

**COCHRAN COUNTY, TEXAS**  
**ANNUAL FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

COCHRAN COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDING DECEMBER 31, 2011

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ANNUAL FINANCIAL REPORT  
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# COCHRAN COUNTY, TEXAS

## COUNTY OFFICIALS

Pat Phelan ..... Judge, 286<sup>th</sup> Judicial District  
James St. Clair ..... County Judge  
Donnie Simpson..... Commissioner, Precinct 1  
Margaret Allen..... Commissioner, Precinct 2  
Stacey Dunn..... Commissioner, Precinct 3  
Johnny Timmons ..... Commissioner, Precinct 4  
R. W. Stalcup ..... County Sheriff  
J. Collier Adams, Jr. .... County Attorney  
Donna Schmidt ..... Justice of the Peace, Precinct 1  
Gary Goff..... District Attorney  
Clarence Roberts, Jr..... Constable, Precinct 1  
Rita Tyson..... County & District Clerk  
Doris Sealy..... County Treasurer  
Treva Jackson ..... County Tax Assessor-Collector  
Danny Wiseley..... County Auditor

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

In this section of the Annual Financial and Compliance Report, the management of Cochran County, Texas, discuss and analyze the County's financial performance for the fiscal year ended December 31, 2011. Please read it in conjunction with the independent auditor's report and the County's basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- At the close of the most recent fiscal year, Cochran County's assets exceeded its liabilities by \$8,069,820. Of this amount, \$4,646,674 was unrestricted net assets.
- The County's net assets decreased by \$252,151, or 3.03% as a result of this year's operations.
- During the year, the County had expenditures of \$4,651,501, which were \$816,980 more than the \$3,834,521 generated in tax and other revenues for governmental programs (before special items). This compares to last year when expenditures exceeded revenues by \$175,752.
- The General Fund ended the year with a fund balance of \$2,822,392. The fund balance of the General Fund is unassigned and is 82.46% of total General Fund expenditures.
- The resources available for appropriation were \$339,045 less than budgeted for the General Fund. This is primarily due to lower tax collections.
- The County again has gone through the year without issuing any long-term debt and currently has no long-term debt outstanding.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Cochran County's basic financial statements. Cochran County's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

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

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's General Fund and major special revenue fund (Road & Bridge Fund) budget compliance and other supplementary information for additional analysis that is not required to be reported under generally accepted accounting principles including

combining schedules for the nonmajor governmental funds and agency funds, a schedule of delinquent taxes receivable, a reconciliation of the current year tax roll, and schedules regarding insurance and fidelity bonding coverage.

## **REPORTING THE COUNTY AS A WHOLE – THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by federal and state agencies and fees for services (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

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

In the Statement of Net Assets and the Statement of Activities, the County contains one kind of activity:

- I. **Governmental activities** – All of the County's basic services are reported here, including general administration, public safety, justice system, road and bridge maintenance, cemetery, parks, airport, and library services. Property taxes and vehicle registration fees finance most of these activities.

## **REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS – THE FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. A fund is a group 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. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Each category uses a different accounting approach.

- **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 statements, governmental funds focus on near-term inflows and outflows 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 the County's near-term financing requirements. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and

the basic services it provides.

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. Following each of the governmental fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

- Fiduciary funds** – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Assets. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the County's governmental activities.

Net assets of the County's governmental activities decreased from \$8,321,971 to \$8,069,820. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,646,674 at December 31, 2011. This decrease in governmental net assets was mainly the result of additional expenses, a large contribution to the retirement fund, and a reduction in some charges for services received.

<b>Table I</b>		
<b>Cochran County, Texas</b>		
<b>NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Current and Other Assets	6,214,763	6,402,318
Capital Assets	1,921,147	1,968,648
<b>Total Assets</b>	<b>8,135,910</b>	<b>8,370,966</b>
<b>Liabilities:</b>		
Other Liabilities	66,090	48,995
<b>Total Liabilities</b>	<b>66,090</b>	<b>48,995</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,921,147	1,968,648
Restricted	1,501,999	28,083
Unrestricted	4,646,674	6,325,240
<b>Total Net Assets</b>	<b>8,069,820</b>	<b>8,321,971</b>

<b>Table II</b>		
<b>Cochran County, Texas</b>		
<b>CHANGES IN NET ASSETS</b>		
	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	390,365	468,526
Operating Grants and Contributions	30,756	57,524
Capital Grants and Contributions	31,121	12,838
<b>General Revenues:</b>		
Property Taxes	3,781,815	3,789,802
Penalty and Interest	28,821	26,406
Grants and Contributions Not Restricted	66,357	67,861
Miscellaneous Revenue	79,969	53,247
Investment Earnings	37,647	38,007
<b>Total Revenue</b>	<b>4,446,851</b>	<b>4,514,211</b>
<b>Expenses:</b>		
General Government	2,043,953	1,839,644
Public Safety	1,254,791	1,100,475
Highways And Streets	978,743	956,695
Culture and Recreation	421,515	367,567
<b>Total Expenses</b>	<b>4,699,002</b>	<b>4,264,381</b>
<b>Increase/(Decrease) In Net Assets Before Transfers and Special Items</b>	<b>(252,151)</b>	<b>249,830</b>
Transfers	0	0
Special Items	0	0
<b>Increase/(Decrease) In Net Assets</b>	<b>(252,151)</b>	<b>249,830</b>
<b>Net Assets at the Beginning of the Year</b>	<b>8,321,871</b>	<b>8,072,141</b>
<b>Prior Period Adjustment</b>	<b>0</b>	<b>0</b>
<b>Net Assets at the End of the Year</b>	<b>8,069,820</b>	<b>8,321,971</b>

Key factors related to the County's financial performance over the last year include the following:

1. Mineral and related taxable values recovered from the sharp drop last year. Local real and personal property taxable values were relatively stable, but mineral/industrial values led the way to an overall increase in taxable value of over 19%. The total taxable value of \$729,485,690 on the 2010 roll is the highest since 1986. In light of this increase, the Commissioners Court was able to decrease the tax rate 6.49 cents per \$100 valuation.
2. County personnel numbers are substantially the same as the previous year.

The cost of all governmental activities this year was \$4,699,002. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was \$3,810,636 because some of the costs were paid with charges for services of \$390,365, grants and contributions of \$128,234, other various general revenues of \$117,616, and net assets from prior years of \$252,151.

### **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$3,647,038, which is below last year's total of \$4,455,565. Included in this year's total change in fund balance is a decrease of \$810,509 in the County's General Fund. This overall decrease is primarily due to a decrease in tax collections and increases in expenditures in all functions.

For fiscal year 2011, actual expenditures on a budgetary basis for the General Fund were \$3,411,904, compared to the original budgeted expenditures of \$4,127,471. Actual revenue on a budgetary basis was \$2,615,632 compared to the original budget of \$2,954,677. Reasons for the actual numbers varying from the budget follow:

1. Continued favorable results from County loss control programs, and benefits derived from participation in the Texas Association of Counties Risk Pools for liability coverage led to continued low premiums. Good fortune was again realized in regard to claims and judgments, roof and building systems replacement, and expensive equipment breakdowns.
2. Low interest rates nationally had a negative effect on earnings realized during the year. Estimated increases in interest earnings failed to materialize with the Federal Reserve's actions to keep interest artificially low.
3. Substantial savings continue to be realized from the cancellation of heating, ventilation, and air conditioning mechanical maintenance contracts on the main County buildings. Repair and maintenance of these systems is being provided on a time and materials basis by other contractors. It is becoming more difficult to find suitable repair firms willing to travel to Morton, so resorting to an annual contract could become necessary in the future.
4. Group health insurance costs increased once again during 2011. Some think a significant part of the increase is due to federal legislation. County Treasurer Doris Sealy aggressively promotes participation by employees and officials in available health maintenance programs, as well as annual health screening. Again, the County benefited from participation in a Texas Association of Counties group program.

Over the course of the year, the County's Commissioners Court revised the County's budget ten times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The primary amendments include:

- the County increased capital outlay for grant funds received during the year and added them to the budget;
- the County shifted funds budgeted to capital outlay and other accounts as projected purchases were not made and other expenditures were, including funding additional retirement contributions.

Exhibits G-1 and G-2 provide a detailed comparison of these changes.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At the end of fiscal year 2011, the County had \$6,893,189 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure.

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

- replacement of three sheriff vehicles;
- a vehicle to be used by Juvenile Probation;
- electric doors at courthouse handicapped entrance;
- replacement equipment building at radio tower;
- completion of new well at precinct one shop;
- replacement of pickup truck, tractor-trailer, and dump truck for road work;
- replacement of pickup truck for county park and cemetery;
- a new stock trailer for transport of 4-H animals;
- new court cost collection system hardware and software;

- replacement of air conditioner in dispatch office; and
- replacement of a motor grader.

The County's fiscal year 2012 capital budget calls for expenditures of around \$1,196,000. This includes the following:

- replacement of one sheriff vehicle;
- Justice of Peace software and hardware;
- file cabinet system and new photocopier in Clerk's office;
- new elections equipment;
- partial payment of new tax collections software and hardware;
- a used truck-tractor and a used dump truck for road work;
- replacement of an agricultural-type tractor in Precinct 1;
- a new wheeled loader for Precinct 1;
- a new skid-type tank and pump unit for City of Whiteface;
- a new sign/message board for the County Library;
- replacement of courthouse boiler and controls; and
- new air conditioning units for NRCS office.

The County currently has no long-term debt at all, and there are no plans to issue any debt to finance these expenditures. More detailed information about the County's capital assets is presented in Note III, Item E to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials considered many factors when setting the fiscal year 2012 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values climbed again this year. Local real and personal property taxable values have remained relatively unchanged for the last several years. Overall, valuations increased 8.5% from last year's figures. For the 2012 budget, the Commissioners Court was able to reduce the total county tax rate by \$0.041/\$100 valuation.
2. Projected General Fund revenues are expected to increase about \$186,000 from last year, due primarily to the increase in mineral values not being completely offset by the tax rate decrease. Similarly, the Road and Bridge fund tax revenue is projected to increase by about \$89,575.
3. The budget allows for 53 full-time positions (including elected officials) and 9 part-time positions, the same number of personnel as the previous year.
4. Capital expenditures in the 2012 Road & Bridge Fund anticipate the replacement of another aging dump truck if a suitable used truck can be obtained at reasonable cost. The replacement of at least one wheeled loader is also anticipated. The Commissioners Court has determined that keeping motor graders longer than the warranty period results in higher overall costs due to market factors affecting trade allowances. It seems that factory governmental pricing breaks follow the machine for a period of time, making them more attractive to independent contractors if they are traded within that period. Continuing to operate the graders past the warranty period also exposes the County to the monetary risk of major repairs in addition to the downtime involved
5. The oil industry in our area has had successful years but continues to be very unpredictable, as has been the agriculture industry. These two industries remain the largest parts of our local business activity and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population numbers for Cochran County. The release of 2010 census figures confirmed that the population of Cochran County is declining rapidly, showing a 16.2% loss since the 2000 census. Efforts to help strengthen and expand existing business and industry are largely invisible, and progress in the area of economic development seems to be limited.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, consumers, and investors and creditors with a general overview of Cochran County's finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact County Auditor, Cochran County, Texas, 100 North Main St., Morton, Texas, 79346.

FINANCIAL SECTION

# MYATT, BLUME AND FIDALEO, LTD., L.L.P.

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## INDEPENDENT AUDITOR'S REPORT

To the Cochran County Commissioners Court  
Cochran County, Texas  
100 North Main  
Morton, Texas 79346

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas (the County) as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas as of December 31, 2011, 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 December 4, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,



Myatt, Blume, & Fidaleo, Ltd., L.L.P.  
Certified Public Accountants  
Levelland, Texas 79336

December 4, 2012

## **BASIC FINANCIAL STATEMENTS**

COCHRAN COUNTY, TX  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,448,655
Investments - Current	1,183,921
Receivables (Net of Allowance for Uncollectibles)	2,508,985
Due from Agency Funds	73,202
Capital Assets:	
Land	76,518
Buildings & Building Improvements, Net	706,495
Land Improvements, Net	173,127
Machinery & Equipment, Net	965,007
Total Assets	8,135,910
<b>LIABILITIES</b>	
Accounts Payable & Other Current Liabilities	66,090
Total Liabilities	66,090
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,921,147
Restricted for:	
Library Endowment	28,083
Records Management/Preservation	11,284
Courthouse Projects	28,707
Highways & Streets	1,433,925
Unrestricted Net Assets	4,646,674
Total Net Assets	\$ 8,069,820

The notes to the Financial Statements are an integral part of this statement.

COCHRAN COUNTY, TX  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 2,043,953	\$ 146,418	\$ -
Public Safety	1,254,791	8,370	20,607
Highways and Streets	978,743	234,014	-
Culture and Recreation	421,515	1,563	10,149
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 4,699,002</b>	<b>\$ 390,365</b>	<b>\$ 30,756</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes  
Penalty and Interest  
Grants and Contributions Not Restricted  
Miscellaneous Revenue  
Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (1,897,535)
31,121	(1,194,693)
-	(744,729)
-	(409,803)
<u>\$ 31,121</u>	<u>(4,246,760)</u>

3,781,815
28,821
66,357
79,969
37,647
<u>3,994,609</u>
(252,151)
8,321,971
<u>\$ 8,069,820</u>

COCHRAN COUNTY, TX  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,101,838	\$ 113,086	\$ 233,731	\$ 2,448,655
Investments - Current	721,505	428,262	34,154	1,183,921
Taxes Receivable	1,838,391	707,472	-	2,545,863
Allowance for Uncollectible Taxes (Credit)	(219,411)	(73,572)	-	(292,983)
Intergovernmental Receivables	7,350	-	-	7,350
Due from Other Funds	57,357	15,739	684	73,780
<b>Total Assets</b>	<b>\$ 4,507,030</b>	<b>\$ 1,190,987</b>	<b>\$ 268,569</b>	<b>\$ 5,966,586</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 31,016	\$ 514	\$ 496	\$ 32,026
Accrued Payroll Liabilities	34,064	-	-	34,064
Due to Other Funds	578	-	-	578
Deferred Revenues	1,618,980	633,900	-	2,252,880
<b>Total Liabilities</b>	<b>1,684,638</b>	<b>634,414</b>	<b>496</b>	<b>2,319,548</b>
<b>Fund Balances:</b>				
<b>Nonspendable Fund Balance:</b>				
Endowment Principal	-	-	28,083	28,083
<b>Restricted Fund Balance:</b>				
Other Restricted Fund Balance	-	556,573	221,584	778,157
<b>Committed Fund Balance:</b>				
Other Committed Fund Balance	-	-	18,406	18,406
Unassigned Fund Balance	2,822,392	-	-	2,822,392
<b>Total Fund Balances</b>	<b>2,822,392</b>	<b>556,573</b>	<b>268,073</b>	<b>3,647,038</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,507,030</b>	<b>\$ 1,190,987</b>	<b>\$ 268,569</b>	<b>\$ 5,966,586</b>

The notes to the Financial Statements are an integral part of this statement.

COCHRAN COUNTY, TX  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>3,647,038</b>
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 \$6,754,932 and the accumulated depreciation was \$4,786,284. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net assets.		1,968,648
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 2011 capital outlays is to increase net assets.		407,114
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(454,615)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting the allowance for uncollectible taxes to full accrual, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.		2,501,635
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b>8,069,820</b>

The notes to the Financial Statements are an integral part of this statement.

COCHRAN COUNTY, TX  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 2,274,686	\$ 903,252	\$ -	\$ 3,177,938
Penalty and Interest on Taxes	21,916	6,905	-	28,821
Licenses and Permits	7,575	168,086	-	175,661
Intergovernmental Revenue and Grants	98,233	-	27,399	125,632
Charges for Services	134,060	28,547	7,559	170,166
Fines	4,884	43,772	3,457	52,113
Investment Earnings	32,929	4,683	35	37,647
Rents and Royalties	24,415	-	2,600	27,015
Contributions & Donations from Private Sources	-	-	2,602	2,602
Other Revenue	25,123	11,702	101	36,926
Total Revenues	<u>2,623,821</u>	<u>1,166,947</u>	<u>43,753</u>	<u>3,834,521</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,675,949	292,823	1,251	1,970,023
Public Safety	1,186,015	-	-	1,186,015
Highways and Streets	-	719,019	-	719,019
Culture and Recreation	337,452	-	31,878	369,330
Capital Outlay:				
Capital Outlay	223,367	183,747	-	407,114
Total Expenditures	<u>3,422,783</u>	<u>1,195,589</u>	<u>33,129</u>	<u>4,651,501</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(798,962)</u>	<u>(28,642)</u>	<u>10,624</u>	<u>(816,980)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	8,453	-	-	8,453
Transfers In	-	-	20,000	20,000
Transfers Out	(20,000)	-	-	(20,000)
Total Other Financing Sources (Uses)	<u>(11,547)</u>	<u>-</u>	<u>20,000</u>	<u>8,453</u>
Net Change in Fund Balances	<u>(810,509)</u>	<u>(28,642)</u>	<u>30,624</u>	<u>(808,527)</u>
Fund Balance - January I (Beginning)	<u>3,632,901</u>	<u>585,215</u>	<u>237,449</u>	<u>4,455,565</u>
Fund Balance - December 31 (Ending)	<u>\$ 2,822,392</u>	<u>\$ 556,573</u>	<u>\$ 268,073</u>	<u>\$ 3,647,038</u>

The notes to the Financial Statements are an integral part of this statement.

COCHRAN COUNTY, TX  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(808,527)
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 removing the 2011 capital outlays is to increase net assets.		407,114
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.		(454,615)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and the adjustment to the allowance for uncollectible taxes, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.		603,877
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>(252,151)</b>

The notes to the Financial Statements are an integral part of this statement.

COCHRAN COUNTY, TX  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 301,210
Accounts Receivable-Net of Uncollectible Allowance	12,837
<b>Total Assets</b>	<b>\$ 314,047</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 178,995
Intergovernmental Payable	61,850
Due to Other Funds	73,202
<b>Total Liabilities</b>	<b>\$ 314,047</b>

The accompanying notes are an integral part of this statement.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cochran County, Texas (the County) was created in 1924 under the provisions of the State of Texas. The County operates under an elected Commissioners Court form of government. The County's major operations include county road maintenance, law enforcement, court system maintenance, and health and social services.

The County prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies the County utilizes to prepare its basic financial statements.

**A. REPORTING ENTITY**

The members of the County's Commissioners Court (Court) are elected by the public, and the Court has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of Cochran County, Texas' non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The County currently has no business-type activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include charges for collecting taxes for the surrounding cities/districts and record management services provided by the County Clerk. The "grants and contributions" columns include amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. Examples include grants for emergency response equipment. If revenues are not considered program revenues, they are considered general revenues used to support all of the County's functions. Taxes are always general revenues.

Interfund activities within governmental funds appear as due tos/due froms on the Governmental Fund Balance Sheet and as other sources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions within governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due tos/due froms on the government-wide Statement of Net Assets.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column for each major fund. The County currently has no proprietary funds.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

Pursuant to GASB Statement No. 20, the County applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of the government-wide activities and fiduciary funds are included on the appropriate Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end. Revenues not considered available are recorded as an allowance for uncollectibles.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, monies are expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other type, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenues in the year for which the taxes are levied if they will be collected within 60 days of the end of the fiscal year. Sales taxes, fines and forfeitures, and miscellaneous revenues are recorded as revenues 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until 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.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**D. FUND ACCOUNTING**

1. Governmental funds are used to account for the County's expendable financial resources and related liabilities. Currently, the County maintains a general fund and several special revenue funds. The County reports the General Fund and the Road & Bridge Fund as major funds. The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Additionally, the County reports the following fund types:
  - a. Governmental Funds:
    - i. **Special Revenue Funds** – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Some federal and state financial assistance is accounted for in special revenue funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The County has eleven funds designated as special revenue funds. The County reports one of these funds, the Road & Bridge Fund, as a major fund.
  - b. Fiduciary Funds:
    - i. **Agency Funds** – The County accounts for resources held in a custodial capacity in agency funds. This includes amounts received for County operations but not transferred to the governmental funds. The County has ten agency funds.

**E. OTHER ACCOUNTING POLICIES**

1. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. All appropriations lapse at the end of each fiscal year, and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget. Encumbrances do not constitute expenditures or liabilities.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. County employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. The County has also adopted a policy creating a sick leave pool. This pool is used for employees who have suffered a catastrophic illness or injury and have exhausted all other paid and compensatory time. The pool gains hours from employees contributing excess sick leave that they have not used.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**E. OTHER ACCOUNTING POLICIES (Cont.)**

4. Capital assets, which include land, buildings, furniture, equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Land is always capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building and Land Improvements	15-25
Infrastructure	20-25
Vehicles	5
Office Equipment	5-10
Machinery & Equipment	5-30
Water Rights	12-40

5. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as the principal balance of an endowment.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Commissioners Court. This formal action is the passage of a court order specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.
- Assigned fund balance includes amounts that are constrained by a responsible official's request for a specific purpose, but are neither restricted nor committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**E. OTHER ACCOUNTING POLICIES (Cont.)**

6. In the government-wide financial statements, restricted net assets are reported for amounts that are externally restricted by (1) creditors (e.g. bond covenants), grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provision or enabling legislation.
7. When both restricted and unrestricted amounts are available for use, County policy is generally to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, the policy uses committed amounts first, followed by assigned amounts, then unassigned amounts as needed. The County does reserve the right to deviate from this policy.
8. Any inventory or materials and supplies on hand at year-end are considered insignificant, and, therefore, not reflected in the financial statements.

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

**BUDGETARY DATA**

The State of Texas requires annual budgets to be prepared for the General and special revenue funds. The budgets are prepared on the cash basis (budget basis) in order to comply with the Constitution of the State of Texas. The County Commissioners Court on a category basis exercises budgetary controls over expenditures. The actual results of operations for the County's major funds are presented in Exhibits G-1 and G-2 in accordance with the budget (cash) basis to provide a meaningful comparison of actual results with the original and final budget. The differences between the cash basis (budget basis) and the modified accrual basis (generally accepted accounting principles [GAAP] basis) are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).

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

1. As required by the State of Texas, the County Judge, assisted by the County Auditor, prepares an annual budget prior to the beginning of the fiscal year. Budgeted funds include the General and special revenue funds. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is filed in the County Clerk's office and is open to public inspection. The Commissioners Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. The budget is then adopted at the conclusion of the last public hearing by the favorable votes of a majority of the members of the Commissioners Court. The original budget was adopted by the Commissioners Court on September 3, 2010, in accordance with the above process. The final fiscal 2011 budget revision was adopted by the Commissioners Court on December 29, 2011.
4. The Commissioners Court approves all revisions of the budget, including transfers of budgeted amounts between departments within a specific fund, transfers between funds, and increases to total expenditures of any fund.
5. The fiscal 2011 budget was prepared on the cash basis using estimated beginning and ending cash balances. There is not a significant difference in the budgeted revenues and expenditures between the cash basis and modified accrual basis.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

County Policies and Legal and Contractual Provisions Governing Deposits:

*Custodial Credit Risk for Deposits* – State statute requires that public funds in the County's depository institution be secured by eligible securities, as defined by V.T.C.A., Government Code, Chapter 2257, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the V.T.C.A., Local Government Code, Chapter 116. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The County's depository agreement provides that as security for the deposits of the County their bank will pledge to the County securities at 100% of the amount of County funds on deposit including interest accrued to date. Value of the securities comprising the pledge will be set at the lower of par value or estimated market value. The securities pledged must satisfy the requirements of V.T.C.A., Local Government Code, §116.054. Furthermore, the pledged securities are subject to the approval of the Commissioners Court as to type and value. Substitutions of securities or change of total amounts of securities may be made only by and with proper written authorization by the County. A copy of the safekeeping receipts for securities pledged will be issued to the County at the conclusion of each investment transaction.

At December 31, 2011, the carrying amount of the County's deposits (cash and certificates of deposit) was \$2,748,035. The County's cash deposits at December 31, 2011 and during the year ended December 31, 2011 were properly secured at all times by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

*Foreign Currency Risk for Deposits* – The County does not carry any foreign deposits, and therefore carries no foreign currency risk.

County Policies and Legal and Contractual Provisions Governing Investments:

Compliance with the Public Funds Investment Act

The County's investment policies are governed by State statutes. 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, (9) and bid solicitation preferences for certificates of deposit. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County's investment policies further limit State statutes such that eligible investments include the following:

- Time deposits;
- Certificates of Deposit;
- Negotiable Order of Withdrawal (NOW) accounts;

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**A. DEPOSITS AND INVESTMENTS (Cont.)**

County Policies and Legal and Contractual Provisions Governing Investments (Cont.):

- Eligible SEC-registered money market funds;
- United States Treasury Notes, Bills, and Bonds;
- Securities issued and guaranteed by various governmental agencies and instrumentalities;
- Investment pools.

The County is in substantial compliance with the requirements of the **Public Funds Investment Act** and with local policies.

Investments by the County in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 2011, Cochran County, Texas had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Certificates of Deposit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investment Pools	<u>1,184,016</u>	<u>1,183,921</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,184,016</u>	<u>\$ 1,183,921</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Additional policies and contractual provisions governing deposits and investments for Cochran County, Texas are specified below:

Credit Risk – To limit the risk that an insurer or other counter-party to an investment will not fulfill its obligations, the County prohibits investments in commercial paper, corporate bonds, and mutual bond funds.

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counter-party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the County requires counter-parties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions. All of the securities are in the County's name and held by the County's agent.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the County has set its policy to attempt to diversify its investments. The County currently achieves this through its investments in TexPool, which has a diversified portfolio.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County allows the investment officer to only place funds in investments with maturities of one year or less. The Commissioners Court may approve investments with maturities of greater than one year.

Foreign Currency Risk for Investments – The County does not carry any foreign investments, and therefore carries no foreign currency risk.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**B. TEXPOOL**

During 1986 the 69<sup>th</sup> Texas Legislature authorized the State Treasurer to incorporate a special-purpose trust company called the Texas Treasury Safekeeping Trust Company (the Trust). The Trust has direct access to the services of the Federal Reserve Bank and performs other trust company activities. It is specifically authorized to manage, disburse, transfer, safe-keep, and invest public funds and securities more efficiently and economically (Sec. 404.102 et seq., Texas Government Code).

The Trust created the Texas Local Government Investment Pool (TexPool) for governmental entities in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. Finally, TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review. TexPool is established as a trust fund, segregated from all other trustors, investments and activities of the Trust Company.

The primary objective of TexPool is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments. While safety is the primary goal of TexPool, liquidity is a simultaneous objective. After meeting the first two objectives, TexPool seeks to provide a competitive yield for the invested funds.

Investments are carried at amortized cost, which approximates fair value, as provided for by the GASB in its publication *Codification of Governmental Accounting and Financial Reporting Standards*, Section In5. Investments are priced daily and compared to TexPool's carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than 0.995 or greater than 1.005, TexPool will sell investment securities, as required, to maintain the ratio at a point between 0.995 and 1.005.

As of December 31, 2011, the County had investments totaling \$1,183,921 with TexPool. These investments had a market value of \$1,184,016.

TexPool issues a separately stated annual financial report with an August 31 fiscal year-end. A copy of this report may be obtained by writing to Texas Treasury Safekeeping Trust Company, 208 East 10<sup>th</sup> Street, Austin, Texas 78701 or by calling 512-463-4300; in addition, the report is available on the Trust's website at [www.ttstc.com](http://www.ttstc.com).

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**C. PROPERTY TAXES**

In accordance with state law, all appraisals of County property for tax purposes are made by the county-wide appraisal authority, Cochran Central Appraisal District. Assessed values are based upon 100 percent of appraised market value and are reviewed every three years. Taxpayers have the right to challenge the assessed value.

The County's property taxes are levied each October 1 based upon 100 percent of the assessed value listed as of the prior January 1 for all real and business personal 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 by state law to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the County's fiscal year.

The tax rate for fiscal year 2012 (2011 tax levy) was \$0.344 per \$100 assessed value for County General Fund operations and \$0.135 per \$100 assessed value for County Road and Bridge Fund operations. The maximum allowable tax rate for the County is \$1.10 for each \$100 assessed value. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year, as defined by statute, by 8%.

The original appraised taxable values upon which the 2010 tax levy was based were \$790,987,215 and \$788,599,588 for the General Fund tax rate and the Road and Bridge tax rate, respectively. Current tax collections for fiscal year 2012 were approximately 36% of the tax levy.

Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. However, for government-wide purposes, the County does record an allowance based on historical collection rates. As of December 31, 2011, this allowance was \$44,228.

**D. INTERFUND BALANCES AND TRANSFERS**

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Reimbursements from one fund to another for expenditures or expenses already made are recorded as expenditures or expenses in the reimbursing fund. Non-recurring or non-routine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other transfers are treated as operating transfers and are included in the results of operations of the governmental funds.

During the year ended December 31, 2011, the County transferred \$20,000 from the General Fund to the Airport Fund.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**D. INTERFUND BALANCES AND TRANSFERS**

The County did have the following interfund balances as of the end of the year:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<b><u>General Fund</u></b>		
Road & Bridge Fund	\$ 0	\$ 578
Agency Funds	57,357	0
<b><u>Road &amp; Bridge Fund</u></b>		
General Fund	578	0
Agency Funds	15,161	0
<b><u>Nonmajor Special Revenue Funds</u></b>		
Agency Funds	684	0
<b><u>Agency Funds</u></b>		
General Fund	0	57,357
Road & Bridge Fund	0	15,161
Nonmajor Special Revenue Funds	0	684
<b>Total All Funds</b>	<b>\$ 73,780</b>	<b>\$ 73,780</b>

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	\$ 76,518	\$ 0	\$ 0	\$ 76,518
Land Improvements	284,113	13,908	0	298,021
Infrastructure – Roads	1,209,959	0	0	1,209,959
Buildings & Building Improvements	2,043,461	37,933	0	2,081,394
Machinery & Equipment	3,140,881	355,273	(268,857)	3,227,297
Totals at Historic Cost	<u>6,754,932</u>	<u>407,114</u>	<u>(268,857)</u>	<u>6,893,189</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(106,385)	(18,509)	0	(124,894)
Infrastructure - Roads	(1,209,959)	0	0	(1,209,959)
Buildings & Building Improvements	(1,315,088)	(59,811)	0	(1,374,899)
Machinery & Equipment	(2,154,852)	(376,295)	268,857	(2,262,290)
Total Accumulated Depreciation	<u>(4,786,284)</u>	<u>(454,615)</u>	<u>268,857</u>	<u>(4,972,042)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,968,648</u>	<u>\$ (47,501)</u>	<u>\$ 0</u>	<u>\$ 1,921,147</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 73,930
Public Safety	68,776
Highways and Streets	259,724
Culture and Recreation	52,185
<b>Total</b>	<b>\$ 454,615</b>

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**F. EMPLOYEE PENSION PLAN**

**1. Plan Description**

The County provides retirement, disability, and survivor benefits for all of its full-time employees through a cash balance-account type defined-benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide, agent multiple-employer, public employee retirement system consisting of 624 cash balance-like 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, or by calling 800-823-7782. The CAFR is also available online at [www.tcdrs.org](http://www.tcdrs.org).

The plan provisions for the County (employer) are adopted by the Commissioners Court, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 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 10 years of service but their accumulated deposits and allocated interest must remain in the plan to receive any employer-financed benefit. Members who withdraw their personal account balance in a lump sum prior to retirement are not entitled to any pension benefits provided by the employer. The County has not elected the partial lump-sum payment option.

Benefit amounts are determined by the employee's personal account balance and employer-financed monetary credits. The level of these monetary credits has been adopted by the Commissioners Court within the actuarial constraints imposed by the TCDRS Act so that the expected benefits can 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 personal account balance and the employer-financed monetary credits to a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

**2. Funding Policy**

Cochran County's Commissioners Court has elected the variable-rate plan provisions of the TCDRS Act. The plan is funded monthly from employee deposits and from employer contributions based on the covered payroll of employee members. Under variable-rate plan provisions, the contribution rate of the employer is actuarially determined annually. As allowed by the provisions of the TCDRS Act, the Commissioners Court elected to pay the rate of 13% for calendar year 2011, which was in excess of the calculated rate for that year. The deposit rate payable by employee members is the rate of 7% as adopted by the Commissioners Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners Court within the options available in the TCDRS Act.

**3. Annual Pension Cost**

The tables on the following pages present an overview of actuarial methods and assumptions employed during the last three years to develop costs of benefits for County employees, present annual pension costs for the past three years, and reflect the funding progress made by the County over the last three years. For the County's fiscal year ending December 31, 2011, the annual pension cost for the TCDRS plan for its employees was \$255,874 and the actual contributions were \$255,874. 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 valuation as of December 31, 2009, the basis for the contribution rate for calendar year 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**F. EMPLOYEE PENSION PLAN (Cont.)**

**3. Annual Pension Cost (Cont.)**

**Actuarial Methods and Assumptions for the Retirement Plan  
 For the Employees of Cochran County, Texas**

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	15.3 years	14.6 years	11.6 years
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
<b>Actuarial Assumptions:</b>			
Investment return <sup>1</sup>	8.00%	8.00%	8.00%
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%

**Trend Information for the Retirement Plan  
 For the Employees of Cochran County, Texas**

Accounting Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
12-31-09	\$227,546	100%	\$ .00
12-31-10	\$239,393	100%	\$ .00
12-31-11	\$255,874	100%	\$ .00

<sup>1</sup> Includes inflation at the stated rate

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**F. EMPLOYEE PENSION PLAN (Cont.)**

**3. Annual Pension Cost (Cont.)**

**Funding Progress for the Retirement Plan  
 For the Employees of Cochran County, Texas**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>1</sup> (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
12-31-09	4,804,258	6,139,416	1,335,158	78.25%	1,750,354	76.28%
12-31-10	5,239,714	6,558,456	1,318,742	79.89%	1,841,486	71.61%
12-31-11	5,770,155	6,982,745	1,212,590	82.63%	1,971,487	61.51%

**G. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

During the prior year, the County adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires certain disclosures regarding any postemployment benefits other than pensions offered by the County. The only postemployment benefits other than pensions offered by the County are discussed below.

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

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS' CAFR includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, Texas 78768-2034, or by calling 800-823-7782. The CAFR is also available online at [www.tcdrs.org](http://www.tcdrs.org).

The Commissioners Court elected to provide group-term life insurance coverage to both current and retired employees. The GTLF program is voluntary and the Commissioners Court can cease participation at the beginning of any calendar year.

*Funding Policy:* Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County's contributions to the GTLF for the years ended December 31, 2011, 2010, and 2009 were \$16,166, \$17,678, and \$15,753, respectively, which equaled the contractually required contributions each year.

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

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**G. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Cont.)**

The funding policy for the GTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

*Transition Disclosure:* The County elected to implement GASB Statement No. 45 prospectively; therefore the net OPEB obligation was zero at the transition to that statement effective January 1, 2010.

**H. EMPLOYEE DEFERRED COMPENSATION PLAN**

The employees of Cochran County also participate in a deferred compensation plan administrated by Nationwide Retirement Solutions. The County does not contribute to the plan. Fifteen of the County employees were participating in the plan at the end of 2011.

Net Assets Available for Participants \$ 579,993

**I. MEDICAL/HEALTH CARE COVERAGE**

The County has established a third party insurance plan with the Texas Association of Counties Health and Employee Benefits Pool. Benefits are paid based on four categories of medical service. The plan allows employees the option to purchase additional coverage for spouses, children, and families through payroll deductions. The plan is renewable October 1 annually. The maximum lifetime benefits cannot exceed two million dollars. Annual deductible limits per employee are two hundred fifty or five hundred dollars and coinsurance percentages vary depending on whether the services are provided by a network or non-network provider. Employees are eligible to remain on the medical and health plan in accordance with laws established by COBRA. Such laws provide different time limits depending on whether the employment separation was due to voluntary or involuntary termination.

As of December 31, 2011, the County was paying \$769 per employee for medical and health insurance benefits. The total expense incurred by the County for the calendar year was \$436,577.

Additional information can be attained by contacting:

Texas Association of Counties Health Benefits Pool (TAC HEBP)  
P.O. Box 911968  
Dallas, Texas 75391-1968

**J. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; natural disasters; injuries to employees; and other claims of various natures. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (TAC Pool) which provides protection for risks of loss. TAC Pool was established by the Texas Association of Counties to provide self-insurance for its members and to obtain lower costs for insurance. The County pays annual premiums for liability, property, workers' compensation, and unemployment coverage. Annual contribution rates are determined by the TAC Pool Board. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. TAC Pool has established Claims Reserves for each of the types of insurance offered. Thus, although TAC

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**J. RISK MANAGEMENT (Cont.)**

Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions and the member's policies' deductibles. If losses incurred are significantly higher than actuarially estimated, TAC Pool adjusts the contribution rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated.

Any losses reported but unsettled or incurred and not reported are believed to be insignificant to the County's basic financial statements.

TAC Pool also makes available to the County loss control services to assist the County in following a plan of loss control that may result in reduced losses. The County agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by TAC Pool.

For the year ended December 31, 2011, Cochran County, Texas contributed \$90,585 for its property, liability, workers' compensation, and unemployment coverage.

The County also carries insurance on most other risks of loss including employee health and accident insurance and surety bond coverage. The County does retain the risk on automobile physical damage.

No significant reductions in insurance coverage occurred in the past fiscal year, and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**K. CAPITAL LEASES**

The County had no capital leases as of December 31, 2011.

**L. RESTRICTED NET ASSETS**

During 2002 and 2003, Cochran County's Love Memorial Library Fund (a nonmajor special revenue fund) received a total bequest of \$28,083. These funds are a permanent endowment according to the stipulation of the will and only the interest earned on the funds can be used for operations of the library. The base funds cannot be used at all. On Exhibit C-1, this amount is considered as Nonspendable Fund Balance: Endowment Principal. On Exhibit A-1 this amount is classified as Net Assets Restricted for Library Endowment.

**IV. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**V. COMMITMENTS AND CONTINGENCIES**

The County participates in Federally-assisted programs. In connection with grants under these programs, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the County has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the County expects the resulting liability to be immaterial.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2011

**VI. CONTINGENT LIABILITY**

The County had no contingent liabilities as of December 31, 2011.

**VII. SUBSEQUENT EVENTS**

No subsequent events occurred after December 31, 2011 that were material to these financial statements.

**VIII. CONCENTRATIONS OF CREDIT RISK**

During the year, approximately 26.5% of the County's property tax levy was assessed on one oil and gas company operating within the County. This poses a potential risk to the County, which could be adversely affected if a situation arose where this company could or would not pay the assessed taxes.

REQUIRED SUPPLEMENTARY INFORMATION

COCHRAN COUNTY, TX  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive or (Negative)
<b>REVENUES:</b>						
Taxes:						
Property Taxes	\$ 2,663,334	\$ 2,663,334	\$ 2,274,686	\$ -	\$ 2,274,686	\$ (388,648)
Penalty and Interest on Taxes	20,000	20,000	21,916	-	21,916	1,916
Licenses and Permits	6,000	6,000	7,575	-	7,575	1,575
Intergovernmental Revenue and Grants	56,550	56,550	98,233	(7,350)	90,883	34,333
Charges for Services	141,800	141,800	134,060	-	134,060	(7,740)
Fines	5,743	5,743	4,884	-	4,884	(859)
Investment Earnings	40,000	40,000	32,929	-	32,929	(7,071)
Rents and Royalties	16,050	16,050	24,415	-	24,415	8,365
Other Revenue	5,200	5,200	25,123	(839)	24,284	19,084
<b>Total Revenues</b>	<b>2,954,677</b>	<b>2,954,677</b>	<b>2,623,821</b>	<b>(8,189)</b>	<b>2,615,632</b>	<b>(339,045)</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	1,931,715	2,026,565	1,675,949	(2,217)	1,673,732	352,833
Public Safety	1,233,338	1,311,638	1,186,015	8,023	1,194,038	117,600
Culture and Recreation	424,418	444,518	337,452	3,010	340,462	104,056
Capital Outlay:						
Capital Outlay	538,000	375,870	223,367	(19,695)	203,672	172,198
<b>Total Expenditures</b>	<b>4,127,471</b>	<b>4,158,591</b>	<b>3,422,783</b>	<b>(10,879)</b>	<b>3,411,904</b>	<b>746,687</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,172,794)	(1,203,914)	(798,962)	2,690	(796,272)	407,642
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Real and Personal Property	1,000	1,000	8,453	-	8,453	7,453
Transfers Out	(20,000)	(20,000)	(20,000)	-	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(19,000)</b>	<b>(19,000)</b>	<b>(11,547)</b>	<b>-</b>	<b>(11,547)</b>	<b>7,453</b>
Change in Fund Balance	(1,191,794)	(1,222,914)	(810,509)	2,690	(807,819)	415,095
Fund Balance - January 1 (Beginning)	3,653,877	3,653,877	3,632,901	20,976	3,653,877	-
<b>Fund Balance - December 31 (Ending)</b>	<b>\$ 2,462,083</b>	<b>\$ 2,430,963</b>	<b>\$ 2,822,392</b>	<b>\$ 23,666</b>	<b>\$ 2,846,058</b>	<b>\$ 415,095</b>

The accompanying notes are an integral part of this statement.

COCHRAN COUNTY, TX  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - ROAD & BRIDGE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2011

EXHIBIT G-2

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive or (Negative)
<b>REVENUES:</b>						
Taxes:						
Property Taxes	\$ 1,074,162	\$ 1,074,162	\$ 903,252	\$ -	\$ 903,252	(170,910)
Penalty and Interest on Taxes	5,000	5,000	6,905	-	6,905	1,905
Licenses and Permits	150,000	150,000	168,086	-	168,086	18,086
Charges for Services	27,500	27,500	28,547	-	28,547	1,047
Fines	56,000	56,000	43,772	-	43,772	(12,228)
Investment Earnings	6,600	6,600	4,683	-	4,683	(1,917)
Other Revenue	1,000	1,000	11,702	-	11,702	10,702
<b>Total Revenues</b>	<b>1,320,262</b>	<b>1,320,262</b>	<b>1,166,947</b>	<b>-</b>	<b>1,166,947</b>	<b>(153,315)</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	295,864	319,864	292,823	109	292,932	26,932
Highways and Streets	884,461	891,861	719,019	1,711	720,730	171,131
Capital Outlay:						
Capital Outlay	317,000	285,600	183,747	3,918	187,665	97,935
<b>Total Expenditures</b>	<b>1,497,325</b>	<b>1,497,325</b>	<b>1,195,589</b>	<b>5,738</b>	<b>1,201,327</b>	<b>295,998</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(177,063)	(177,063)	(28,642)	(5,738)	(34,380)	142,683
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Real and Personal Property	500	500	-	-	-	(500)
<b>Total Other Financing Sources (Uses)</b>	<b>500</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(500)</b>
Change in Fund Balance	(176,563)	(176,563)	(28,642)	(5,738)	(34,380)	142,183
Fund Balance - January 1 (Beginning)	591,467	591,467	585,215	6,252	591,467	-
<b>Fund Balance - December 31 (Ending)</b>	<b>\$ 414,904</b>	<b>\$ 414,904</b>	<b>\$ 556,573</b>	<b>\$ 514</b>	<b>\$ 557,087</b>	<b>142,183</b>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

**NONMAJOR GOVERNMENTAL FUNDS**

COCHRAN COUNTY, TX  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2011

	Love Memorial Library Fund	Personal Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,054	\$ 15,876	\$ -	\$ 181,593
Investments - Current	34,154	-	-	-
Due from Other Funds	-	-	40	-
Total Assets	<u>\$ 36,208</u>	<u>\$ 15,876</u>	<u>\$ 40</u>	<u>\$ 181,593</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 450	\$ -	\$ -	\$ -
Total Liabilities	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
<b>Nonspendable Fund Balance:</b>				
Endowment Principal	28,083	-	-	-
<b>Restricted Fund Balance:</b>				
Other Restricted Fund Balance	-	15,876	40	181,593
<b>Committed Fund Balance:</b>				
Other Committed Fund Balance	7,675	-	-	-
Total Fund Balances	<u>35,758</u>	<u>15,876</u>	<u>40</u>	<u>181,593</u>
Total Liabilities and Fund Balances	<u>\$ 36,208</u>	<u>\$ 15,876</u>	<u>\$ 40</u>	<u>\$ 181,593</u>

The notes to the Financial Statements are an integral part of this statement.

Clerk Records Management & Preservation	County Records M & P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ 7,328	\$ 3,567	\$ 11,367	\$ 1,169	\$ 5,540	\$ 5,237	\$ 233,731
-	-	-	-	-	-	34,154
350	39	195	60	-	-	684
<u>\$ 7,678</u>	<u>\$ 3,606</u>	<u>\$ 11,562</u>	<u>\$ 1,229</u>	<u>\$ 5,540</u>	<u>\$ 5,237</u>	<u>\$ 268,569</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 496</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>496</u>
-	-	-	-	-	-	28,083
7,678	3,606	11,562	1,229	-	-	221,584
-	-	-	-	5,540	5,191	18,406
<u>7,678</u>	<u>3,606</u>	<u>11,562</u>	<u>1,229</u>	<u>5,540</u>	<u>5,191</u>	<u>268,073</u>
<u>\$ 7,678</u>	<u>\$ 3,606</u>	<u>\$ 11,562</u>	<u>\$ 1,229</u>	<u>\$ 5,540</u>	<u>\$ 5,237</u>	<u>\$ 268,569</u>

COCHRAN COUNTY, TX  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Love Memorial Library Fund	Personal Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
<b>REVENUES:</b>				
Intergovernmental Revenue and Grants	\$ 4,075	\$ -	\$ -	\$ 17,324
Charges for Services	-	45	380	-
Fines	-	-	-	-
Investment Earnings	35	-	-	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	1,000	-	-	-
Other Revenue	1	-	-	-
Total Revenues	5,111	45	380	17,324
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General Government	-	-	360	-
Culture and Recreation	3,727	-	-	-
Total Expenditures	3,727	-	360	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,384	45	20	17,324
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	1,384	45	20	17,324
Fund Balance - January 1 (Beginning)	34,374	15,831	20	164,269
Fund Balance - December 31 (Ending)	\$ 35,758	\$ 15,876	\$ 40	\$ 181,593

The notes to the Financial Statements are an integral part of this statement.

Clerk Records Management & Preservation	County Records M & P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,000	\$ 27,399
5,584	990	-	-	-	560	7,559
-	-	3,037	420	-	-	3,457
-	-	-	-	-	-	35
-	-	-	-	2,600	-	2,600
-	-	-	-	-	1,602	2,602
-	-	-	-	-	100	101
<u>5,584</u>	<u>990</u>	<u>3,037</u>	<u>420</u>	<u>2,600</u>	<u>8,262</u>	<u>43,753</u>
-	-	717	174	-	-	1,251
-	-	-	-	18,091	10,060	31,878
-	-	717	174	18,091	10,060	33,129
<u>5,584</u>	<u>990</u>	<u>2,320</u>	<u>246</u>	<u>(15,491)</u>	<u>(1,798)</u>	<u>10,624</u>
-	-	-	-	20,000	-	20,000
-	-	-	-	20,000	-	20,000
5,584	990	2,320	246	4,509	(1,798)	30,624
2,094	2,616	9,242	983	1,031	6,989	237,449
<u>\$ 7,678</u>	<u>\$ 3,606</u>	<u>\$ 11,562</u>	<u>\$ 1,229</u>	<u>\$ 5,540</u>	<u>\$ 5,191</u>	<u>\$ 268,073</u>

## AGENCY FUNDS

COCHRAN COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 AGENCY FUNDS  
 DECEMBER 31, 2011

	<u>COUNTY CLERK</u>	<u>DISTRICT CLERK</u>	<u>COUNTY SHERIFF</u>	<u>COUNTY TAX ASSESSOR- COLLECTOR</u>	<u>JUSTICE OF THE PEACE PRECINCT ONE</u>
<b><u>ASSETS</u></b>					
<b><u>Current Assets:</u></b>					
Petty Cash/Cash on Hand	\$ 100	\$ -	\$ 1,530	\$ 200	\$ -
Cash in Bank	4,428	24,890	3,749	218,447	4,848
Deposits in TexPool	-	-	-	-	-
Accounts Receivable	-	-	175	12,662	-
Due from State	-	-	-	-	-
Due from Agency Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 4,528</u></b>	<b><u>\$ 24,890</u></b>	<b><u>\$ 5,454</u></b>	<b><u>\$ 231,309</u></b>	<b><u>\$ 4,848</u></b>
<b><u>LIABILITIES</u></b>					
<b><u>Liabilities:</u></b>					
Accounts Payable	\$ -	\$ 20,372	\$ 1	\$ 158,622	\$ -
Due to State	-	-	-	17,164	-
Due to General Fund	3,781	3,563	5,423	42,788	676
Due to Agency Funds	147	377	30	-	2,240
Due to Special Revenue Funds	600	578	-	12,735	1,932
<b>TOTAL LIABILITIES</b>	<b><u>\$ 4,528</u></b>	<b><u>\$ 24,890</u></b>	<b><u>\$ 5,454</u></b>	<b><u>\$ 231,309</u></b>	<b><u>\$ 4,848</u></b>

COCHRAN CO.					
JUVENILE PROBATION	L.E.O.S.E. ALLOCATION	D.A. FORFEITURE	SHERIFF FORFEITURE	STATE FEE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,830
3,867	15,563	1,712	21,876	-	299,380
-	-	-	-	-	-
-	-	-	-	-	12,837
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,867</u>	<u>\$ 15,563</u>	<u>\$ 1,712</u>	<u>\$ 21,876</u>	<u>\$ -</u>	<u>\$ 314,047</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 178,995
3,867	15,534	1,712	20,779	2,794	61,850
-	29	-	1,097	-	57,357
-	-	-	-	(2,794)	-
-	-	-	-	-	15,845
<u>\$ 3,867</u>	<u>\$ 15,563</u>	<u>\$ 1,712</u>	<u>\$ 21,876</u>	<u>\$ -</u>	<u>\$ 314,047</u>

OTHER SCHEDULES

COCHRAN COUNTY, TEXAS  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 DECEMBER 31, 2011

YEAR ENDED DECEMBER 31,	TAX RATES		ASSESSED/ APPRAISED VALUE TAX PURPOSES
	LOCAL	ROAD & BRIDGE	
2002 AND PRIOR	\$ VARIOUS	\$ VARIOUS	\$ VARIOUS
2003	\$ 0.5352	\$ 0.2026	\$ 305,188,560
2004	\$ 0.5352	\$ 0.2026	\$ 324,185,930
2005	\$ 0.5200	\$ 0.1500	\$ 381,497,480
2006	\$ 0.4390	\$ 0.1200	\$ 503,042,040
2007	\$ 0.4191	\$ 0.1143	\$ 570,479,440
2008	\$ 0.3879	\$ 0.1055	\$ 723,022,660
2009	\$ 0.4598	\$ 0.1251	\$ 610,297,070
2010	\$ 0.3700	\$ 0.1500	\$ 728,994,430
2011	\$ 0.3440	\$ 0.1350	\$ 790,987,215

TOTALS

<u>BEGINNING BALANCE 1/1/2011</u>	<u>CURRENT YEAR'S TOTAL LEVY</u>	<u>TOTAL COLLECTIONS</u>	<u>ADJUSTMENTS</u>	<u>ENDING BALANCE 12/31/2011</u>
\$ 45,373	\$ -	\$ 4,196	\$ (1,765)	\$ 39,412
8,697	-	1,367	(81)	7,249
9,389	-	1,884	(79)	7,426
9,357	-	1,982	(73)	7,302
9,544	-	1,836	(60)	7,648
12,289	-	2,716	(31)	9,542
16,130	-	4,206	(445)	11,479
32,969	-	13,028	(23)	19,918
1,794,794	-	1,764,500	(3,062)	27,232
<u>-</u>	<u>3,787,896</u>	<u>1,379,014</u>	<u>(227)</u>	<u>2,408,655</u>
<u>\$ 1,938,542</u>	<u>\$ 3,787,896</u>	<u>\$ 3,174,729</u>	<u>\$ (5,846)</u>	<u>\$ 2,545,863</u>

COCHRAN COUNTY, TEXAS  
LINDA HUCKABEE, TAX ASSESSOR-COLLECTOR  
RECONCILIATION OF CURRENT YEAR TAX ROLL  
FOR THE YEAR ENDED DECEMBER 31, 2011

TAX ROLL	
2011 Assessed Tax Roll	\$ 3,787,896
Add (Deduct): Adjustments	<u>(227)</u>
 2011 ADJUSTED TAX ROLL	 <u><u>\$ 3,787,669</u></u>
 Valuations/\$100 x Tax Rate of \$0.4790	 \$ 3,787,669
Current Year Collections	<u>(1,379,014)</u>
 UNPAID CURRENT YEAR TAXES	 <u><u>\$ 2,408,655</u></u>
 Percent of Current Taxes Collected Through December 31, 2011	  36.41%

**COCHRAN COUNTY, TEXAS  
SCHEDULE OF RISK MANAGEMENT PROVISIONS  
DECEMBER 31, 2011**

CARRIER	DOCUMENT NUMBER	EFFECTIVE DATE	RENEWAL DATE
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	WC-0400	06/25/74	01/01/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	99-991884-0	01/04/78	01/01/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	GL 0400 2011 01 15	01/15/87	01/15/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	AL 0400 2011 01 15	01/15/87	01/15/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PR 0400 2011 07 01	02/13/90	07/01/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	CR 0400 2011 01 15	02/01/92	01/15/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PO 0400 2011 04 11	04/11/88	04/11/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PO 0400 2011 04 11	04/11/88	04/11/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	LE 0400 2011 04 11	04/11/88	04/11/11
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PR 0400 2011 07 01	07/16/09	07/01/11
RETAINED RISK	N/A	N/A	N/A

RISK COVERED	AMOUNT OF COVERAGE	2011 CONTRIBUTION
WORKER'S COMPENSATION	STATUTORY BENEFITS	\$ 29,877
UNEMPLOYMENT COMPENSATION	STATUTORY BENEFITS	\$ 13,682
COMPREHENSIVE GENERAL LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$ 7,668
AUTOMOBILE LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$ 2,041
BUILDINGS, STRUCTURES, PERSONAL PROPERTY, BOILER - ALL-RISK FORM	\$5,388,253 \$1,000 - \$25,000 DED.	\$ 20,537
CRIME COVERAGE	\$20,000 - \$100,000 \$1,000 DED.	\$ 1,937
PUBLIC OFFICIALS LIABILITY	\$2,000,000 \$5,000 DEDUCTIBLE	\$ 6,386
CLERK'S ERRORS & OMISSIONS	\$43,000/\$20,000 \$5,000 DEDUCTIBLE	INCLUDED IN P.O.
LAW ENFORCEMENT LIABILITY	\$2,000,000 \$5,000 DEDUCTIBLE	\$ 2,755
MOBILE EQUIPMENT PHYSICAL DAMAGE	\$1,675,914 \$5,000 DEDUCTIBLE	\$ 5,702
AUTOMOBILE PHYSICAL DAMAGE	N/A	N/A

COCHRAN COUNTY, TEXAS  
SCHEDULE OF FIDELITY AND SURETY BONDS  
DECEMBER 31, 2011

SURETY	DOCUMENT NUMBER	OFFICE/PRINCIPAL
WESTERN SURETY	13739211	COUNTY JUDGE/JAMES ST. CLAIR
WESTERN SURETY	70630766	COUNTY COMMISSIONER/DONNIE SIMPSON
WESTERN SURETY	70403944	COUNTY COMMISSIONER/MARGARET ANN ALLEN
WESTERN SURETY	70630758	COUNTY COMMISSIONER/STACEY DUNN
WESTERN SURETY	71025087	COUNTY COMMISSIONER/JOHNNY TIMMONS
WESTERN SURETY	12382532	COUNTY ATTORNEY/J. COLLIER ADAMS, JR.
WESTERN SURETY	15485611	COUNTY TREASURER/DORIS SEALY
WESTERN SURETY	68555986	COUNTY SHERIFF/WALLACE STALCUP
WESTERN SURETY	18158676	DISTRICT CLERK/RITA TYSON
WESTERN SURETY	18158677	COUNTY CLERK/RITA TYSON
WESTERN SURETY	18019730	PUBLIC EMPLOYEES FAITHFUL PERFORMANCE BLANKET POSITION
WESTERN SURETY	69095963	TAX COLLECTOR/LINDA HUCKABEE
WESTERN SURETY	69095974	TAX COLLECTOR/LINDA HUCKABEE
WESTERN SURETY	68562579	DEPUTY TAX ASSESSOR/SUSAN WISELEY
WESTERN SURETY	69095990	DEPUTY TAX ASSESSOR/TREVA JACKSON
WESTERN SURETY	70630778	CONSTABLE/CLARENCE ROBERTS, JR.
WESTERN SURETY	71117946	JUSTICE OF PEACE/DONNA SCHMIDT
OLD REPUBLIC	LPO1036980	COUNTY AUDITOR/DANNY WISELEY
WESTERN SURETY	68595171	RESERVE DEPUTY/JAMES P. HENRY
WESTERN SURETY	70585148	RESERVE DEPUTY/MAX VILLANUEVA

AMOUNT	OBLIGEE	APPROVED BY	PREMIUM
\$ 5,000	COUNTY TREASURER	COMMISSIONERS COURT	\$ 50
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 178
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 50
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 178
\$ 3,000	COUNTY TREASURER	COUNTY JUDGE	\$ 50
\$ 2,500	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 50,000	COUNTY JUDGE	COMMISSIONERS COURT	\$ 250
\$ 5,000	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 5,000	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 5,000	COUNTY	COMMISSIONERS COURT	\$ 50
\$ 5,000	COUNTY	COMMISSIONERS COURT	\$ 160
\$ 15,000	GOVERNOR OF TEXAS	GOVERNOR OF TEXAS	\$ 75
\$ 100,000	COMMISSIONERS COURT	COMMISSIONERS COURT	\$ 500
\$ 10,000	COUNTY TAX ASSESSOR	COUNTY TAX ASSESSOR	\$ 50
\$ 10,000	COUNTY TAX ASSESSOR	COUNTY TAX ASSESSOR	\$ 50
\$ 1,500	GOVERNOR OF TEXAS	COMMISSIONERS COURT	\$ 50
\$ 2,500	COUNTY JUDGE	NOT SPECIFIED	\$ 75
\$ 5,000	DISTRICT JUDGE	DISTRICT JUDGE	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50
\$ 2,000	COUNTY SHERIFF	COUNTY SHERIFF	\$ 50

**OVERALL INTERNAL CONTROL AND COMPLIANCE SECTION**

# MYATT, BLUME AND FIDALEO, LTD., L.L.P.

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MEMBERS

TEXAS SOCIETY AND AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Cochran County Commissioners Court  
Cochran County, Texas  
100 North Main  
Morton, Texas 79346

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of and for the year ended December 31, 2011, which collectively comprise Cochran County, Texas' basic financial statements and have issued our report thereon dated December 4, 2012. 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 Cochran County, Texas' 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 Cochran County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cochran County, Texas' 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 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cochran County, Texas' 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 management, the Commissioners Court, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Myatt, Blume, and Fidaleo, Ltd., L.L.P.*

Myatt, Blume, and Fidaleo, Ltd., L.L.P.  
Certified Public Accountants  
Levelland, Texas 79336

December 4, 2012