	12,236,481	-	12,236,481
Receivables, net	18,105,226	4,486,608	22,591,834
Internal balances	720,998	(720,998)	-
Other assets	80,992	890,590	971,582
Capital assets, net	24,597,078	16,870,292	41,467,370
Total assets	72,819,920	24,934,133	97,754,053
LIABILITIES			
Accounts payable and other current liabilities	1,479,662	1,490,266	2,969,928
Due to other governments	451,298	-	451,298
Estimated health claims payable	375,382	-	375,382
Deferred revenue	23,037,680	-	23,037,680
Noncurrent liabilities:			
Due within one year	1,286,693	2,222,469	3,509,162
Due in more than one year	15,024,552	9,604,212	24,628,764
Total liabilities	41,655,267	13,316,947	54,972,214
NET POSITION			
Net investment in capital assets	21,406,758	13,020,114	34,426,872
Restricted for:			
Airport	5,183,422	-	5,183,422
Road and bridge	913,851	-	913,851
Debt service	673,564	-	673,564
Federal and state grants	552,651	-	552,651
Legislation	580,201	-	580,201
Unrestricted	1,854,206	(1,402,928)	451,278
Total net position	\$ 31,164,653	\$ 11,617,186	\$ 42,781,839

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

Function/Programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 5,091,828	\$ 378,020
Judicial	2,577,803	682,754
Financial administration	1,365,901	191,138
Public facilities	1,189,737	195,902
Public safety	6,012,169	684,550
Public service	569,653	14,513
Health and welfare	2,900,737	979,962
Culture and recreation	3,219,606	186,485
Highways and streets	4,434,671	678,944
Conservation	200,671	-
Airport	84,337	205,602
Interest on long-term debt	99,883	-
Total governmental activities	27,746,996	4,197,870
Business-type activities:		
Pecos County Memorial Hospital	27,513,147	21,505,407
Total business-type activities	27,513,147	21,505,407
Total primary government	\$ 55,260,143	\$ 25,703,277

The Notes to Financial Statements are an integral part of these statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 236,237	\$ -	\$ (4,477,571)	\$ -	\$ (4,477,571)
-	-	(1,895,049)	-	(1,895,049)
-	-	(1,174,763)	-	(1,174,763)
1,274,827	-	280,992	-	280,992
608,596	-	(4,719,023)	-	(4,719,023)
323,833	-	(231,307)	-	(231,307)
-	-	(1,920,775)	-	(1,920,775)
-	-	(3,033,121)	-	(3,033,121)
-	-	(3,755,727)	-	(3,755,727)
-	-	(200,671)	-	(200,671)
-	-	121,265	-	121,265
-	-	(99,883)	-	(99,883)
<u>2,443,493</u>	<u>-</u>	<u>(21,105,633)</u>	<u>-</u>	<u>(21,105,633)</u>
623,850	131,850	-	(5,252,040)	(5,252,040)
<u>623,850</u>	<u>131,850</u>	<u>-</u>	<u>(5,252,040)</u>	<u>(5,252,040)</u>
<u>\$ 3,067,343</u>	<u>\$ 131,850</u>	<u>(21,105,633)</u>	<u>(5,252,040)</u>	<u>(26,357,673)</u>
GENERAL REVENUES:				
Property taxes		24,800,534	-	24,800,534
Sales taxes		55,125	-	55,125
Alcoholic beverage taxes		20,188	-	20,188
Unrestricted investment earnings		477,211	64,297	541,508
Payment in lieu of property taxes		2,077,231	-	2,077,231
Miscellaneous revenue		3,595	-	3,595
TRANSFERS		<u>(6,102,843)</u>	<u>6,102,843</u>	<u>-</u>
Total general revenues and transfers		<u>21,331,041</u>	<u>6,167,140</u>	<u>27,498,181</u>
Change in net position		225,408	915,100	1,140,508
NET POSITION, beginning of year, as previously stated		30,939,245	10,489,540	41,428,785
Restatement due to overstatement of liability (see note 15)		-	212,546	212,546
NET POSITION, beginning of year, as restated		<u>30,939,245</u>	<u>10,702,086</u>	<u>41,641,331</u>
NET POSITION, end of year		<u>\$ 31,164,653</u>	<u>\$ 11,617,186</u>	<u>\$ 42,781,839</u>

**PECOS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

		<u>General</u>
ASSETS		
Cash and cash equivalents	\$	8,913,498
Investments		12,227,219
Receivables (net)		
Property taxes		12,944,141
Other		1,739,032
Due from other funds		304,038
Inventory of supplies		538
		<hr/>
TOTAL ASSETS	\$	36,128,466
		<hr/> <hr/>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$	1,119,178
Due to other funds		-
Deferred revenues		19,466,114
Due to other governments		451,298
		<hr/>
Total liabilities		21,036,590
		<hr/>
Fund balances		
Nonspendable:		
Inventories		538
Restricted:		
Airport Use		5,183,422
Road and Bridge		-
Debt service		-
Federal and state grants		-
Legislation		-
Assigned:		
Capital projects		-
Compensated absences		1,086,752
Unassigned		8,821,164
		<hr/>
Total fund balances		15,091,876
		<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$	36,128,466
		<hr/> <hr/>

The Notes to Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	County- Wide Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,186,033	\$ 1,089,620	\$ 2,036,569	\$ 14,225,720
-	9,262	-	12,236,481
2,464,774	845,464	-	16,254,379
9,796	-	100,419	1,849,247
-	-	-	304,038
-	-	-	538
\$ 4,660,603	\$ 1,944,346	\$ 2,136,988	\$ 44,870,403
\$ 321,724	\$ -	\$ 28,549	\$ 1,469,451
-	-	126,473	126,473
3,425,028	1,260,571	-	24,151,713
-	-	-	451,298
3,746,752	1,260,571	155,022	26,198,935
-	-	-	538
-	-	-	5,183,422
913,851	-	-	913,851
-	683,775	-	683,775
-	-	552,651	552,651
-	-	580,201	580,201
-	-	849,114	849,114
-	-	-	1,086,752
-	-	-	8,821,164
913,851	683,775	1,981,966	18,671,468
\$ 4,660,603	\$ 1,944,346	\$ 2,136,988	\$ 44,870,403

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

Total fund balances - governmental funds	\$ 18,671,468
--	---------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	24,597,078
--	------------

Internal service funds are used by management to account for the self-insurance fund of the government. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	3,023,076
---	-----------

Certain assets, such as fines and fees receivable, are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds.	1,114,033
--	-----------

Long-term liabilities, including bonds payable and related items, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(16,241,002)</u>
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Net position of governmental activities	<u><u>\$ 31,164,653</u></u>
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PECOS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	General
REVENUES	
Taxes	\$ 17,412,907
Fines and forfeitures	2,076
Intergovernmental	268,407
Charges for services	2,283,531
Payment in lieu of taxes	2,077,231
Royalties	174,126
Interest	393,093
Other	307,124
	22,918,495
Total revenues	22,918,495
EXPENDITURES	
Current:	
General government	4,633,280
Judicial	1,866,388
Financial administration	1,132,843
Law enforcement	1,608,115
Corrections	931,411
Health and welfare	2,077,248
Fire protection	376,592
Culture and recreation	1,983,087
Libraries	427,770
Building maintenance	393,905
Utilities	635,223
Conservation	138,329
Public service	369,050
Airport	39,466
Highways and streets	-
Capital outlay	4,881,501
Debt service principal	104,812
Debt service interest and fiscal charges	4,994
	21,604,014
Total expenditures	21,604,014
Excess (deficiency) of revenues over expenditures	1,314,481
Other financing sources (uses)	
Proceeds from sale of asset	3,595
Transfers from other funds	-
Transfers to other funds	(3,449,033)
	(3,449,033)
Total other financing sources (uses)	(3,449,033)
Net change in fund balances	(2,130,957)
FUND BALANCES, beginning of year	17,222,833
FUND BALANCES, ending of year	\$ 15,091,876

The Notes to Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	County- Wide Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,499,283	\$ 3,888,344	\$ -	\$ 24,800,534
-	-	-	2,076
82,112	-	2,048,730	2,399,249
693,087	-	739,110	3,715,728
-	-	-	2,077,231
-	-	-	174,126
-	3	10,681	403,777
-	-	16,422	323,546
<u>4,274,482</u>	<u>3,888,347</u>	<u>2,814,943</u>	<u>33,896,267</u>
-	-	2,075	4,635,355
-	-	138,690	2,005,078
-	-	-	1,132,843
-	-	-	1,608,115
-	-	1,498,418	2,429,829
-	-	397,356	2,474,604
-	-	-	376,592
-	-	-	1,983,087
-	-	-	427,770
-	-	-	393,905
-	-	-	635,223
-	-	-	138,329
-	-	162,486	531,536
-	-	-	39,466
3,336,051	-	-	3,336,051
845,704	-	601,462	6,328,667
7,200	1,040,000	-	1,152,012
-	103,555	-	108,549
<u>4,188,955</u>	<u>1,143,555</u>	<u>2,800,487</u>	<u>29,737,011</u>
<u>85,527</u>	<u>2,744,792</u>	<u>14,456</u>	<u>4,159,256</u>
-	-	-	3,595
24,399	-	342,810	367,209
-	(2,678,209)	(42,810)	(6,170,052)
<u>24,399</u>	<u>(2,678,209)</u>	<u>300,000</u>	<u>(5,799,248)</u>
109,926	66,583	314,456	(1,639,992)
803,925	617,192	1,667,510	20,311,460
<u>\$ 913,851</u>	<u>\$ 683,775</u>	<u>\$ 1,981,966</u>	<u>\$ 18,671,468</u>

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

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds	\$ (1,639,992)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period net of disposition of capital assets.	4,679,683
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) to decrease net assets.	(152,075)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(3,387,924)
Net changes in revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds (i.e. deferred revenues and earned, but unavailable revenues.	101,948
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,141,935
Internal service funds are used by management to charge the costs of self-insurance in individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(518,167)</u>
Change in net position of governmental activities	<u><u>\$ 225,408</u></u>

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Business-Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
ASSETS		
Cash and investments	\$ 3,407,641	\$ 2,853,425
Accounts receivable	4,486,608	1,600
Other assets	890,590	-
Capital assets, net	16,870,292	-
TOTAL ASSETS	\$ 25,655,131	\$ 2,855,025
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,490,266	\$ -
Due to County	177,565	-
Estimated health claims payable	-	375,382
Noncurrent liabilities:		
Due within one year	2,222,469	-
Due in more than one year	9,604,212	-
TOTAL LIABILITIES	13,494,512	375,382
NET POSITION		
Net investment in capital assets	13,020,114	-
Unrestricted	(859,495)	2,479,643
TOTAL NET POSITION	12,160,619	\$ 2,479,643
Reconciliation to government-wide statement of net position:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(543,433)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 11,617,186	

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED DECEMBER 31, 2012**

	Business - Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
OPERATING REVENUES		
Net patient service revenue	\$ 19,507,153	\$ -
Other revenue	1,998,254	-
Charges for service	-	4,880,820
Total operating revenues	21,505,407	4,880,820
OPERATING EXPENSES		
Operating expenses	24,631,371	-
Depreciation and amortization	1,689,434	-
Claims	-	4,792,419
Administration - health	-	997,324
Administration - dental	-	31,876
Administration - life	-	17,427
Total operating expenses	26,320,805	5,839,046
OPERATING LOSS	(4,815,398)	(958,226)
NON-OPERATING REVENUES (EXPENSES)		
Noncapital grants and contributions	23,120	-
Indigent care support	600,730	-
Intergovernmental expense	(371,667)	-
Interest earned on investments	64,297	73,434
Interest expense	(154,050)	-
Total nonoperating revenues (expenses)	162,430	73,434
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(4,652,968)	(884,792)
CAPITAL GRANTS AND CONTRIBUTIONS	131,850	-

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED DECEMBER 31, 2012
 (CONTINUED)**

	<u>Business - Type Activities</u>	<u>Governmental Activities</u>
	<u>Pecos County Memorial Hospital Fund</u>	<u>Internal Service Fund</u>
Transfers in	6,102,843	-
Transfers out	-	(300,000)
Total transfers	6,102,843	(300,000)
CHANGE IN NET POSITION	1,581,725	(1,184,792)
NET POSITION, beginning of year, as previously stated	10,366,348	3,653,445
Restatement due to overstatement of liability (see note 15)	212,546	-
NET POSITION, beginning of year, as restated	10,578,894	3,664,435
NET POSITION, end of year	<u>\$ 12,160,619</u>	<u>\$ 2,479,643</u>
Reconciliation to government-wide statements of net assets:		
Change in net position	\$ 1,581,725	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund.	(666,625)	
Change in net position of business-type activities	<u>\$ 915,100</u>	

**PECOS COUNTY, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012**

	Business-Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patients and third-party payors	\$ 18,905,714	\$ -
Other receipts and payments from operations, net	1,947,824	-
Receipts from participants	-	5,226,110
Payments to employees	(13,905,396)	-
Payments to suppliers	(7,564,401)	(6,085,928)
Net cash used in operating activities	(616,259)	(859,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	64,297	73,434
Net cash provided by investing activities	64,297	73,434
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and contributions	131,850	-
Advances from Pecos County for capital expenditures	3,174,697	-
Principal payments of long-term debt and notes payable	(2,821,503)	-
Interest payments on long-term debt and notes payable	(199,431)	-
Purchase of capital assets	(1,426,347)	-
Net cash used in capital and related financing activities	(1,140,734)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments for intergovernmental transfers	(371,667)	-
Transfers out	-	(300,000)
Advances from Pecos County for operations	2,928,146	-
Noncapital gains and contributions	23,120	-
Net cash provided by (used in) noncapital financing activities	2,579,599	(300,000)
Net increase (decrease) in cash and investments	886,903	(1,086,384)
CASH AND INVESTMENTS, beginning of year	2,520,738	3,939,809
CASH AND INVESTMENTS, end of year	\$ 3,407,641	\$ 2,853,425

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2012
 (CONTINUED)**

	Business-Type Activities	Governmental Activities
	Pecos County Memorial Hospital Fund	Internal Service Fund
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (4,815,398)	\$ (958,226)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:		
Depreciation and amortization	1,689,434	-
Provision for bad debt	5,594,953	-
Indigent care support	600,730	-
Other post employment benefit	2,307,253	-
Change in assets and liabilities:		
Accounts receivable	(6,196,392)	345,290
Other assets	(165,615)	-
Accounts payable and accrued expenses	368,776	(302,075)
Health claims payable	-	55,193
Net cash used in operating activities	\$ (616,259)	\$ (859,818)
SUPPLEMENTAL CASH FLOW INFORMATION		
Capital lease obligations incurred for capital assets	\$ 483,000	\$ -

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS
 AGENCY FUNDS
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 DECEMBER 31, 2012**

	Agency Funds
ASSETS	
Cash	\$ 957,828
TOTAL ASSETS	\$ 957,828
LIABILITIES	
Accounts payable	\$ 23,526
Due to other governments	227,518
Due to beneficiaries	706,784
TOTAL LIABILITIES	\$ 957,828

The Notes to Financial Statements are an integral part of these statements.

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PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Pecos County, Texas (the County) performs all local government functions within its jurisdiction. The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and Commissioners form the governing body as provided by state statute. Various branches of the County government are led by duly elected officials. The Commissioners' Court has governance responsibilities over all activities related to Pecos County, Texas. The County provides the following services to its citizens: public safety, health and welfare, public facilities, judicial and legal, election functions, public transportation through roads and bridges, and general and financial administrative services.

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

A. Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

A. Financial Reporting Entity – Continued

In addition, Governmental Accounting Standards Board Statement Number 39, states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units.

If these certain organizations were excluded, they would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity.

The component units discussed in this note are included in the County's reporting entity because of the nature and significance of their operational or financial relationships with the County.

Blended Component Units:

There are no blended component units.

Discretely Presented Component Units:

There were no discretely presented component units in 2012. Pecos County Memorial Hospital was considered a discrete component unit until January 1, 2009 at which time it was determined by the commissioners' court to be more properly reflected as an enterprise fund of the County.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements

The basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level whereas financial statements prior to GASB No. 34 focused on reporting by fund-type. 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 for the financial reporting entity of the County. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide statement of net position reports all financial and capital resources of the County and is presented in an “assets minus liabilities equal net position” format with net position reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the County’s functions (General, Judicial, Financial Administration, Public Facilities, Public Safety, Public Service, Health and Welfare, Cultural and Recreation, Highways and Streets, Conservation and Airport) on the taxpayers by identifying direct expenses and the extent of self support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or from other sources which reduce the net cost of the function to be financed from general government revenues.

Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function and, 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

The effect of internal service fund activities in the government-wide statements is eliminated to the extent possible to avoid the effect of “doubling up” internal service fund activity. Internal service funds report activities which provide goods or services to the financial reporting entity on a cost reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit to the extent possible. Any residual assets of internal service funds are reported with governmental activities at the entity-wide level.

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds, and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County's programs. A major fund is defined by GASB Statement No. 34, paragraph 76, as amended by GASB Statement No. 37, paragraph 15, as a fund meeting certain specific asset, liability, revenue, or expenditure / expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined. Additionally, any fund deemed particularly important by the County may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column.

The fund level statements for proprietary funds contain enterprise and internal service funds.

The focus of fiduciary funds is on net position and changes in net position. These funds report assets held in a trustee or agency capacity by the County for the benefit of others and cannot be used to support County activities.

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the County gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs.

Governmental Funds

The County reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

Governmental Funds – Continued

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund of the County. It is used to account for the expenditures of the four different precincts and for the highway and streets expenditures.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are legally restricted to expenditures for the specified purpose of the retirement of long-term debt, including debt principal, interest and related costs.

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds – The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

The County reports the following major proprietary funds:

Pecos County Memorial Hospital Enterprise Fund

The Hospital is operated under a Board of Directors, which is appointed by the elected county commissioners. The County's general fund subsidizes the Hospital as needed with a budgeted portion of the ad valorem tax revenue assessed by the County each year. The Hospital's funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable. Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

Pecos County Memorial Hospital Enterprise Fund – Continued

Separate financial statements for the Hospital may be obtained by contacting the Pecos County Memorial Hospital.

In addition, the County reports the following proprietary fund as an internal service fund:

Health Self-Insurance Fund

Internal Service Funds – The County utilizes an Internal Service Fund to account for its health self-insurance plan. The General Fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the County. See Note 10 for additional discussion of the County's self-insurance plan.

Fiduciary Fund Type – Agency Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

Nonexchange transactions, transactions in which the County gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB No. 33, as amended by GASB Statement Nos. 34 and 36. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the County's depreciation policy.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, fines, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Property taxes are levied on October 1 for the next calendar year. Special assessments due within the current fiscal period are recorded as revenue of the current period.

Governmental fund level revenues which have been accrued based upon the susceptible to accrual concept are:

General Fund – Ad valorem taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds – Federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Debt Service Fund – Ad valorem taxes and interest.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting – Continued

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total assets view of increases (revenues) and decreases (expenses) in the fund.

Proprietary fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

Transactions resulting in nonoperating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include most nonexchange and exchange-like revenues.

D. Cash and Investments

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.

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract.

The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The County's cash deposits at December 31, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank.

E. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are cancelled and become available for future appropriation.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Property Taxes

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the State of Texas. The tax rate for the year ended December 31, 2012, excluding that portion budgeted for the retirement of long-term debt principal and interest was \$0.58 per \$100 valuation. The total tax rate for all purposes was \$0.6900 per \$100 valuation. The County's general obligation refunding bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

G. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

H. Inventories

Inventories are stated at the lower cost or market using the first-in, first-out method. Inventories for all funds consist of expendable supplies held for consumption, and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Depreciable capital assets are depreciated using the straight-line method over the asset's estimated useful life as follows:

Buildings	25-50	years
Improvements other than buildings	5-30	years
Machinery and equipment	5-30	years
Infrastructure	15-35	years

J. Fund Balance

The County implemented Governmental Accounting Standards Board Statement. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) during the year ended December 31, 2012. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance categories under GASB 54 are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Fund Balance – Continued

In accordance with GASB 54, the County classifies governmental fund balances effective with its financial statements as follows:

1. Nonspendable Fund Balance:
 - a. Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.
2. Spendable Fund Balance:
 - a. Restricted Fund Balance – Includes amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or other governments' laws and regulations or (b) imposed by law through constitutional provisions or enabling legislation. Examples include federal and state grant programs, taxes restricted for retirement of long-term debt, and specific bond proceeds. In addition, certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted.
 - b. Committed Fund Balance – Includes amounts constrained to specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The commissioners' court must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year. The County has no committed fund balances.
 - c. Assigned Fund Balance – Includes amounts intended to be used by the County for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. The County has delegated to the County Judge and County Auditor the ability to determine and define the amounts of those components of fund balance that are classified as Assigned.
 - d. Unassigned Fund Balance – Includes the residual classification of the General Fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the County has implicitly assigned the funds for the purposes of those particular funds.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Fund Balance – Continued

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The County passed a resolution to establish a minimum fund balance policy. The policy states the County shall strive to achieve a yearly fund balance in the general operating fund in which the total fund balance is equal to 25% of the total operating expenditures.

K. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted. A value from the mineral rights has not been reported in these financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, unrestricted resources are applied first.

L. Use of Estimates

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

M. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission and natural disasters. During fiscal year 2012, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Implementation of New Standards

During 2012, the County implemented Governmental Accounting Standards Board (GASB) Statements 63. *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63). As a result, the difference between assets and liabilities, previously reported as net assets, is now reported as net position in the government-wide and proprietary fund financial statements.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes as reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this \$(16,241,002) difference is as follows:

Bonds, certifications of obligations and tax notes payable	\$ (3,055,000)
Bond premium liability	(135,320)
Deferred charges for bond issuance costs	80,454
Accrued interest payable	(10,211)
Compensated absences	(1,086,752)
Other post employment benefits	<u>(12,034,173)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> <i>to arrive at net position – governmental activities</i>	<u><u>\$ (16,241,002)</u></u>

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

- B.** Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation *between net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$4,679,683 difference is as follows:

Capital outlay	\$ 6,328,667
Depreciation expense	<u>(1,648,984)</u>
<i>Net adjustment to decrease net change in fund balances- total governmental funds to arrive at change in net position of governmental activities.</i>	
	<u><u>\$ 4,679,683</u></u>

Another element of that reconciliation states that, “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations is to decrease the net position”

The details of this \$(152,075) difference are as follows:

The statement of activities reports gains (losses) arising from the disposition of capital assets, and the governmental funds only report proceeds received.	<u><u>\$ (152,075)</u></u>
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Another element of that reconciliation states that “some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The detail of this \$(3,387,924) difference is as follows:

Net change in compensated absences	\$ (211,647)
Net change in interest accrual	18,746
Net change in other post employment benefits	<u>(3,195,023)</u>
<i>Net adjustment to decrease net changes in fund balances total governmental funds to arrive at changes in net position of governmental activities</i>	
	<u><u>\$ (3,387,924)</u></u>

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

- B.** Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities. – Continued

Another element of that reconciliation states that the “issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position.

Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this \$1,141,935 difference is as follows:

Amortization of bond issuance costs	\$ (10,077)
Principal repayments:	
Certificates of obligation	415,000
Tax notes	595,000
Refunding bonds	30,000
Capital leases	112,012
<i>Net adjustment to decrease net changes in fund balances total governmental funds to arrive at changes in net position of governmental activities</i>	<i>\$ 1,141,935</i>

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

DEFICIT FUND EQUITY

All of the County’s funds held positive fund equity at December 31, 2012.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CASH AND INVESTMENTS

The County invests its funds in investments authorized by Texas law in accordance with investment policies approved by the County Commissioners. Both state law and the County's investment policies are subject to change.

Under current Texas law, the County is authorized to invest in: (1) obligations of the United States or its instrumentalities, (2) direct obligations of the state of Texas or its agencies, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed or insured by the state of Texas or the United States or its instrumentalities, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state of Texas or the United States or its instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating agency, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or any other manner or amount provided by law for County deposits, (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause one, and are placed through a primary government securities dealer or a bank domiciled in the state of Texas, (8) bankers acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies, or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (10) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (11) bonds issued, assumed, or guaranteed by the state of Israel, and (12) a qualified common trust fund or comparable investment device that is owned or administered by a Texas domiciled bank and consists exclusively of obligations as described above. The County may invest in such obligations directly or through government investment pools that invest solely in such obligations.

Investment Policies

Under Texas law, County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Investment Policies – Continued

Under Texas law and County policy, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all County funds must be invested in investments that protect principal, are consistent with the operating requirements of the County, and yield the highest possible rate of return.

Objectives

Funds of the County are invested in accordance with state law, IRS arbitrage regulations, investment policies and written administrative procedures. The County's objectives in managing its investment portfolios are as follows:

1. Safety – The first and foremost consideration of any custodian of public funds must be safety of the principal amount involved.
2. Liquidity – The County must have cash or “near cash” on hand to meet current obligations.
3. Legality – Any investment should clearly be legal under state law, county investment policy and IRS arbitrage regulations.
4. Income – While it is certainly desirable to show a high effective rate of return on invested funds, it is important to recognize that it is essential to keep every dollar working every day, even at a reduced rate of return.
5. Flexibility – This means not only the ability to convert an investment to cash, but also the option to convert a security to a higher rate of interest, a better maturity, or both. In addition, flexibility allows the use of various investment tools available.

During the year ended December 31, 2012 the County invested in mutual funds with ICT-Government Securities Portfolio, Merrill Lynch Institutional Fund and Texpool Investment Pool.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Investments owned by the County at December 31, 2012 are shown below:

	Fair Value	Credit Risk
ICT-Government Securities Portfolio	\$ 10,205,082	AAAm – S & P
Merrill Lynch Institutional Fund		AAAm – S & P
Certificates of Deposit, exceeding one year terms	2,031,399	
	\$ 12,236,481	

Because the County's investments are in external pools, their investments are not exposed to credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments in external pools are excluded from disclosure regiments of concentration of credit and from disclosure of interest rate risk.

The County's cash accounts are categorized to give an indication of the level of credit risk assumed at year-end. The categories are defined as:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department agent, but not in the entity's name.

At year-end, the carrying amount of the County's cash and cash equivalents was \$21,444,614 (bank deposits were \$17,079,145 in governmental activities, \$3,407,641 in business-type activities and \$957,828 in agency funds). The bank balances totaled \$24,770,008 of which \$1,139,138 was covered by Federal Depository Insurance Corporation (FDIC) and \$23,630,870 was covered by collateral held by the pledging banks' agent for the County in the County's name (or Category 1 above).

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CASH AND INVESTMENTS – CONTINUED

Interest Rate Risk – In compliance with the County’s investment policy, as of December 31, 2012, the County minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit rating of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

Credit Risk – In compliance with the County’s investment policy, as of December 31, 2012, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in ICT Government Securities that were rated AAA, AAA, and Aaa by Standard & Poor’s, Fitch and Moody’s, respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

NOTE 5. RECEIVABLES

Receivables as of year-end for the government’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road and Bridge Fund	Debt Service Fund	Nonmajor Funds	Business- Type Activities	Internal Service Funds	Total
Receivables:							
Taxes	\$ 14,066,332	\$ 2,678,457	\$ 983,194	\$ -	\$ -	\$ -	\$ 17,727,983
Other	392,952	9,796	-	100,419	18,191,860	1,600	18,696,627
Fines and fees	7,564,321	-	-	-	-	-	7,564,321
Gross receivables	22,023,605	2,688,253	983,194	100,419	18,191,860	1,600	43,988,931
Less: allowance for uncollectibles	(7,340,432)	(213,683)	(137,730)	-	(13,705,252)	-	(21,397,097)
Net total receivables	<u>\$ 14,683,173</u>	<u>\$ 2,474,570</u>	<u>\$ 845,464</u>	<u>\$ 100,419</u>	<u>\$ 4,486,608</u>	<u>\$ 1,600</u>	<u>\$ 22,591,834</u>

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. RECEIVABLES – CONTINUED

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned, such as property tax revenue that is levied for the following fiscal year. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes	\$	22,672,669
Other		1,479,044
Total	\$	<u>24,151,713</u>

NOTE 6. CAPITAL ASSETS

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

	Balance 12/31/2011	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2012
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,260,531	\$ -	\$ -	\$ 1,260,531
Construction-in-progress	1,618,884	488,422	(1,603,134)	504,172
Total capital assets, not being depreciated	<u>2,879,415</u>	<u>488,422</u>	<u>(1,603,134)</u>	<u>1,764,703</u>
Capital assets, being depreciated:				
Buildings	14,789,945	4,604,091	-	19,394,036
Improvements other than buildings	4,193,705	1,397,923	-	5,591,628
Machinery and equipment	12,573,158	1,342,968	(301,049)	13,615,077
Infrastructure	1,041,214	98,397	-	1,139,611
Total capital assets, being depreciated	<u>32,598,022</u>	<u>7,443,379</u>	<u>(301,049)</u>	<u>39,740,352</u>
Less accumulated depreciation for:				
Buildings	(5,737,387)	(369,517)	-	(6,106,904)
Improvements other than buildings	(2,367,839)	(157,449)	-	(2,525,288)
Machinery and equipment	(6,702,001)	(1,077,857)	148,974	(7,630,884)
Infrastructure	(600,740)	(44,161)	-	(644,901)
Total accumulated depreciation	<u>(15,407,967)</u>	<u>(1,648,984)</u>	<u>148,974</u>	<u>(16,907,977)</u>
Total capital assets being depreciated, net	<u>17,190,055</u>	<u>5,794,395</u>	<u>(152,075)</u>	<u>22,832,375</u>
Governmental activities capital assets, net	<u>\$ 20,069,470</u>	<u>\$ 6,282,817</u>	<u>\$ (1,755,209)</u>	<u>\$ 24,597,078</u>

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS – CONTINUED

	Balance 12/31/2011	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2012
Business-type activities				
Capital assets, not being depreciated:				
Construction-in-progress	\$ 286,718	\$ 293,228	\$ -	\$ 579,946
Capital assets, being depreciated:				
Land improvements	692,703	27,317	(117,984)	602,036
Buildings and improvements	20,401,741	244,278	510,224	21,156,243
Equipment	10,071,617	851,082	(597,243)	10,325,456
Leased assets	1,176,436	483,000	(192)	1,659,244
Capitalized interest	1,542,277	-	204,677	1,746,954
Total capital assets, being depreciated	<u>33,884,774</u>	<u>1,605,677</u>	<u>(518)</u>	<u>35,489,933</u>
Less accumulated depreciation for:				
Land improvements	(442,274)	(17,371)	(58,019)	(517,664)
Buildings and improvements	(8,459,355)	(639,401)	(575,326)	(9,674,082)
Equipment	(7,726,492)	(662,430)	654,613	(7,734,309)
Leased assets	(511,569)	(303,674)	5,811	(809,432)
Capitalized interest	(381,870)	(43,674)	(38,556)	(464,100)
Total accumulated depreciation	<u>(17,521,560)</u>	<u>(1,666,550)</u>	<u>(11,477)</u>	<u>(19,199,587)</u>
Total capital assets being depreciated, net	<u>16,363,214</u>	<u>(60,873)</u>	<u>(11,995)</u>	<u>16,290,346</u>
Business-type activities capital assets, net	<u>\$ 16,649,932</u>	<u>\$ 232,355</u>	<u>\$ (11,995)</u>	<u>\$ 16,870,292</u>

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. CAPITAL ASSETS – CONTINUED

Primary Government

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 94,545
Judicial	32,575
Law enforcement	329,450
Corrections	100,753
Health and welfare	140,950
Fire protection	49,773
Culture and recreation	275,533
Library	14,742
Building maintenance	11,564
Conservation	6,932
Highway and streets	548,263
Airport	<u>43,904</u>
Total depreciation expense – governmental activities	<u>\$ 1,648,984</u>
Business-type activities:	
Pecos County Memorial Hospital	<u>\$ 1,666,550</u>
Total depreciation expense - business-type activities	<u>\$ 1,666,550</u>

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of December 31, 2012:

Fund	Receivable	Payable
General fund	\$ 304,038	\$ -
Nonmajor governmental funds:		
Crime victims services	-	6,867
Border security III	-	24,683
Border prosecution	-	17,164
High intensity drug trafficking	-	14,051
TDHCA contract 1001407	-	29,936
Capital projects	-	33,772
Total nonmajor governmental funds	-	126,473
Enterprise fund:		
Pecos County Memorial Hospital	-	177,565
Total all funds	\$ 304,038	\$ 304,038

NOTE 8. LONG-TERM DEBT

Governmental Activities

Refunding Bonds

The County issued \$3,085,000 General Obligation Refunding Bonds, Series 2011 for the purpose of refunding the Certificates of Obligation 2002 Series Certificates above. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt group. Principal payments are due in annual installments on May 1, maturing in May 2017. Interest is payable May 1 and November 1, at interest rates ranging from 2.00% to 3.00%. The issuance of the General Obligation Refunding Bonds Series 2011 produced a present value savings of \$256,867 and actual debt service savings of \$271,798, net of any issuer contribution to the refunding, being equal to 8.299% net present value savings for the Refunded Obligations. The outstanding balance at December 31, 2012 was \$3,055,000.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. LONG-TERM DEBT – CONTINUED

Business-Type Activities

General Obligation Bonds

The County issued \$5,000,000 of General Obligation Bonds, Series 2008 for the purpose of constructing, enlarging and equipping the County Hospital with a physical therapy/wellness center. Principal payments are due in annual installments on February 1, maturing in 2017. Interest is payable February 1 and August 1, at an interest rate of 3.11%. The outstanding balance at December 31, 2012 is \$2,980,000.

The following is a summary of changes in general long-term debt:

Primary Government

	Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012	Amount Due within one year
Governmental Activities:					
Certificates of obligation	\$ 415,000	\$ -	\$ 415,000	\$ -	\$ -
Refunding bonds	3,085,000	-	30,000	3,055,000	585,000
Tax notes	595,000	-	595,000	-	-
Unamortized bond premium	162,381	-	27,061	135,320	-
Capital lease obligation	112,012	-	112,012	-	-
Accrued compensation	875,105	1,619,441	1,407,794	1,086,752	135,844
Other post employment benefits obligation	8,839,150	3,195,023	-	12,034,173	565,849
Total governmental activities	\$ 14,083,648	\$ 4,814,464	\$ 2,586,867	\$ 16,311,245	\$ 1,286,693
	Restated Balance 12/31/2011	Additions	Retirements	Balance 12/31/2012	Amount Due within one year
Business-type activities:					
General obligation bonds	\$ 3,520,000	\$ -	\$ 540,000	\$ 2,980,000	\$ 560,000
Certificates of obligation	705,000	-	705,000	-	-
Refunding bonds	1,285,000	-	1,285,000	-	-
Capital lease obligation	678,681	483,000	291,503	870,178	321,084
Accrued compensation	858,865	177,746	-	1,036,611	1,036,611
Other post employment benefits obligation	4,632,639	2,307,253	-	6,939,892	304,774
Total business-type activities	\$ 11,680,185	\$ 2,967,999	\$ 2,821,503	\$ 11,826,681	\$ 2,222,469

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. LONG-TERM DEBT – CONTINUED

The following is a summary of debt service requirements for the general obligation bonds, certificates of obligation, tax notes and refunding bonds:

Year	Governmental Activities			Business-type Activities		
	Bonds Payable			Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 585,000	\$ 67,900	\$ 652,900	\$ 560,000	\$ 83,970	\$ 643,970
2014	600,000	56,050	656,050	575,000	66,321	641,321
2015	605,000	44,000	649,000	595,000	48,127	643,127
2016	625,000	28,575	653,575	615,000	29,312	644,312
2017	640,000	9,600	649,600	635,000	9,874	644,874
	<u>\$ 3,055,000</u>	<u>\$ 206,125</u>	<u>\$ 3,261,125</u>	<u>\$ 2,980,000</u>	<u>\$ 237,604</u>	<u>\$ 3,217,604</u>

Capital Lease Obligations

The County entered into certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the governmental activities column of the statement of net assets. Governmental activities assets under capital leases totaled \$1,679,305 at December 31, 2012 and are included in the capital assets being depreciated. The outstanding balance of governmental activities capital lease obligations at December 31, 2012 was \$0. Business-type activities assets under capital leases total \$1,659,244 at December 31, 2012. The outstanding balance of business-type activities capital lease obligations at December 31, 2012 was \$870,178.

The following is a summary of debt service requirements for the Capital Lease Obligations:

Total Year End Requirements	Governmental Activities	Business-type Activities
2012	\$ -	\$ 360,964
2013	-	264,750
2014	-	168,528
2015	-	136,160
2016	-	31,718
Minimum lease payments	-	962,120
Less: Amount representing interest	-	(91,942)
Present value of minimum lease payments	<u>\$ -</u>	<u>\$ 870,178</u>

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. COMPENSATED ABSENCES

Governmental Activities:

County policy allows the accrual of vacation, compensatory time, and sick pay benefits for all employees other than elected officials. The expense of the benefits is recognized when incurred. Vacation, compensatory pay and sick pay are paid upon termination. The amount of sick leave paid is dependent on the number of years of service. The liability for accrued vacation, compensatory pay and sick pay is shown as a long-term obligation. At December 31, 2012 the value of accumulated vacation, compensatory benefits and sick time amounted to \$1,086,752 which is a net increase of \$211,647 from the prior year. The estimated amount that is current is \$135,844.

Business-type activities:

As of December 31 2012, the Hospital has accrued a compensated absences liability of \$1,036,611, which is an increase of \$177,746 from the prior year.

NOTE 10. HEALTHCARE COVERAGE

During the year ended December 31, 2012, employees of Pecos County, Texas were covered by a self-funded health insurance plan (the Plan). The County contributes \$733 per month per employee for coverage. Employees authorize payroll withholdings to pay for a portion of the premium. The Plan is accounted for in the Self-Insurance Health Fund, an internal service fund. Should the Plan's income from operations for a given Plan year be inadequate to pay the ultimate cost of claims incurred in that Plan year, the General fund is liable to pay the additional claims.

The County obtained excess loss insurance, which limited annual claims paid from the fund for the year ended December 31, 2012 to \$100,000 for any individual participant and an aggregate limit equal to \$5,623,282.

Estimates of claims payable and of claims incurred but not reported at December 31, 2012, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year ended December 31, 2012</u>	<u>Year ended December 31, 2011</u>
Unpaid claims, beginning of year	\$ 320,189	\$ 300,554
Incurred claims, (including IBNR)	4,802,429	3,938,586
Claim payments	<u>(4,747,236)</u>	<u>(3,918,951)</u>
Unpaid claims, end of year	<u>\$ 375,382</u>	<u>\$ 320,189</u>

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

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 586 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 commissioners' court within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years 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 contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the commissioners' court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute.

At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (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 County contributed using the actuarially determined rate of 8.89% for the months of the accounting year in 2012.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN – CONTINUED

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM – CONTINUED

Funding Policy – Continued

The deposit rate payable by the employee members for calendar year 2012 was the rate of 7.0% as adopted by the commissioners' court. The employee deposit rate and the employer contribution rate may be changed by the commissioners' court within the options available in the TCDRS Act.

Annual Pension Cost

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. For the employer's accounting year ended December 31, 2012, the annual pension cost for the TCDRS plan for its employees was \$1,655,260 and the actual contributions were \$1,655,260.

Funding Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 84.76% funded. The actuarial accrued liability for benefits was \$42,619,973, and the actuarial value of assets was \$36,125,629, resulting in an unfunded actuarial accrued liability (UAAL) (or OAAL) of \$6,494,344. The covered payroll (annual payroll of active employees covered by the plan) was \$16,708,422, and the ratio of the UAAL (or OAAL) to the covered payroll was 38.87%.

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

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN – CONTINUED

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM – CONTINUED

Actuarial Valuation Information			
Actuarial valuation date	12/31/2009	12/31/2010	12/31/2011
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	10 year smoothed value	10 year smoothed value	10 year smoothed value
	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Actuarial assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

* Includes inflation at the stated rate

Trend Information for the Retirement Plan for Employees of Pecos County, Texas			
Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 1,263,683	100%	\$0
12/31/2011	1,343,357	100%	0
12/31/2012	1,655,260	100%	0

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN – CONTINUED

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM – CONTINUED

Optional Group Term Life Fund

Pecos County participates in a cost-sharing multiple-employer defined-benefit group term life insurance plan operated by the Texas County and District Retirement System (TCDRS). This plan is referred to as the Optional Group Term Life Fund (OGTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The OGTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the OGTLF. This report may be obtained by writing to the Texas County and District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS' CAFR is also available at www.tcdrs.org.

Funding Policy

Each participating employer contributes to the OGTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Pecos County contributions to the OGTLF for the year ended December 31, 2012, equaled the contractually required contribution.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description

Pecos County provides post-employment healthcare benefits to its retired employees with 12 or more years of service and their spouses. The plan provides medical insurance to plan members. Membership in the plan at December 31, 2012, data used for the latest actuarial valuation, consists of the following:

	<u>County</u>	<u>Hospital</u>
Retirees	66	37
Covered retiree spouses	38	15
Active members	229	182

Funding Policy

Local Government Code Section 157.1010 assigns the authority to establish and amend benefit provisions to commissioners' court. The County is under no legal obligation to pay these premiums, and the decision to provide these benefits is made by the commissioners' court on a year-to-year basis.

At December 31, 2012 retirees do not pay a premium at any time, but do pay \$50 per month for their spouse's premium.

The rates are set annually by the Commissioners Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The plan is funded on a pay-as-you-go basis. For the year ended, December 31, 2012, the County contributed approximately \$1,541,318. Administrative costs are provided through the annual rate calculation.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, creating accounting standards for other postemployment benefits (OPEB) provided by governmental entities separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable required supplemental information (RSI) in the financial reports of state and local governments. The County implemented the requirements of GASB Statement No. 45 during the fiscal year ended December 31, 2011, and continued those requirements for the fiscal year December 31, 2012.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED

Annual OPEB Cost

The County's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 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 not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount expected to be contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 5,827,514
Interest on net OPEB obligation	538,872
Annual OPEB cost (expense)	6,366,386
Contributions made*	(864,110)
 Increase in net OPEB	 5,502,276
 Net OPEB obligation, beginning of year	 13,471,789
Net OPEB obligation, end of year	\$ 18,974,065

For 2012, the County's annual OPEB cost (expense) of \$6,366,386 for the post-employment healthcare plan was equal to the annual required contributions (ARC) of each. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions*	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 4,494,944	\$ 902,122	20.1%	\$ 9,605,423
12/31/2011	4,638,657	772,291	16.6%	13,471,789
12/31/2012	6,366,386	864,110	13.6%	18,974,065

**For illustration purposes, we have shown Pecos County contributions to be equal to expected benefit payments during each fiscal year. GASB 45 defines contributions for this purpose to be actual benefits payments during the year and contributions made to a separate, irrevocable trust.*

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED

Funded Status

The funded status of the plan as of December 31, 2012 was as follows:

Schedule of Funding

Actuarial Accrued Liability (AAL)	\$ 29,826,753
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	29,826,753
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	N/A
Unfunded Actuarial Accrued Liability (UAAL) as Percentage of Covered Payroll	N/A

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 revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. RETIREMENT PLAN – CONTINUED

POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED

Actuarial Methods and Assumptions – Continued

Discount Rate

Pay-as-you-go:
4.0% Effective annual rate

Health Cost Trend

County:

Without Medicare:

6.7% in the first year, 6.3% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

With Medicare:

5.6% in the first year, 5.7% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

Hospital:

Without Medicare:

6.7% in the first year, 6.3% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

With Medicare:

5.6% in the first year, 5.7% in the second year, 5.8% in the third through the eighth year, and ultimately grade down to 4.7% per year after the seventy-second year.

The unfunded actuarial accrued liability is being amortized as a level dollar, on a closed basis. The amortization period is 30 years.

**PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 12. OPERATING LEASES

The County's has entered into noncancellable operating leases for various equipment. The future minimum rental commitments for those leases at December 31, 2012 are as follows:

Total Year End Requirements	Governmental Activities	Business-type Activities
2013	\$ 53,065	\$ 66,060
2014	40,640	37,494
2015	19,564	20,979
2016	10,258	-
Present value of minimum lease payments	<u>\$ 123,527</u>	<u>\$ 124,533</u>

NOTE 13. CONTINGENT LIABILITIES

The County participates in several grant programs that are subject to audit by various state and federal agencies. These programs have complex compliance requirements and should state or federal auditors discover areas of material noncompliance, those County funds may be subject to refund if so determined by administrative audit review.

In the normal course of business, the County has been named in several civil lawsuits. The outcome of these cases cannot presently be determined; however, County management is of the opinion that the settlement of pending litigation will not have a material adverse effect on the County's financial statements.

NOTE 14. ADDITIONAL ENTERPRISE FUND DISCLOSURES

Accounts receivable consists of the following at December 31, 2012:

	Pecos County Memorial Hospital
Gross accounts receivable	\$ 18,191,860
Less: allowance for bad debts and contractual adjustments	<u>(13,705,252)</u>
Accounts receivable, net of allowance	<u>\$ 4,486,608</u>

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 14. ADDITIONAL ENTERPRISE FUND DISCLOSURES – CONTINUED

Net patient revenue – the Hospital had an agreement with third-party payors that provide for payments to the Hospital at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The major third-party payors are Medicare, Medicaid, and other commercial insurance carriers and preferred provider organizations.

NOTE 15. NET POSITION RESTATEMENT

The accompanying financial statements for the business-type activities fund have been restated by other auditors to correct an error in interest expense recognition made in 2011. The effect of the restatement was to increase beginning net assets and decrease current liabilities by \$212,546.

NOTE 16. NEW PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statement No. 14 and No. 34 (GASB 61)*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends criteria for reporting component units as if they were part of the primary government and clarifies the reporting of equity interests in legally separate organizations. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement reclassifies and recognizes certain items as deferred outflows or inflows of resources, which were previously classified or reported as assets and liabilities. Moreover, Statement No. 65 provides guidance on how the reclassification or change in recognition will impact the elements of deferred outflows and inflows of resources in financial statements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012.

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 16. NEW PRONOUNCEMENTS – CONTINUED

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of Statements No. 10 and 12*. This statement resolves two distinct areas of conflict in previously-issued GASB Statements with the following changes:

Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, is amended to require that governments base their fund-type classification on the activity to be reported, rather than limiting fund-based reporting of an entity's risk financing activities to the general and internal service fund types.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is amended to modify guidance that demonstrates how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases, consistently with Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. In particular, the amendment modified guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between purchase price and principle amount of purchased loans, and (3) servicing fees related to mortgage loans where the stated fee is significantly different from current servicing fee rates.

Statement No. 66 is effective for financial statements for periods beginning after December 15, 2012, with earlier application encouraged.

In August 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. GASB 67 addresses new accounting and financial reporting standards for the activities of certain pension plans that are administered through trusts. In particular, Statement No. 67 establishes (1) certain standards of financial reporting for defined benefit pension plans, including specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, and (2) note disclosure requirements for certain defined contribution pension plans administered through trusts. Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013, with earlier application encouraged.

In August 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB 68 addresses new accounting and financial reporting standards for the activities of certain pension plans that are administered through trusts. In particular, Statement No. 68 establishes:

PECOS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

NOTE 16. NEW PRONOUNCEMENTS – CONTINUED

Standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures;

For defined benefit pensions, the methods and assumptions that should be used for employee benefits when projecting those benefits, discounting the projections, and attributing the discounted projections to certain periods;

Note disclosures and supplementary information based on (1) the number of employers with employees covered by the plan, and (2) whether pension obligations and plan assets are shared; and

Statement No. 68 is effective for financial statements for periods beginning after June 15, 2014, with earlier application encouraged.

Pecos County management is reviewing the implementation process by gathering required information.

REQUIRED SUPPLEMENTAL INFORMATION

**PECOS COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2012**

Texas County and District Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
12/31/2007	\$ 30,956,285	\$ 32,290,620	\$ 1,334,335	95.87%	\$ 11,836,834	11.27%
12/31/2008	29,681,971	33,416,382	3,734,411	88.82%	13,024,993	28.67%
12/31/2009	32,407,603	36,098,009	3,690,406	89.78%	14,222,890	25.95%
12/31/2010	34,628,630	39,887,823	5,259,193	86.82%	15,025,961	35.00%
12/31/2011	36,125,629	42,619,973	6,494,344	84.76%	16,708,422	38.87%

Retiree Health Insurance Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2010	\$ -	\$ 29,826,753	\$ 29,826,753	0.00%	N/A	N/A
12/31/2011	-	29,826,753	29,826,753	0.00%	N/A	N/A
12/31/2012	-	29,826,753	29,826,753	0.00%	N/A	N/A

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 17,395,483	\$ 17,395,483	\$ 17,412,907	\$ 17,424
Fines and forfeitures	3,900	3,900	2,076	(1,824)
Intergovernmental	314,300	314,300	268,407	(45,893)
Charges for services	1,994,850	1,994,850	2,283,531	288,681
Payment in lieu of taxes	2,077,000	2,077,000	2,077,231	231
Royalties	150,500	150,500	174,126	23,626
Interest	457,100	457,100	393,093	(64,007)
Other	221,700	221,700	307,124	85,424
Total revenues	22,614,833	22,614,833	22,918,495	303,662
EXPENDITURES				
Current:				
General government:				
Office of the County Judge	180,137	182,637	170,673	11,964
Office of the County Clerk	311,562	311,563	299,887	11,676
Veterans' Administration	50,316	50,316	50,025	291
Commissioners' Court	1,165,100	1,165,100	874,101	290,999
Nondepartmental	4,028,450	3,501,256	3,238,594	262,662
Total general government	5,735,565	5,210,872	4,633,280	577,592
Judicial:				
Office of the District Clerk	246,598	246,598	238,027	8,571
County Court at Law	36,000	36,000	30,720	5,280
83rd District Court	188,348	188,348	168,852	19,496
112th District Court	282,624	282,624	172,848	109,776
Office of the 83rd District Attorney	283,104	283,104	272,145	10,959
Office of the 112th District Attorney	246,556	246,556	234,101	12,455
Justice of the Peace #1	220,227	230,226	223,307	6,919
Justice of the Peace #3	96,546	96,546	92,657	3,889
Justice of the Peace #4	36,540	36,540	33,283	3,257
Justice of the Peace #6	96,440	96,441	94,634	1,807
Office of the County Attorney	288,935	288,935	287,913	1,022
County Law Library	17,455	17,901	17,901	-
Total judicial	2,039,373	2,049,819	1,866,388	183,431
Financial Administration:				
Office of the County Auditor	346,910	348,210	345,541	2,669
Office of the County Treasurer	121,033	121,033	120,459	574
Office of the Tax Assessor Collector	358,939	361,784	353,137	8,647
Data processing	459,500	459,500	313,706	145,794
Total financial administration	1,286,382	1,290,527	1,132,843	157,684

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Law enforcement:				
Constable Precinct #1	\$ 23,239	\$ 23,239	\$ 22,763	\$ 476
Constable Precinct #3	22,865	22,865	22,480	385
Constable Precinct #4	23,798	23,798	23,371	427
Constable Precinct #6	23,052	23,052	22,753	299
Public Safety Department	2,900	3,700	2,927	773
Office of the Sheriff	1,376,318	1,433,870	1,421,698	12,172
Emergency Management/Homeland Security	68,947	106,711	92,123	14,588
Total law enforcement	1,541,119	1,637,235	1,608,115	29,120
Corrections:				
Correctional facility	638,219	642,066	611,804	30,262
Adult probation	38,420	38,420	37,013	1,407
Juvenile probation	335,520	376,930	282,594	94,336
Total corrections	1,012,159	1,057,416	931,411	126,005
Health and welfare:				
Health	3,430,000	5,366	3,512	1,854
Sanitation department	49,550	50,550	49,902	648
EMS	1,888,256	1,996,367	1,968,756	27,611
Social services	55,500	60,500	55,078	5,422
Total health and welfare	5,423,306	2,112,783	2,077,248	35,535
Fire protection	399,100	411,917	376,592	35,325
Culture and recreation:				
Recreation	120,300	120,300	120,064	236
Fort Stockton Golf Course	552,829	554,846	544,734	10,112
Iraan Golf Course	202,552	194,248	192,671	1,577
Park #1	182,388	233,267	221,736	11,531
Park #2	436,741	428,795	389,322	39,473
Park #3	281,885	311,959	304,064	7,895
Park #4	216,940	204,797	195,440	9,357
Historical Commission	18,836	20,336	15,056	5,280
Total culture and recreation	2,012,471	2,068,548	1,983,087	85,461

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Libraries:				
Fort Stockton library	\$ 316,818	\$ 316,818	\$ 285,279	\$ 31,539
Imperial library	43,195	54,043	52,491	1,552
Iraan library	91,890	91,891	90,000	1,891
Total libraries	<u>451,903</u>	<u>462,752</u>	<u>427,770</u>	<u>34,982</u>
Building maintenance	374,151	413,859	393,905	19,954
Utilities	777,000	777,000	635,223	141,777
Conservation	156,187	156,187	138,329	17,858
Public service:				
Elections	50,629	52,464	50,141	2,323
Pecos County Water	167,037	170,493	168,631	1,862
Miscellaneous	178,039	177,239	150,278	26,961
Total public service	<u>395,705</u>	<u>400,196</u>	<u>369,050</u>	<u>31,146</u>
Airport	50,200	79,977	39,466	40,511
Capital outlay	4,648,500	5,304,413	4,881,501	422,912
Debt service	137,752	109,296	109,806	(510)
Total expenditures	<u>26,440,873</u>	<u>23,542,797</u>	<u>21,604,014</u>	<u>1,938,783</u>
Excess (deficiency) of revenues over expenditures	<u>(3,826,040)</u>	<u>(927,964)</u>	<u>1,314,481</u>	<u>2,242,445</u>
Other financing sources (uses)				
Sale of assets	10,000	10,000	3,595	(6,405)
Transfers to other funds	-	(3,449,033)	(3,449,033)	-
Total other financing sources (uses)	<u>10,000</u>	<u>(3,439,033)</u>	<u>(3,445,438)</u>	<u>(6,405)</u>
Net change in fund balances	(3,816,040)	(4,366,997)	(2,130,957)	2,236,040
FUND BALANCES, beginning of year	<u>17,222,833</u>	<u>17,222,833</u>	<u>17,222,833</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 13,406,793</u>	<u>\$ 12,855,836</u>	<u>\$ 15,091,876</u>	<u>\$ 2,236,040</u>

**PECOS COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,497,829	\$ 3,497,829	\$ 3,499,283	\$ 1,454
Intergovernmental	59,000	59,000	82,112	23,112
Fees of office	761,000	761,000	693,087	(67,913)
Total revenues	4,317,829	4,317,829	4,274,482	(43,347)
EXPENDITURES				
Highways and streets				
Precinct #1				
Salaries and benefits	400,471	400,471	398,898	1,573
Supplies	9,000	12,167	10,944	1,223
Fuel	50,000	85,627	85,139	488
Uniforms	1,500	1,479	1,459	20
Communications	3,500	3,000	2,366	634
Travel	2,000	541	541	-
Registration fees	600	600	499	101
Repairs and maintenance	25,800	30,922	24,640	6,282
Lease expenditures	2,500	3,830	3,830	-
Dues and subscriptions	100	150	122	28
Contract services	300	-	-	-
Equipment	-	1,750	1,750	-
Road improvements	20,000	10,250	3,388	6,862
Total Precinct #1	515,771	550,787	533,576	17,211
Precinct #2				
Salaries and benefits	355,350	342,792	340,970	1,822
Supplies	12,500	14,173	11,340	2,833
Fuel	50,000	54,482	53,853	629
Uniforms	1,500	1,500	890	610
Communications	3,000	3,000	2,861	139
Travel	2,200	4,613	4,613	-
Registration fees	1,500	1,500	1,030	470
Repairs and maintenance	22,800	22,446	22,291	155
Lease expenditures	2,000	100	100	-
Contract services	1,500	742	742	-
Equipment	-	2,875	2,875	-
Road improvements	21,000	32,175	24,059	8,116
Total Precinct #2	473,350	480,398	465,624	14,774

**PECOS COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Precinct #3				
Salaries and benefits	\$ 389,512	\$ 356,937	\$ 355,272	\$ 1,665
Supplies	14,000	19,740	18,793	947
Fuel	50,000	72,350	71,374	976
Uniforms	1,000	1,000	854	146
Communications	6,000	6,000	5,858	142
Travel	2,000	4,203	3,713	490
Registration fees	400	440	440	-
Repairs and maintenance	49,000	41,997	41,038	959
Lease expenditures	1,000	300	247	53
Dues and subscriptions	200	1,060	687	373
Contract services	1,000	650	650	-
Equipment	-	1,700	1,526	174
Road improvements	23,000	19,022	18,987	35
Total Precinct #3	537,112	525,399	519,439	5,960
Precinct #4				
Salaries and benefits	466,686	466,686	452,158	14,528
Supplies	14,000	21,064	20,910	154
Fuel	60,000	86,770	83,931	2,839
Uniforms	1,500	1,500	1,374	126
Communications	5,000	5,000	3,180	1,820
Travel	2,000	4,173	4,173	-
Registration fees	1,000	1,025	1,025	-
Repairs and maintenance	46,300	38,280	34,598	3,682
Lease expenditures	3,000	8,267	8,267	-
Contract services	5,000	4,331	2,344	1,987
Equipment	-	5,348	5,348	-
Road improvements	27,000	23,260	19,789	3,471
Total Precinct #4	631,486	665,704	637,097	28,607
General				
Employee insurance	325,600	325,600	323,123	2,477
Professional services	2,500	2,000	-	2,000
City paving	100,000	100,000	100,000	-
Lateral roads #1	10,250	10,250	6,460	3,790
Lateral roads #2	10,250	10,250	9,597	653
Lateral roads #3	10,250	10,605	10,427	178
Lateral roads #4	10,250	10,250	10,250	-
Road improvements	925,000	642,026	628,995	13,031
Software maintenance	1,000	1,000	1,000	-
Contract services	100,000	100,500	90,463	10,037
Contingency	55,000	55,000	-	55,000
Total general	1,550,100	1,267,481	1,180,315	87,166
Total highways and streets	3,707,819	3,489,769	3,336,051	153,718

**PECOS COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay:				
General	\$ 603,500	\$ 98,397	\$ 98,397	\$ -
Precinct #1	-	245,000	245,000	-
Precinct #2	-	113,567	113,566	1
Precinct #3	-	42,613	42,479	134
Precinct #4	-	346,262	346,262	-
Total capital outlay	603,500	845,839	845,704	135
Debt Service:				
Precinct #1	3,600	7,210	7,200	10
Total debt service	3,600	7,210	7,200	10
Total expenditures	4,314,919	4,342,818	4,188,955	153,863
Excess (deficiency) of revenues over expenditures	2,910	(24,989)	85,527	110,516
OTHER FINANCING SOURCES (USES)				
Transfers in	-	24,399	24,399	-
Total other financing sources (uses)	-	24,399	24,399	-
Net change in fund balance	2,910	(590)	109,926	110,516
FUND BALANCES, beginning of year	803,925	803,925	803,925	-
FUND BALANCES, end of year	\$ 806,835	\$ 803,335	\$ 913,851	\$ 110,516

**PECOS COUNTY, TEXAS
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL**

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

- A. In the event the Commissions' Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election.
- B. Public hearings are conducted at the Pecos County Courthouse to obtain taxpayer comments.
- C. Prior to January 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
- D. Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
- E. Budgets for the various funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- F. Expenditures in excess of appropriations are required by state statutes to be reported down to the departmental level.
- G. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2012.
- H. The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund and Road and Bridge Fund present a comparison of budgetary data to actual results.

SUPPLEMENTARY INFORMATION

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 17,395,483	\$ 17,395,483	\$ 17,412,907	\$ 17,424
Fines and forfeitures	3,900	3,900	2,076	(1,824)
Intergovernmental	314,300	314,300	268,407	(45,893)
Charges for services	1,994,850	1,994,850	2,283,531	288,681
Payment in lieu of taxes	2,077,000	2,077,000	2,077,231	231
Royalties	150,500	150,500	174,126	23,626
Interest	457,100	457,100	393,093	(64,007)
Other	221,700	221,700	307,124	85,424
Total revenues	22,614,833	22,614,833	22,918,495	303,662
EXPENDITURES				
General government				
Office of the County Judge				
Salaries and benefits	169,137	171,282	160,416	10,866
Supplies	1,250	1,250	1,234	16
Communications	2,500	2,305	2,283	22
Travel	3,000	3,379	2,908	471
Registration fees	1,200	1,205	1,178	27
Repairs and maintenance	250	96	55	41
Lease expenditures	2,800	3,120	2,599	521
Total Office of the County Judge	180,137	182,637	170,673	11,964
Office of the County Clerk				
Salaries and benefits	262,062	262,062	261,096	966
Supplies	25,000	21,049	15,001	6,048
Communications	1,500	3,000	1,649	1,351
Travel	7,500	6,000	3,846	2,154
Registration fees	2,000	2,000	975	1,025
Repairs and maintenance	5,500	3,125	3,124	1
Lease expenditures	7,000	11,475	11,377	98
Dues and subscriptions	1,000	808	778	30
Equipment	-	2,044	2,041	3
Total Office of the County Clerk	311,562	311,563	299,887	11,676

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Veterans' Administration				
Salaries and benefits	\$ 38,166	\$ 38,225	\$ 38,224	\$ 1
Supplies	600	568	557	11
Communications	1,300	1,241	1,048	193
Travel	10,000	10,232	10,196	36
Repairs and maintenance	200	-	-	-
Dues and subscriptions	50	50	-	50
Total Veterans' Administration	50,316	50,316	50,025	291
Commissioners' Court				
Supplies	200	180	156	24
Travel	12,000	9,492	-	9,492
Economic development	640,000	640,020	640,000	20
Professional services	500,000	500,000	218,790	281,210
Advertising	8,500	8,500	8,248	252
Dues and subscriptions	4,400	6,908	6,907	1
Total Commissioners' Court	1,165,100	1,165,100	874,101	290,999
Nondepartmental				
Salaries and benefits	2,366,400	2,412,043	2,359,260	52,783
Supplies	3,600	5,600	4,140	1,460
Office supplies	2,000	3,000	1,128	1,872
Postage	55,000	54,000	49,762	4,238
Employee pins/plaques	1,500	1,500	1,058	442
Animal control	5,000	1,000	-	1,000
Physicals	5,500	5,500	2,551	2,949
Professional services	100,000	98,192	90,295	7,897
Trial expense	25,000	25,000	25,000	-
Equipment	498,650	149,744	-	149,744
Repairs and maintenance	1,000	1,000	-	1,000
Lease expenditures	7,800	10,300	9,788	512
Insurance premiums	450,000	449,000	439,700	9,300
Contract services	250,000	251,308	251,307	1
Landscaping	1,000	4,881	4,881	-
Other	6,000	6,000	(276)	6,276
Contingency	250,000	23,188	-	23,188
Total nondepartmental	4,028,450	3,501,256	3,238,594	262,662
Total general government	5,735,565	5,210,872	4,633,280	577,592

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Judicial				
Office of the District Clerk				
Salaries and benefits	\$ 219,918	\$ 219,918	\$ 213,409	\$ 6,509
Supplies	10,000	12,261	10,669	1,592
Communications	3,500	3,281	2,812	469
Travel	3,000	2,947	2,947	-
Registration fees	1,200	790	790	-
Equipment	-	1,092	1,091	1
Repairs and maintenance	1,350	2,206	2,206	-
Lease expenditures	7,500	3,973	3,973	-
Dues and subscriptions	130	130	130	-
	<u>246,598</u>	<u>246,598</u>	<u>238,027</u>	<u>8,571</u>
Total Office of the District Clerk				
County Court at Law				
Legal services	20,000	24,877	23,431	1,446
Professional services	10,000	6,623	5,339	1,284
Jury	3,000	3,000	519	2,481
Court reporter	3,000	1,500	1,431	69
	<u>36,000</u>	<u>36,000</u>	<u>30,720</u>	<u>5,280</u>
Total County Court at Law				
83rd District Court				
Salaries and benefits	59,198	59,198	57,329	1,869
Office supplies	1,200	1,200	355	845
Professional services	40,000	45,000	44,425	575
Communications	2,000	2,000	1,319	681
Travel	15,000	7,000	4,389	2,611
Continuing education/training	750	750	-	750
Registration fees	250	250	-	250
Lease expenditures	2,500	2,500	1,979	521
Dues and subscriptions	450	450	385	65
Visiting judges	5,000	5,000	3,021	1,979
Jury	22,000	12,000	5,119	6,881
Contract services	40,000	53,000	50,531	2,469
	<u>188,348</u>	<u>188,348</u>	<u>168,852</u>	<u>19,496</u>
Total 83rd District Court				

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
112th District Court				
Salaries and benefits	\$ 62,474	\$ 62,474	\$ 61,467	\$ 1,007
Office supplies	1,000	1,000	57	943
Professional services	150,000	149,150	90,028	59,122
Communications	1,600	2,450	2,096	354
Continuing education/training	3,500	3,500	1,403	2,097
Registration Fees	500	500	-	500
Repairs and maintenance	500	500	119	381
Dues and subscriptions	300	300	253	47
Jury	29,000	29,000	8,805	20,195
Contract services	33,750	33,750	8,620	25,130
Total 112th District Court	282,624	282,624	172,848	109,776
Office of the 83rd District Attorney				
Salaries and benefits	281,104	281,104	270,236	10,868
Law library	-	89	89	-
Office supplies	2,000	-	-	-
Lease expenditures	-	311	310	1
Travel	-	1,600	1,510	90
Total Office of the 83rd District Attorney	283,104	283,104	272,145	10,959
Office of the 112th District Attorney				
Salaries and benefits	244,556	244,556	232,140	12,416
Office supplies	2,000	321	282	39
Travel	-	1,479	1,479	-
Equipment	-	200	200	-
Total Office of the 112th District Attorney	246,556	246,556	234,101	12,455
Justice of the Peace #1				
Salaries and benefits	203,327	202,719	202,719	-
Office supplies	6,000	5,108	4,864	244
Communications	2,500	2,283	2,283	-
Travel	2,000	3,020	3,020	-
Repairs and maintenance	3,000	3,049	3,048	1
Lease expenditures	2,800	2,711	2,711	-
Truancy	-	7,008	361	6,647
Dues and subscriptions	300	726	726	-
Jury	300	-	-	-
Equipment	-	3,602	3,575	27
Total Justice of the Peace #1	220,227	230,226	223,307	6,919

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Justice of the Peace #3				
Salaries and benefits	\$ 83,446	\$ 83,446	\$ 83,326	\$ 120
Office supplies	2,750	2,750	1,931	819
Communications	2,300	2,300	2,180	120
Travel	2,250	2,250	1,483	767
Registration fees	300	300	200	100
Repairs and maintenance	3,500	3,500	2,350	1,150
Lease expenditures	1,500	1,500	1,187	313
Jury	500	500	-	500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Justice of the Peace #3	96,546	96,546	92,657	3,889
	<hr/>	<hr/>	<hr/>	<hr/>
Justice of the Peace #4				
Salaries and benefits	32,140	32,140	32,042	98
Office supplies	500	500	81	419
Communications	1,500	1,500	1,160	340
Travel	1,300	1,300	-	1,300
Registration fees	100	100	-	100
Repairs and maintenance	1,000	1,000	-	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Justice of the Peace #4	36,540	36,540	33,283	3,257
	<hr/>	<hr/>	<hr/>	<hr/>
Justice of the Peace #6				
Salaries and benefits	81,670	81,670	81,461	209
Supplies	300	400	310	90
Office supplies	2,800	2,265	2,121	144
Communications	3,400	3,275	3,032	243
Travel	3,400	3,400	2,897	503
Registration fees	200	225	225	-
Repairs and maintenance	3,000	2,900	2,350	550
Dues and subscriptions	650	801	801	-
Lease expenditures	900	928	927	1
Jury	120	67	-	67
Equipment	-	510	510	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Justice of the Peace #6	96,440	96,441	94,634	1,807
	<hr/>	<hr/>	<hr/>	<hr/>

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Office of the County Attorney				
Salaries and benefits	\$ 288,135	\$ 288,135	\$ 287,328	\$ 807
Law library	100	-	-	-
Office supplies	100	400	272	128
Communication	100	113	113	-
Travel	100	87	-	87
Registration fees	100	-	-	-
Repairs and maintenance	100	-	-	-
Lease expenditures	100	200	200	-
Dues and subscriptions	100	-	-	-
Total Office of the County Attorney	288,935	288,935	287,913	1,022
County Law Library				
Salaries and benefits	2,105	-	-	-
Law library	15,350	17,901	17,901	-
Total County Law Library	17,455	17,901	17,901	-
Total judicial	2,039,373	2,049,819	1,866,388	183,431
Financial Administration				
Office of the County Auditor				
Salaries and benefits	325,710	325,710	325,210	500
Office supplies	4,500	4,500	4,188	312
Communications	2,000	2,500	2,253	247
Travel	7,500	6,620	5,959	661
Registration fees	1,800	1,691	1,424	267
Repairs and maintenance	500	500	285	215
Lease expenditures	3,500	3,500	3,258	242
Dues and subscriptions	1,400	1,400	1,250	150
Equipment	-	1,789	1,714	75
Total Office of the County Auditor	346,910	348,210	345,541	2,669

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Office of the County Treasurer				
Salaries and benefits	\$ 109,883	\$ 109,883	\$ 109,461	\$ 422
Office supplies	2,500	1,890	1,871	19
Communications	1,400	1,400	1,335	65
Travel	3,000	3,600	3,577	23
Registration fees	600	600	575	25
Repairs and maintenance	-	125	125	-
Lease expenditures	3,200	3,135	3,115	20
Dues and subscriptions	450	400	400	-
Total Office of the County Treasurer	121,033	121,033	120,459	574
Office of the Tax Assessor Collector				
Salaries and benefits	326,279	326,279	322,455	3,824
Office supplies	12,000	11,975	9,272	2,703
Communications	5,500	5,500	5,218	282
Travel	3,000	3,500	2,905	595
Registration fees	800	825	745	80
Repairs and maintenance	1,000	527	168	359
Lease expenditures	4,900	4,900	4,236	664
Dues and subscriptions	360	360	220	140
Contract services	5,100	3,679	3,679	-
Equipment	-	4,239	4,239	-
Total Office of the Tax Assessor Collector	358,939	361,784	353,137	8,647
Data Processing				
Office supplies	2,500	2,500	-	2,500
Professional services	12,000	12,000	10,257	1,743
Communications	5,500	5,500	2,613	2,887
Travel	1,000	1,000	-	1,000
Internet access	18,500	22,200	22,190	10
Repairs and maintenance	400,000	400,000	273,591	126,409
Computer server and software license	10,000	6,300	5,055	1,245
Equipment	10,000	10,000	-	10,000
Total data processing	459,500	459,500	313,706	145,794
Total financial administration	1,286,382	1,290,527	1,132,843	157,684
Law Enforcement				
Constable Precinct #1				
Salaries and benefits	19,639	19,639	19,163	476
Travel	3,600	3,600	3,600	-
Total Constable Precinct #1	23,239	23,239	22,763	476

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Constable Precinct #3				
Salaries and benefits	\$ 19,265	\$ 19,265	\$ 18,880	\$ 385
Travel	3,600	3,600	3,600	-
Total Constable Precinct #3	22,865	22,865	22,480	385
Constable Precinct #4				
Salaries and benefits	20,198	20,198	19,771	427
Travel	3,600	3,600	3,600	-
Total Constable Precinct #4	23,798	23,798	23,371	427
Constable Precinct #6				
Salaries and benefits	19,452	19,452	19,153	299
Travel	3,600	3,600	3,600	-
Total Constable Precinct #6	23,052	23,052	22,753	299
Public Safety Department				
Communications	2,900	3,700	2,927	773
Office of the Sheriff				
Salaries and benefits	1,117,318	1,123,545	1,111,795	11,750
Supplies	12,000	10,283	10,283	-
Office supplies	12,000	7,497	7,497	-
Fuel	120,000	174,133	174,113	20
Uniforms	6,000	6,088	6,088	-
Professional services	500	451	451	-
Communications	25,000	40,386	40,386	-
Travel	10,000	7,718	7,718	-
Registration fees	2,000	2,035	2,035	-
Advertising	1,000	-	-	-
Repairs and maintenance	64,000	48,290	48,290	-
Lease expenditures	3,000	3,955	3,955	-
Dues and subscriptions	500	404	404	-
Contract services	3,000	4,276	4,075	201
Equipment	-	4,809	4,608	201
Total Office of the Sheriff	1,376,318	1,433,870	1,421,698	12,172

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Emergency management/homeland security				
Salaries and benefits	\$ 53,886	\$ 53,886	\$ 52,956	\$ 930
Supplies	3,300	5,270	4,450	820
Travel	2,372	1,402	909	493
Registration fees	8,000	4,000	410	3,590
Repair and maintenance	1,000	37,764	30,559	7,205
Lease expenditures	389	389	-	389
Equipment	-	4,000	2,839	1,161
Total emergency management homeland security	68,947	106,711	92,123	14,588
Total law enforcement	1,541,119	1,637,235	1,608,115	29,120
Corrections				
Correctional facility				
Salaries and benefits	478,219	478,219	460,440	17,779
Supplies	30,000	32,900	31,829	1,071
Food	65,000	77,227	74,258	2,969
Uniforms	4,000	2,773	2,773	-
Medical	30,000	8,367	7,021	1,346
Communications	500	500	-	500
Travel	1,000	4,500	4,445	55
Registration fees	500	500	58	442
Repairs and maintenance	22,000	26,853	24,109	2,744
Lease expenditures	1,000	1,100	1,000	100
Contract services	6,000	7,218	3,962	3,256
Equipment	-	1,909	1,909	-
Total correctional facility	638,219	642,066	611,804	30,262
Adult probation				
Salaries and benefits	34,695	35,445	35,408	37
Communications	3,500	2,750	1,430	1,320
Repairs and maintenance	225	225	175	50
Total adult probation	38,420	38,420	37,013	1,407

**PECOS COUNTY, TEXAS
GENERAL FUND
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BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Juvenile probation				
Salaries and benefits	\$ 146,770	\$ 198,679	\$ 186,562	\$ 12,117
Office supplies	3,000	8,700	8,278	422
Fuel	6,000	6,000	5,908	92
Uniforms	1,800	1,800	587	1,213
Communication	4,800	7,300	7,000	300
Travel	8,000	7,124	4,045	3,079
Registration fees	2,500	2,500	510	1,990
Repairs and maintenance - detention center	2,000	4,214	3,480	734
Repairs and maintenance	3,500	7,906	7,904	2
Lease expenditures	2,400	3,408	3,408	-
Dues and subscriptions	250	1,130	1,122	8
Contract services	154,500	120,308	45,933	74,375
Equipment	-	7,861	7,857	4
	<u>335,520</u>	<u>376,930</u>	<u>282,594</u>	<u>94,336</u>
Total juvenile probation				
	<u>335,520</u>	<u>376,930</u>	<u>282,594</u>	<u>94,336</u>
Total corrections	<u>1,012,159</u>	<u>1,057,416</u>	<u>931,411</u>	<u>126,005</u>
Health and welfare				
Health				
Memorial hospital	3,230,000	3,512	3,512	-
Indigent care	200,000	1,854	-	1,854
	<u>3,430,000</u>	<u>5,366</u>	<u>3,512</u>	<u>1,854</u>
Total health				
	<u>3,430,000</u>	<u>5,366</u>	<u>3,512</u>	<u>1,854</u>
Sanitation department				
Supplies	2,000	659	659	-
Fuel	2,500	2,662	2,161	501
Communication	1,000	962	962	-
Travel	2,000	319	318	1
Registration fees	750	-	-	-
Repair and maintenance	1,100	603	602	1
Dues and subscriptions	200	150	150	-
Contract services	40,000	45,195	45,050	145
	<u>49,550</u>	<u>50,550</u>	<u>49,902</u>	<u>648</u>
Total sanitation department				
	<u>49,550</u>	<u>50,550</u>	<u>49,902</u>	<u>648</u>

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
EMS				
Salaries and benefits	\$ 1,767,681	\$ 1,862,727	\$ 1,838,466	\$ 24,261
Supplies	34,000	33,977	30,852	3,125
Fuel	40,000	52,730	52,725	5
Communication	4,500	9,029	9,028	1
Travel	1,600	541	540	1
Registration fees	2,500	1,670	1,670	-
Advertising	-	2,437	2,281	156
Repair and maintenance	23,525	24,698	24,636	62
Lease expenditure	4,300	1,668	1,668	-
Dues and professional fees	10,150	6,100	6,100	-
Equipment	-	790	790	-
Total EMS	1,888,256	1,996,367	1,968,756	27,611
Social services				
Funeral cost	7,500	1,586	1,586	-
County autopsies	35,000	53,914	48,492	5,422
Foster child expense	1,000	-	-	-
Contract services	12,000	5,000	5,000	-
Total social services	55,500	60,500	55,078	5,422
Total health and welfare	5,423,306	2,112,783	2,077,248	35,535
Fire Protection				
Ft. Stockton VFD				
Benefits	88,000	82,683	68,896	13,787
Supplies	29,000	38,789	38,526	263
Fuel	25,000	12,426	12,426	-
Uniforms	25,000	31,847	31,847	-
Communication	4,000	5,800	5,799	1
Registration fees	19,000	14,494	14,493	1
Utilities	10,000	-	-	-
Repairs and maintenance	30,500	32,675	31,706	969
Contract services	11,000	9,200	8,301	899
Equipment	-	26,403	21,495	4,908
Total Ft. Stockton VFD	241,500	254,317	233,489	20,828

**PECOS COUNTY, TEXAS
GENERAL FUND
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BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Volunteer fire departments				
Coyanosa	\$ 5,000	\$ 5,000	\$ 1,883	\$ 3,117
Imperial	42,100	42,100	42,100	-
Iraan	41,700	41,700	41,700	-
Sheffield	38,800	38,800	38,800	-
General	30,000	30,000	18,620	11,380
	<u>157,600</u>	<u>157,600</u>	<u>143,103</u>	<u>14,497</u>
Total volunteer fire departments				
	<u>399,100</u>	<u>411,917</u>	<u>376,592</u>	<u>35,325</u>
Total fire protection				
	<u>399,100</u>	<u>411,917</u>	<u>376,592</u>	<u>35,325</u>
Culture and recreation				
Recreation				
Fort Stockton	100,000	100,000	100,000	-
Iraan little league	13,500	12,718	12,482	236
Iraan track	1,800	1,800	1,800	-
Iraan/Sheffield recreation	5,000	5,782	5,782	-
	<u>120,300</u>	<u>120,300</u>	<u>120,064</u>	<u>236</u>
Total recreation				
	<u>120,300</u>	<u>120,300</u>	<u>120,064</u>	<u>236</u>
Fort Stockton Golf Course				
Salaries and benefits	314,679	320,426	317,838	2,588
Supplies	15,000	20,266	20,265	1
Fuel	10,000	187	-	187
Uniforms	2,500	2,450	1,687	763
Communications	1,000	1,000	433	567
Travel	3,500	5,375	5,375	-
Registration fees	1,000	1,257	1,257	-
Utilities	35,000	27,587	27,372	215
Repairs and maintenance	120,500	118,621	113,464	5,157
Lease expenditures	50	2,470	2,420	50
Contract services	49,600	49,600	49,600	-
Equipment	-	5,607	5,023	584
	<u>552,829</u>	<u>554,846</u>	<u>544,734</u>	<u>10,112</u>
Total Fort Stockton Golf Course				
	<u>552,829</u>	<u>554,846</u>	<u>544,734</u>	<u>10,112</u>
Iraan Golf Course				
Salaries and benefits	120,952	117,193	117,193	-
Supplies	5,000	3,048	2,970	78
Fuel	4,000	4,000	4,000	-
Uniforms	400	452	452	-
Travel	400	-	-	-
Registration fees	300	20	20	-
Utilities	35,000	41,277	40,301	976
Repairs and maintenance	33,000	24,907	24,385	522
Contract services	3,500	3,092	3,092	-
Equipment	-	259	258	1
	<u>202,552</u>	<u>194,248</u>	<u>192,671</u>	<u>1,577</u>
Total Iraan Golf Course				
	<u>202,552</u>	<u>194,248</u>	<u>192,671</u>	<u>1,577</u>

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Park #1				
Salaries and benefits	\$ 154,238	\$ 152,738	\$ 146,714	\$ 6,024
Supplies	9,500	13,500	12,538	962
Uniforms	1,300	1,300	804	496
Communications	900	900	824	76
Repairs and maintenance	16,000	58,113	54,590	3,523
Lease expenditures	450	450	-	450
Equipment	-	6,266	6,266	-
Total park #1	182,388	233,267	221,736	11,531
Park #2				
Salaries and benefits	368,991	358,991	327,590	31,401
Supplies	9,500	9,745	9,616	129
Uniforms	1,700	1,528	1,108	420
Communications	450	450	376	74
Repairs and maintenance	23,000	34,659	27,210	7,449
Lease expenditures	1,000	186	186	-
Dues and subscriptions	100	-	-	-
Contract services	2,000	1,000	1,000	-
Swimming pool	30,000	21,427	21,427	-
Equipment	-	809	809	-
Total park # 2	436,741	428,795	389,322	39,473
Park #3				
Salaries and benefits	211,385	204,852	198,982	5,870
Supplies	10,000	15,212	14,484	728
Fuel	4,000	4,000	4,000	-
Uniforms	600	753	714	39
Communications	5,000	6,568	6,098	470
Travel	1,000	700	526	174
Repairs and maintenance	23,400	39,991	39,422	569
Lease expenditures	500	132	131	1
Contract services	1,000	3,108	3,108	-
Airport	10,000	5,132	5,132	-
Swimming pool	15,000	15,700	15,656	44
Equipment	-	15,811	15,811	-
Total park #3	281,885	311,959	304,064	7,895

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Park #4				
Salaries and benefits	\$ 171,340	\$ 145,941	\$ 139,451	\$ 6,490
Supplies	10,000	7,234	6,608	626
Fuel	1,000	1,000	55	945
Uniforms	600	600	360	240
Communications	1,000	895	665	230
Repairs and maintenance	23,000	35,141	34,315	826
Swimming pool	10,000	11,926	11,926	-
Equipment	-	2,060	2,060	-
Total park #4	216,940	204,797	195,440	9,357
Historical Commission				
Salaries and benefits	7,536	7,536	2,428	5,108
Supplies	700	1,001	1,001	-
Professional services	3,000	60	-	60
Communications	1,000	1,000	888	112
Travel	650	-	-	-
Registration fees	650	-	-	-
Advertising	500	-	-	-
Repairs and maintenance	3,600	9,199	9,199	-
Dues and subscriptions	200	-	-	-
Equipment	-	1,540	1,540	-
Historical markers	1,000	-	-	-
Total Historical Commission	18,836	20,336	15,056	5,280
Total culture and recreation	2,012,471	2,068,548	1,983,087	85,461
Libraries				
Fort Stockton Library				
Salaries and benefits	247,708	247,708	230,431	17,277
Supplies	5,310	5,323	5,323	-
Books, audio visual and periodicals	43,130	40,152	31,755	8,397
Communications	3,200	3,200	2,979	221
Travel	2,500	2,500	447	2,053
Registration fees	500	500	-	500
Repair and maintenance	7,500	8,425	6,305	2,120
Lease expenditures	3,100	3,100	2,909	191
Dues and subscriptions	400	400	-	400
Contract services	2,320	1,440	1,440	-
Computer software	1,150	1,150	770	380
Equipment	-	2,920	2,920	-
Total Fort Stockton Library	316,818	316,818	285,279	31,539

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Imperial Library				
Salaries and benefits	\$ 34,695	\$ 46,562	\$ 45,044	\$ 1,518
Communications	700	744	744	-
Contract services	7,800	6,381	6,347	34
Equipment	-	356	356	-
Total Imperial Library	43,195	54,043	52,491	1,552
Iraan Library				
Salaries and benefits	70,090	67,959	66,977	982
Supplies	4,000	4,725	4,449	276
Books and audio visual	11,000	13,793	13,235	558
Communications	1,800	1,600	1,535	65
Travel	800	211	211	-
Repairs and maintenance	1,000	700	690	10
Lease expenditures	1,000	785	785	-
Dues and subscriptions	700	647	647	-
Computer software	1,500	-	-	-
Equipment	-	1,471	1,471	-
Total Iraan Library	91,890	91,891	90,000	1,891
Total Libraries	451,903	462,752	427,770	34,982
Building maintenance				
Building maintenance				
Salaries and benefits	270,051	270,051	258,751	11,300
Supplies	31,100	33,261	32,790	471
Fuel	5,500	5,500	4,251	1,249
Uniforms	1,000	1,000	987	13
Communications	1,000	2,000	1,482	518
Travel	500	500	-	500
Registration fees	300	300	32	268
Repairs and maintenance	64,700	96,933	91,318	5,615
Equipment	-	4,314	4,294	20
Total building maintenance	374,151	413,859	393,905	19,954
Utilities	777,000	777,000	635,223	141,777

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Conservation				
County extension office				
Salaries and benefits	\$ 119,737	\$ 119,737	\$ 114,590	\$ 5,147
Office supplies	2,500	3,336	2,870	466
Fuel	11,300	9,150	3,695	5,455
Communications	5,500	5,500	3,147	2,353
Travel	6,800	3,623	2,349	1,274
Registration fees	900	900	110	790
Repair and maintenance	2,200	2,850	2,562	288
Lease expenditures	5,000	5,000	3,614	1,386
Dues and subscriptions	450	527	527	-
Contract services	600	600	360	240
Other	1,200	2,500	2,047	453
Equipment	-	2,464	2,458	6
Total county extension office	156,187	156,187	138,329	17,858
Total conservation	156,187	156,187	138,329	17,858
Public service				
Elections				
Salaries and benefits	21,629	19,906	19,164	742
Office supplies	15,000	18,505	17,924	581
Travel	1,500	1,139	1,139	-
Advertising	5,000	4,500	3,524	976
Repair and maintenance	3,648	7,529	7,529	-
Contract services	3,352	375	375	-
Other	500	510	486	24
Total elections	50,629	52,464	50,141	2,323
Pecos County Water				
Salaries and benefits	87,587	87,108	87,073	35
Supplies	6,000	13,570	13,386	184
Fuel	10,000	13,542	13,541	1
Professional services	9,000	6,553	6,539	14
Communications	150	20	-	20
Registration fees	800	1,511	1,126	385
Utilities	28,000	26,615	25,620	995
Repairs and maintenance	25,500	21,574	21,346	228
Total Pecos County Water	167,037	170,493	168,631	1,862

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Miscellaneous				
Salaries and benefits	\$ 7,536	\$ 8,486	\$ 8,102	\$ 384
Iraan youth center	1,000	50	-	50
MHMR	41,009	41,009	41,009	-
Soil conservation	3,860	3,860	3,860	-
Trappers co-op	99,034	99,034	91,707	7,327
Cemeteries	5,600	5,600	5,600	-
DARE officer	20,000	19,200	-	19,200
Total miscellaneous	178,039	177,239	150,278	26,961
Total public service	395,705	400,196	369,050	31,146
Airport				
Supplies	6,000	5,500	1,466	4,034
Professional services	14,000	14,000	-	14,000
Repairs and maintenance	24,000	22,380	10,554	11,826
Dues and subscriptions	200	200	-	200
Contract services	6,000	8,120	8,119	1
Equipment	-	29,777	19,327	10,450
Total airport	50,200	79,977	39,466	40,511
Capital outlay:				
Nondepartmental	386,000	454,707	435,175	19,532
Sheriff's department	-	104,659	104,659	-
Emergency management/homeland security	-	35,051	35,051	-
Correctional facility	-	27,984	23,581	4,403
EMS	-	107,806	107,349	457
Ft. Stockton VFD	-	23,185	23,184	1
Fort Stockton Golf Course	144,000	141,984	139,568	2,416
Iraan Golf Course	10,000	28,336	26,799	1,537
Park # 1	15,000	17,173	12,484	4,689
Park # 2	15,000	149,070	149,070	-
Park # 3	15,000	133,325	126,847	6,478
Park # 4	15,000	1,994	-	1,994
Historical Commission	1,500	-	-	-
Building maintenance	25,000	32,736	32,476	260
Pecos County Water	-	54,180	54,180	-
Airport	4,022,000	3,992,223	3,611,078	381,145
Total capital outlay	4,648,500	5,304,413	4,881,501	422,912

**PECOS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL (DETAIL)
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt service:				
EMS	\$ 112,677	\$ 84,253	\$ 84,253	\$ -
Iraan Golf Course	10,589	10,557	11,067	(510)
Pecos County Water	14,486	14,486	14,486	-
Total debt service	<u>137,752</u>	<u>109,296</u>	<u>109,806</u>	<u>(510)</u>
Total expenditures	<u>26,440,873</u>	<u>23,542,797</u>	<u>21,604,014</u>	<u>1,938,783</u>
Excess (deficiency) of revenues over expenditures	<u>(3,826,040)</u>	<u>(927,964)</u>	<u>1,314,481</u>	<u>2,242,445</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	10,000	10,000	3,595	(6,405)
Transfers to other funds	-	(3,449,033)	(3,449,033)	-
Total other financing sources (uses)	<u>10,000</u>	<u>(3,439,033)</u>	<u>(3,445,438)</u>	<u>(6,405)</u>
Net change in fund balance	(3,816,040)	(4,366,997)	(2,130,957)	2,236,040
FUND BALANCES, beginning of year	<u>17,222,833</u>	<u>17,222,833</u>	<u>17,222,833</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 13,406,793</u>	<u>\$ 12,855,836</u>	<u>\$ 15,091,876</u>	<u>\$ 2,236,040</u>

**PECOS COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	\$ 1,153,683	\$ 882,886	\$ 2,036,569
Receivables (net of allowances for uncollectibles)			
Other	100,419	-	100,419
TOTAL ASSETS	\$ 1,254,102	\$ 882,886	\$ 2,136,988
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 28,549	\$ -	\$ 28,549
Due to other funds	92,701	33,772	126,473
Total liabilities	121,250	33,772	155,022
Fund balances			
Restricted:			
Federal and state grants	552,651	-	552,651
Legislation	580,201	-	580,201
Assigned:			
Capital projects funds	-	849,114	849,114
Total fund balances	1,132,852	849,114	1,981,966
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,254,102	\$ 882,886	\$ 2,136,988

**PECOS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012**

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
REVENUES			
Intergovernmental	\$ 2,048,730	\$ -	\$ 2,048,730
Charges for services	739,110	-	739,110
Interest	10,681	-	10,681
Other	16,422	-	16,422
Total revenues	2,814,943	-	2,814,943
EXPENDITURES			
Current:			
General government	2,075	-	2,075
Judicial	138,690	-	138,690
Corrections	1,498,418	-	1,498,418
Health and welfare	397,356	-	397,356
Public service	162,486	-	162,486
Capital outlay	550,576	50,886	601,462
Total expenditures	2,749,601	50,886	2,800,487
DEFICIENCY OF REVENUE OVER EXPENDITURES	65,342	(50,886)	14,456
OTHER FINANCING SOURCES (USES)			
Transfers in	42,810	300,000	342,810
Transfers (out)	(42,810)	-	(42,810)
Total other financing sources (uses)	-	300,000	300,000
Net change in fund balances	65,342	249,114	314,456
FUND BALANCES, beginning of year	1,067,510	600,000	1,667,510
FUND BALANCES, end of year	\$ 1,132,852	\$ 849,114	\$ 1,981,966

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012**

	250	251	255	265	266	267	269
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-C-X	Basic Supervision	Community Corrections Program	Intensive Supervision	Crime Victim Services
ASSETS							
Cash	\$ 7,045	\$ 49,213	\$ 34,646	\$ 360,594	\$ 35,116	\$ 79,158	\$ -
Receivables, net of allowance							
Other	155	-	-	100	-	-	6,867
TOTAL ASSETS	\$ 7,200	\$ 49,213	\$ 34,646	\$ 360,694	\$ 35,116	\$ 79,158	\$ 6,867
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 4,639	\$ 856	\$ 1,645	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	6,867
Total liabilities	-	-	4,639	856	1,645	-	6,867
Fund balances							
Restricted:							
Federal and state grants	-	49,213	30,007	359,838	33,471	79,158	-
Legislation	7,200	-	-	-	-	-	-
Total fund balances	7,200	49,213	30,007	359,838	33,471	79,158	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,200	\$ 49,213	\$ 34,646	\$ 360,694	\$ 35,116	\$ 79,158	\$ 6,867

270	280	281	282	283	284	285	286	287
Adult Probation Fees	County Records Management	County Clerk Records Management	District Clerk Records Fund	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund	County Clerk Archival Fund	County Clerk Vital Statistics Fund
\$ 1,300	\$ 50,679	\$ 29,049	\$ 3,364	\$ 6,118	\$ 3,529	\$ 14,148	\$ 27,544	\$ 3,191
-	174	-	-	124	73	-	-	-
<u>\$ 1,300</u>	<u>\$ 50,853</u>	<u>\$ 29,049</u>	<u>\$ 3,364</u>	<u>\$ 6,242</u>	<u>\$ 3,602</u>	<u>\$ 14,148</u>	<u>\$ 27,544</u>	<u>\$ 3,191</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,300	50,853	29,049	3,364	6,242	3,602	14,148	27,544	3,191
1,300	50,853	29,049	3,364	6,242	3,602	14,148	27,544	3,191
<u>\$ 1,300</u>	<u>\$ 50,853</u>	<u>\$ 29,049</u>	<u>\$ 3,364</u>	<u>\$ 6,242</u>	<u>\$ 3,602</u>	<u>\$ 14,148</u>	<u>\$ 27,544</u>	<u>\$ 3,191</u>

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012
(CONTINUED)**

	370	430	431	432	433	440
	Courthouse Security Fund	Texas J Regional Advisory Council Fund	Border Security III Fund	Operation Linebacker Fund	Border Prosecution Fund	CDBG Contract #710045 Fund
ASSETS						
Cash	\$ 203,695	\$ 16,651	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowance						
Other	71	-	24,683	-	17,164	-
TOTAL ASSETS	<u>\$ 203,766</u>	<u>\$ 16,651</u>	<u>\$ 24,683</u>	<u>\$ -</u>	<u>\$ 17,164</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 5,282	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	24,683	-	17,164	-
Total liabilities	<u>-</u>	<u>5,282</u>	<u>24,683</u>	<u>-</u>	<u>17,164</u>	<u>-</u>
Fund balances						
Restricted:						
Federal and state grants	-	-	-	-	-	-
Legislation	203,766	11,369	-	-	-	-
Total fund balances	<u>203,766</u>	<u>11,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 203,766</u>	<u>\$ 16,651</u>	<u>\$ 24,683</u>	<u>\$ -</u>	<u>\$ 17,164</u>	<u>\$ -</u>

443 High Intensity Drug Trafficking Area Fund	446 TDHCA Contract #1001407 Fund	447 CDBG Contract #711361 Fund	448 TDHCA Contract #1001407 Fund	449 Border Security II Grant #2534301	500 County Attorney Hot Check Fund	505 County Attorney Pre-Trial Intervention Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,432	\$ 151,873
15,015	-	-	29,936	-	1,724	4,333
<u>\$ 15,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,936</u>	<u>\$ -</u>	<u>\$ 12,156</u>	<u>\$ 156,206</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,658	\$ 1,488
14,051	-	-	29,936	-	-	-
14,051	-	-	29,936	-	5,658	1,488
964	-	-	-	-	-	-
-	-	-	-	-	6,498	154,718
964	-	-	-	-	6,498	154,718
<u>\$ 15,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,936</u>	<u>\$ -</u>	<u>\$ 12,156</u>	<u>\$ 156,206</u>

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012
(CONTINUED)**

	510	511	540	560	
	Sheriff Discretionary Fund	Forfeiture Shared Revenue Fund	83rd District Attorney Drug Forfeiture Fund	112th District Attorney Discretionary Fund	Total
ASSETS					
Cash	\$ 10,239	\$ 2,711	\$ 44,411	\$ 8,977	\$ 1,153,683
Receivables, net of allowance					
Other	-	-	-	-	100,419
TOTAL ASSETS	<u>\$ 10,239</u>	<u>\$ 2,711</u>	<u>\$ 44,411</u>	<u>\$ 8,977</u>	<u>\$ 1,254,102</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 4,889	\$ 4,092	\$ 28,549
Due to other funds	-	-	-	-	92,701
Total liabilities	<u>-</u>	<u>-</u>	<u>4,889</u>	<u>4,092</u>	<u>121,250</u>
Fund balances					
Restricted:					
Federal and state grants	-	-	-	-	552,651
Legislation	10,239	2,711	39,522	4,885	580,201
Total fund balances	<u>10,239</u>	<u>2,711</u>	<u>39,522</u>	<u>4,885</u>	<u>1,132,852</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,239</u>	<u>\$ 2,711</u>	<u>\$ 44,411</u>	<u>\$ 8,977</u>	<u>\$ 1,254,102</u>

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2012**

	250	251	255	265	266	267	269
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-C-X	Basic Supervision	Community Corrections Program	Intensive Supervision	Crime Victim Services
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 106,051	\$ 155,141	\$ 68,703	\$ 342,686	\$ 25,758
Charges for services	1,862	-	-	521,652	-	-	-
Interest	-	986	-	8,303	-	-	-
Other	-	-	-	16,267	-	-	-
Total revenues	<u>1,862</u>	<u>986</u>	<u>106,051</u>	<u>701,363</u>	<u>68,703</u>	<u>342,686</u>	<u>25,758</u>
EXPENDITURES							
Current:							
General administration	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Corrections	-	1,600	109,825	669,298	63,089	382,896	-
Health and welfare	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	26,457
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>1,600</u>	<u>109,825</u>	<u>669,298</u>	<u>63,089</u>	<u>382,896</u>	<u>26,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,862</u>	<u>(614)</u>	<u>(3,774)</u>	<u>32,065</u>	<u>5,614</u>	<u>(40,210)</u>	<u>(699)</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	8,000	34,810	-
Transfers (out)	-	-	-	(42,810)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,810)</u>	<u>8,000</u>	<u>34,810</u>	<u>-</u>
Net change in fund balances	1,862	(614)	(3,774)	(10,745)	13,614	(5,400)	(699)
FUND BALANCES, beginning of year	<u>5,338</u>	<u>49,827</u>	<u>33,781</u>	<u>370,583</u>	<u>19,857</u>	<u>84,558</u>	<u>699</u>
FUND BALANCES, end of year	<u>\$ 7,200</u>	<u>\$ 49,213</u>	<u>\$ 30,007</u>	<u>\$ 359,838</u>	<u>\$ 33,471</u>	<u>\$ 79,158</u>	<u>\$ -</u>

270	280	281	282	283	284	285	286	287
Adult Probation Fees	County Records Management	County Clerk Records Management	District Clerk Records Fund	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund	County Clerk Archival Fund	County Clerk Vital Statistics Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
520	3,398	24,805	-	2,223	1,423	15,259	23,459	1,276
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
520	3,398	24,805	-	2,223	1,423	15,259	23,459	1,276
-	-	2,075	-	-	-	-	-	-
-	-	-	-	-	-	-	20,665	-
-	-	-	-	-	-	2,016	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	2,075	-	-	-	2,016	20,665	-
520	3,398	22,730	-	2,223	1,423	13,243	2,794	1,276
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
520	3,398	22,730	-	2,223	1,423	13,243	2,794	1,276
780	47,455	6,319	3,364	4,019	2,179	905	24,750	1,915
\$ 1,300	\$ 50,853	\$ 29,049	\$ 3,364	\$ 6,242	\$ 3,602	\$ 14,148	\$ 27,544	\$ 3,191

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	370	430 Texas J Regional Advisory Council Grant	431	432	433	440 CDBG Contract #710045 Fund
	Courthouse Security Fund		Border Security III Fund	Operation Linebacker Fund	Border Prosecution Fund	
REVENUES						
Intergovernmental	\$ -	\$ 36,583	\$ 24,683	\$ 6,317	\$ 92,362	\$ 465,642
Charges for services	16,628	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>16,628</u>	<u>36,583</u>	<u>24,683</u>	<u>6,317</u>	<u>92,362</u>	<u>465,642</u>
EXPENDITURES						
Current:						
General administration	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Corrections	15,394	-	24,683	6,317	92,362	-
Health and welfare	-	25,214	-	-	-	84,892
Public service	-	-	-	-	-	-
Capital outlay	8,875	-	-	-	-	380,750
Total expenditures	<u>24,269</u>	<u>25,214</u>	<u>24,683</u>	<u>6,317</u>	<u>92,362</u>	<u>465,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,641)</u>	<u>11,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(7,641)	11,369	-	-	-	-
FUND BALANCES, beginning of year	<u>211,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 203,766</u>	<u>\$ 11,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

443 High Intensity Drug Trafficking Area Fund	446 TDHCA Contract #1001407 Fund	447 CDBG Contract #711361 Fund	448 TDHCA Contract #1001407 Fund	449 Border Security II Grant #2534301	500 County Attorney Hot Check Fund	505 County Attorney Pre-Trial Intervention Fund
\$ 81,425	\$ 55,568	\$ 287,250	\$ 46,690	\$ 236,170	\$ -	\$ -
-	-	-	-	-	7,579	107,356
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>81,425</u>	<u>55,568</u>	<u>287,250</u>	<u>46,690</u>	<u>236,170</u>	<u>7,579</u>	<u>107,356</u>
-	-	-	-	-	-	-
-	-	-	-	-	10,114	71,461
-	-	287,250	46,690	75,219	-	-
80,461	55,568	-	-	-	-	-
-	-	-	-	160,951	-	-
<u>80,461</u>	<u>55,568</u>	<u>287,250</u>	<u>46,690</u>	<u>236,170</u>	<u>10,114</u>	<u>71,461</u>
964	-	-	-	-	(2,535)	35,895
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
964	-	-	-	-	(2,535)	35,895
-	-	-	-	-	9,033	118,823
<u>\$ 964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,498</u>	<u>\$ 154,718</u>

**PECOS COUNTY, TEXAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

	510	511	540 83rd District	560 112th District	Total
	Sheriff's Discretionary Fund	Forfeiture Shared Revenue Fund	Attorney Drug Forfeiture Funds	Attorney Discretionary Fund	
REVENUES					
Intergovernmental	\$ 5,961	\$ 11,740	\$ -	\$ -	\$ 2,048,730
Charges for services	-	-	1,329	10,341	739,110
Interest	-	-	1,015	377	10,681
Other	-	-	-	155	16,422
Total revenues	<u>5,961</u>	<u>11,740</u>	<u>2,344</u>	<u>10,873</u>	<u>2,814,943</u>
EXPENDITURES					
Current:					
General administration	-	-	-	-	2,075
Judicial	-	-	1,057	35,393	138,690
Corrections	-	9,029	-	-	1,498,418
Health and welfare	-	-	-	-	397,356
Public service	-	-	-	-	162,486
Capital outlay	-	-	-	-	550,576
Total expenditures	<u>-</u>	<u>9,029</u>	<u>1,057</u>	<u>35,393</u>	<u>2,749,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,961</u>	<u>2,711</u>	<u>1,287</u>	<u>(24,520)</u>	<u>65,342</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	42,810
Transfers (out)	-	-	-	-	(42,810)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,961	2,711	1,287	(24,520)	65,342
FUND BALANCES, beginning of year	<u>4,278</u>	<u>-</u>	<u>38,235</u>	<u>29,405</u>	<u>1,067,510</u>
FUND BALANCES, end of year	<u>\$ 10,239</u>	<u>\$ 2,711</u>	<u>\$ 39,522</u>	<u>\$ 4,885</u>	<u>\$ 1,132,852</u>

**PECOS COUNTY, TEXAS
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2012**

	<u>Pecos County Golf Course</u>	<u>Bond Fund</u>	<u>Permian Basin Adult Probation</u>	<u>Juvenile Probation</u>	<u>District Clerk Fee Account</u>	<u>District Clerk Trust Fund</u>
ASSETS						
Cash	\$ 8,251	\$ 59,883	\$ 3,415	\$ 297	\$ 9,571	\$ 278,581
TOTAL ASSETS	<u>\$ 8,251</u>	<u>\$ 59,883</u>	<u>\$ 3,415</u>	<u>\$ 297</u>	<u>\$ 9,571</u>	<u>\$ 278,581</u>
LIABILITIES						
Accounts payable	\$ 8,251	\$ -	\$ -	\$ -	\$ 9,571	\$ -
Due to other governments	-	-	-	-	-	-
Due to beneficiaries	-	59,883	3,415	297	-	278,581
TOTAL LIABILITIES	<u>\$ 8,251</u>	<u>\$ 59,883</u>	<u>\$ 3,415</u>	<u>\$ 297</u>	<u>\$ 9,571</u>	<u>\$ 278,581</u>

Tax Assessor Collector	Edward Petsch Arts Fund	Sheriff's Bond Account	Jail Commissary Account	Trish King Bond Account	Total
\$ 227,518	\$ 283,836	\$ 36,907	\$ 5,704	\$ 43,865	\$ 957,828
<u>\$ 227,518</u>	<u>\$ 283,836</u>	<u>\$ 36,907</u>	<u>\$ 5,704</u>	<u>\$ 43,865</u>	<u>\$ 957,828</u>
\$ -	\$ -	\$ -	\$ 5,704	\$ -	\$ 23,526
227,518	-	-	-	-	227,518
<u>-</u>	<u>283,836</u>	<u>36,907</u>	<u>-</u>	<u>43,865</u>	<u>706,784</u>
<u>\$ 227,518</u>	<u>\$ 283,836</u>	<u>\$ 36,907</u>	<u>\$ 5,704</u>	<u>\$ 43,865</u>	<u>\$ 957,828</u>

INTERNAL CONTROL AND COMPLIANCE REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 30, 2013. Our report includes reference to other auditors who audited the financial statements of Pecos County Memorial Hospital, an enterprise fund of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance. The financial statements of Pecos County Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including Public Funds Investment Act, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas
September 30 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY *OMB CIRCULAR A-133*

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

Report on Compliance for Each Major Federal Program

We have audited Pecos County Texas' (the County) 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 each of the County's major federal programs for the year ended December 31, 2012. The County's major federal programs are 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pecos County, Texas' 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 the 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 the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pecos County, Texas, complied, in all material respects, with the 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 the 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 the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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 deficiencies, significant deficiencies, or material weaknesses. 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Odessa, Texas
September 30, 2013

**PECOS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/Pass-through Grantor Program Title	Grant period	Federal CFDA #	Grant Contract #	Grant Expenditures
Executive Office of the President				
Office of National Drug Control Policy				
High Intensity Drug Trafficking Areas Program	1/1/12-12/31/13	95.001	G11SW0015A	\$ 28,341
High Intensity Drug Trafficking Areas Program	1/1/12-12/31/13	95.001	G12SW0015A	52,120
U.S. Department of Justice				
Pass-through State of Texas Office of the Governor:				
Edward Byrne Memorial Justice Assistance Grant Program (Border Security)*	10/1/11-9/30/12	16.738	2534301	236,170
Edward Byrne Memorial Justice Assistance Grant Program (Border Security)*	10/1/12-9/30/13	16.738	2534302	24,683
Pass-through Texas Border Sheriffs Coalition:				
Operation Linebacker	8/1/10-7/31/12	16.753	2010-DD-BX-0484	6,317
Department of Housing and Urban Development				
Pass-through Texas Department of Agriculture:				
Community Development Block Grant (CDBG)	10/17/10-10/16/12	14.228	710045	465,642
Community Development Block Grant (CDBG)	10/1/11-9/30/13	14.228	711361	287,250
Pass-through Texas Department of Housing and Community Affairs:				
Home Investment Partnerships Program (HOME)	5/1/11-5/15/13	14.239	1001407	55,568
Department of Energy				
Pass-through State Energy Conservation Office:				
Energy Efficiency and Conservation Block Grant - ARRA	1/5/11-12/31/11	81.128		12,745
Department of Homeland Security				
Pass-through Federal Emergency Management Agency:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	7/01/11-01/01/12	97.036	199-DR-TX	7,140
Total expenditures of federal awards				\$ 1,175,976

*JAG Program Cluster

PECOS COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Pecos County. Pecos County's reporting entity is defined in Note 1 of the County's financial statements. Federal financial assistance received directly from federal agencies as well as assistance passed through other agencies is included in the schedule.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal financial awards is presented using the modified accrual basis of accounting.

**PECOS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Type of auditor's report issued : Unqualified

Internal Control Over Financial Reporting:
Material weakness(es) identified? Yes X No

Significant deficiencies(s) identified that are
not considered to be material weaknesses? Yes X No

Noncompliance material to
financial statements noted? Yes X No

Federal Awards

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

Internal Control over Major Programs:
Material weakness(es) identified? Yes X No

Significant deficiencies(s) identified that are
not considered to be material weaknesses? Yes X None Reported

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>
14.228	Community Development Block Grants

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

Auditee qualified as low-risk auditee? Yes X No

**PECOS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012**

II. FINANCIAL STATEMENT FINDINGS

No matters were reported

**PECOS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

**PECOS COUNTY, TEXAS
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012**

FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control over Financial Reporting

Governmental Funds

2011-01

Condition:

Material revenue amounts were recorded in expense accounts thus understating both revenue and expense balances. Accruals were not made for revenue or expenditures that were earned or incurred in the current year. Consequently, account balances were not properly stated on the general ledger and had to be adjusted through audit adjustments.

Recommendation:

We recommend the County record revenue in the appropriate revenue account and accrue revenues and expenditures that have been earned and incurred in the proper period.

Status:

This issue has been resolved and is not a finding in the current year.

Enterprise Fund – Pecos County Memorial Hospital

2011-02

Condition:

During the audit there was a significant adjustment that was required to be made to report the other post-employment benefit plan in accordance with current regulations and to coincide with the County's reporting of the plan who adopted the regulations in fiscal year 2011.

Recommendation:

We recommend that the Hospital communicate with the County Auditor on a regular basis regarding any changes to benefit plans under which the Hospital is a participant and the related accounting treatment by the County to ensure accurate and complete reporting.

Status:

The Hospital has remedied this finding and it is not repeated in the current year.

**PECOS COUNTY, TEXAS
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2012**

FINANCIAL STATEMENT FINDINGS –CONTINUED

B. Significant Deficiencies in Internal Control over Financial Reporting

Enterprise Fund – Pecos County Memorial Hospital

2011-03

Condition:

Certain adjustments were made to the financial statements as a result of calculations done as part of the year-end audit. Two areas requiring significant audit adjustments were the allowance for uncollectible accounts and capital lease amounts.

Recommendation:

It is recommended that the Hospital review current methodology and work to improve assumptions and inputs to improve accuracy of monthly and yearly reporting. It is recommended that the Hospital analyze all lease agreements for proper accounting treatment and properly record them on a timely basis.

Status:

This finding is repeated in the current year in the Hospital's audit report as referenced in the auditor's report in accordance with *Government Auditing Standards* on page 106.