



**ANDREWS COUNTY, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended September 30, 2010**

ANDREWS COUNTY, TEXAS  
AUDITOR'S OFFICE  
201 N. MAIN, ROOM #109  
ANDREWS, TEXAS 79714

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**ANDREWS COUNTY, TEXAS**  
*Comprehensive Annual Financial Report*  
 For the Year Ended September 30, 2010

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*Comprehensive Annual Financial Report*  
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## **INTRODUCTORY SECTION**

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# COUNTY OF ANDREWS

R.R. NOBLE COUNTY AUDITOR

ROOM 109 COUNTY COURTHOUSE

ANDREWS, TEXAS 79714

March 1, 2011

Honorable Richard H. Dolgener, Andrews County Judge  
Honorable Andrews County Commissioners  
Andrews County, Texas

The Comprehensive Annual Financial Report of Andrews County, Texas for the year ended September 30, 2010, is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the County. We believe the data as presented is correct in all material respects; that it is presented in a manner designed to fairly present the financial position and results of operations of Andrews County, Texas (the County) as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a proper understanding of the County's financial activity have been included. The report was prepared in accordance with generally accepted accounting principles set forth by the Governmental Accounting Standards Board, and is in compliance with Paragraph 114.025 Vernon's Texas Codes Annotated (V.T.C.A.) Local Government Code.

The Comprehensive Annual Financial Report is presented in two sections: introductory and financial. The introductory section includes this transmittal letter, Andrews County's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and the combining and individual fund financial statements and schedules, in addition to the independent auditors' report on the financial statements and schedules.

This report includes all of the funds and account groups of the County. The County provides a full range of services. Included are public safety, corrections, legal and judicial services, road construction and road maintenance.

## **ECONOMIC CONDITION**

LOCAL ECONOMIC INFORMATION – The Texas State Legislature created Andrews County in 1910. The County’s population of about 13,000 occupies about 1,100 square miles. As of the date of this report, new construction of homes and businesses are continuing to improve, as has development and production of natural resources. The growths in population and vehicle traffic have given rise to larger demands for services from the Andrews County government.

## **FINANCIAL INFORMATION**

INTERNAL CONTROL STRUCTURE - The accounting records for Andrews County’s general governmental operations are maintained on a modified accrual basis, the same basis utilized for financial statement presentation. The financial operating controls are shared by the Commissioners’ Court (the governing body) and the County Auditor, who is appointed by the District Judge. The County Auditor has the basic responsibilities for maintaining the records of all financial transactions of the County and “examining, auditing and approving” all disbursements from County funds prior to their submission to the Commissioners’ Court for approval. The Commissioners’ Court sets the tax rates, establishes policies for County operations, approves contracts for the County, and develops and adopts the County budget within the resources as estimated by the County Judge, with assistance from the County Auditor. Accounting systems for the County were developed with consideration given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance for safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived from those controls; the evaluation of these costs and benefits requires estimates and judgments by management.

BUDGETING CONTROLS - Andrews County maintains strict budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the County’s governing body. Activities of the General Fund and certain Special Revenue Funds are included in the annual appropriated budget. According to the budget laws of the State of Texas, expenditures may not exceed the amount appropriated for each fund.

GENERAL GOVERNMENT FUNCTIONS - The following schedule presents the primary components of revenues recorded in the Governmental Funds for the fiscal year ended September 30, 2010, as well as the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue Source	Amount	Percent Of Total	Increase (Decrease) From 2009	Percent Increase (Decrease) From 2009
Taxes	\$ 16,361,376	69.17%	\$ 1,188,254	7.83%
Fees and fines	2,757,515	11.66%	914,306	49.60%
Investment income	114,448	.49%	(178,714)	(60.96%)
Contract receipts	1,021,472	4.32%	288,045	39.27%
Other receipts	<u>3,397,797</u>	<u>14.36%</u>	<u>2,890,785</u>	<u>570.16%</u>
Total	\$ <u>23,652,608</u>	<u>100.00%</u>	\$ <u>5,102,676</u>	<u>27.51%</u>

Tax revenues were slightly improved from the previous year. Investment income decreased due to much lower interest rates during the fiscal year. The County received additional grant funds during the year. As with other areas of the nation, there was a decrease in the number of real estate property sales and closings. However, that effect was not as dramatic in Andrews County as in those other locales.

The following schedule presents a summary of Governmental Funds expenditures for the fiscal year ended September 30, 2010, and the percentage of increases and decreases in relation to prior year amounts.

Functional Category	Amount	Percent Of Total	Increase (Decrease) From 2009	Percent Increase (Decrease) From 2009
Executive	\$ 216,558	1.06%	\$ 616	.29%
General administration	15,738,789	77.16%	1,669,303	11.86%
Health and welfare	1,041,874	5.11%	166,717	19.05%
Judicial	651,015	3.19%	21,648	3.44%
Legal	297,263	1.46%	14,315	5.06%
Public safety	<u>2,451,348</u>	<u>12.02%</u>	<u>(312,371)</u>	<u>(11.30)%</u>
Total	\$ <u>20,396,847</u>	<u>100.00%</u>	\$ <u>1,560,228</u>	<u>8.28%</u>

General administration, health and welfare and judicial increased due to a general increase in costs and activity from the prior year. Executive and public safety increased due to new positions, salary increases and law enforcement activity.

CASH MANAGEMENT - The County's investment policies are in accordance with the laws of the State of Texas. The policies identify the authorized investments, collateral requirements and safekeeping requirements for collateral. Demand deposits are covered by pledged investments as collateral maintained at a third party bank. The remaining funds are held at Texpool and Texstar, approved government investment pools.

RETIREMENT PLAN FUNDING - The County provides pension, disability and death benefits for all of its employees through a nontraditional, joint contributory, defined contribution plan in the State-wide Texas County and District Retirement System, (TCDRS), one of many administered by TCERS. The contribution rate of the County was 14.46% for 2010, and for employee members is seven percent of covered payroll.

Employer contributions will likely increase due to lower investment returns of TCERS.

### **OTHER INFORMATION**

INDEPENDENT AUDIT - State laws require an annual audit by independent certified public accountants. Commissioners' Court engaged the public accounting firm of Wayne M. Manning, CPA. Their audit was designed to meet the requirements set forth in state statutes and generally accepted governmental auditing standards. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. This audit included provisions required by OMB Circular A-133.

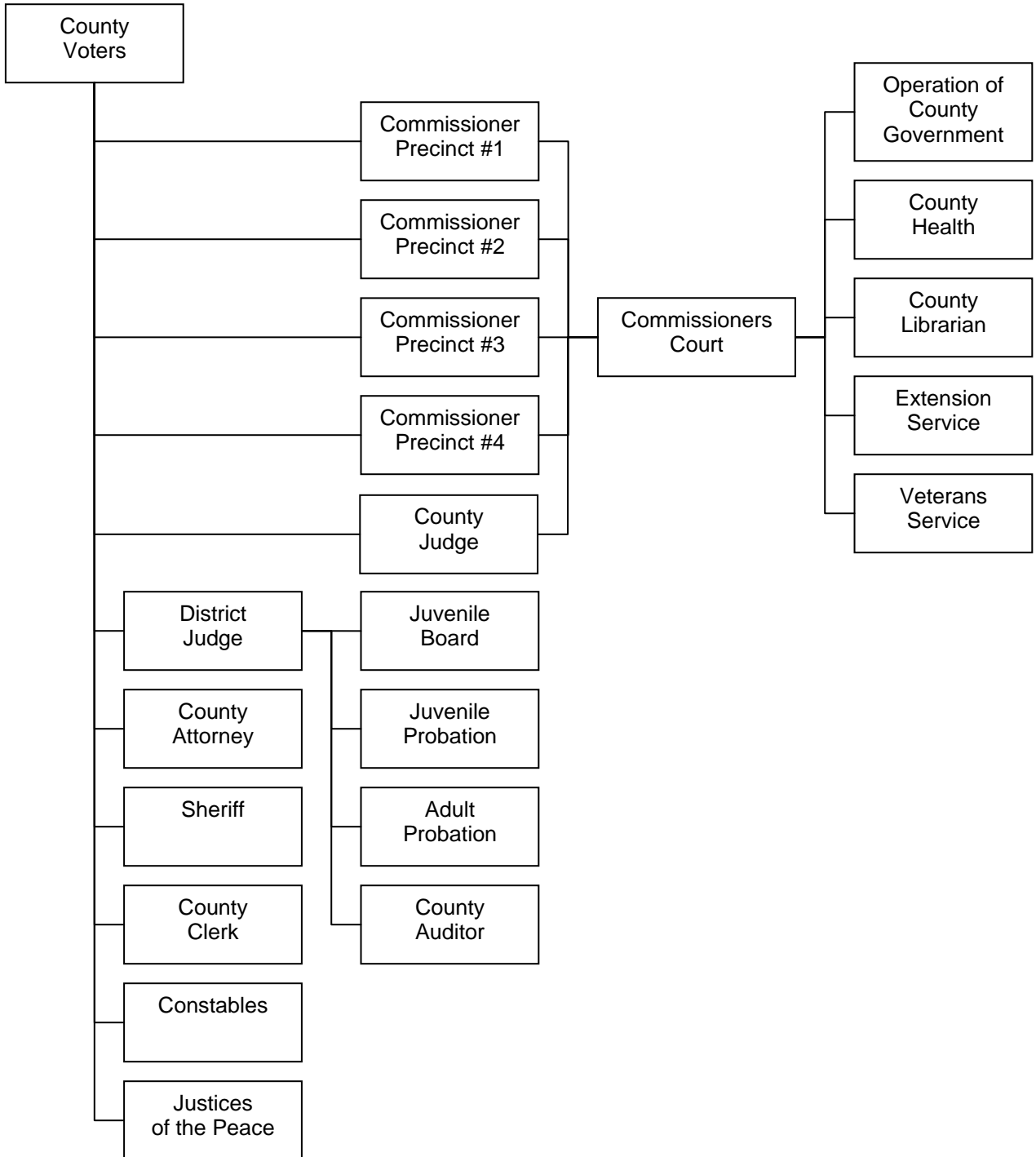
ACKNOWLEDGMENTS - The preparation of this report could not have been accomplished without the dedicated services of the County Auditor's Office staff. I also want to express my appreciation to all County staff members who have assisted in the maintenance of the accounting records of the County, the District and County Judges, and to the members of the Commissioners' Court for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

R. R. Noble  
County Auditor

# ANDREWS COUNTY ORGANIZATION

## September 30, 2010



**OFFICIALS OF ANDREWS COUNTY, TEXAS**  
**SEPTEMBER 30, 2010**

**ELECTED OFFICIALS**

County Judge .....	Richard H. Dolgener
County Commissioner Precinct 1 .....	Randy Rowe
County Commissioner Precinct 2 .....	Brad Young
County Commissioner Precinct 3 .....	Hiram Hubert
County Commissioner Precinct 4 .....	Jim Waldrop
County Attorney .....	John Pool
County Clerk .....	Kenda Heckler
Constable, Precinct 1 & 4 .....	Vernon Hobbs
Constable, Precinct 2 & 3.....	Bobby Goff
District Judge .....	James Rex
District Attorney .....	John Pool
District Clerk .....	Cynthia Jones
Justice of the Peace, Precinct 1 & 4.....	Mary Jane Baeza
Justice of the Peace, Precinct 2 & 3.....	Neri Flores
Sheriff .....	Sam Jones
Tax Assessor-Collector .....	Robin Harper

**APPOINTED OFFICIALS**

County Auditor .....	Rodney Noble
Chief, Adult Probation .....	Carolyn Jones
Chief, Juvenile Probation .....	Ken Greaves
County Librarian .....	Elizabeth Stottlemire
County Health .....	Deborah McCullough
Extension Agent FCS .....	Joanna Pack
Extension Agent AG .....	Joshua W. Blanek
Veterans Service .....	Jack Gregg

## **FINANCIAL SECTION**

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# WAYNE M. MANNING

CERTIFIED PUBLIC ACCOUNTANT



March 1, 2011

The Honorable County Judge and Members of Commissioners'  
Court of Andrews County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Andrews County, Texas (the "County") as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Andrews County, Texas as of September 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2011 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**P.O. Box 1074 Andrews, Texas 79714 • P.O. Box 1723 Midland, Texas 79702**  
**(432) 523-7261 • wmmcpa.com • (432) 224-1068 fax**

The Honorable County Judge and Members of Commissioners' Court  
of Andrews County, Texas  
March 1, 2011  
Page 2

*Introductory Section*

The information identified in the table of contents as Introductory Section is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

*Combining and Individual Fund Statements and Schedules, and Federal and State Awards Section*

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying information identified in the table of contents as combining and individual fund statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedules of expenditures of federal/state awards are 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*, the State of Texas *Single Audit Circular*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**/s/ Wayne M. Manning, CPA**

Wayne M. Manning, CPA

## **ANDREWS COUNTY, TEXAS**

### *Management's Discussion and Analysis*

For the Year Ended September 30, 2010

As management of Andrews County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year for governmental activities by \$30,286,272 (net assets). Of this amount, \$17,716,499 (unrestricted net assets), may be used to meet the government's ongoing funding needs.
- The County's total net assets increased for governmental activities by \$3,343,543 or 12.41%.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,360,068.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,217,594 or 86.48% of the total general fund expenditures.

### **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 are comprised of 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 *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing on the County's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

## **ANDREWS COUNTY, TEXAS**

### *Management's Discussion and Analysis*

For the Year Ended September 30, 2010

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include executive, general administration, health and welfare, judicial, legal and public safety. There were no business-type activities reported for the year ended September 30, 2010.

The government-wide financial statements can be found on pages 11-12 of this report.

**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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains fifty-two (52) individual governmental funds. 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, Road & Bridge (special revenue fund), and the Capital Improvement Fund (capital projects fund); each of which are considered to be major funds. Data from the other twenty-one (21) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 13 through 16 of this report.

## ANDREWS COUNTY, TEXAS

### *Management's Discussion and Analysis*

For the Year Ended September 30, 2010

- **Proprietary Funds.** The County maintains two *proprietary funds*.
- **Fiduciary Funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's operations. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets that can be found on page 24.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 50 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Combining and individual statements and schedules can be found on pages 51 through 56 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the County, assets exceeded liabilities by \$30,286,272 as of September 30, 2010.

The largest portion of the County's net assets, \$12,569,773 (40.77%) reflects its investments in capital assets (e.g., land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress). The County uses capital assets to provide service 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. As of September 30, 2010, the County had no debt related to capital assets.

**ANDREWS COUNTY, TEXAS**  
*Management's Discussion and Analysis*  
 For the Year Ended September 30, 2010

**ANDREWS COUNTY'S  
 NET ASSETS**

	Governmental Activities September 30, 2010	Governmental Activities September 30, 2009	Amount Changed	Percent Changed
<b>ASSETS</b>				
Current and other assets	\$ 18,264,089	\$ 14,770,458	\$ 3,493,631	23.65%
Capital assets	<u>12,569,773</u>	<u>12,319,799</u>	<u>249,974</u>	<u>2.03%</u>
Total assets	<u>30,833,862</u>	<u>27,090,257</u>	<u>3,743,605</u>	<u>13.82%</u>
<b>LIABILITIES</b>				
Current liabilities	<u>547,590</u>	<u>147,528</u>	<u>400,062</u>	<u>271.18%</u>
Total liabilities	<u>547,590</u>	<u>147,528</u>	<u>400,062</u>	<u>271.18%</u>
<b>NET ASSETS</b>				
Invested in capital assets	12,569,773	12,319,799	249,974	2.03%
Unrestricted	<u>17,716,499</u>	<u>14,622,930</u>	<u>3,093,569</u>	<u>21.16%</u>
Total net assets	<u>\$ 30,286,272</u>	<u>\$ 26,942,729</u>	<u>\$ 3,343,543</u>	<u>12.41%</u>

The balance of unrestricted net assets of \$17,716,499 may be used to meet the government's ongoing obligations to citizens and creditors. As of September 30, 2010, the County is able to report positive balances in both categories of net assets for the government as a whole.

**ANDREWS COUNTY, TEXAS***Management's Discussion and Analysis*

For the Year Ended September 30, 2010

**Analysis of the County's Operations.** Governmental activities reported an increase in net assets in the amount of \$3,343,543 or 12.41%.

The following table provides a summary of the County's operations for the year ended September 30, 2010.

**ANDREWS COUNTY'S  
CHANGE IN NET ASSETS**

	Governmental Activities September 30, 2010	Governmental Activities September 30, 2009	Amount Changed	Percent Changed
<b>REVENUES</b>				
Fees, fines and charges for services	\$ 2,779,519	\$ 1,876,484	\$ 903,035	48.12%
Operating grants and contributions	1,021,472	733,427	288,045	39.27%
Taxes	16,412,607	15,195,873	1,216,734	8.00%
Interest	114,626	295,020	(180,394)	(61.14)%
Miscellaneous	3,397,797	218,653	3,179,144	1,453.96%
Total revenues	<u>23,726,021</u>	<u>18,319,457</u>	<u>5,406,564</u>	<u>29.51%</u>
<b>EXPENSES</b>				
Executive	218,596	218,346	250	.11%
General administration	15,453,604	13,090,521	2,363,083	18.05%
Health and welfare	1,055,173	890,371	164,802	18.51%
Judicial	657,779	637,293	20,486	3.21%
Legal	305,045	290,641	14,404	4.96%
Public safety	2,645,423	2,841,100	(195,677)	(6.89)%
Total expenses	<u>20,335,620</u>	<u>17,968,272</u>	<u>2,367,348</u>	<u>13.17%</u>
Increase in net assets	3,390,401	351,185	3,039,216	865.42%
Prior period adjustment	(46,858)	-	(46,858)	(100.00)%
Net assets – beginning	<u>26,942,729</u>	<u>26,591,544</u>	<u>351,185</u>	<u>1.32%</u>
Net assets – ending	<u>\$ 30,286,272</u>	<u>\$ 26,942,729</u>	<u>\$ 3,343,543</u>	<u>12.41%</u>

## **ANDREWS COUNTY, TEXAS**

### *Management's Discussion and Analysis*

For the Year Ended September 30, 2010

**Financial Analysis of the County's Funds.** As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,360,068. Of this total amount, \$13,217,594 (76.14%) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for public transportation \$3,850,270 and to pay for capital improvements \$207,992.

Fund balance of the General Fund increased by \$3,721,855; the Road & Bridge (special revenue fund) decreased by \$424,894; the Capital Improvement Fund decreased by \$35,085; and other (nonmajor) governmental funds decreased by \$102,662.

**General Fund Budgetary Highlights.** Over the course of the year, the County recommended and the Commissioners approved several revisions to budgeted revenue and appropriations.

**Capital Assets.** The County's investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$12,569,773 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Vehicles purchased for law enforcement / fire protection.
- Communications equipment and computer equipment purchased.
- Purchase of new Roads maintenance equipment.

**ANDREWS COUNTY, TEXAS**  
*Management's Discussion and Analysis*  
 For the Year Ended September 30, 2010

**ANDREWS COUNTY'S  
 CAPITAL ASSETS**

	Governmental Activities September 30, 2010	Governmental Activities September 30, 2009	Amount Changed	Percent Changed
Land	\$ 231,716	\$ 231,716	\$ -	-
Buildings	16,077,179	15,445,599	631,580	4.09%
Equipment	9,025,516	8,446,635	578,881	6.85%
Infrastructure	13,184,367	13,184,367	-	-
Construction in progress	-	-	-	-
Accumulated depreciation	<u>(25,949,005)</u>	<u>(24,988,518)</u>	<u>(960,487)</u>	<u>(3.84%)</u>
<b>Total</b>	<b>\$ <u>12,569,773</u></b>	<b>\$ <u>12,319,799</u></b>	<b>\$ <u>249,974</u></b>	<b><u>2.03%</u></b>

Additional information on the County's capital assets can be found in notes 1 and 5 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The annual budget is the means by which Commissioners' Court sets the direction of the County; thus, allocating its resources. The 2010/2011 total combined tax rate for Andrews County is 0.4429 compared to 0.4843 for the 2009/2010 fiscal year. The 2010/2011 tax rate was decreased to a rate just below the rollback rate of .4435 due to an increase in market values. The increase in values amounting to \$6,034,189 enhanced the funding of the 2010/2011 budget and provided additional dollars for investment in capital assets (e.g. land, buildings and improvements, furniture, equipment, vehicles; infrastructure, and construction in progress). Moreover, it is projected that Andrews County will experience additional (increased) values for the 2011/2012 fiscal year as much as five percent (5%).

Economically and statistically, Andrews County continues to improve due to the following significant factors:

- Continued diversification of our economy with the completion of the Louisiana Energy Service Company (uranium-enrichment plant) near the New Mexico-Texas border.
- Expansion of the Waste Control Specialist Company due to additional licensing and permits from the Texas Commission on Environmental Quality to accommodate additional disposal of hazardous and byproduct material.
- The revenue (cash) received from the State of Vermont for Andrews County funded Depreciation/Capital Improvement projects.

## **ANDREWS COUNTY, TEXAS**

### *Management's Discussion and Analysis*

For the Year Ended September 30, 2010

- The second phase of an apartment complex built by Greenmark Properties.
- The potential construction of a proposed Truck Reliever Route with voter approval.
- The expansion of Stanley Ford with the purchase of the Wheeler Buick property and building on South US 385.
- The construction of Gebo's Farm & Ranch Store with the purchase of property and building on South US 385.
- The potential construction of a CVS Pharmacy located on North Main.
- The AISD bond election in the amount of \$33 million for the purchase of technology, transportation, and facility improvements.

The primary growth and economic factor for Andrews County continues to be related to the energy (oil and gas) industry. Obviously, the driving forces of Andrews County's growth are the people who believe Andrews County is the best place to live and reside.

### **Request for Information**

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Andrews County Auditor, 201 N. Main, Room #109, Andrews, Texas 79714.

## **BASIC FINANCIAL STATEMENTS**

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**ANDREWS COUNTY, TEXAS**  
**STATEMENT OF NET ASSETS**  
September 30, 2010

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,146,143	\$ -	\$ 1,146,143
Investments	16,458,905	-	16,458,905
Receivables (net of allowance for doubtful accounts)	609,981	-	609,981
Due from other governments	49,060	-	49,060
Capital assets			
Land	231,716	-	231,716
Buildings	16,077,179	-	16,077,179
Infrastructure	13,184,367	-	13,184,367
Equipment	9,025,516	-	9,025,516
Accumulated depreciation	(25,949,005)	-	(25,949,005)
<b>Total Assets</b>	<b>30,833,862</b>	<b>-</b>	<b>30,833,862</b>
<b>LIABILITIES</b>			
Accounts payable	547,590	-	547,590
<b>Total Liabilities</b>	<b>547,590</b>	<b>-</b>	<b>547,590</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,569,773	-	12,569,773
Unrestricted	17,716,499	-	17,716,499
<b>Total Net Assets</b>	<b>\$ 30,286,272</b>	<b>\$ -</b>	<b>\$ 30,286,272</b>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Fees, Fines and Charges for Services	Operating Grants and Contributions
Governmental activities			
Executive	\$ 218,596	\$ 24,460	\$ -
General administration	15,453,604	1,545,691	33,708
Health and welfare	1,055,173	89,501	518,908
Judicial	657,779	657,779	-
Legal	305,045	60,038	60,982
Public safety	2,645,423	402,050	407,874
Total Governmental Activities	20,335,620	2,779,519	1,021,472
Total Business-type Activities	-	-	-
Total Government	\$ 20,335,620	\$ 2,779,519	\$ 1,021,472

General Revenue

Taxes

Interest

Miscellaneous

Total General Revenues

Change in Net Assets

Prior Period Adjustment

Net Assets, October 1, 2009

Net Assets, September 30, 2010

See the accompanying notes to the financial statements, which are an integral part of this statement.

Net (Expenses) Revenue  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (194,136)	\$ -	\$ (194,136)
(13,874,205)	-	(13,874,205)
(446,764)	-	(446,764)
-	-	-
(184,025)	-	(184,025)
(1,835,499)	-	(1,835,499)
<u>(16,534,629)</u>	<u>-</u>	<u>(16,534,629)</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>(16,534,629)</u>	<u>-</u>	<u>(16,534,629)</u>
16,412,607	-	16,412,607
114,626	-	114,626
3,397,797	-	3,397,797
<u>19,925,030</u>	<u>-</u>	<u>19,925,030</u>
3,390,401	-	3,390,401
(46,858)	-	(46,858)
<u>26,942,729</u>	<u>-</u>	<u>26,942,729</u>
<u>\$ 30,286,272</u>	<u>\$ -</u>	<u>\$ 30,286,272</u>

**ANDREWS COUNTY, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
September 30, 2010

	Major Funds		
	General Fund	Road & Bridge Fund	Capital Improvement Fund
<b>ASSETS</b>			
Cash	\$ 1,034,327	\$ 46,168	\$ 12,032
Investments	12,431,088	3,831,857	195,960
Receivables (net of allowance for doubtful accounts)			
Ad valorem taxes	234,802	39,743	-
Accrued interest	330	-	-
Due from other funds	36,834	-	-
Due from state	-	-	-
<b>Total Assets</b>	<b>\$ 13,737,381</b>	<b>\$ 3,917,768</b>	<b>\$ 207,992</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 264,817	\$ 27,754	\$ -
Due to other funds	-	-	-
Deferred revenue	254,970	39,744	-
<b>Total Liabilities</b>	<b>519,787</b>	<b>67,498</b>	<b>-</b>
<b>Fund balances</b>			
Reserved: designated funds	2,799,882	-	-
Unreserved fund balance	10,417,712	3,850,270	207,992
<b>Total Fund Balances</b>	<b>13,217,594</b>	<b>3,850,270</b>	<b>207,992</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,737,381</b>	<b>\$ 3,917,768</b>	<b>\$ 207,992</b>

See the accompanying notes to the financial statements, which are an integral part of this statement.

<u>Non-Major Funds</u>			<u>Total</u>
	<u>Other</u>		<u>Governmental</u>
	<u>Funds</u>		<u>Funds</u>
\$	39,278	\$	1,131,805
	-		16,458,905
	-		274,545
	-		330
	13,506		50,340
	49,060		49,060
\$	<u>101,844</u>	\$	<u>17,964,985</u>

\$	208	\$	292,779
	17,424		17,424
	-		294,714
	<u>17,632</u>		<u>604,917</u>
	-		2,799,882
	<u>84,212</u>		<u>14,560,186</u>
	<u>84,212</u>		<u>17,360,068</u>
\$	<u>101,844</u>	\$	<u>17,964,985</u>

**ANDREWS COUNTY, TEXAS**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS*

September 30, 2010

Total Fund Balance – Governmental Funds	\$ 17,360,068
The County uses the internal service fund to charge the costs of self-insurance to the appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase (decrease) net assets.	(220,306)
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$37,308,317 and the accumulated depreciation was \$24,988,518. The net effect of including the beginning balances for capital assets in the governmental activities is to increase (decrease) net assets.	12,319,799
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2010 capital outlays is to increase (decrease) net assets.	1,338,733
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,088,759)
Under GASB 34, the concept of certain receivables and the associated allowance for uncollectible accounts are reported in the statement of net assets. Since they are not current financial resources, the receivables are not reported in the fund financial statements.	302,190
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>274,547</u>
Net Assets of Governmental Activities	<u>\$ 30,286,272</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

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**ANDREWS COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2010

	Major Funds		
	General Fund	Road & Bridge Fund	Capital Improvement Fund
<b>REVENUES</b>			
Taxes	\$ 13,605,477	\$ 2,755,899	\$ -
Fees and fines	2,757,515	-	-
Interest	89,020	24,234	1,064
Contract receipts	-	-	-
Other receipts	2,600,438	-	-
<b>Total Revenues</b>	<b>19,052,450</b>	<b>2,780,133</b>	<b>1,064</b>
<b>EXPENDITURES</b>			
Executive	216,558	-	-
General administration	11,476,269	3,132,074	59,413
Health and welfare	722,352	-	-
Judicial	651,015	-	-
Legal	263,557	-	-
Public Safety	1,953,986	-	-
<b>Total Expenditures</b>	<b>15,283,737</b>	<b>3,132,074</b>	<b>59,413</b>
Excess (deficiency) of revenues over (under) expenditures	3,768,713	(351,941)	(58,349)
Other financing (uses)			
Transfers in	-	-	23,264
Transfers out	-	(23,264)	-
<b>Net Other Financing (Uses)</b>	<b>-</b>	<b>(23,264)</b>	<b>23,264</b>
Net change in fund balance	3,768,713	(375,205)	(35,085)
Prior Period Adjustment	(46,858)	-	-
Fund Balance, October 1, 2009	9,495,739	4,225,475	243,077
Fund Balance, September 30, 2010	\$ 13,217,594	\$ 3,850,270	\$ 207,992

See the accompanying notes to the financial statements, which are an integral part of this statement.

<u>Non-Major Funds</u>			
	<u>Other Funds</u>		<u>Total Governmental Funds</u>
\$	-	\$	16,361,376
	-		2,757,515
	130		114,448
	1,021,472		1,021,472
	797,359		3,397,797
	<u>1,818,961</u>		<u>23,652,608</u>
	-		216,558
	1,071,033		15,738,789
	319,522		1,041,874
	-		651,015
	33,706		297,263
	497,362		2,451,348
	<u>1,921,623</u>		<u>20,396,847</u>
	<u>(102,662)</u>		<u>3,255,761</u>
	-		23,264
	-		(23,264)
	-		-
	<u>(102,662)</u>		<u>3,255,761</u>
	-		(46,858)
	<u>186,874</u>		<u>14,151,165</u>
\$	<u>84,212</u>	\$	<u>17,360,068</u>

**ANDREWS COUNTY, TEXAS**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES*

September 30, 2010

Total Net Change in Fund Balances – Governmental Funds	\$ 3,255,761
<p>The County uses the internal service fund to charge the costs of self-insurance to the appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase (decrease) net assets.</p>	(188,569)
<p>Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$1,338,733 exceeded depreciation of \$1,088,759.</p>	249,974
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.</p>	<u>73,235</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,390,401</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND  
For the Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 13,630,699	\$ 13,630,699	\$ 13,605,477	\$ (25,222)
Fees and fines	2,156,015	2,156,015	2,757,515	601,500
Interest	156,466	156,130	89,020	(67,110)
Contract receipts	-	-	-	-
Other Receipts	-	-	2,600,438	2,600,438
Total Revenues	<u>15,943,180</u>	<u>15,942,844</u>	<u>19,052,450</u>	<u>3,109,606</u>
<b>EXPENDITURES</b>				
Executive				
County judge	<u>215,813</u>	<u>219,493</u>	<u>216,558</u>	<u>2,935</u>
General and administration				
County clerk	289,791	289,791	246,958	42,833
County auditor	284,512	298,544	297,788	756
Tax assessor/collector	283,055	283,916	283,438	478
Library	494,706	500,974	484,395	16,579
Adult literacy program	15,671	18,971	18,530	441
Extension service	121,588	127,642	117,975	9,667
Senior citizens' center	127,500	127,500	123,526	3,974
Park department	1,562,814	1,504,985	1,448,282	56,703
Golf course	513,624	513,624	457,384	56,240
Youth center	167,351	168,556	168,369	187
Lincoln center	26,195	43,957	43,582	375
Rodeo grounds	3,500	3,669	3,169	500
Airport	278,903	339,538	325,585	13,953
Golf pro shop	63,581	63,581	55,249	8,332
Posse building	5,584	5,584	2,972	2,612
Florey Park	100,950	112,107	112,107	-
Sports Complex	229,930	222,901	204,452	18,449
ACE Arena	483,545	483,545	465,394	18,151
Computer	320,096	319,235	241,990	77,245
Courthouse	201,800	237,630	217,752	19,878
Courthouse annex	39,100	49,100	43,457	5,643
Community building	18,505	18,505	16,340	2,165
Civic center	54,805	54,805	46,999	7,806
County jail	908,913	908,913	900,876	8,037
Landfill	264,000	264,000	232,596	31,404
Non-departmental	<u>4,753,760</u>	<u>4,720,602</u>	<u>4,917,104</u>	<u>(196,502)</u>
	<u>11,613,779</u>	<u>11,682,175</u>	<u>11,476,269</u>	<u>205,906</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND  
For the Year Ended September 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Health and Welfare</b>				
Veteran's service officer	\$ 8,476	\$ 9,143	\$ 7,767	\$ 1,376
County health department	675,292	675,467	582,799	92,668
Mental health	7,500	8,446	8,446	-
Child protective services	51,875	51,875	50,910	965
Sanitation	29,486	29,486	27,301	2,185
Program income	43,883	45,727	45,129	598
Other	131	131	-	131
	<u>816,643</u>	<u>820,275</u>	<u>722,352</u>	<u>97,923</u>
<b>Judicial</b>				
District judge	192,007	219,474	217,101	2,373
District clerk	206,112	206,112	198,128	7,984
Justice of the Peace, Place 1	102,957	102,957	100,450	2,507
Justice of the Peace, Place 2	104,327	104,327	101,194	3,133
County district fees	1,100	1,682	1,642	40
Law library	10,000	10,000	7,753	2,247
Jury fund	24,400	24,400	22,600	1,800
Other	141,300	141,300	2,147	139,153
	<u>782,203</u>	<u>810,252</u>	<u>651,015</u>	<u>159,237</u>
<b>Legal</b>				
County attorney	298,089	298,089	240,099	57,990
Other	4,650	31,281	23,458	7,823
	<u>302,739</u>	<u>329,370</u>	<u>263,557</u>	<u>65,813</u>
<b>Public Safety</b>				
Sheriff	1,437,838	1,437,837	1,311,601	126,236
Constable, Place 1	53,276	53,276	52,497	779
Constable, Place 2	53,276	53,276	50,206	3,070
Highway patrol	4,700	4,700	4,524	176
Fire control	152,152	152,152	110,320	41,832
Adult probation	118,529	123,529	116,387	7,142
Juvenile probation	268,722	289,640	278,916	10,724
Other	169,500	169,500	29,535	139,965
	<u>2,257,993</u>	<u>2,283,910</u>	<u>1,953,986</u>	<u>329,924</u>
<b>Total Expenditures</b>	<u>15,989,170</u>	<u>16,145,505</u>	<u>15,283,737</u>	<u>861,768</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ <u>(45,990)</u>	\$ <u>(202,661)</u>	\$ <u>3,768,713</u>	\$ <u>3,971,374</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND  
For the Year Ended September 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other financing (uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	<u>(750)</u>	<u>(8,004)</u>	<u>-</u>	<u>8,004</u>
Net Other Financing (Uses)	<u>(750)</u>	<u>(8,004)</u>	<u>-</u>	<u>8,004</u>
Net Change in Fund Balance	(46,740)	(210,665)	3,768,713	3,979,378
Prior Period Adjustment	(46,858)	(46,858)	(46,858)	-
Fund Balance, October 1, 2009	<u>9,495,739</u>	<u>9,495,739</u>	<u>9,495,739</u>	<u>-</u>
Fund Balance, September 30, 2010	\$ <u>9,402,141</u>	\$ <u>9,238,216</u>	\$ <u>13,217,594</u>	\$ <u>3,979,378</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,759,624	\$ 2,759,624	\$ 2,755,899	\$ (3,725)
Interest	44,450	44,450	24,234	(20,216)
Other Receipts	-	-	-	-
<b>Total Revenues</b>	<u>2,804,074</u>	<u>2,804,074</u>	<u>2,780,133</u>	<u>(23,941)</u>
<b>EXPENDITURES</b>				
Precinct #1	1,139,503	1,137,426	1,049,909	87,517
Precinct #2	716,850	718,927	674,453	44,474
Precinct #3	697,697	717,697	674,323	43,374
Precinct #4	751,629	751,629	733,389	18,240
<b>Total Expenditures</b>	<u>3,305,679</u>	<u>3,325,679</u>	<u>3,132,074</u>	<u>193,605</u>
Excess of revenues over Expenditures	<u>(501,605)</u>	<u>(521,605)</u>	<u>(351,941)</u>	<u>169,664</u>
Other Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(23,264)	(23,264)
<b>Net other sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(23,264)</u>	<u>(23,264)</u>
<b>Net change in fund balance</b>	<u>(501,605)</u>	<u>(521,605)</u>	<u>(375,205)</u>	<u>146,400</u>
Fund Balance, October 1, 2009	<u>4,225,475</u>	<u>4,225,475</u>	<u>4,225,475</u>	<u>-</u>
Fund Balance, September 30, 2010	<u>\$ 3,723,870</u>	<u>\$ 3,703,870</u>	<u>\$ 3,850,270</u>	<u>\$ 146,400</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
For the Year Ended September 30, 2010

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Cash	\$ <u>14,338</u>
Total Assets	<u>14,338</u>
<b>LIABILITIES</b>	
Accounts payable	<u>234,644</u>
Total Liabilities	<u>234,644</u>
<b>NET ASSETS</b>	
Unrestricted net assets	<u>(220,306)</u>
Total Net Assets	\$ <u>(220,306)</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND**

For the Year Ended September 30, 2010

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
OPERATING REVENUES	
Insurance premiums received	\$ <u>1,671,625</u>
Total Operating Revenues	<u>1,671,625</u>
OPERATING EXPENSES	
Premiums and claims	<u>1,860,373</u>
Total Operating Expenses	<u>1,860,373</u>
Operating Income (Loss)	<u>(188,748)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	<u>179</u>
Total Nonoperating Revenues (Expenses)	<u>179</u>
Changes in Net Assets	(188,569)
Total Net Assets, October 1, 2009	<u>(31,737)</u>
Total Net Assets, September 30, 2010	\$ <u><u>(220,306)</u></u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended September 30, 2010

	Governmental Activities
	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Insurance premiums received	\$ 1,671,625
Insurance premiums and claims paid	(1,860,373)
Net change in accounts payable	<u>161,268</u>
Net cash provided by operating activities	<u>(27,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>179</u>
Net cash provided investing activities	<u>179</u>
Net increase (decrease) in cash and cash equivalents	(27,301)
Cash and cash equivalents, October 1, 2009	<u>41,639</u>
Cash and cash equivalents, September 30, 2010	<u>\$ 14,338</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO THE NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ <u>(188,748)</u>
Effect of increases and decreases in current assets and liabilities:	
Increase (decrease) in accounts payable	<u>161,268</u>
Net cash provided by (used in) operating activities	<u>\$ (27,480)</u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

**ANDREWS COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
For the Year Ended September 30, 2010

	<u>Trust and Agency</u>
<b>ASSETS</b>	
Cash	\$ <u>898,490</u>
Total Assets	<u>898,490</u>
<b>LIABILITIES</b>	
Accounts payable	74,934
Due to other funds	<u>32,916</u>
Total Liabilities	<u>107,850</u>
<b>NET ASSETS</b>	
Held in trust for others	<u>790,640</u>
Total Net Assets	\$ <u><u>790,640</u></u>

See the accompanying notes to the financial statements, which are an integral part of this statement.

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Andrews County, Texas (the "County") related to the funds 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). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the County are described below.

#### Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity. Financial statements for component units can be obtained from the office of the County Auditor.

Included in the reporting entity:

Andrews County, Texas (Primary Government) -

The County is a political subdivision of the State of Texas. The County is governed by the Commissioners' Court, composed of four elected County Commissioners and an elected County Judge. Each of these officials serves a term of four years. The primary activities of the County include: the construction and maintenance of county roads, provision of public safety through a sheriff's department, administration of justice, correctional facilities, health and welfare services, culture and recreation through libraries, and other social and administrative services.

For the year ended September 30, 2010, no other organizations have been combined for either blended or discrete presentation in the County's financial statements. Excluded from the reporting entity are other entities within the county which provide similar services but are not included in the reporting entity because they do not meet the criteria are: municipalities, school districts, hospital districts, and various non-profit organizations.

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. For the most part, interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The County had one enterprise fund.

## ANDREWS COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from property and sales taxes, grants and contracts, fees of office, forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

## ANDREWS COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended September 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - continued

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed. The County had one enterprise fund during the year ended September 30, 2010.

The County has presented the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

The *Road & Bridge Fund* is maintained to account for the construction and maintenance costs of roads constituting the County road system.

The *Capital Improvement Fund* is used to provide accounting control over capital improvement expenditures.

Additionally, the County reports the following fiduciary funds:

The *Trust and Agency Fund* accounts for assets that the government holds on behalf of others as their agent.

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### New Pronouncements

GASB No. 50, "Pension Disclosures", was issued May 2007. This statement provides guidance for financial reporting by pension plans and by employers that provide defined benefit and contribution plans. This statement is effective for periods beginning after June 15, 2007. The statement was implemented and did not have an impact on the County's financial statements.

GASB No. 51, "Accounting and Financial Reporting for Intangible Assets", was issued June 2007. This statement provides guidance for financial reporting of intangible assets for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The management of the County does not believe that the implementation of this statement will have a material effect on the financial statements of the County.

GASB No. 52, "Land and Other Real Estate Held as Investments by Endowments", was issued November 2007. This statement does not apply to the County as it holds no endowment funds. This statement is effective for periods beginning after June 15, 2008.

GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", was issued June 2008. This statement provides guidance for financial reporting of derivative instruments for all state and local governments. This statement is effective for periods beginning after June 15, 2009. The management of the County does not believe that the implementation of this statement will affect the financial statements of the County since it does not make direct investments in derivative instruments.

GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", was issued April 2009. This statement provides guidance on classification of fund equity. The management of the County does not believe that the implementation of this statement will affect the financial statements of the County. This statement is effective for periods beginning after June 15, 2010.

GASB No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies," establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The statement will be implemented by the County in fiscal year 2011 and is not expected to impact the County's financial statements.

GASB No. 59, "Financial Instruments Omnibus," updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 will be implemented by the County in fiscal year 2011 and the impact has not yet been determined.

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### New Pronouncements - continued

GASB No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", was issued April 2009. This statement was effective immediately and had no impact on the County's financial statements.

GASB No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", was issued April 2009. This statement was effective immediately and had no impact on the County's financial statements.

#### Budgetary Data

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The legal level of budgetary control is at the department level of each fund. Any expenditure, which alters the total budgeted amounts of a fund, must be approved by Commissioners' Court, and the budget then amended. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted for the general fund and the special revenue fund.

The County follows these procedures in establishing the budgetary data reflected in the financial report: the County Judge has departmental meetings with management to determine the departmental budget requests; the County Judge, assisted by the County Auditor, submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following October (The proposed operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues, other resources, and available fund balances); after proper publication of notice, a public hearing is conducted by the Commissioners' Court to obtain taxpayer comments; after the public hearing(s) the Commissioners' Court makes appropriate budget changes and adopts the budget through the passage of an order at a regularly scheduled meeting on or before October 1st. A separate order is adopted to levy the taxes necessary to finance the budgeted expenditures.

Although the level of budgetary control is total revenues plus available fund balance, the County adopts its budget at a line-item level for internal managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditure purposes by department and type of expenditures (salaries and wages, and employee benefits; operating expenses/expenditures; and capital outlay). Budget amendments to transfer budgeted amounts from one line item to another may be made at the discretion of Commissioners' Court. Amendments to provide for items not included in the original budget may be made by the Commissioners' Court upon finding and declaration of the existence of an emergency sufficient to require action.

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### Budgetary Data - continued

County management can, with the exception of personnel items, make adjustments to their budgets within the department level. Appropriations not exercised in the current year lapse at the end of the year.

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances as of September 30, 2010.

#### Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and temporary investments under each fund's caption. Funds are allowed to exceed the amount of their equity in the pooled cash account. Funds with overdrawn accounts are disclosed as an interfund payable in the liability section of the balance sheet.

#### Property Taxes

Property taxes are levied as of October 1st of each year with statements prepared and mailed at that date or soon thereafter. The tax levy is based upon appraised property values as of each previous January 1st for all taxable property within the County. Payments are due and payable when taxes are levied and may be timely paid through January 31st. On February 1st, taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs. The lien date for property taxes is July 1st.

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### Property Taxes – continued

The appraisal of property within the county is the responsibility of the Andrews County Appraisal District. The Texas Legislature established the Appraisal District and the related Appraisal Review Board through the adoption of a comprehensive Property Tax Code. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Real property is reappraised at least every four years. Under certain circumstances, taxpayers and taxing units including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Under the Code, the Commissioners' Court will continue to set annual tax rates on the property. The Code also provides that, if approved by the qualified voters in the Appraisal District, collection functions may be placed with the Appraisal District. The Appraisal District bills and collects property taxes for the County.

The County's 2009 general fund tax levy, supporting the 2010 fiscal period budget, totaled \$0.4140 per \$100 valuation. The road and bridge tax levy, supporting the 2010 fiscal period budget, totaled \$0.0703 per \$100 valuation. The aggregate 2009 tax levy was \$0.4843 per \$100 valuation.

#### Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The County had no advances between funds. All activity between funds was for short-term cash flow requirements. See Note 4 for additional discussion of interfund receivables and payables.

#### Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment and vehicles, infrastructure, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical 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.

**ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Capital Assets - continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2010, no capitalized interest was included in the cost of capital assets under construction.

Assets capitalized have an original cost of \$1,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Leased assets are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings and improvements	30-60 Years
Equipment	15-40 Years
Infrastructure	5-20 Years

Compensated Absences

Employees are allowed paid absences due to sickness and vacation. Sick leave starts accruing three months from hire date. It accrues at a rate of four (4) hours a pay period with a maximum of four hundred eighty (480). Sick leave benefits are recognized in the period in which time off is actually taken. Vacation benefits accrue monthly at rates depending upon an employee's length of service. Vacation benefits must be taken annually.

**ANDREWS COUNTY, TEXAS**  
*Notes to the Financial Statements*  
For The Year Ended September 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Compensated Absences - continued

The following is a summary of benefits payable as of September 30, 2010:

Governmental activities	<u>\$96,691</u>
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Compensated absence liabilities for governmental activities have been paid from the general fund and various special revenue funds.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the differences between assets and liabilities. Net assets invested in capital assets (net of related debt) consist 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. Restricted net assets, as presented in the government-wide Statement of Net Assets, are reported when constraints placed on the use of net assets are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

**ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

**NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES**

The County classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less as of the date of purchase. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments and investments as reported on the financial statements at September 30, 2010 are as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash)	\$ 2,540	\$ -	\$ 2,540
Financial Institution Deposits:			
Demand deposits	1,129,265	898,490	2,027,755
Local Government Investment Pool:			
TexPool	15,437,908	-	15,437,908
TexSTAR	18,447	-	18,447
Investments:			
Certificates of deposit	<u>1,002,550</u>	<u>-</u>	<u>1,002,550</u>
	<u>\$ 17,590,710</u>	<u>\$ 898,490</u>	<u>\$ 18,489,200</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to them. The County requires that all deposits with financial institutions be collateralized.

At year-end, in addition to petty cash of \$ 2,540, the carrying amount of the County's deposits, was \$2,027,755, while the financial institution balances totaled \$ 2,230,677. Certain of these balances represent amounts controlled by County courts and held by various financial institutions jointly under the name of the County and the court's beneficiaries and carrying the identification number of the beneficiaries. These accounts are entirely covered by federal deposit insurance. Of the financial institution balances, \$250,000 was covered by federal depository insurance coverage, and \$1,980,677 was covered by collateral held by the County's agent in the County's name.

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued**

#### Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under Chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the investment policy, which is approved by Commissioners' Court. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. The policy addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the County will deposit funds is addressed. The County's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The County's management believes that it complied with the requirements of the PFIA and the County's investment policy.

The County's Investment Committee submits an investment report each quarter to the Commissioners' Court. The report details the investment positions of the County and the compliance of the investment portfolio as they relate to both the adopted investment strategy statements and Texas State law.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities. Section 2256.009 (a) (1), PFIA and 116 Local Government Code;
2. Direct obligations of the State of Texas or its agencies and instrumentalities. Section 2256.009 (a) (2), PFIA and 116 Local Government Code;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities. Section 2256.009 (a) (4), PFIA;

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued**

#### Investments - continued

4. Certificates of deposit issued by a depository institution that has its main office or a branch office in this state in accordance with Section 2256.010 (a) (1), PFIA: a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successors; or, secured by obligations that are described by paragraphs 1 through 3 above, which are intended to include all direct federal agency or instrumentality issued mortgaged backed securities, but excluding those mortgaged backed securities of the nature described in Section 2256.009 (b) of the PFIA, that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the County; b) governed by a Depository Agreement that complies with federal and state regulation to properly secure a pledged security interest and; c) solicited for bid orally, in writing, electronically, or any combination of these methods. Section 2256.005 (c) (1-4), PFIA;

5. Eligible investment pools organized and operating in compliance with the PFIA that have been authorized by the Commissioners' Court; and whose investment philosophy and strategy are consistent with this policy and the County's ongoing investment strategy. Disclosures of compliance with section 2256.0016 of the PFIA must be submitted by the pool. Investments pools created to function as a money market mutual fund must mark its portfolio to market daily and stabilize at a net asset value of \$1.00 (one dollar).

The County's investment policy does not cover investments (trust funds) controlled by County courts and held by various financial institutions jointly under the name of the County and the court's beneficiaries and carrying the identification number of the beneficiaries.

The County participates in two Local Government Investment Pools (LGIP), TexPool and TexSTAR. The State Comptroller oversees TexPool. Lehman Brothers and Federated Investors manage the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexSTAR, an advisory board consisting of participants or their designees maintains oversight responsibility for TexSTAR.

**ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*  
For The Year Ended September 30, 2010

**NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued**

Investments – continued

The County invests in TexPool and TexSTAR to provide its liquidity needs. TexPool and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool and TexSTAR are 2(a) 7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexPool and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

At September 30, 2010, TexPool and TexSTAR had a weighted average maturity of 34 days and 46 days, respectively. Although TexPool and TexSTAR portfolios had weighted average maturity of 77 days and 71 days, the County considers holdings in this fund to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The County’s investments carried at fair value as of September 30, 2010 are:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Local government investment pools	\$ 15,456,355	AAAM
Certificates of Deposit	1,002,550	
Total Fair Value	<u>\$ 16,458,905</u>	

Credit Risk and Concentration of Credit Risk- As of September 30, 2010, the LGIPs are rated AAAM by Standard and Poor’s. The certificates of deposit are insured and covered by collateral held by the County’s agent in the County’s name. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligation, the County limits investments in obligations of, or guaranteed by, governmental entities, public funds investment pools rated as to investment quality by a nationally recognized investment rating firm no lower than AAA or AAAM or its equivalent and certificates of deposit.

The certificates of deposits are fully insured; therefore, the beneficiaries are not exposed to credit risk.

Custodial Credit Risk – Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County’s name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of September 30, 2010, all of the County’s investments are held in the County’s name.

**ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

**NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued**

Investments – continued

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will be timed so that a part of each fund’s investments mature each month; thus ensuring availability of funds. To further ensure liquidity, a minimum cash balance of \$2,000,000 will maintained (fully collateralized) in the depository bank.

Foreign Currency Risk – Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the U.S. dollar. The County Investment Policy does not list securities denominated in a foreign currency among the authorized investments instruments. Consequently, the County is not exposed to foreign currency risk.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The County made no direct investments in derivatives during the year ended September 30, 2010, and holds no direct investments in derivatives at September 30, 2010.

**NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES**

Receivables and Allowances

Receivables as of September 30, 2010, for the government’s individual governmental major and nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road & Bridge Fund	Capital Improvement Fund	Other Governmental Funds	Total
Receivables:					
Ad valorem taxes	\$ 260,890	\$ 44,160	\$ -	\$ -	\$ 305,050
Accrued interest	330	-	-	-	330
Due from state	-	-	-	49,060	49,060
Gross receivables	261,220	44,160	-	49,060	354,440
Less Allowance for Uncollectibles:					
Ad valorem taxes	26,089	4,416	-	-	30,505
Net Receivables	\$ 235,131	\$ 39,744	\$ -	\$ 49,060	\$ 323,935

**ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

**NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUES - Continued**

Receivables From Other Governments

The County participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the County receives entitlements from the State through the legislative actions and taxes collected by the State on behalf of the County (sales and other taxes). All federal grants shown are either direct or passed through state or local agencies and are reported on the financial statements as due from other governments.

The amount due from the state government as of September 30, 2010 to nonmajor governmental funds is \$49,060.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period.

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2010, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Road &amp; Bridge Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Unavailable: Delinquent property taxes receivable	\$ <u>254,970</u>	\$ <u>39,744</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>294,714</u>

**ANDREWS COUNTY, TEXAS**  
*Notes to the Financial Statements*  
 For The Year Ended September 30, 2010

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at September 30, 2010 consisted of the following:

Receivable Fund	Payable Fund	Balance
Family Planning Fund	Maternal & Child Health Services Fund	\$ 2,718
General Fund	Immunization Branch Fund	900
General Fund	Maternal & Child Health Services Fund	1,294
General Fund	Trust and Agency Fund	32,875
General Fund	Economic Development	2,291
General Fund	HAVA Grant	2,703
General Fund	County Clerk	41
Primary Healthcare Program Fund	Office of Public Health Practice Fund	9,551
State Aid A Fund	General Fund	980
		\$ 53,353
County Clerk	General Fund	\$ 41
Economic Development	General Fund	2,291
General Fund	State Aid A Fund	980
HAVA Grant	General Fund	2,703
Immunization Branch Fund	General Fund	900
Maternal & Child Health Services Fund	Family Planning Fund	2,718
Maternal & Child Health Services Fund	General Fund	1,294
Office of Public Health Practice Fund	Primary Healthcare Program Fund	9,551
Trust and Agency Fund	General Fund	32,875
		\$ 53,353

Interfund receivables and payables represent short-term borrowings primarily for cash flow purposes. These include short-term borrowings for reimbursement grants and some revenue or expenditures/expense adjustments between funds at or near year-end.

Interfund transfers for the year ended September 30, 2010 consisted of the following individual fund transfers in and transfers out:

Transferring Fund	Receiving Fund	Balance
Road & Bridge Fund	Capital Improvement Fund	\$ <u>23,264</u>

The Commissioners' Court approved this transfer, as a transfer of operational funds to cover planned expenditures/expenses.

**ANDREWS COUNTY, TEXAS**  
*Notes to the Financial Statements*  
For The Year Ended September 30, 2010

**NOTE 5 - CAPITAL ASSETS**

	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 231,716	\$ -	\$ -	\$ 231,716
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>231,716</u>	<u>-</u>	<u>-</u>	<u>231,716</u>
Capital assets being depreciated:				
Buildings	15,445,599	631,580	-	16,077,179
Equipment	8,446,635	707,153	(128,272)	9,025,516
Infrastructure	<u>13,184,367</u>	<u>-</u>	<u>-</u>	<u>13,184,367</u>
Total capital assets being depreciated	<u>37,076,601</u>	<u>1,338,733</u>	<u>(128,272)</u>	<u>38,287,062</u>
Less accumulated depreciation	(24,988,518)	(1,088,759)	128,272	(25,949,005)
Total capital assets being depreciated, net	<u>12,088,083</u>	<u>249,974</u>	<u>-</u>	<u>12,338,057</u>
Governmental activities capital assets, net	<u>\$ 12,319,799</u>	<u>\$ 249,974</u>	<u>\$ -</u>	<u>\$ 12,569,773</u>

Depreciation expense was charged as direct expense to functional categories of the County as follows:

Governmental activities:	
Executive	\$ -
General administrative	888,745
Health and welfare	4,579
Judicial	290
Legal	4,101
Public safety	<u>191,044</u>
Total depreciation expense	<u>\$ 1,088,759</u>

**ANDREWS COUNTY, TEXAS**  
*Notes to the Financial Statements*  
For The Year Ended September 30, 2010

**NOTE 6 - DISAGGREGATION OF ACCOUNTS AND ACCRUED LIABILITIES PAYABLE**

Receivables at September 30, 2010, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Interest</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 234,802	\$ -	\$ 330	\$ 335,106	\$ 570,238
Road & Bridge Fund	39,743	-	-	-	39,743
Nonmajor					
Governmental Funds	<u>-</u>	<u>49,060</u>	<u>-</u>	<u>-</u>	<u>49,060</u>
Total Governmental					
Funds	\$ <u>274,545</u>	\$ <u>49,060</u>	\$ <u>330</u>	\$ <u>335,106</u>	\$ <u>659,041</u>
Business Type Activities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Payables at September 30, 2010, were as follows:

	<u>Accounts</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:			
General Fund	\$ 284,984	\$ -	\$ 284,984
Road & Bridge Fund	27,754	-	27,754
Nonmajor			
Governmental Funds	208	-	208
Internal Service Fund	<u>234,644</u>	<u>-</u>	<u>234,644</u>
Total Governmental			
Funds	\$ <u>547,590</u>	\$ <u>-</u>	\$ <u>547,590</u>
Business Type Activities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 7 - PENSION PLAN**

#### Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 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 governing body of the employer, 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 of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

#### Funding Policy

The employer has elected the annually determined contribution rate (ADCR) 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 the employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 12.12% for the months of the accounting year in 2009, and 14.46% for the months of the accounting year in 2010.

The contribution rate payable by the employee members for calendar years 2010 and 2009 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**ANDREWS COUNTY, TEXAS***Notes to the Financial Statements*

For The Year Ended September 30, 2010

**NOTE 7 - PENSION PLAN - Continued**Annual Pension Cost

For the employer's accounting year ending September 30, 2010, the annual pension cost for the TCDRS plan for its employees was \$1,080,283, and the actual contributions were \$1,080,283.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2008 and December 31, 2009, the basis for determining the contribution rates for calendar years 2009 and 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/07	12/31/08	12/31/09
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	15	20	20
Asset valuation method	SAF: 10-Yr. Smoothed value ESF: Fund value	SAF: 10-Yr. Smoothed value ESF: Fund value	SAF: 10-Yr. Smoothed value ESF: Fund value
Actuarial Assumptions	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>
Investment return*	8.0%	8.0%	8.0%
Projected salary increases*	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

\* Includes inflation at the stated rate.

**ANDREWS COUNTY, TEXAS**  
*Notes to the Financial Statements*  
For The Year Ended September 30, 2010

**NOTE 7 - PENSION PLAN - Continued**

Annual Pension Cost - Continued

<u>Trend Information</u>			
Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/08	\$ 876,331	100%	\$ -
9/30/09	\$ 933,161	100%	\$ -
9/30/10	\$ 1,080,283	100%	\$ -

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	\$ 31,281,723	\$ 34,682,212	\$ 3,400,489	90.20%	\$ 6,133,014	55.45%
12/31/08	29,656,149	36,018,313	6,362,164	82.34%	6,802,904	93.52%
12/31/09	32,730,079	38,791,463	6,061,384	84.37%	7,452,044	81.34%

\* The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

**NOTE 8 - CONTINGENCIES**

The County is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. The potential settlement (if any) of such contingencies under the budgetary process would require appropriation of revenues yet to be realized and in the opinion of the County management would not materially impact the financial position of the County at September 30, 2010.

**ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS**

The County administers a self-insured, single-employer defined benefit plan which provides medical and dental insurance benefits that are considered Other Postemployment Benefits (OPEB) under Statements No. 43 and 45 of the GASB. These benefits are offered to employees of the County who retire after satisfying the following eligibility requirements:

- The employee has completed 20 years of service with the County, and
- The employee’s age plus years of service is greater than or equal to 75.

The County assigns the authority to establish and amend benefit provisions to the Commissioners Court. Membership in the plan at October 1, 2009, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	17
Active employees	144

The Plan rates charged to retirees are set 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.

As of October 1, 2009, the County’s annual OPEB cost (expense) was \$223,277 for the post employment healthcare plan. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation of the fiscal year ended September 30, 2010 were as follows:

Annual Required Contribution (ARC)	\$	223,793
Interest on Net OPEB Obligation		(181 )
Adjustment to Annual Required Contribution		(336 )
Annual OPEB cost (expense)		<u>223,277</u>
Estimated Contributions made by the County		<u>205,552</u>
Increase in net OPEB Obligation		17,725
Net OPEB Obligation – Beginning of Year		(7,214 )
Net OPEB Obligation – End of Year	\$	<u>10,511</u>

Trend Information

Accounting Year Ending	Annual OPEB Cost (APC)	Percentage of Annual OPEB Contributed	Net Pension Obligation
9/30/09	\$ 206,896	103.5%	\$ (7,214)
9/30/10	\$ 223,277	92.1%	\$ 10,511

**ANDREWS COUNTY, TEXAS**  
*Notes to the Financial Statements*  
 For The Year Ended September 30, 2010

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS - Continued**

The funded status of the plan as of October 1, 2009 (most recent actuarial valuation) was as follows:

Actuarial Accrued Liability	\$	3,388,647
Actuarial Value of Assets		-
Unfunded Actuarial Accrued Liability (UAAL)		<u>3,388,647</u>
Funded Ratio		<u>0.0%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to 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 of benefit 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.

In the October 1, 2009 actuarial valuation, a 2.50% discount rate was used. The medical trend rate of 12% and the dental trend rate 7%. The actuarial cost method used in valuing the County’s liabilities was the Projected Unit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the County (“Continuation Coverage”) by permitting covered employees to purchase continued health benefits coverage in retirement. Texas law does not require counties to fund all or any portion of such coverage.

**ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

**NOTE 9 – OTHER POST EMPLOYMENT BENEFITS - Continued**

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. The County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost associated with OPEB on a current “pay-as-you-go” basis for a single fiscal year through an annual appropriation authorized by the Commissioners Court during the County’s annual budget adoption process.

GAAP requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

Information and amounts presented in the County’s Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

**NOTE 10 – SELF-INSURANCE**

The County maintains a self-administered group medical plan. The County’s health insurance program is a “self-insured” minimum premium cash flow plan. The County and each covered employee with dependent coverage make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by third-party administrator. The third-party administrator pays claims based on the health plan by withdrawing the funds directly from the county-maintained bank account. The third-party administrator charges the County a fee to administer the claims. The County’s specific deductible (stop-loss coverage) is \$35,000 per insured.

Estimates of claims payable and of claims incurred, but not reported at September 30, 2010 are reflected as accounts payable of the fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balance of claim liabilities during the year are as follows:

	Year Ended September 30, 2010
Unpaid claims, beginning of the year	\$ 73,376
Incurred claims (including IBNR’s)	1,860,373
Claim payments	<u>(1,699,105)</u>
Unpaid claims, end of the year	<u>\$ 234,644</u>

## **ANDREWS COUNTY, TEXAS**

*Notes to the Financial Statements*

For The Year Ended September 30, 2010

### **NOTE 11 - GRANTS, ENTITLEMENTS AND SHARED REVENUES**

During the year ended September 30, 2010, the County applied for and received federal and state grants related to various activities. The operations of these grants are reported in the general fund, and various special revenue funds. For the most part, these grants are reimbursement type grants, therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues. The federal grants are covered by the requirements of the Single Audit Act and OMB Circular A-133. The state grants are covered by the State of Texas Single Audit Circular.

### **NOTE 12 - DEFICIT FUND BALANCE**

As of September 30, 2010, certain fund of the County's funds had a deficit fund balance. Deficit balances will either be offset by future revenues or reimbursed by the General Fund.

### **NOTE 13 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During the year ended September 30, 2010, the County incurred expenditures in excess of appropriations within certain of its funds. Although these expenditures exceeded budget, they were appropriately authorized and resulted from grant increases.

### **NOTE 14 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment in the amount of \$46,858 was made on the government-wide financial statements to record additional liabilities that were noted through additional work performed by County staff during the fiscal year under audit. The amount had been previously recorded in the activity of the County as other income. The amount is immaterial to the financial statements taken as a whole.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**ANDREWS COUNTY, TEXAS****COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2010

	Texas Juvenile Probation Commission			
	State Aid A	Contract H	Community Corrections Y	Salary Adjustment Z
<b>ASSETS</b>				
Cash	\$ 7,113	\$ 7,167	\$ 4,297	\$ 475
Investments	-	-	-	-
Due from other funds	980	-	-	-
Due from state	-	-	-	-
Total Assets	<u>\$ 8,093</u>	<u>\$ 7,167</u>	<u>\$ 4,297</u>	<u>\$ 475</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 208	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to state	-	-	-	-
Total Liabilities	<u>208</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Fund balance	<u>7,885</u>	<u>7,167</u>	<u>4,297</u>	<u>475</u>
Total Liabilities and Fund Balance	<u>\$ 8,093</u>	<u>\$ 7,167</u>	<u>\$ 4,297</u>	<u>\$ 475</u>

Texas Juvenile Probation Commission			Texas Department of Criminal Justice		
Contract IV-E	Contract G	Contract X	Substance Abuse Assessment & Counseling	Sex Offender Program	Basic Supervision
\$ 54,494	\$ (999)	\$ 6,116	\$ 6,809	\$ 3,077	\$ 43,335
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 54,494</u>	<u>\$ (999)</u>	<u>\$ 6,116</u>	<u>\$ 6,809</u>	<u>\$ 3,077</u>	<u>\$ 43,335</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>54,494</u>	<u>(999)</u>	<u>6,116</u>	<u>6,809</u>	<u>3,077</u>	<u>43,335</u>
<u>\$ 54,494</u>	<u>\$ (999)</u>	<u>\$ 6,116</u>	<u>\$ 6,809</u>	<u>\$ 3,077</u>	<u>\$ 43,335</u>

**ANDREWS COUNTY, TEXAS****COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2010

	Texas State Library		WCS
	Loan Star Grant	Gates "PAC HUG"	Litigation Support
<b>ASSETS</b>			
Cash	\$ 10	\$ 23,411	\$ (95,499)
Investments	-	-	-
Due from other funds	-	-	-
Due from state	-	-	-
<b>Total Assets</b>	<b>\$ 10</b>	<b>\$ 23,411</b>	<b>\$ (95,499)</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to state	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance</b>			
Fund balance	10	23,411	(95,499)
<b>Total Liabilities and Fund Balance</b>	<b>\$ 10</b>	<b>\$ 23,411</b>	<b>\$ (95,499)</b>

**ANDREWS COUNTY, TEXAS**

*COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS*

September 30, 2010

Texas Department of Health					Texas Secretary of State
Primary Healthcare Program	Family Planning	Maternal & Child Health Services	Office of Public Health Practice	Immunization Branch	General HAVA Compliance
\$ (41,338)	\$ (6,555)	\$ 12,630	\$ 5,475	\$ (10,923)	\$ 5,050
-	-	-	-	-	-
9,551	2,718	257	-	-	-
<u>31,787</u>	<u>-</u>	<u>-</u>	<u>4,116</u>	<u>9,405</u>	<u>-</u>
<u>\$ -</u>	<u>\$ (3,837)</u>	<u>\$ 12,887</u>	<u>\$ 9,591</u>	<u>\$ (1,518)</u>	<u>\$ 5,050</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	4,270	9,551	900	2,703
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>4,270</u>	<u>9,551</u>	<u>900</u>	<u>2,703</u>
<u>-</u>	<u>(3,837)</u>	<u>8,617</u>	<u>40</u>	<u>(2,418)</u>	<u>2,347</u>
<u>\$ -</u>	<u>\$ (3,837)</u>	<u>\$ 12,887</u>	<u>\$ 9,591</u>	<u>\$ (1,518)</u>	<u>\$ 5,050</u>

**ANDREWS COUNTY, TEXAS****COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2010

	US Department of Of Justice <u>State Criminal Alien Assistance Program</u>	Attorney General Of Texas <u>Victim Coordinator &amp; Liaison (VCLG)</u>	Texas Juvenile Probation Commission <u>Contract C</u>
<b>ASSETS</b>			
Cash	\$ 9,188	\$ (856)	\$ 2,083
Investments	-	-	-
Due from other funds	-	-	-
Due from state	-	3,752	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	\$ <u>9,188</u>	\$ <u>2,896</u>	\$ <u>2,083</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to state	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>			
Fund balance	<u>9,188</u>	<u>2,896</u>	<u>2,083</u>
Total Liabilities and Fund Balance	\$ <u>9,188</u>	\$ <u>2,896</u>	\$ <u>2,083</u>

**ANDREWS COUNTY, TEXAS**

*COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS*

September 30, 2010

Texas Department of Transportation		TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>Routine Airport Maintenance</u>	<u>Airport Project</u>	
\$ 1,617	\$ 3,101	\$ 39,278
-	-	-
-	-	13,506
-	-	49,060
<u>\$ 1,617</u>	<u>\$ 3,101</u>	<u>\$ 101,844</u>
\$ -	\$ -	\$ 208
-	-	17,424
-	-	-
-	-	17,632
<u>1,617</u>	<u>3,101</u>	<u>84,212</u>
<u>\$ 1,617</u>	<u>\$ 3,101</u>	<u>\$ 101,844</u>

**ANDREWS COUNTY, TEXAS**

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS*

For the Year Ended September 30, 2010

	Texas Juvenile Probation Commission			
	State Aid A	Contract H	Community Corrections Y	Salary Adjustment Z
<b>REVENUES</b>				
Contract receipts	\$ 47,503	\$ 43,000	\$ 41,681	\$ 5,700
Interest receipts	-	-	-	-
Other receipts	-	-	-	-
Total Revenues	<u>47,503</u>	<u>43,000</u>	<u>41,681</u>	<u>5,700</u>
<b>EXPENDITURES</b>				
Salary	-	-	15,000	5,700
Residential services	19,440	43,000	26,681	-
Contractuals	-	-	-	-
Travel	5,185	-	-	-
Supplies	-	-	-	-
Fringe benefits	-	-	-	-
Vehicle cost	8,143	-	-	-
Professional fees	-	-	-	-
Construction & equipment	-	-	-	-
Other	15,470	-	-	-
Total Expenditures	<u>48,238</u>	<u>43,000</u>	<u>41,681</u>	<u>5,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(735)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(735)	-	-	-
Fund balance, October 1, 2009	<u>8,620</u>	<u>7,167</u>	<u>4,297</u>	<u>475</u>
Fund balance, September 30, 2010	\$ <u>7,885</u>	\$ <u>7,167</u>	\$ <u>4,297</u>	\$ <u>475</u>

Texas Juvenile Probation Commission			Texas Department of Criminal Justice		
Contract IV-E	Contract G	Contract X	Substance Abuse Assessment & Counseling	Sex Offender Program	Basic Supervision
\$ 2,363	\$ -	\$ 7,277	\$ 18,846	\$ 13,530	\$ 103,884
62	-	-	-	-	68
-	-	-	1,207	(631)	163,177
<u>2,425</u>	<u>-</u>	<u>7,277</u>	<u>20,053</u>	<u>12,899</u>	<u>267,129</u>
9,720	-	-	-	-	220,361
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,638	636	2,414
-	-	-	554	734	2,912
-	-	-	-	-	48,264
-	-	-	-	-	323
433	-	-	440	-	4,470
-	-	-	-	-	5,684
-	-	6,236	24,023	13,877	2,523
<u>10,153</u>	<u>-</u>	<u>6,236</u>	<u>27,655</u>	<u>15,247</u>	<u>286,951</u>
<u>(7,728)</u>	<u>-</u>	<u>1,041</u>	<u>(7,602)</u>	<u>(2,348)</u>	<u>(19,822)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(7,728)</u>	<u>-</u>	<u>1,041</u>	<u>(7,602)</u>	<u>(2,348)</u>	<u>(19,822)</u>
<u>62,222</u>	<u>(999)</u>	<u>5,075</u>	<u>14,411</u>	<u>5,425</u>	<u>63,157</u>
\$ <u>54,494</u>	\$ <u>(999)</u>	\$ <u>6,116</u>	\$ <u>6,809</u>	\$ <u>3,077</u>	\$ <u>43,335</u>

**ANDREWS COUNTY, TEXAS**

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2010*

	Texas State Library		WCS	Texas Department of Health
	Lone Star Grant	Gates "PAC HUG"	Litigation Support	Primary Healthcare Program
<b>REVENUES</b>				
Contract receipts	\$ 11,045	\$ 140,250	\$ -	\$ 144,630
Interest receipts	-	-	-	-
Other receipts	-	-	633,606	-
Total Revenues	<u>11,045</u>	<u>140,250</u>	<u>633,606</u>	<u>144,630</u>
<b>EXPENDITURES</b>				
Salary	-	-	-	73,402
Residential services	-	-	-	-
Contractuals	6,545	-	-	-
Travel	-	-	-	15
Supplies	-	-	-	4,273
Fringe benefits	-	-	-	23,036
Vehicle cost	-	-	-	-
Professional fees	-	3,500	648,087	50
Construction & equipment	4,493	102,707	-	-
Other	-	10,649	86,353	43,601
Total Expenditures	<u>11,038</u>	<u>116,856</u>	<u>734,440</u>	<u>144,377</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7</u>	<u>23,394</u>	<u>(100,834)</u>	<u>253</u>
Other financing source (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	7	23,394	(100,834)	253
Fund balance, October 1, 2009	<u>3</u>	<u>17</u>	<u>5,335</u>	<u>(253)</u>
Fund balance, September 30, 2010	\$ <u>10</u>	\$ <u>23,411</u>	\$ <u>(95,499)</u>	\$ <u>-</u>

Texas Department of Health				Texas Secretary Of State	US Department of Justice
Family Planning	Maternal & Child Health Services	Office of Public Health Practice	Immunization Branch	General HAVA Compliance	State Criminal Alien Assistance Program
\$ 8,479	\$ 10,000	\$ 38,269	\$ 115,514	\$ 16,876	\$ 7,613
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,479</u>	<u>10,000</u>	<u>38,269</u>	<u>115,514</u>	<u>16,876</u>	<u>7,613</u>
7,336	8,543	38,229	79,822	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	35,304	-	-
-	-	-	-	-	-
4,301	1,610	-	-	-	-
-	-	-	-	-	-
-	-	-	-	17,836	-
<u>11,637</u>	<u>10,153</u>	<u>38,229</u>	<u>115,126</u>	<u>17,836</u>	<u>-</u>
<u>(3,158)</u>	<u>(153)</u>	<u>40</u>	<u>388</u>	<u>(960)</u>	<u>7,613</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(3,158)</u>	<u>(153)</u>	<u>40</u>	<u>388</u>	<u>(960)</u>	<u>7,613</u>
<u>(679)</u>	<u>8,770</u>	<u>-</u>	<u>(2,806)</u>	<u>3,307</u>	<u>1,575</u>
\$ <u>(3,837)</u>	\$ <u>8,617</u>	\$ <u>40</u>	\$ <u>(2,418)</u>	\$ <u>2,347</u>	\$ <u>9,188</u>

**ANDREWS COUNTY, TEXAS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2010

	Attorney General of Texas <hr/> Victim Coordinator & Liaison (VCLG)	Office of the Governor-Criminal Justice Division <hr/> American Recovery & Reinvestment Act	Texas Juvenile Probation Commission <hr/> Contract C
<b>REVENUES</b>			
Contract receipts	\$ 34,848	\$ 189,663	\$ 14,583
Interest receipts	-	-	-
Other receipts	-	-	-
Total Revenues	<u>34,848</u>	<u>189,663</u>	<u>14,583</u>
<b>EXPENDITURES</b>			
Salary	22,888	-	-
Residential services	-	-	-
Contractuals	-	-	-
Travel	1,189	-	-
Supplies	-	-	-
Fringe benefits	9,629	-	-
Vehicle cost	-	-	-
Professional fees	-	-	-
Construction & equipment	-	189,663	-
Other	-	-	12,500
Total Expenditures	<u>33,706</u>	<u>189,663</u>	<u>12,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,142</u>	<u>-</u>	<u>2,083</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,142	-	2,083
Fund balance, October 1, 2009	<u>1,754</u>	<u>-</u>	<u>-</u>
Fund balance, September 30, 2010	<u>\$ 2,896</u>	<u>\$ -</u>	<u>\$ 2,083</u>

Texas Department of Transportation		TOTAL NONMAJOR GOVERNMENTAL FUNDS
Routine Airport Maintenance	Airport Project	
\$ 2,817	\$ 3,101	\$ 1,021,472
-	-	130
-	-	797,359
<u>2,817</u>	<u>3,101</u>	<u>1,818,961</u>
-	-	481,001
-	-	89,121
-	-	6,545
-	-	12,077
-	-	8,473
-	-	116,233
-	-	8,466
-	-	662,891
-	-	302,547
1,200	-	234,268
<u>1,200</u>	<u>-</u>	<u>1,921,622</u>
<u>1,617</u>	<u>3,101</u>	<u>(102,661)</u>
-	-	-
-	-	-
-	-	-
1,617	3,101	(102,661)
-	-	186,873
<u>\$ 1,617</u>	<u>\$ 3,101</u>	<u>\$ 84,212</u>

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## **STATISTICAL SECTION**

**ANDREWS COUNTY, TEXAS***PERCENTAGE ASSESSMENT, ASSESSED VALUE AND TAX RATE –  
COUNTY TAXES ONLY  
1999-2009*

<u>Year</u>	<u>Assessment</u>	<u>Property Value</u>	<u>Taxable Value</u>	<u>Tax Rate</u>
1999	100%	\$ 1,214,456,436	\$ 1,116,280,666	0.5195
2000	100%	1,327,409,357	1,224,882,257	0.5119
2001	100%	2,016,566,080	1,913,857,614	0.3533
2002	100%	1,918,935,800	1,814,639,197	0.4572
2003	100%	1,964,615,010	1,860,576,214	0.4698
2004	100%	2,163,383,940	2,056,343,588	0.4590
2005	100%	2,649,765,448	2,536,724,427	0.4016
2006	100%	3,316,856,174	3,185,957,318	0.3446
2007	100%	3,748,950,375	3,574,466,327	0.3322
2008	100%	4,475,466,309	4,251,689,147	0.3032
2009	100%	3,616,605,981	3,369,369,972	0.4140

**ANDREWS COUNTY, TEXAS***POPULATION OF ANDREWS COUNTY, TEXAS – TEN YEAR HISTORY  
1999-2009*

<u>Year</u>		<u>Population</u>
1999	Taken from the 1999 edition of the Texas State Directory	14,615
2000	Taken from the United States Census	13,006
2001	Taken from the 2001 edition of the Texas State Directory	14,615
2002	Taken from the 2002 edition of the Texas State Directory	13,004
2003	Taken from the 2003 edition of the Texas State Directory	13,004
2004	Taken from the 2004 edition of the Texas State Directory	13,004
2005	Taken from the 2005 edition of the Texas State Directory	12,696
2006	Taken from the 2006 edition of the Texas State Directory	12,696
2007	Taken from the 2007 edition of the Texas State Directory	12,798
2008	Taken from the 2008 edition of the Texas State Directory	12,696
2009	Taken from the 2009 edition of the Texas State Directory	14,302

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**REPORT ON COMPLIANCE, INTERNAL CONTROL,  
AND FEDERAL / STATE AWARDS SECTION**

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# WAYNE M. MANNING

CERTIFIED PUBLIC ACCOUNTANT



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*

March 1, 2011

The Honorable County Judge,  
and Members of Commissioners'  
Court of Andrews County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Andrews County, Texas (the "County") as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

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



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TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**P.O. Box 1074 Andrews, Texas 79714 • P.O. Box 1723 Midland, Texas 79702**  
**(432) 523-7261 • wmmcpa.com • (432) 224-1068 fax**

The Honorable County Judge,  
and Members of Commissioners'  
Court of Andrews County, Texas  
March 1, 2011  
Page 2

*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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of the County Judge, members of Commissioners' Court, management, and appropriate state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

**/s/ Wayne M. Manning, CPA**

Wayne M. Manning, CPA

# WAYNE M. MANNING

CERTIFIED PUBLIC ACCOUNTANT



Report on Compliance with Requirements Applicable to Each Major Federal and State Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

March 1, 2011

The Honorable County Judge  
and Members of Commissioners'  
Court of Andrews County, Texas

## Compliance

We have audited the compliance of Andrews County, Texas (the "County") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major state and federal programs for the year ended September 30, 2010. The County's major state and federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state and federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 Organization*, and the State of Texas *Uniform Grants Management Standards* ("UGMS"). 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 could have a direct and material effect on a major state or federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major state and federal programs for the year ended September 30, 2010.



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P.O. Box 1074 Andrews, Texas 79714 • P.O. Box 1723 Midland, Texas 79702  
(432) 523-7261 • wmmcpa.com • (432) 224-1068 fax

The Honorable County Judge,  
and Members of Commissioners'  
Court of Andrews County, Texas  
March 1, 2011  
Page 2

### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major state or federal program in order to determine our auditing procedures for the purpose of expressing our opinion on 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 state or federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of significant deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state or federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

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

**/s/ Wayne M. Manning, CPA**

Wayne M. Manning, CPA

**ANDREWS COUNTY, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
 For the Year Ended September 30, 2010

**I. Summary of auditor's results**

**Financial Statements**

Type of auditor's report issued:	Unqualified.
Internal control over financial reporting: Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No.

**Federal Awards**

Internal control over major programs: Material weakness(es) identified?	No.
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report on compliance for major programs:	Unqualified.
Any audit finding disclosed that are required to be reported in accordance with Circular A-133 (section 510(a))?	No.

7. Major programs include:

Federal/State

- Community Corrections Assistance Cluster Programs
- Community Health Services Cluster Programs

Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The County is classified as a low-risk auditee in the context of OMB Circular A-133.

**ANDREWS COUNTY, TEXAS**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
For the Year Ended September 30, 2010

**II. Findings related to the financial statements**

None.

**III. Findings and questioned costs related to the federal and state awards.**

None.

**ANDREWS COUNTY, TEXAS**  
*SCHEDULE OF STATUS OF PRIOR FINDINGS*  
For the Year Ended September 30, 2010

None.

**ANDREWS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS**  
For the Year Ended September 30, 2010

(1) Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-through Entities Identifying Number	(4) Federal/ Other Expenditures
<b>STATE AWARDS</b>			
Texas State Library and Archives Commission Loan Star Libraries Grant	-	442-10361	\$ 11,038
Total Texas State Library and Archives Commission			\$ 11,038
Texas Department of State Health Services Preventive Health & Health Services Block Grant	93.991	2011-035245	\$ 4,076
Preventive Health & Health Services Block Grant	93.991	2010-032892	34,153
Immunization Grant	93.268	2011-035908	8,363
Immunization Grant	93.268	2010-031571	106,763
Maternal & Child Health Services Block Grant to the States	93.994	2011-036926	780
Maternal & Child Health Services Block Grant to the States	93.994	2010-031577	9,373
Primary Healthcare	-	2011-036892	17,838
Primary Healthcare	-	2010-031836	126,539
Family Planning	-	2010-034123	9,880
Family Planning	-	2011-037089	1,757
Total Texas Department State of Health Services			\$ 319,522
Texas Department of Criminal Justice Basic Supervision	-	900	\$ 286,951
Sex Offender Prevention	-	002	15,247
Substance Abuse Assessment & Counseling	-	001	27,655
Total Texas Department of Criminal Justice			\$ 329,853
Texas Juvenile Probation Commission State Aid Program	-	TJPC-A-2011-002	\$ 798
State Aid Program	-	TJPC-A-2010-002	47,440
Community Corrections Assistance Program	-	TJPC-Y-2010-002	41,681
Salary Adjustment Funding JP and Detention Centers	-	TJPC-Z-2010-002	5,700
Title IV-E Legal Services	-	TJPC-E-2009-002	10,153
Commitment Reduction Program	-	TJPC-C-2010-002	12,500
ICBP Regional	-	TJPC-X-2010-002	6,236
Diversionsary H	-	TJPC-H-2010-002	43,000
Total Texas Juvenile Probation Commission			\$ 167,508

**ANDREWS COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS**  
For the Year Ended September 30, 2010

(1) Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-through Entities Identifying Number	(4) Federal/ Other Expenditures
<u>STATE AWARDS – continued</u>			
Office of the Attorney General			
Victim Coordinator & Liaison Grant	-	1013960	\$ 33,706
Total Office of the Attorney General			<u>\$ 33,706</u>
Office of the Secretary of State			
General HAVA Compliance	90.401	-	\$ 5,465
County Education	39.011	-	2,703
Team Compatibility	39.011	-	8,000
Opportunity for Access	93.617	-	1,108
Making Polling Place Accessible	93.617	-	559
Total Office of the Secretary of State			<u>17,835</u>
Texas Department of Transportation			
Routine Airport Maintenance	-	M006ANDRW	\$ 1,200
Routine Airport Maintenance	-	M106ANDRW	116,856
Total Texas Department of Transportation			<u>\$ 118,056</u>
Total State Awards			<u>997,518</u>
<u>FEDERAL AWARDS</u>			
U.S. Department of Justice			
Passed Through Office of the Governor – Criminal Justice Division			
Edward Byrne Memorial Justice Assistance	16.803	SU-09-A10-22610- 01	\$ 189,663
Total U.S. Department of Justice			<u>\$ 189,663</u>
Total Federal Awards			<u>\$ 189,663</u>

## **ANDREWS COUNTY, TEXAS**

### *NOTES ON ACCOUNTING POLICIES FOR FEDERAL/STATE AWARDS*

For the Year Ended September 30, 2010

1. The County uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn is divided into separate "fund types". The following fund types were utilized to account for federal awards.

#### Governmental Fund Types:

General Fund - is the general operating fund of the County. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. Federal financial assistance not required to be reported in other funds is accounted for in the General Fund.

Special Revenue Funds – are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Federal financial assistance generally is accounted for in a Special Revenue Fund unless required to be reported in a capital projects fund or a proprietary fund type. Generally, unused balances are returned to the grantor at the close of specified project periods.

Capital Improvement Funds – are used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Trust Funds. Federal financial assistance for the construction of major capital facilities generally is accounted for in a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With this measurement focus, generally, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Federal and State grant funds are accounted for in the General Fund, Special Revenue Fund, and the Capital Improvement Fund, a component of the Governmental Fund type. The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures/expenses made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.