

*Financial Report of*  
**COUNTY OF COKE**

Robert Lee, Texas

**Year Ended September 30, 2012**

COUNTY OF COKE  
Annual Financial Report  
Year Ended September 30, 2012

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**FINANCIAL SECTION**

# Eckert & Company

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## INDEPENDENT AUDITORS' REPORT

The Honorable County Judge  
and Commissioners' Court  
County of Coke  
13 East 7th Street  
Robert Lee, TX 76945

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Section I., Note C., the County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coke, Texas, as of September 30, 2012, and the respective changes in financial position - modified cash basis for the year then ended in conformity with the basis of accounting described in Section I., Note C.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the County of Coke's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress for the TCDRS retirement plan on pages 3 through 7, 24 through 30, and 31, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

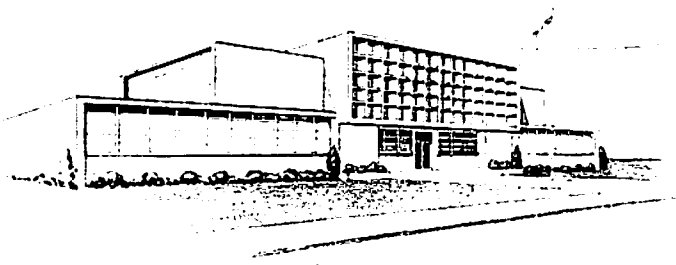
The Honorable County Judge  
and Commissioners' Court  
Page 2

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Coke's financial statements as a whole. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Eckert & Company, LLP*

January 15, 2013



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the County of Coke's financial performance provides an overview of the County's financial activities for the year ended September 30, 2012, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditors' report.

### **Financial Highlights - Modified Cash Basis of Accounting**

The County's assets exceeded its liabilities at the end of the current year by \$3,475,334 (net assets). Of this amount, \$2,650,799 (unrestricted net assets) may be used to meet the County's ongoing obligations.

The County's total net assets increased by \$279,960 or 9%. This amount consists of a \$298,296 increase attributable to current year operations and an \$18,336 decrease attributable to prior period adjustments. The County's statement of activities shows total revenues of \$2,831,434 and total expenses of \$2,533,138.

The total fund balance of the General Fund was \$1,675,407 which was an increase of \$240,964 or 17% compared to the prior year.

### **Overview of the Financial Statements**

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**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 resulting from the use of the modified cash basis of accounting, 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net assets changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, public health and welfare, and culture and recreation, as well as general administrative and support services.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 two categories: governmental funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund and the Road and Bridge Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. 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 own programs.

**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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Government-Wide Financial Analysis

**Net Assets** - A summary of the County's net assets is presented below:

#### NET ASSETS - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>September 30,</u>	
	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 2,650,799	\$ 2,329,940
Capital Assets	<u>824,535</u>	<u>939,300</u>
Total Assets	<u>\$ 3,475,334</u>	<u>\$ 3,269,240</u>
Other Liabilities	<u>\$ 0</u>	<u>\$ 73,866</u>
Net Assets		
Invested in Capital Assets	\$ 824,535	\$ 939,300
Unrestricted	<u>2,650,799</u>	<u>2,256,074</u>
Total Net Assets	<u>\$ 3,475,334</u>	<u>\$ 3,195,374</u>

A large portion of the County's net assets resulting from modified cash basis transactions (\$824,535) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. 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. The remaining balance of unrestricted net assets (\$2,650,799) may be used to meet the County's ongoing obligations.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the County's net assets resulting from modified cash basis transactions by \$298,296 and \$64,586 for the fiscal years ended September 30, 2012 and 2011, respectively. Key elements of these increases are as follows:

**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

	<u>Governmental Activities</u>	
	<u>Year Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues		
Charges for Services	\$ 517,967	\$ 543,212
Operating Grants and Contributions	174,771	227,938
General Revenues		
Maintenance and Operations Taxes	2,053,024	1,888,813
Investment Earnings	22,500	21,682
Other Revenues	<u>63,172</u>	<u>239,436</u>
Total Revenues	<u>\$ 2,831,434</u>	<u>\$ 2,921,081</u>
Expenses		
General Government	\$ 969,269	\$ 1,012,541
Roads and Bridges	498,695	451,403
Justice System	257,005	301,847
Public Safety	478,814	760,185
Public Health and Welfare	120,814	122,404
Culture and Recreation	208,541	207,568
Interest on Long-Term Debt	<u>0</u>	<u>547</u>
Total Expenses	<u>\$ 2,533,138</u>	<u>\$ 2,856,495</u>
Change in Net Assets	\$ 298,296	\$ 64,586
Net Assets - Beginning	3,195,374	3,130,788
Prior Period Adjustments	<u>(18,336)</u>	<u>0</u>
Net Assets - Ending	<u>\$ 3,475,334</u>	<u>\$ 3,195,374</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the County's Funds

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. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$2,650,799, an increase of \$394,725 or 17% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,675,407. All of this balance is unassigned.

Special Revenue Funds \$975,392. All of these balances are committed to special programs.

### General Fund Budget

The original budget for the General Fund was \$1,956,458, and the final amended budget was \$1,957,717 which represents a \$1,259 increase in appropriations. None of the variances between the original budget and the final amended budget were significant.

The County has adopted a budget for the General Fund in the amount of \$2,003,323 for the fiscal year 2013, which is an increase of \$45,606 from the fiscal year 2012.

### Capital Assets and Debt - Modified Cash Basis

**Capital Assets** - The County's investment in capital assets, net of depreciation, for its governmental type activities as of September 30, 2012 and 2011, was \$824,535 and \$939,300, respectively. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2012.

**Long-Term Debt** - The County had no long-term debt outstanding.

### Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Roy Blair, County Judge, County of Coke, 13 East 7<sup>th</sup> Street, Robert Lee, TX 76945.

**Basic Financial Statements**

COUNTY OF COKE  
Statement of Net Assets - Modified Cash Basis  
September 30, 2012

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash	\$ 950,296
Temporary Investments	1,672,547
Due from Fiduciary Funds	27,956
Capital Assets (Net of Accumulated Depreciation):	
Land	15,000
Buildings and Improvements	509,918
Machinery and Equipment	<u>299,617</u>
<b>Total Assets</b>	<b><u>\$ 3,475,334</u></b>
 <b><u>LIABILITIES</u></b>	
None	<u>\$ 0</u>
 <b><u>NET ASSETS</u></b>	
Invested in Capital Assets	\$ 824,535
Unrestricted	<u>2,650,799</u>
<b>Total Net Assets</b>	<b><u><u>\$ 3,475,334</u></u></b>

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

COUNTY OF COKE  
Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
General Government	\$ 969,269	\$ 99,132	\$ 65,033	\$ (805,104)
Roads and Bridges	498,695	238,463	13,461	(246,771)
Justice System	257,005	130,865	49,357	(76,783)
Public Safety	478,814	5,293	0	(473,521)
Public Health and Welfare	120,814	29,638	46,920	(44,256)
Culture and Recreation	208,541	14,576	0	(193,965)
<b>Total Governmental Activities</b>	<b><u>\$ 2,533,138</u></b>	<b><u>\$ 517,967</u></b>	<b><u>\$ 174,771</u></b>	<b><u>\$ (1,840,400)</u></b>
<b>General Revenues:</b>				
Property Taxes - Maintenance and Operations				\$ 2,053,024
Investment Earnings				22,500
Miscellaneous				<u>63,172</u>
<b>Total General Revenues</b>				<b><u>\$ 2,138,696</u></b>
<b>Change in Net Assets</b>				<b>\$ 298,296</b>
<b>Net Assets - Beginning</b>				<b>3,195,374</b>
<b>Prior Period Adjustments</b>				<u>(18,336)</u>
<b>Net Assets - Ending</b>				<b><u>\$ 3,475,334</u></b>

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

**COUNTY OF COKE**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**September 30, 2012**

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash	\$ 18,744	\$ 804,835	\$ 126,717	\$ 950,296
Temporary Investments	1,633,738	0	38,809	1,672,547
Due from Other Funds	23,540	4,416	615	28,571
<b>Total Assets</b>	<b>\$ 1,676,022</b>	<b>\$ 809,251</b>	<b>\$ 166,141</b>	<b>\$ 2,651,414</b>
<b><u>LIABILITIES</u></b>				
Due to Other Funds	\$ 615	\$ 0	\$ 0	\$ 615
<b><u>FUND BALANCES</u></b>				
Committed Fund Balance:				
Special Revenue Funds	\$ 0	\$ 809,251	\$ 166,141	\$ 975,392
Unassigned Fund Balance	1,675,407	0	0	1,675,407
<b>Total Fund Balances</b>	<b>\$ 1,675,407</b>	<b>\$ 809,251</b>	<b>\$ 166,141</b>	<b>\$ 2,650,799</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,676,022</b>	<b>\$ 809,251</b>	<b>\$ 166,141</b>	<b>\$ 2,651,414</b>

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

COUNTY OF COKE  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets - Modified Cash Basis  
September 30, 2012

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,650,799</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net assets.	939,300
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net assets.	37,879
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as other revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable basis of the assets. The net effect of the adjustments is to decrease net assets.	(20,108)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	<u>(132,536)</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 3,475,334</u></u></b>

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

**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Governmental Funds**  
**Year Ended September 30, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Taxes	\$ 1,547,981	\$ 505,043	\$ 0	\$ 2,053,024
Fees	179,739	238,463	27,339	445,541
Fines	72,426	0	0	72,426
Intergovernmental	161,310	0	13,461	174,771
Interest	18,380	3,689	431	22,500
Miscellaneous	72,272	781	10,227	83,280
	<u>\$ 2,052,108</u>	<u>\$ 747,976</u>	<u>\$ 51,458</u>	<u>\$ 2,851,542</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	\$ 747,394	\$ 164,417	\$ 6,944	\$ 918,755
Roads and Bridges	0	451,754	10,357	462,111
Justice System	250,879	0	6,126	257,005
Public Safety	491,768	0	0	491,768
Public Health and Welfare	119,347	0	0	119,347
Culture and Recreation	189,495	0	0	189,495
	<u>\$ 1,798,883</u>	<u>\$ 616,171</u>	<u>\$ 23,427</u>	<u>\$ 2,438,481</u>
Net Change in Fund Balances	\$ 253,225	\$ 131,805	\$ 28,031	\$ 413,061
Fund Balances - Beginning	1,434,443	682,576	139,055	2,256,074
Prior Period Adjustments	<u>(12,261)</u>	<u>(5,130)</u>	<u>(945)</u>	<u>(18,336)</u>
Fund Balances - Ending	<u>\$ 1,675,407</u>	<u>\$ 809,251</u>	<u>\$ 166,141</u>	<u>\$ 2,650,799</u>

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



**COUNTY OF COKE**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities - Modified Cash Basis**  
**Year Ended September 30, 2012**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 413,061</b>
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net assets.	37,879
The gross amount received from the disposal of capital assets used in governmental activities is reported in the governmental funds as other revenues. In the government-wide financial statements disposal proceeds are reduced by the remaining depreciable basis of the assets. The net effect of the adjustments is to decrease net assets.	(20,108)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	<u>(132,536)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 298,296</u></b>

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

COUNTY OF COKE  
Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
September 30, 2012

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	\$ 161,405
Temporary Investments	<u>2,511</u>
Total Assets	<u><u>\$ 163,916</u></u>
<b><u>LIABILITIES</u></b>	
Due to Other Funds	\$ 27,956
Due to Other Governments	71,145
Due to Others	<u>64,815</u>
Total Liabilities	<u><u>\$ 163,916</u></u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Coke, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**A. Reporting Entity**

The County of Coke, Texas, was organized by an Act of the Texas Legislature in 1889. The County is governed by the Commissioners' Court, a five member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

**Measurement Focus - Continued**

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

**Basis of Accounting**

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

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

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

Additionally, the government reports the following fund type:

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

**D. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net assets.

**E. Capital Assets**

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Capital Assets - Continued**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	12-30
Machinery and Equipment	5-10

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

**F. Compensated Absences**

County employees are entitled to vacation and sick leave based on their length of employment. Vacation and sick leave do not accumulate or vest. Employees are not paid for unused vacation or sick leave upon separation from service.

**G. Fund Balances**

In the fund financial statements, governmental funds report the following classifications of fund balance:

**Committed** - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

**Unassigned** - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

**H. Net Assets on the Statement of Net Assets**

Net assets on the statement of net assets including the following:

**Invested in Capital Assets** - This component of net assets represents capital assets net of accumulated depreciation.

**Unrestricted** - This is the difference between assets and liabilities that is not reported as Invested in Capital Assets.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

**J. Interfund Transfers**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

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

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

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

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

**Concentration of Credit Risk:** The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2012, all of the County's investments are in certificates of deposit with its depository bank. The County is not exposed to this risk as described in the preceding paragraph.

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

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

**Foreign Currency Risk:** Not applicable

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

Cash in Bank	\$ 1,111,701
Certificates of Deposit	<u>1,675,058</u>
<b>Total Cash and Temporary Investments</b>	<b><u>\$ 2,786,759</u></b>

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

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 0	\$ 615	Current Operations
Fiduciary Funds	23,540	0	Unremitted Fees
	<u>\$ 23,540</u>	<u>\$ 615</u>	
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 4,416</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
General Fund	<u>\$ 615</u>	<u>\$ 0</u>	Current Operations
Fiduciary Funds			
General Fund	\$ 0	\$ 23,540	Unremitted Fees
Road and Bridge Fund	0	4,416	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 27,956</u>	
Totals	<u>\$ 28,571</u>	<u>\$ 28,571</u>	

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

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Buildings and Improvements	1,924,099	0	0	1,924,099
Machinery and Equipment	1,677,138	37,879	64,136	1,650,881
Total Capital Assets	<u>\$ 3,616,237</u>	<u>\$ 37,879</u>	<u>\$ 64,136</u>	<u>\$ 3,589,980</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (1,380,056)	\$ (34,125)	\$ 0	\$ (1,414,181)
Machinery and Equipment	(1,296,881)	(98,411)	(44,028)	(1,351,264)
Total Accumulated Depreciation	<u>\$ (2,676,937)</u>	<u>\$ (132,536)</u>	<u>\$ (44,028)</u>	<u>\$ (2,765,445)</u>
Governmental Activities Capital Assets, Net	<u>\$ 939,300</u>	<u>\$ (94,657)</u>	<u>\$ 20,108</u>	<u>\$ 824,535</u>



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

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Capital Assets - Continued**

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 50,514
Roads and Bridges	36,584
Public Safety	24,925
Public Health and Welfare	1,467
Culture and Recreation	<u>19,046</u>
Total	<u>\$ 132,536</u>

**IV. OTHER INFORMATION**

**A. Retirement Plan**

**Plan Description** - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at [www.tcdrs.org](http://www.tcdrs.org), by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

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 80 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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

**Funding Policy** - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 13.09% for the months of the accounting year in 2011 and 13.91% for the months of the accounting year in 2012.

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

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

IV. OTHER INFORMATION - Continued

A. Retirement Plan - Continued

Annual Pension Cost - For the employer's accounting year ended September 30, 2012, the annual pension cost for the TCDRS plan for its employees was \$142,004, and the actual contributions were \$142,004.

Actuarial Valuation Information

Actuarial Valuation Date	12-31-09	12-31-10	12-31-11
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	20.0	20.0	20.0
Asset Valuation Method	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value
Actuarial Assumptions:			
Investment Return <sup>1</sup>	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

<sup>1</sup> Includes Inflation at the Stated Rate

Trend Information

<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-10	\$ 123,063	100%	\$ 0
9-30-11	131,665	100%	0
9-30-12	142,004	100%	0

The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 8% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011, was 20 years.

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

**IV. OTHER INFORMATION - Continued**

**A. Retirement Plan - Continued**

Funded Status and Funding Progress - As of December 31, 2011, the most recent actuarial valuation date, the plan was 76.42% funded. The actuarial accrued liability for benefits was \$3,145,027, and the actuarial value of assets was \$2,403,283, resulting in an unfunded actuarial accrued liability (UAAL) of \$741,744. The covered payroll (annual payroll of active employees covered by the plan) was \$1,020,117 and the ratio of the UAAL to the covered payroll was 72.71%.

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

**B. Self-Insurance**

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liabilities other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and employee crime.

The County self-insures the physical damage portion of all heavy equipment in the Road and Bridge Departments.

**C. Prior Period Adjustments**

The fund balance of the governmental funds decreased a total of \$18,336 to record various miscellaneous adjustments related to the prior year. Net Assets on the government-wide statements decreased by a like amount.

**D. Subsequent Events**

The County's management has evaluated subsequent events through January 15, 2013, the date which the financial statements were available for issue.

Required Supplementary Information

**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Modified Cash Basis - Budget and Actual**  
**General Fund**  
**Year Ended September 30, 2012**

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Taxes</b>				
Ad valorem Taxes	\$ 1,456,358	\$ 1,456,358	\$ 1,454,031	\$ (2,327)
Abated Taxes	93,950	93,950	93,950	0
<b>Total Taxes</b>	<b>\$ 1,550,308</b>	<b>\$ 1,550,308</b>	<b>\$ 1,547,981</b>	<b>\$ (2,327)</b>
<b>Fees</b>				
Robert Lee Recreation Hall	\$ 3,000	\$ 3,000	\$ 3,820	\$ 820
Bronte Recreation Hall	2,500	2,500	2,820	320
Trapper's Association	16,600	16,600	14,400	(2,200)
County Attorney	700	700	495	(205)
County Judge	150	150	132	(18)
Sheriff	5,500	5,500	4,938	(562)
County and District Clerk	51,128	51,128	51,616	488
Justice of the Peace Number One	10,398	10,398	10,907	509
Justice of the Peace Number Two	15,596	15,596	11,386	(4,210)
Constable	700	700	355	(345)
Tax Assessor-Collector	20,000	20,000	14,619	(5,381)
CRPA	500	500	588	88
Records Tech Fund	500	500	145	(355)
Ad Litem	500	500	435	(65)
VSP	500	500	64	(436)
CTF	500	500	179	(321)
Election Machine Rental	6,200	6,200	6,244	44
Robert Lee Pool	6,000	6,000	6,276	276
Robert Lee Trailer Park	700	700	1,060	360
Bronte Trailer Park	4,300	4,300	6,589	2,289
Bronte Pool	9,000	9,000	10,274	1,274
Underground Utilities Water District	900	900	900	0
COG Meal Reimbursements - Senior Citizens	20,000	20,000	21,266	1,266
COG Fares	0	0	110	110
Senior Citizens Meal Contributions	7,500	7,500	8,261	761
Hot Checks	0	0	60	60
State Funds	4,000	4,000	0	(4,000)
Appraisal District Utilities	1,800	1,800	1,800	0
Towing and Estray	300	300	0	(300)
Collection Reimbursement	3,000	3,000	0	(3,000)
<b>Total Fees</b>	<b>\$ 192,472</b>	<b>\$ 192,472</b>	<b>\$ 179,739</b>	<b>\$ (12,733)</b>
<b>Fines</b>				
County and District Clerk	\$ 8,872	\$ 8,872	\$ 8,957	\$ 85
Justice of the Peace Number One	29,602	29,602	31,050	1,448
Justice of the Peace Number Two	44,404	44,404	32,419	(11,985)
<b>Total Fines</b>	<b>\$ 82,878</b>	<b>\$ 82,878</b>	<b>\$ 72,426</b>	<b>\$ (10,452)</b>

**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Modified Cash Basis - Budget and Actual**  
**General Fund - Continued**  
**Year Ended September 30, 2012**

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES - Continued</u></b>				
<b>Intergovernmental</b>				
County Judge State Salary Supplement	\$ 15,000	\$ 15,000	\$ 5,000	\$ (10,000)
Rural Transportation - Senior Citizens	25,000	25,000	14,715	(10,285)
General Miscellaneous	0	0	60,033	60,033
County Attorney State Salary Supplement	20,833	20,833	41,666	20,833
Delinquent Attorney SB7	6,000	6,000	7,691	1,691
Mass Transportation - COG Senior Citizens	20,000	20,000	32,205	12,205
<b>Total Intergovernmental</b>	<b>\$ 86,833</b>	<b>\$ 86,833</b>	<b>\$ 161,310</b>	<b>\$ 74,477</b>
<b>Interest</b>				
Interest Collected	\$ 14,200	\$ 14,200	\$ 18,380	\$ 4,180
<b>Miscellaneous</b>				
Oil and Gas Sale	\$ 3,000	\$ 3,000	\$ 2,236	\$ (764)
Employee Reimbursement Phone	50	50	0	(50)
General Miscellaneous	21,967	21,967	61,923	39,956
Sign Materials	700	700	116	(584)
Payment In Lieu of Taxes	4,000	4,000	1,497	(2,503)
Sale of Assets	0	0	6,500	6,500
Redeposit Voided Checks	50	50	0	(50)
<b>Total Miscellaneous</b>	<b>\$ 29,767</b>	<b>\$ 29,767</b>	<b>\$ 72,272</b>	<b>\$ 42,505</b>
<b>Total Revenues</b>	<b>\$ 1,956,458</b>	<b>\$ 1,956,458</b>	<b>\$ 2,052,108</b>	<b>\$ 95,650</b>
<b><u>EXPENDITURES</u></b>				
<b>General Government</b>				
County Judge	\$ 94,779	\$ 94,779	\$ 92,996	\$ 1,783
County Auditor	78,467	78,467	76,220	2,247
Tax Assessor-Collector	145,619	145,619	141,070	4,549
County and District Clerk	67,420	67,420	66,231	1,189
County Treasurer	53,156	53,156	49,038	4,118
Agricultural Extension Agents	83,587	83,587	67,628	15,959
Veterans Service Officer	2,728	2,728	2,724	4
Appraisal District	36,000	36,494	36,493	1
Maintenance Salary	32,492	32,492	31,326	1,166
<b>Nondepartmental</b>				
FICA	0	8	8	0
Cellular Phone	900	900	576	324
OSSF Agent	1,000	1,000	0	1,000
Miscellaneous	36,000	12,000	11,804	196
Miscellaneous Travel	1,200	1,200	739	461

**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Modified Cash Basis - Budget and Actual**  
**General Fund - Continued**  
**Year Ended September 30, 2012**

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES - Continued</b>				
General Government - Continued				
Nondepartmental - Continued				
Postage	11,000	12,062	12,062	0
Advertising	3,000	3,000	2,176	824
Zesch and Pickett	1,200	1,200	940	260
Coke County Annex	600	600	544	56
Election Expense	7,000	7,000	6,978	22
Wire Transfer	500	500	30	470
Outside Audit Fees	19,000	19,000	17,771	1,229
Soil and Water Conservation District	500	500	500	0
Copier Maintenance	9,500	9,500	7,142	2,358
Building Repairs	20,000	15,553	0	15,553
Industrial Committee	500	500	0	500
Officials' Bonds	5,000	5,000	1,171	3,829
Postage Meter Rental	2,600	1,463	1,367	96
Membership Dues	7,000	7,000	5,181	1,819
County Cemetery Maintenance	500	500	0	500
Post Office Box Rentals - Officials	500	500	302	198
Liability Insurance	42,260	23,807	22,272	1,535
Airport Lights	2,000	2,000	976	1,024
Compliance Updates	1,400	1,400	1,256	144
Redistricting Expense	0	5,500	5,500	0
Reverse 911	950	950	920	30
Sign Materials	1,000	1,000	884	116
Courthouse Maintenance and Supplies	10,000	14,447	14,446	1
Electronic Voting Machine	8,000	8,000	6,494	1,506
Utilities	27,000	27,000	18,894	8,106
Update Server	7,800	7,800	4,679	3,121
Grants	0	36,953	36,952	1
Water Well Utilities	700	700	238	462
Fax Line	800	867	866	1
Total General Government	<u>\$ 823,658</u>	<u>\$ 824,152</u>	<u>\$ 747,394</u>	<u>\$ 76,758</u>
Justice System				
County and District Clerk	\$ 67,421	\$ 67,421	\$ 66,231	\$ 1,190
County Attorney	94,264	96,113	95,949	164
Justice of the Peace Number One	31,806	32,129	30,873	1,256
Justice of the Peace Number Two	36,520	36,520	33,355	3,165
Jury Court	27,707	27,707	21,319	6,388
Probation Officer	5,196	5,196	3,152	2,044
Total Justice System	<u>\$ 262,914</u>	<u>\$ 265,086</u>	<u>\$ 250,879</u>	<u>\$ 14,207</u>

**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Modified Cash Basis - Budget and Actual**  
**General Fund - Continued**  
**Year Ended September 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES - Continued</b>				
<b>Public Safety</b>				
Sheriff	\$ 447,296	\$ 447,296	\$ 414,315	\$ 32,981
Constable Number One	32,313	31,990	31,110	880
Constable Number Two	33,959	33,959	31,290	2,669
Towing and Estray	300	300	0	300
Telephone DPS	650	650	553	97
Emergency Management	2,500	2,500	2,500	0
Fire Departments - Bronte and Robert Lee	12,000	12,000	12,000	0
<b>Total Public Safety</b>	<b>\$ 529,018</b>	<b>\$ 528,695</b>	<b>\$ 491,768</b>	<b>\$ 36,927</b>
<b>Public Health and Welfare</b>				
Indigent	\$ 9,500	\$ 9,500	\$ 2,683	\$ 6,817
Senior Citizens Centers	61,282	61,282	56,481	4,801
Drug Counselor	1,000	1,000	0	1,000
Mass Transportation - Senior Citizens	59,911	58,827	60,183	(1,356)
<b>Total Public Health and Welfare</b>	<b>\$ 131,693</b>	<b>\$ 130,609</b>	<b>\$ 119,347</b>	<b>\$ 11,262</b>
<b>Culture and Recreation</b>				
County Library	\$ 17,808	\$ 17,808	\$ 16,899	\$ 909
Robert Lee Park	100,379	100,379	89,104	11,275
Bronte Park	90,688	90,688	83,192	7,496
Historical Commission	300	300	300	0
<b>Total Culture and Recreation</b>	<b>\$ 209,175</b>	<b>\$ 209,175</b>	<b>\$ 189,495</b>	<b>\$ 19,680</b>
<b>Total Expenditures</b>	<b>\$ 1,956,458</b>	<b>\$ 1,957,717</b>	<b>\$ 1,798,883</b>	<b>\$ 158,834</b>
<b>Net Change in Fund Balance</b>	<b>\$ 0</b>	<b>\$ (1,259)</b>	<b>\$ 253,225</b>	<b>\$ 254,484</b>
<b>Fund Balance - Beginning</b>	<b>1,434,443</b>	<b>1,434,443</b>	<b>1,434,443</b>	<b>0</b>
<b>Prior Period Adjustments</b>	<b>0</b>	<b>0</b>	<b>(12,261)</b>	<b>(12,261)</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,434,443</b>	<b>\$ 1,433,184</b>	<b>\$ 1,675,407</b>	<b>\$ 242,223</b>



**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Modified Cash Basis - Budget and Actual**  
**Road and Bridge Fund**  
**Year Ended September 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
<b>Taxes</b>				
Ad valorem Taxes	\$ 409,474	\$ 409,474	\$ 405,043	\$ (4,431)
Abated Taxes	100,000	100,000	100,000	0
<b>Total Taxes</b>	<b><u>\$ 509,474</u></b>	<b><u>\$ 509,474</u></b>	<b><u>\$ 505,043</u></b>	<b><u>\$ (4,431)</u></b>
<b>Fees</b>				
Vehicle Registrations	\$ 212,000	\$ 212,000	\$ 227,150	\$ 15,150
Gross Weight and Axle	7,600	7,600	10,718	3,118
Precinct Work	2,000	2,000	595	(1,405)
<b>Total Fees</b>	<b><u>\$ 221,600</u></b>	<b><u>\$ 221,600</u></b>	<b><u>\$ 238,463</u></b>	<b><u>\$ 16,863</u></b>
<b>Interest</b>				
Interest Collected	\$ 2,200	\$ 2,200	\$ 3,689	\$ 1,489
<b>Miscellaneous</b>				
Miscellaneous	\$ 200	\$ 200	\$ 781	\$ 581
<b>Total Revenues</b>	<b><u>\$ 733,474</u></b>	<b><u>\$ 733,474</u></b>	<b><u>\$ 747,976</u></b>	<b><u>\$ 14,502</u></b>
<b><u>EXPENDITURES</u></b>				
<b>General Government</b>				
Commissioners' Salaries	\$ 106,944	\$ 111,748	\$ 111,744	\$ 4
Commissioners' Benefits	50,301	52,018	52,673	(655)
<b>Total General Government</b>	<b><u>\$ 157,245</u></b>	<b><u>\$ 163,766</u></b>	<b><u>\$ 164,417</u></b>	<b><u>\$ (651)</u></b>
<b>Roads and Bridges</b>				
<b>Precinct Number One</b>				
Labor - Road Hands	\$ 53,622	\$ 53,742	\$ 48,742	\$ 5,000
Employee Benefits	26,901	26,673	25,069	1,604
Cellular Phone	960	960	532	428
Conference	1,500	1,500	55	1,445
Miscellaneous	2,557	2,557	161	2,396
Auto Liability	8,360	5,787	4,882	905
Materials and Supplies	3,500	4,068	4,067	1
Caliche	4,500	4,500	0	4,500
Cold Mix	2,000	3,069	3,069	0
Signs	500	500	88	412
Equipment Parts and Repairs	9,000	9,000	5,542	3,458
Tires and Tubes	2,000	2,000	776	1,224
Gas and Oil	8,000	9,781	9,781	0
Utilities	1,200	1,200	569	631
New Equipment	20,500	18,110	950	17,160
<b>Total Precinct Number One</b>	<b><u>\$ 145,100</u></b>	<b><u>\$ 143,447</u></b>	<b><u>\$ 104,283</u></b>	<b><u>\$ 39,164</u></b>

**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Modified Cash Basis - Budget and Actual**  
**Road and Bridge Fund - Continued**  
**Year Ended September 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>EXPENDITURES - Continued</u></b>				
<b>Roads and Bridges - Continued</b>				
<b>Precinct Number Two</b>				
Labor - Road Hands	\$ 48,222	\$ 48,342	\$ 47,842	\$ 500
Employee Benefits	20,581	20,420	20,342	78
Cellular Phone	1,000	1,000	631	369
Conference	1,700	1,700	55	1,645
Miscellaneous	1,500	1,380	395	985
Auto Liability	8,360	5,233	4,882	351
Materials and Supplies	2,900	4,597	4,597	0
Caliche	7,000	7,000	0	7,000
Cold Mix	2,500	2,500	1,375	1,125
Signs	875	875	0	875
Equipment Parts and Repairs	5,000	29,374	27,147	2,227
Tires and Tubes	4,000	4,000	1,208	2,792
Gas and Oil	9,364	9,364	6,611	2,753
Utilities	2,100	2,100	1,013	1,087
New Equipment	32,000	7,626	2,250	5,376
Total Precinct Number Two	<u>\$ 147,102</u>	<u>\$ 145,511</u>	<u>\$ 118,348</u>	<u>\$ 27,163</u>
<b>Precinct Number Three</b>				
Labor - Road Hands	\$ 49,062	\$ 49,182	\$ 48,682	\$ 500
Employee Benefits	20,823	20,700	20,621	79
Cellular Phone	600	600	437	163
Conference	1,200	1,200	270	930
Miscellaneous	1,478	1,478	110	1,368
Auto Liability	8,360	6,752	4,882	1,870
Materials and Supplies	5,781	5,781	5,261	520
Caliche	4,000	4,000	0	4,000
Cold Mix	4,500	4,500	3,506	994
Signs	500	500	469	31
Equipment Parts and Repairs	6,000	14,137	14,136	1
Tires and Tubes	3,000	3,000	1,300	1,700
Gas and Oil	11,500	11,500	917	10,583
Utilities	1,600	1,600	1,386	214
New Equipment	25,000	16,863	3,249	13,614
Total Precinct Number Three	<u>\$ 143,404</u>	<u>\$ 141,793</u>	<u>\$ 105,226</u>	<u>\$ 36,567</u>

**COUNTY OF COKE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Modified Cash Basis - Budget and Actual**  
**Road and Bridge Fund - Continued**  
**Year Ended September 30, 2012**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>EXPENDITURES - Continued</u></b>				
Roads and Bridges - Continued				
Precinct Number Four				
Labor - Road Hands	\$ 48,962	\$ 49,162	\$ 49,162	\$ 0
Employee Benefits	25,875	25,683	25,682	1
Cellular Phone	1,250	1,250	776	474
Conference	1,000	1,000	750	250
Miscellaneous	500	500	195	305
Auto Liability	8,360	4,883	4,882	1
Materials and Supplies	2,700	4,037	4,036	1
Caliche	4,500	4,500	215	4,285
Cold Mix	2,100	2,100	1,196	904
Signs	800	800	487	313
Equipment Parts and Repairs	6,500	28,129	24,501	3,628
Tires and Tubes	1,500	2,548	2,358	190
Gas and Oil	10,000	10,000	6,529	3,471
Utilities	1,576	1,576	878	698
New Equipment	25,000	2,789	2,250	539
Total Precinct Number Four	<u>\$ 140,623</u>	<u>\$ 138,957</u>	<u>\$ 123,897</u>	<u>\$ 15,060</u>
Total Roads and Bridges	<u>\$ 576,229</u>	<u>\$ 569,708</u>	<u>\$ 451,754</u>	<u>\$ 117,954</u>
 Total Expenditures	 <u>\$ 733,474</u>	 <u>\$ 733,474</u>	 <u>\$ 616,171</u>	 <u>\$ 117,303</u>
 Net Change in Fund Balance	 \$ 0	 \$ 0	 \$ 131,805	 \$ 131,805
 Fund Balance - Beginning	 682,576	 682,576	 682,576	 0
 Prior Period Adjustments	 <u>0</u>	 <u>0</u>	 <u>(5,130)</u>	 <u>(5,130)</u>
 Fund Balance - Ending	 <u>\$ 682,576</u>	 <u>\$ 682,576</u>	 <u>\$ 809,251</u>	 <u>\$ 126,675</u>

**COUNTY OF COKE**  
**Schedule of Funding Progress for the TCDRS Retirement Plan**  
**September 30, 2012**  
**(Unaudited)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll<sup>1</sup></u>	<u>UAAL as a Percentage of Covered Payroll</u>
12-31-09	\$ 2,301,658	\$ 3,016,743	\$ 715,085	76.30 %	\$ 965,923	74.03 %
12-31-10	2,115,860	2,855,199	739,339	74.11 %	974,992	75.83 %
12-31-11	2,403,283	3,145,027	741,744	76.42 %	1,020,117	72.71 %

<sup>1</sup> The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

Other Supplementary Information

**COUNTY OF COKE**  
**Schedule of Certificates of Deposit**  
**Governmental Funds**  
**September 30, 2012**

<u>Description</u>	<u>Identifying Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount</u>
<b><u>GOVERNMENTAL FUNDS</u></b>				
General Fund				
Certificate of Deposit				
Robert Lee State Bank	17112	0.80	04-04-13	\$ 536,104
Robert Lee State Bank	17509	0.70	08-02-13	451,116
FNB Sterling City	3300941	0.60	03-19-13	504,121
FNB Sterling City	3301005	0.60	02-27-13	142,397
Clerk Records Management Fund				
Certificate of Deposit				
Robert Lee State Bank	17507	0.55	02-02-13	8,207
Archives Fund				
Certificate of Deposit				
Robert Lee State Bank	17508	0.55	02-02-13	<u>30,602</u>
<b>Total Governmental Funds</b>				<b><u><u>\$ 1,672,547</u></u></b>

**COMPLIANCE AND INTERNAL CONTROLS SECTION**

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

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Texas Society of CPAs

## 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

The Honorable County Judge  
and Commissioners' Court  
County of Coke  
13 East 7th Street  
Robert Lee, TX 76945

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coke, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the County of Coke, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Coke'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 of Coke's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Coke's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis.

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

We noted certain matters involving internal control over financial reporting that we reported to management of the County of Coke in a separate letter dated January 15, 2013.



The Honorable County Judge  
and Commissioners' Court  
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Compliance and Other Matters

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

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

*Eckert & Company, LLP*

January 15, 2013