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EDWARDS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2010

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Annual Financial Report  
For the Fiscal Year Ended September 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The First State Bank

I have audited the accompanying financial statements of the First State Bank, which comprise the balance sheet as of December 31, 1999, and the related statements of income, expenses, and capital and surplus for the year ended on that date. These financial statements are the responsibility of the First State Bank's management. My responsibility is to express an opinion on these financial statements based on my audit.

FINANCIAL SECTION

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the First State Bank as of December 31, 1999, and the results of its operations for the year ended on that date. These financial statements are the responsibility of the First State Bank's management. My responsibility is to express an opinion on these financial statements based on my audit.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the First State Bank as of December 31, 1999, and the results of its operations for the year ended on that date. These financial statements are the responsibility of the First State Bank's management. My responsibility is to express an opinion on these financial statements based on my audit.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the First State Bank as of December 31, 1999, and the results of its operations for the year ended on that date. These financial statements are the responsibility of the First State Bank's management. My responsibility is to express an opinion on these financial statements based on my audit.

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**INDEPENDENT AUDITOR'S REPORT**

To the Commissioner's Court  
Edwards County, Texas

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edwards County, Texas, as of and for the year ended September 30, 2010, which collectively comprise Edwards County, Texas's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Edwards County, Texas's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Edwards County, Texas, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, the Road and Bridge Fund, and the Nutrition Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated July 12, 2011, on my consideration of Edwards County, Texas's internal control over financial reporting and on my 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 my 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 important for assessing the results of my audit.

The management's discussion and analysis, the non-major budgetary comparison information, and the required supplementary information on pages 3 through 10, and 41, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management's discussion and analysis and the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edwards County, Texas's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Edwards County, Texas. The combining and individual non-major fund financial statements and schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and schedules and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



WAYNE R. BEYER  
Certified Public Accountant  
Pleasanton, Texas  
July 12, 2011

## Management's Discussion and Analysis

### Financial Highlights

- The assets of Edwards County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$3,352,876 (net assets). Of this amount, \$731,393 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$111,923. The total income increased by \$494,953 while the expenses increased by \$215,390.
- As of the close of the current fiscal year, Edwards County, Texas's governmental funds reported combined ending fund balances of \$1,318,466 a decrease of \$536,947 in comparison with the prior year. Approximately 42% of this total amount, \$559,610, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$289,635, or 13 percent of total general fund expenditures and the unreserved fund balance for the road and bridge fund was \$266,535, or 33 percent of total road and bridge fund expenditures.
- Edwards County, Texas's total debt decreased by \$17,872 (1.33 percent) during the current fiscal year. The key factor in this decrease was the payment of Certificates of Obligation of \$15,000.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Edwards County, Texas's basic financial statements. Edwards County, Texas's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Government-wide financial statements:*** The government-wide financial statements are designed to provide readers with a broad overview of Edwards County, Texas's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of Edwards County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Edwards County, Texas include general administration, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation.

The government-wide financial statements include only Edwards County, Texas itself (known as the primary government).

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

***Fund financial statements:*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Edwards County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Edwards County, Texas are governmental funds.

***Governmental funds:***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Edwards County, Texas maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, the Equipment Grant Fund, the Nutrition Center, and the FEMA fund all of which are considered to be major funds. Data from the other fourteen (14) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Edwards County, Texas adopts an annual appropriated budget for its General fund, the Nutrition Center, and the Road and Bridge funds. There were no budgets for any other funds of the County.

The basic governmental fund financial statements can be found on pages 13-20 of this report.

*Proprietary funds:*

Edwards County, Texas does not maintain any type of proprietary fund.

*Agency funds:*

Edwards County, Texas also has one agency fund. Such fund is not included in the county wide statement but is shown separately on page 21.

*Notes to the financial statements:*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.

*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Edwards County, Texas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 41 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 42-45 of this report. The Single Audit Section is presented on pages 46 - 55 of this report.



## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Edwards County, Texas, assets exceeded liabilities by \$3,352,876 at the close of the most recent fiscal year.

One portion of Edwards County, Texas's net assets (56 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. Edwards County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Edwards County, Texas's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Activities		2010	2009
	2010	2009		
Current and Other Assets	\$1,877,309	\$2,182,412	\$1,877,309	\$2,182,412
Capital Assets	3,174,222	2,603,547	3,174,222	2,603,547
Total Assets	5,051,531	4,785,959	5,051,531	4,785,959
Long-Term Liabilities	1,324,809	1,342,681	1,324,809	1,342,681
Other Liabilities	373,846	202,325	373,846	202,325
Total Liabilities	1,698,655	1,545,006	1,698,655	1,545,006
Invested in Capital Assets, Net of Related Debt	1,862,627	1,270,307	1,862,627	1,270,307
Restricted	758,856	771,769	758,856	771,769
Unrestricted	731,393	1,198,877	731,393	1,198,877
Total Net Assets	\$3,352,876	\$3,240,953	\$3,352,876	\$3,240,953

An additional portion of Edwards County, Texas's net assets (23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$731,393) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, Edwards County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Edwards County, Texas reported positive balances in net assets, both for the government as a whole, as well as for its separate governmental activities.

## Governmental activities:

Governmental activities increased Edwards County, Texas's net assets by \$111,923, thereby accounting for 100 percent of the total increase in the net assets of Edwards County, Texas.

### EDWARDS COUNTY, TEXAS CHANGE IN NET ASSETS

	Governmental Activities		Total	
	2010	2009	2010	2009
Revenues:				
Program Revenues:				
Charges for Services	\$350,050	\$440,994	\$350,050	\$440,994
Operating Grants and Contributions	222,694	184,284	222,694	184,284
Capital Grants and Contributions	527,825	222,165	527,825	222,165
General Revenues:				
Maintenance and Operations Taxes	1,819,147	1,797,224	1,819,147	1,797,224
License and Permits	165,608	161,340	165,608	161,340
Unrestricted Investment Earnings	57,678	49,753	57,678	49,753
Miscellaneous	294,830	87,119	294,830	87,119
Total Revenue	3,437,832	2,942,879	3,437,832	2,942,879
Expenses:				
General Administration	\$719,993	803,215	719,993	803,215
Judicial	244,397	235,802	244,397	235,802
Legal	87,818	91,675	87,818	91,675
Financial Administration	157,010	155,576	157,010	155,576
Public Facilities	166,047	52,582	166,047	52,582
Public Safety	1,020,889	990,003	1,020,889	990,003
Public Transportation	631,425	504,145	631,425	504,145
Culture and Recreation	15,367	11,618	15,367	11,618
Health and Welfare	119,935	131,504	119,935	131,504
Conservation - Agriculture	100,623	78,535	100,623	78,535
Interest and Fiscal Charges	62,405	55,864	62,405	55,864
Total Expenses	3,325,909	3,110,519	3,325,909	3,110,519
Increase in Net Assets Before Transfers and Special Items	111,923	(167,640)	111,923	(167,640)
Transfers	0	0	0	0
Increase in Net Assets	111,923	(167,640)	111,923	(167,640)
Net Assets at 09/30/2009	3,240,953	3,408,593	3,240,953	3,408,593
Net Assets at 09/30/2010	\$3,352,876	\$3,240,953	\$3,352,876	\$3,240,953

The primary reason for the increase in the net assets is as follows:

Revenues increased by \$494,953 (17 percent) during the year while expenses increased by \$215,390 (7 percent) during the year. Most of the revenue increase was from an increase in capital grants (equipment purchases) which increased by \$305,660 and miscellaneous (sale of a motor grader) which increased by \$207,711. Most of the expense increase was from an increase in public transportation of \$127,280 (road repair from ORCA grant) and public facilities which increased by \$113,465.



## Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$719,993	\$16,618	\$15,075	\$0
Judicial	244,397	94,919		
Legal	87,818		41,667	
Financial Administration	157,010			
Public Facilities	166,047			
Public Safety	1,020,889	238,513	90,131	
Public Transportation	631,425		19,035	527,825
Culture and Recreation	15,367			
Health and Welfare	119,935		56,786	
Conservation - Agriculture	100,623			
Interest and Fiscal Charges	62,405			
Total Government Activities	\$3,325,909	\$350,050	\$222,694	\$527,825

### Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$350,050	10.18%
Operating Grants and Contributions	222,694	6.48%
Capital Grants and Contributions	527,825	15.35%
Maintenance and Operations Taxes	1,819,147	52.92%
License and Permits	165,608	4.82%
Unrestricted Investment Earnings	57,678	1.68%
Miscellaneous	294,830	8.58%
	\$3,437,832	100.00%

### Financial Analysis of the Government's Funds

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

#### *Governmental funds:*

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

As of the end of the current fiscal year, Edwards County, Texas's governmental funds reported combined ending fund balances of \$1,318,466, a decrease of \$536,947 in comparison with the prior year. Approximately 42 percent of this total amount (\$559,610) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for Debt Service (\$162,150), and 2) for Emergency Operations (\$596,706).

The general fund is the chief operating fund of Edwards County, Texas. At the end of the current fiscal year, unreserved fund balance of the general fund was \$289,635, while total fund balance reached \$605,149. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13 percent of total general fund expenditures, while total fund balance represents 27 percent of that same amount.

The fund balance of Edwards County, Texas's general fund decreased by \$276,536 during the current fiscal year. Key factors in this decrease are as follows:

- The expenditures decreased by \$44,578 while income increased by \$83,264. These increases and decreases are immaterial. The fund balance in the general fund decreased by \$321,593 in the prior year.

At the end of the current fiscal year, unreserved fund balance of the road and bridge fund was \$266,535, while total fund balance reached \$266,535. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33 percent of total road and bridge fund expenditures, while total fund balance represents 33 percent of that same amount.

The fund balance of Edwards County, Texas's road and bridge fund decreased by \$285,271 during the current fiscal year. Key factors in this decrease are as follows:

- The expenditures increased by \$348,140 while income decreased by \$7,245.

At the end of the current fiscal year, unreserved fund balance of the nutrition fund was a minus \$108,741, while total fund balance reached a minus \$108,741. As a measure of the nutrition fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0 percent of total nutrition fund expenditures, while total fund balance represents 0 percent of that same amount.

The fund balance of Edwards County, Texas's nutrition fund decreased by \$42,567 during the current fiscal year. Key factors in this decrease are as follows:

- The amount being transferred into the nutrition fund from the general fund is insufficient to cover the excess of expenditures over revenues.

The FEMA fund is virtually dormant. The reserved fund balance of the FEMA fund is \$281,192. The equipment grant fund was used to facilitate an equipment grant to purchase equipment for public transportation.

#### Budgetary Highlights

There were no changes between the original budget and the final amended budget for the general fund, the road and bridge fund, and nutrition funds. There were no budgets for the FEMA fund and the equipment grant fund.

## Capital Asset and Debt Administration

### *Capital assets*

Edwards County, Texas's investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$3,174,222 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure items such as roads, highways, and bridges. The total increase in Edwards County, Texas's investment in capital assets for the current fiscal year was 22 percent. The County had no major construction projects during the 2009-2010 year. The County had a major equipment purchase grant during the year.

#### EDWARDS COUNTY, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Total	
	2010	2009	2010	2009
Land	\$116,045	\$116,045	\$116,045	\$116,045
Construction in Progress	0	0	0	0
Building and Improvements	2,129,223	2,161,215	2,129,223	2,161,215
Machinery and Equipment	928,954	326,287	928,954	326,287
Infrastructure	0	0	0	0
Total	<u>\$3,174,222</u>	<u>\$2,603,547</u>	<u>\$3,174,222</u>	<u>\$2,603,547</u>

Additional information on Edwards County, Texas's capital assets can be found in note IV C on page 33 of this report.

### *Long-term debt:*

At the end of the current fiscal year, Edwards County, Texas had Certificates of Obligation outstanding of \$1,275,000. All of which comprises debt backed by the full faith and credit of Edwards County, Texas.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Certificate of Obligation	\$1,290,000	\$0	\$15,000	\$1,275,000	\$15,000	\$1,260,000
Grand Total	<u>\$1,290,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$1,275,000</u>	<u>\$15,000</u>	<u>\$1,260,000</u>

Additional information on Edwards County, Texas's long term debt can be found in note IV F on pages 35 through 36 of this report.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's business office, at Edwards County, Texas, P.O. Box 348, Rocksprings, Texas 78880.

Capital assets

Edwards County, Texas's investment in capital assets for its governmental activities as of September 30, 2010, amounts to \$3,174,232 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery, and equipment, and infrastructure items such as roads, highways, and bridges. The total increase in Edwards County, Texas's investment in capital assets for the current fiscal year was 22 percent. The County had no major construction projects during the 2009-2010 year. The County had a major equipment purchase grant during the year.

EDWARDS COUNTY, TEXAS  
CAPITAL ASSETS (net of Depreciation)

	Governmental Activities		Total	
	2010	2009	2010	2009
Land	\$1,160,045	\$1,160,045	\$1,160,045	\$1,160,045
Construction Programs	0	0	0	0
Building and improvements	2,158,232	2,187,318	2,158,232	2,187,318
Machinery and equipment	938,954	938,954	938,954	938,954
Infrastructure	0	0	0	0
Total	\$3,174,232	\$3,089,317	\$3,174,232	\$3,089,317

Additional information on Edwards County, Texas's capital assets can be found in note IV C on page 35 of this report.

Long-term debt

At the end of the current fiscal year, Edwards County, Texas had Certificates of Obligation outstanding of \$1,275,000. All of which comprises debt backed by the full faith and credit of Edwards County, Texas.

	Beginning Balance		Ending Balance		One Year		One Year	
	2010	2009	2010	2009	2010	2009	2010	2009
Debt	\$1,275,000	\$0	\$1,275,000	\$1,275,000	\$1,275,000	\$1,275,000	\$1,275,000	\$1,275,000
Debt	\$1,275,000	\$0	\$1,275,000	\$1,275,000	\$1,275,000	\$1,275,000	\$1,275,000	\$1,275,000

Additional information on Edwards County, Texas's long term debt can be found in note IV F on page 35 through 36 of this report.

COUNT ACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors and others with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's business office at Edwards County, Texas 1700 Box 148, Rocksprings, Texas 78880.

## BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS



EDWARDS COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

	Primary Government Governmental Activities	Total
<b>ASSETS</b>		
Cash and Cash Equivalents	\$1,671,917	\$1,671,917
Receivables (net of allowance for uncollectibles)	205,392	205,392
Capital assets not being depreciated:		
Land	116,045	116,045
Construction in Progress		0
Total Capital assets being depreciated, net		
Building and Improvements	2,129,223	2,129,223
Machinery, Equipment, and Vehicles	928,954	928,954
Infrastructure	0	0
Total Assets	<u>\$5,051,531</u>	<u>\$5,051,531</u>
<b>LIABILITIES:</b>		
Accounts Payable	\$351,663	\$351,663
Accrued Wages	15,608	15,608
Accrued Interest Payable	6,575	6,575
Noncurrent Liabilities:		
Due within one year	55,127	55,127
Due in more than one year	1,269,682	1,269,682
Total Liabilities	<u>1,698,655</u>	<u>1,698,655</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,862,627	1,862,627
Restricted for:		
Debt Service	162,150	162,150
Emergency Operations	596,706	596,706
Unrestricted	731,393	731,393
Total Net Assets	<u>\$3,352,876</u>	<u>\$3,352,876</u>

The accompanying notes are an integral part of this statement.



EDWARDS COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Governmental Activities	Net (Expense) Revenue and Changes in Total
Primary Government						
Government Activities:						
General Administration	\$719,993	\$16,618	\$15,075	\$0	(\$688,300)	(\$688,300)
Judicial	244,397	94,919			(149,478)	(149,478)
Legal	87,818		41,667		(46,151)	(46,151)
Financial Administration	157,010				(157,010)	(157,010)
Public Facilities	166,047				(166,047)	(166,047)
Public Safety	1,020,889	238,513	90,131		(692,245)	(692,245)
Public Transportation	631,425		19,035	527,825	(84,565)	(84,565)
Culture and Recreation	15,367				(15,367)	(15,367)
Health and Welfare	119,935		56,786		(63,149)	(63,149)
Conservation - Agriculture	100,623				(100,623)	(100,623)
Interest and Fiscal Charges	62,405				(62,405)	(62,405)
Total Government Activities	3,325,909	350,050	222,694	527,825	(2,225,340)	(2,225,340)
Total Primary Government	\$3,325,909	\$350,050	\$222,694	\$527,825	(2,225,340)	(2,225,340)
General Revenues						
Property Taxes, Levies for General Purposes					1,819,147	1,819,147
License and Permits					165,608	165,608
Unrestricted Investment Earnings					57,678	57,678
Miscellaneous					294,830	294,830
Total General Revenues and Transfers					2,337,263	2,337,263
Change in Net Assets					111,923	111,923
Net Assets - Beginning					3,240,953	3,240,953
Net Assets - Ending					\$3,352,876	\$3,352,876

The accompanying notes are an integral part of this statement.



STATEMENT OF FINANCIAL POSITION  
 FUND FINANCIAL STATEMENTS  
 THE FUNDING YEAR

Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
Current	Current	Current	Current	Current	Current
\$250,000	\$250,000	\$0	\$250,000	\$250,000	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$250,000	\$250,000	\$0	\$250,000	\$250,000	\$0

Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
Current	Current	Current	Current	Current	Current
\$250,000	\$250,000	\$0	\$250,000	\$250,000	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$250,000	\$250,000	\$0	\$250,000	\$250,000	\$0

# FUND FINANCIAL STATEMENTS

Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
Current	Current	Current	Current	Current	Current
\$250,000	\$250,000	\$0	\$250,000	\$250,000	\$0
\$0	\$0	\$0	\$0	\$0	\$0
\$250,000	\$250,000	\$0	\$250,000	\$250,000	\$0

STATEMENT OF FINANCIAL POSITION  
 FUND FINANCIAL STATEMENTS  
 THE FUNDING YEAR

The accompanying notes are an integral part of this statement.

EDWARDS COUNTY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

	General Fund	Road and Bridge	Equipment Grant	Nutrition Center	FEMA Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$789,011	\$434,045	\$34,890	\$0	\$281,192	\$240,914	\$1,780,052
Receivables (net of allowance for uncollectibles)	98,511	21,366				10,516	130,393
Total Assets	<u>\$887,522</u>	<u>\$455,411</u>	<u>\$34,890</u>	<u>\$0</u>	<u>\$281,192</u>	<u>\$251,430</u>	<u>\$1,910,445</u>
<b>LIABILITIES AND FUND BALANCES:</b>							
Accounts Payable	\$174,461	\$165,133		\$6,495		\$5,574	\$351,663
Bank Overdraft				101,720		6,415	108,135
Accrued Wages	12,705	2,377		526			15,608
Deferred Revenues	95,207	21,366					116,573
Total Liabilities	<u>282,373</u>	<u>188,876</u>	<u>0</u>	<u>108,741</u>	<u>0</u>	<u>11,989</u>	<u>591,979</u>
<b>Fund Balances:</b>							
Reserved for:							
Debt Service						162,150	162,150
Emergency Operations	315,514				281,192		596,706
Unreserved, Reported in General Fund	289,635						289,635
Special Revenue Funds		266,535	34,890	(108,741)		77,291	269,975
Total Fund Balance	<u>605,149</u>	<u>266,535</u>	<u>34,890</u>	<u>(108,741)</u>	<u>281,192</u>	<u>239,441</u>	<u>1,318,466</u>
Total Liabilities and Fund Balances	<u>\$887,522</u>	<u>\$455,411</u>	<u>\$34,890</u>	<u>\$0</u>	<u>\$281,192</u>	<u>\$251,430</u>	<u>\$1,910,445</u>

The accompanying notes are an integral part of this statement.

EDWARDS COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2010

Total Fund Balances - governmental funds balance sheet

Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:

	\$1,318,466
Capital assets used in governmental activities are not reported in the funds.	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,174,222
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	74,999
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	116,573
Net assets of governmental activities - statement of net assets	(1,331,384)
	<u>\$3,352,876</u>

The accompanying notes are an integral part of this statement.

EDWARDS COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Road and Bridge	Equipment Grant	Nutrition Center	FEMA Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes							
Property	\$1,374,739	\$335,031				\$63,696	\$1,773,466
Intergovernmental	56,742	19,035	484,275	56,786		133,681	750,519
Licenses and Permits		165,608					165,608
Charges for Services	159,393					78,733	238,126
Fines and Forfeitures	90,707						90,707
Interest	52,793				4,875	10	57,678
Miscellaneous	270,371			9,335		15,124	294,830
Total Revenues	<u>2,004,745</u>	<u>519,674</u>	<u>484,275</u>	<u>66,121</u>	<u>4,875</u>	<u>291,244</u>	<u>3,370,934</u>
<b>EXPENDITURES</b>							
Current:							
General Administration	687,243					364	687,607
Legal	88,322						88,322
Judicial	260,796					1,711	262,507
Financial Administration	156,901						156,901
Public Facilities	44,483						44,483
Public Safety	821,071					155,473	976,544
Public Transportation		804,945	449,385				1,254,330
Culture and Recreation	15,367						15,367
Health and Welfare				118,688			118,688
Conservation - Agriculture	100,623						100,623
Capital Projects -							
Capital Outlay and Other						125,034	125,034
Debt Service							
Principal Retirement	50,737						50,737
Interest Retirement	55,830						55,830
Total Expenditures	<u>2,281,373</u>	<u>804,945</u>	<u>449,385</u>	<u>118,688</u>	<u>0</u>	<u>282,582</u>	<u>3,936,973</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(276,628)	(285,271)	34,890	(52,567)	4,875	8,662	(566,039)
<b>OTHER FINANCING SOURCES (USES):</b>							
Other Financing Sources - Capital Lease	29,092						29,092
Operating Transfers In				10,000			10,000
Operating Transfers Out	(10,000)						(10,000)
Total Other Financing Sources (Uses)	<u>19,092</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>29,092</u>
Net Changes in Fund Balances	(257,536)	(285,271)	34,890	(42,567)	4,875	8,662	(536,947)
Fund Balances - Beginning	862,685	551,806	0	(66,174)	276,317	230,779	1,855,413
Fund Balances - Ending	<u>\$605,149</u>	<u>\$266,535</u>	<u>\$34,890</u>	<u>(\$108,741)</u>	<u>\$281,192</u>	<u>\$239,441</u>	<u>\$1,318,466</u>

The accompanying notes are an integral part of this statement.

EDWARDS COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2010

Net Changes in Fund Balances - total governmental funds	(\$536,947)
---------------------------------------------------------	-------------

Amounts reported for governmental activities in the statement of net assets  
("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	570,675
(Increase) decrease in Compensated absences from beginning of period to end of period.	(3,773)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	45,681
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	21,217
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	50,737
(Increase) decrease in Accrued Interest payable from beginning of period to end of period.	(6,575)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(29,092)
Change in net assets of governmental activities - statement of activities	<u>\$111,923</u>

The accompanying notes are an integral part of this statement.

## EDWARDS COUNTY, TEXAS

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Budgetary	Variance with Final Budget - Positive (Negative)
	Original	Final	Basis	
REVENUES				
Taxes				
Property	\$1,425,500	\$1,425,500	\$1,374,739	(\$50,761)
Intergovernmental	36,000	36,000	56,742	20,742
Charges for Services	213,712	213,712	152,767	(60,945)
Fines and Forfeitures	140,000	140,000	89,266	(50,734)
Interest	40,000	40,000	52,793	12,793
Miscellaneous	10,000	10,000	269,915	259,915
Total Revenues	1,865,212	1,865,212	1,996,222	131,010
EXPENDITURES				
Current:				
General Administration				
County and District Clerk	143,380	143,380	149,496	(6,116)
Non-Departmental	581,073	581,073	499,353	81,720
Legal				
County Attorney	92,446	92,446	88,936	3,510
Judicial				
County and District Court	256,161	256,161	227,636	28,525
Justice of the Peace	61,945	61,945	45,352	16,593
Financial Administration				
County Treasurer	62,445	62,445	61,771	674
Tax Assessor-Collector	102,823	102,823	96,022	6,801
Public Facilities				
Courthouse Building	51,102	51,102	44,673	6,429
Public Safety				
Constables	43,575	43,575	46,237	(2,662)
D.P.S.	12,500	12,500	2,401	10,099
Emergency Operations	94,289	94,289	94,290	(1)
Fire	36,101	36,101	33,361	2,740
Detention Center	275,807	275,807	274,427	1,380
Sheriff	259,985	259,985	277,662	(17,677)

(continued)



(continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Culture and Recreation Libraries, Parks, ETC.	\$16,500	\$16,500	11,326	\$5,174
Conservation - Agriculture Agriculture Extension Service	93,326	93,326	101,547	(8,221)
Debt Service				
Principal Retirement	51,000	51,000	50,737	263
Interest Retirement	56,800	56,800	55,830	970
Total Expenditures	2,291,258	2,291,258	2,161,057	130,201
Excess (Deficiency) of Revenues Over (Under) Expenditures	(426,046)	(426,046)	(164,835)	261,211
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out			(10,000)	(10,000)
Total Other Financing Sources (Uses)	0	0	(10,000)	(10,000)
Net Changes in Fund Balances - Budgetary Basis	(426,046)	(426,046)	(174,835)	251,211
Reconciliation from Budgetary Basis to Modified Accrual:				
Other Financing Sources - Capital Leases			29,092	
Purchase of Capital Outlay			(29,092)	
Changes in Officers Fees			3,304	
Changes in Accounts Payable			(81,759)	
Changes in Accrued Wages Payable			(4,246)	
Net Changes in Fund Balances - Modified Accrual Basis			(257,536)	
Fund Balances - Beginning			862,685	
Fund Balances - Ending			\$605,149	

The notes to the financial statements are an integral part of this statement.

## EDWARDS COUNTY, TEXAS

## ROAD AND BRIDGE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$336,255	\$336,255	\$335,031	(\$1,224)
Intergovernmental	21,000	21,000	19,035	(1,965)
Licenses and Permits	120,000	120,000	165,608	45,608
Total Revenues	477,255	477,255	519,674	42,419
<b>EXPENDITURES</b>				
Current				
Public Transportation				
Road and Bridge	846,708	846,708	645,680	201,028
Total Expenditures	846,708	846,708	645,680	201,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	(369,453)	(369,453)	(126,006)	243,447
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances - Budgetary Basis	(\$369,453)	(\$369,453)	(126,006)	\$243,447
Reconciliation from Budgetary Basis to Modified Accrual:				
Changes in Accounts Payable			(158,008)	
Changes in Accrued Wages Payable			(1,257)	
Net Changes in Fund Balances - Modified Accrual Basis			(285,271)	
Fund Balances - Beginning			551,806	
Fund Balances - Ending			\$266,535	

The notes to the financial statements are an integral part of this statement.

## EDWARDS COUNTY, TEXAS

## NUTRITION CENTER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$87,000	\$87,000	\$56,786	(\$30,214)
Miscellaneous	4,500	4,500	9,334	4,834
Total Revenues	91,500	91,500	66,120	(25,380)
<b>EXPENDITURES</b>				
Current				
Health and Welfare				
Senior Citizens	106,968	106,968	121,732	(14,764)
Total Expenditures	106,968	106,968	121,732	(14,764)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,468)	(15,468)	(55,612)	(40,144)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	10,000	10,000	10,000	0
Total Other Financing Sources (Uses)	10,000	10,000	10,000	0
Net Changes in Fund Balances - Budgetary Basis	(\$5,468)	(\$5,468)	(45,612)	(\$40,144)
Reconciliation from Budgetary Basis to Modified Accrual:				
Changes in Accounts Payable			3,318	
Changes in Accrued Wages Payable			(273)	
Net Changes in Fund Balances - Modified Accrual Basis			(42,567)	
Fund Balances - Beginning			(66,174)	
Fund Balances - Ending			(\$108,741)	

The notes to the financial statements are an integral part of this statement.



EDWARDS COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2010

	Agency Funds County Officer Accounts
<b>ASSETS</b>	
Cash and Cash Equivalents	\$286,546
Receivables (net of allowance for uncollectibles)	0
Total Assets	<u>286,546</u>
<b>LIABILITIES:</b>	
Accounts Payable	
Due to Others	286,546
Total Liabilities	<u>286,546</u>
<b>NET ASSETS</b>	
Held in Trust - unexpendable	0
Held in Trust - historical purposes	0
Total Net Assets	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

BLAINE COUNTY, TEXAS  
 STATEMENT OF FINANCIAL NET ASSETS  
 FISCAL YEAR 2010  
 PERIOD END 12/31/10

Agency  
 Fund  
 County  
 District  
 Account

2010-2011  
 0  
 2010-2011

2010-2011  
 2010-2011

0  
 0  
 0

ASSETS  
 Cash and Cash Equivalents  
 Investments that are classified  
 as investments  
 Total Assets

LIABILITIES  
 Accounts Payable  
 Other Liabilities  
 Total Liabilities

NET ASSETS  
 Total Net Assets  
 Total Net Assets

The above is not a financial statement and is not intended to be a financial statement.

EDWARDS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

**I. Summary of Significant Accounting Policies**

**A. Reporting entity**

Edwards County operates under a County Judge – Commissioner's Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The equipment grant fund was used to facilitate an equipment grant for the purchase of road and bridge equipment.

The road and bridge fund accounts for the activities of the government's road and bridge operations.

The Nutrition Center fund is used to administer monies from Title III used for meals and transportation for the elderly.

The FEMA Disaster fund is used to administer monies used for emergency operations.

The FEMA fund is used to administer monies used for reconstructing roads damaged by natural disasters.



C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The agency funds are ministerial in nature and are shown because Edwards County is responsible for these funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2010 and 10 percent of the delinquent outstanding property taxes at September 30, 2010.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are considered to be expenditures at the time of purchase. There were no inventory items at September 30, 2010.

There were no prepaid items at September 30, 2010. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### 4. Restricted Assets

There were no restricted assets at September 30, 2010.

#### 5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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. Infrastructure items such as roads, highways, and bridges are not included.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The County had no major construction during the 2009-2010 year.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Building Improvements	20
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

## 6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

## 7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, 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.

## 8. Fund Equity

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

## II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,331,384 difference are as follows:

Certificate of Obligation	\$1,275,000
Capital Lease	36,595
Accrued Interest Payable	6,575
Compensated Absences	13,214
	<u>\$1,331,384</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$3,174,222 difference are as follows:

Capital Assets Not Being Depreciated	\$116,045
Capital Assets Being Depreciated	6,169,264
Accumulated Depreciation	(3,111,087)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$3,174,222</u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (continued)

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$116,573 difference are as follows:

Property Taxes Receivable	\$124,083
Allowance for Doubtful Accounts	(7,510)
Net	<u>\$116,573</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$74,999 difference are as follows:

Fines and Fees Receivable	\$202,197
Allowance for Doubtful Accounts	(127,198)
Net	<u>\$74,999</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$570,675 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	917,233
Capital Outlay - Deletions - Net	0
Depreciation Expense	(346,558)

Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$570,675</u>
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### III. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court. The final amended budget is used in this report.

The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year.

The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Treasurer to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Treasurer prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Treasurer's estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires as long as the amended figures do not exceed the County Treasurer's estimate of revenues and available cash. The legal level of control is the fund.

When the Budget has been adopted by the Commissioner's Court, the County Treasurer is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for all budgeted General and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2010 fiscal year were adopted for the General Fund, the Road and Bridge Fund, and the Nutrition Center. No budgets were adopted for any other funds of the County for the year ended September 30, 2010.

#### B. Excess of Expenditures over Appropriations

For the year ended September 30, 2010, expenditures did not exceed appropriations in any fund except for the Nutrition fund where the total actual expenditures exceeded the budgeted expenditures of \$106,968 by \$14,764.

#### C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2010 except for the following: Nutrition Center - \$108,741 and Law Forfeiture fund - \$6,415. These deficits are expected to be liquidated by future resources of the funds.

#### IV. Detailed Notes on All Funds

##### A. Deposits and Investments

###### Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is not in compliance with the requirements of the Act and with local policies.

###### Policies Governing Deposits and Investments

The County has not adopted a deposit and investment policy that addresses the following risks:

The County had no investments at September 30, 2010.

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2010, the government's bank balance of \$1,679,612 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$3,296,436 and the FDIC coverage is \$250,000. The book amount of cash at September 30, 2010 is \$1,360,917.

The County has also placed \$311,000 with the West Texas Rural Counties Association Risk Investment Pool. The County uses this pool to obtain its insurance. The \$311,000 with the pool is not secured by either pledged securities or by FDIC insurance.



## B. Receivables

Receivables as of the year end for the governmental activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road and Bridge	Other Governmental Funds	Total
<u>Receivables</u>				
Ad Valorem Taxes	\$101,305	\$22,778	\$0	\$124,083
Fees	3,304		10,516	13,820
Fines	202,197			202,197
Gross Receivables	306,806	22,778	10,516	340,100
Less: Allowance for Uncollectibles	133,296	1,412		134,708
Net Total Receivables	<u>\$173,510</u>	<u>\$21,366</u>	<u>\$10,516</u>	<u>\$205,392</u>

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

	<u>Unavailable</u>
Delinquent Property Taxes Receivable (General Fund)-Net	\$ 95,207
Delinquent Property Taxes Receivable (Road and Bridge Fund)-Net	<u>21,366</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 116,573</u>

There was no other unearned revenue reported in the governmental funds during the year.

## C. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

Governmental Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$116,045	\$0	\$0	\$116,045
Construction in Progress	0	0	0	0
Total Capital Assets Not Being Depreciated:	<u>116,045</u>	<u>0</u>	<u>0</u>	<u>116,045</u>
Capital Assets Being Depreciated:				
Building and Improvements	3,136,144	18,480	0	3,154,624
Machinery and Equipment	1,922,502	898,753	235,415	2,585,840
Infrastructure	428,800	0	0	428,800
Total Capital Assets Being Depreciated:	<u>5,487,446</u>	<u>917,233</u>	<u>235,415</u>	<u>6,169,264</u>
Less: Accumulated Depreciation for:				
Building and Improvements	974,929	50,472	0	1,025,401
Machinery and Equipment	1,596,215	296,086	235,415	1,656,886
Infrastructure	428,800	0	0	428,800
Total Accumulated Depreciation	<u>2,999,944</u>	<u>346,558</u>	<u>235,415</u>	<u>3,111,087</u>
Total Capital Assets Depreciated, Net	<u>2,487,502</u>	<u>570,675</u>	<u>0</u>	<u>3,058,177</u>
Governmental Activities Capital Assets, Net	<u>\$2,603,547</u>	<u>\$570,675</u>	<u>\$0</u>	<u>\$3,174,222</u>

Construction commitments: The County had no major construction during the 2009-2010 year.

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

Governmental Activities	
General Administration	\$31,616
Judicial	370
Public Facilities	13,825
Public Safety	107,737
Public Transportation	190,610
Health and Welfare	2,400
Total Depreciation Expense - Governmental Activities	<u>\$346,558</u>

## D. Restricted Net Assets

The restricted net assets at September 30, 2010 were 1) for Debt Service (\$162,150), and 2) for Emergency Operations (\$596,706).

E. Interfund Receivables, Payables, and Transfers

There were no due to/from other funds at September 30, 2010.

There were no advances at September 30, 2010.

Transfer to/from other funds was as follows:

TRANSFER OUT	TRANSFER IN	
	NUTRI- TION CENTER FUND	TOTAL
GENERAL FUND	\$10,000	\$10,000
OTHER GOVERNMENTAL FUNDS		0
TOTALS	\$10,000	\$10,000

The transfer from the general fund to the nutrition fund was recurring and was for meals for the elderly.

F. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$5,103 for the year ended September 30, 2010. The future minimum lease payments for these leases are as follows:

Year Ending Sept 30,	Amount
2011	\$ 4,062
2012	3,854
2013	3,854
2014	963
Total	<u>\$12,733</u>

## G. Long-Term Debt

### Capital Leases

The government has entered into a lease agreement as lessee for (1) Ford F150 and two (2) expeditions. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

ASSET	Governmental Activities			TOTAL
	2010	2009	2009	
	FORD	FORD	FORD	
	EXPEDITION	F150	EXPEDITION	
GENERAL	GENERAL	GENERAL	GENERAL	
COST	\$29,092	\$27,658	\$28,435	\$85,185
ACCUMULATED DEPRECIATION	(5,818)	(11,063)	(11,374)	(28,255)
NET ASSET	\$23,274	\$16,595	\$17,061	\$56,930

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

Year Ending Sep. 30	Amount
2011	\$29,460
2012	10,370
Total	39,830
Less: Amount Representing Interest	3,235
Present Value of Minimum Lease Payments	\$36,595

The above leases are serviced by the General fund.

### Certificates of Obligation:

The government issues Certificates of Obligation to provide funds for the building of the new County Annex. The total amount of the issuance is \$1,304,000. The rate of interest is 4.125%. The Certificates of Obligation were issued through the USDA.

Certificates of Obligation are direct obligations and pledge the full faith and credit of the government. Certificates of Obligation currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities	4.125%	\$1,275,000

Annual debt service requirements to maturity for Certificates of Obligation bonds are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2011	\$15,000	\$52,600
2012	16,000	52,000
2013	16,000	51,400
2014	17,000	50,700
2015	18,000	50,000
2016 to 2020	101,000	238,400
2021 to 2025	125,000	215,600
2026 to 2030	152,000	187,600
2031 to 2035	186,000	153,700
2036 to 2040	227,000	112,000
2041 to 2045	278,000	61,000
2046 to 2047	124,000	7,800
<b>TOTALS</b>	<b>\$1,275,000</b>	<b>\$1,232,800</b>

The Certificates of Obligation are to be serviced by the General fund.

#### Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<b>Governmental Activities:</b>						
Certificate of Obligation	\$1,290,000	\$0	\$15,000	\$1,275,000	\$15,000	\$1,260,000
Capital Lease	43,240	29,092	35,737	36,595	26,913	9,682
Compensated Absences	9,441	13,214	9,441	13,214	13,214	0
<b>Grand Total</b>	<b>\$1,342,681</b>	<b>\$42,306</b>	<b>\$60,178</b>	<b>\$1,324,809</b>	<b>\$55,127</b>	<b>\$1,269,682</b>

The general fund, the unit road fund, and the nutrition fund are used to service the compensated absences. The estimated amount due in the 2010-11 year is \$13,214. The total amount of interest expense was \$62,405. No interest was capitalized.

The government-wide statement of activities includes \$55,127 as "noncurrent liabilities, due within one year".

## V. Other Information

### A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

	Year Ended September 30, 2010	Year Ended September 30, 2009
Unpaid claims, beginning of fiscal year	\$0	\$0
Incurred claims (including IBNRs)	0	0
Claim payments	0	0
Unpaid claims, end of fiscal year	\$0	\$0

### B. Related Party Transaction

The county purchases fuel from a company owned by the County Treasurer. The County paid Shell directly so no monies were paid directly to the County Treasurer. The County accepted and awarded the bid to the Treasurer's company.

The county awarded a bid for the remodeling of a county building to the son of the Commissioner of Precinct 4. The total expenditures were \$14,669 and there was no amount due at September 30, 2010.

The County/District Clerk's husband did computer work for the County. The total expenditures were \$470 and there was no amount due at September 30, 2010.

### C. Subsequent Events

There were no subsequent events requiring disclosure.

#### D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is involved in the following lawsuits:

Dana Drazan v. Edwards County, Texas & Cliff Tuttle Cause No. 3786 discrimination

The court has issued a ruling but will not release the ruling until July 23, 2011. The County feels that the loss potential is very low and the potential range of loss is \$0-\$27,000.00, if any.

#### E. Other Post employment Benefits

There are no post employment benefits.

#### F. Commitments

The County had no major commitments at September 30, 2010.

#### G. The beginning fund balances of the general fund and the FEMA disaster fund were combined increasing the beginning fund balance of the general fund by \$315,514 to an amount of \$862,685.



## H. Retirement Plan

### Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

### Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The governing body elected to pay a rate of 10.10% for the 2009 year and a rate of 10.03% for the 2010 year that did not exceed the actuarially determined rate as allowed by the provisions of the TCDRS Act.

The contribution rate payable by the employee members for calendar year 2010 is the rate of 7.00% and 7.00 % for the 2009 year as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.



### Actuarial Valuation Information

Actuarial valuation date	12/31/2006	12/31/2007	12/31/2008
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Asset valuation method	SAF: 10-yr smoothed value; ESF: Fund Value	SAF: 10-yr smoothed value; ESF: Fund Value	SAF:10-yr smoothed value; ESF: Fund Value
Amortization period	15.0	20.0	20.0
Actuarial Assumptions			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living Adjustments	0.00%	0.00%	0.00%

### Annual Pension Cost

### Trend Information

for the Retirement Plan for the Employees of Edwards County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09-30-08	97,459	100%	-0-
09-30-09	94,942	100%	-0-
09-30-10	95,420	100%	-0-

### ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2009	\$1,240,558	\$1,478,128	\$237,570	83.4%	\$913,835	26.0%

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

Actual Valuation Information	12/31/2007	12/31/2008	12/31/2009
Actual valuation date	12/31/2007	12/31/2008	12/31/2009
Actual valuation method	entry age	entry age	entry age
Actual valuation basis	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Actual valuation method	SAE: 10-yr smoothed value; ESE: level value	SAE: 10-yr smoothed value; ESE: level value	SAE: 10-yr smoothed value; ESE: level value
Actual valuation period	12.0	12.0	12.0
Actual valuation assumptions	6.00%	6.00%	6.00%
Actual valuation assumptions	2.5%	2.5%	2.5%
Actual valuation assumptions	1.5%	1.5%	1.5%
Actual valuation assumptions	0.00%	0.00%	0.00%

Annual Pension Cost

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

Year	Actual Pension Cost (AEC)	Estimated Pension Cost (EPC)	Ratio of AEC to EPC
2007-2008	97,459	100,000	0.97
2008-2009	94,945	100,000	0.95
2009-2010	95,420	100,000	0.95

ANALYSIS OF FINANCIAL POSITION

Actual Assets	Actual Liabilities (AAL)	Unfunded AAL	Funded Ratio	Annual Covered Ratio	AAL as a Percentage of Payroll
(a)	(b)	(c)	(d)	(e)	(f)
\$1,340,858	\$1,478,119	\$137,261	87.4%	93.1%	15.6%

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements presents funding level information about whether the actual value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

REQUIRED SUPPLEMENTARY INFORMATION



EDWARDS COUNTY, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2010

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2007	\$ 952,111	\$1,156,852	\$204,741	82.3%	\$723,904	28.3%
2008	1,067,928	1,320,076	252,148	80.9	867,333	29.1
2009	1,240,558	1,478,128	237,570	83.4	913,835	26.0

EDWARDS COUNTY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2010

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
ANALYSIS OF FUNDING PROGRESS

Actual Value of Assets (a)	Actual Accrued Liability (AAL) (b)	Unfunded AAL (UAA) (b-a)	Funded Ratio (a/b) (c)	Annual Contribution Payroll (c)	UAA as a Percentage of Payroll (b-a/c) (d-e)
\$1,158,822	\$1,158,822	\$0,000	100.0%	\$1,158,822	0.0%
1,458,076	1,458,076	0,000	100.0%	1,458,076	0.0%
1,418,128	1,418,128	0,000	100.0%	1,418,128	0.0%



EDWARDS COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010

	CLERK TECH- NOLOGY	CONSTABLE TRAINING	COURT- HOUSE SECURITY	EMS FUND	FIRE DEPART- MENT	J.P. TECH- NOLOGY	LAW ENFORCE- MENT TRAINING	LAW FORFEI- TURE FUND	LAW LIBRARY FUND	PUBLIC LIBRARY GRANT	RECORDS MANAGE- MENT	WORK ORDER FUND	INTEREST AND SINKING FUND	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
ASSETS																
Cash and Cash Equivalents	\$4	\$873	\$4,719	\$15,528	\$29,949	\$4,834	\$3,818	\$2,865	\$13,425	\$2,749	\$162,150	\$0	\$240,914			
Receivables (net of allowance for uncollectibles)			49	10,321		31		35	80							10,516
Total Assets	\$4	\$873	\$4,768	\$25,849	\$29,949	\$4,865	\$3,818	\$0	\$2,900	\$0	\$13,505	\$2,749	\$162,150	\$0	\$251,430	\$251,430
LIABILITIES AND FUND BALANCES																
Liabilities																
Accounts Payable				\$5,058				\$516								\$5,574
Bank Overdraft								6,415								6,415
Total Liabilities	0	0	0	5,058	0	0	0	6,415	516	0	0	0	0	0	0	11,989
Fund Balances																
Restricted for:																
Debt Service													162,150		0	162,150
Construction																0
Unreserved - Undesignated	4	873	4,768	20,791	29,949	4,865	3,818	(6,415)	2,384	13,505	2,749					77,291
Total Fund Balances	4	873	4,768	20,791	29,949	4,865	3,818	(6,415)	2,384	0	13,505	2,749	162,150	0	239,441	
TOTAL LIABILITIES AND FUND BALANCES	\$4	\$873	\$4,768	\$25,849	\$29,949	\$4,865	\$3,818	\$0	\$2,900	\$0	\$13,505	\$2,749	\$162,150	\$0	\$251,430	\$251,430

The notes to the financial statements are an integral part of this statement.



EDWARDS COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	CLERK TECH- NOLOGY	CONSTABLE TRAINING	COURT- HOUSE SECURITY	EMS FUND	FIRE DEPART- MENT	J.P. TECH- NOLOGY	LAW ENFORCE- MENT TRAINING	LAW FORFEI- TURE FUND	LAW LIBRARY FUND	PUBLIC LIBRARY GRANT	RECORDS MANAGE- MENT	WORK ORDER FUND	INTEREST AND SINKING FUND	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES																
Taxes																
Property																
Intergovernmental																
Charges for Services	10	638	3,675	57,265	32,866	1,783	919		2,170		9,130		\$63,696		43,550	\$63,696
Interest				60,408												133,681
Miscellaneous				10												78,733
Total Revenues	10	638	3,675	7,559	7,565	1,783	919	0	2,170	0	9,130	0	63,696		43,550	15,124
				125,242	40,431											291,244
EXPENDITURES																
Current:																
General Administration																
County and District Clerk	6										358					364
Judicial																
Judicial									1,711							1,711
Public Safety																
Constable		784														784
Emergency Operations																
Fire				142,901												142,901
Sheriff					10,482			279								10,482
Capital Projects -							1,027									1,306
Capital Outlay and Other																
Total Expenditures	6	784	0	142,901	10,482	0	1,027	279	1,711	0	358	0	0	0	125,034	125,034
				(17,659)	29,949	1,783	(108)	(279)	459	0	8,772	0	63,696		(81,484)	8,662
Excess (Deficiency) of Revenues Over (Under)	4	(146)	3,675	(17,659)	29,949	1,783	(108)	(279)	459	0	8,772	0	63,696		(81,484)	8,662
OTHER FINANCING SOURCES (USES):																
Operating Transfers In																0
Operating Transfers Out																0
Total Other Financing Sources (Uses)																0
Net Changes in Fund Balances	4	(146)	3,675	(17,659)	29,949	1,783	(108)	(279)	459	0	8,772	0	63,696		(81,484)	8,662
Fund Balances - Beginning	0	1,019	1,093	38,450	0	3,082	3,926	(6,136)	1,925	0	4,733	2,749	98,454		81,484	230,779
Fund Balances - Ending	\$4	\$873	\$4,768	\$20,791	\$29,949	\$4,865	\$3,818	(\$6,415)	\$2,384	\$0	\$13,505	\$2,749	\$162,150	\$0	\$0	\$239,441

The notes to the financial statements are an integral part of this statement.

EDWARDS COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	County Officer Accounts	Total
<b>ASSETS</b>		
Cash and Cash Equivalents	\$286,546	\$286,546
Total Assets	<u>\$286,546</u>	<u>\$286,546</u>
<b>LIABILITIES:</b>		
Accounts Payable		
Due to Others	\$286,546	\$286,546
Total Liabilities	<u>\$286,546</u>	<u>\$286,546</u>

The notes to the financial statements are an integral part of this statement.

EDWARDS COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>COUNTY OFFICER ACCOUNTS</u>		BALANCE			BALANCE
		10/1/2009	ADDITIONS	DEDUCTIONS	9/30/2010
<b>ASSETS</b>					
Cash and Cash Equivalents		\$202,341	\$84,205	\$0	\$286,546
Total Assets		\$202,341	\$84,205	\$0	\$286,546
<b>LIABILITIES:</b>					
Accounts Payable					
Due to Others		\$202,341	\$84,205	\$0	\$286,546
Total Liabilities		\$202,341	\$84,205	\$0	\$286,546
<b>ASSETS</b>					
<u>TOTAL</u>		BALANCE			BALANCE
		10/1/2009	ADDITIONS	DEDUCTIONS	9/30/2010
Cash and Cash Equivalents		\$202,341	\$84,205	\$0	\$286,546
Total Assets		\$202,341	\$84,205	\$0	\$286,546
<b>LIABILITIES:</b>					
Accounts Payable					
Due to Others		\$202,341	\$84,205	\$0	\$286,546
Total Liabilities		\$202,341	\$84,205	\$0	\$286,546

The notes to the financial statements are an integral part of this statement.



SOURCE AND TITLE OF FUND	FEDERAL AID NUMBER	FEDERAL AID TITLE	FEDERAL AID NUMBER	FEDERAL AID TITLE	FEDERAL AID NUMBER

U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response	5U49CE0001	5U49CE0001	5U49CE0001	5U49CE0001	5U49CE0001
U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response	5U49CE0002	5U49CE0002	5U49CE0002	5U49CE0002	5U49CE0002
U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response	5U49CE0003	5U49CE0003	5U49CE0003	5U49CE0003	5U49CE0003

SINGLE AUDIT SECTION

U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response	5U49CE0004	5U49CE0004	5U49CE0004	5U49CE0004	5U49CE0004
U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response	5U49CE0005	5U49CE0005	5U49CE0005	5U49CE0005	5U49CE0005
U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response U.S. Department of Health and Human Services Centers for Disease Control and Prevention Division of Field Epidemiology Epidemic Response	5U49CE0006	5U49CE0006	5U49CE0006	5U49CE0006	5U49CE0006

EDWARDS COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	GRANTOR'S/ PASS-THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	PROGRAM EXPENDI- TURES
<b>FEDERAL ASSISTANCE</b>				
<b><u>NON-STIMULUS PROGRAMS</u></b>				
<b>Rural Housing Service (RHS), U.S. Department of Agriculture</b>				
Direct				
Community Facilities Loans and Grants (M)	10.766	NONE		\$445,500
Total Election Assistance Commission				<u>445,500</u>
<b>U.S. Department of Homeland Security</b>				
Passed Through				
Criminal Justice Division, Office of the Governor				
Unknown (NM)	Unknown	2172401		38,775
Total U.S. Department of Homeland Security				<u>38,775</u>
<b>U.S. General Services Administration</b>				
Passed Through				
Texas Facilities Division				
Donation of Federal Surplus Personal Property (NM)	39.003	None		1,556
Total U.S. General Services Administration				<u>1,556</u>
<b>U.S. Department of Housing and Urban Development</b>				
Office of Rural Community Affairs				
Community Development Block Grants/ States Program (NM)	14.228			
Street/Flood-Drainage Improvements		728277	159,558	94,132
Total U.S. Department of Housing and Urban Development				<u>94,132</u>
<b>U.S. Department of Health and Human Services</b>				
Passed Through				
Middle Rio Grand development Council				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers				
TITLE III-B (NM)	93.044	Unknown		2,600
Special Programs for the Aging - Title III, Part C - Nutrition Services				
TITLE III-C (NM)	93.045	Unknown		38,871
Total U.S. Department of Health and Human Services				<u>41,471</u>
<b><u>STIMULUS PROGRAMS</u></b>				
<b>U.S. Department of Health and Human Services</b>				
Passed Through				
Middle Rio Grand development Council				
Special Programs for the Aging - Title III, Part B - Special Programs for the Aging - Title III, Part C - Nutrition Services				
TITLE III-C (NM)	93.045	Unknown		1,880
Total U.S. Department of Health and Human Services				<u>1,880</u>
Total Federal Assistance				<u>\$623,314</u>

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER

M=MAJOR PROGRAM

NM=NONMAJOR PROGRAM

See Accompanying Notes to Schedule of Federal Financial Assistance

EDWARDS COUNTY, TEXAS  
BUDGET COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor: U.S. Department of Housing and Urban Development  
Pass Through Grantor: Office of Rural Community Affairs  
CFDA Number: 14.228  
Project Number: 728277  
Contract Period: 06/22/2008 to 06/21/2010

	BUDGET	FEDERAL		LOCAL MATCH		VARIANCE
		PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE						
Federal	\$159,558	\$63,426	\$94,132			\$2,000
Local	0					0
TOTAL REVENUE:	159,558	63,426	94,132	0	0	2,000
EXPENSES						
Federal						
Street Improvements	100,179	49,426	50,753			0
Flood-Drainage Improvements	39,379	0	39,379			0
General Administration	20,000	14,000	4,000			2,000
State						
Street Improvements						0
Flood-Drainage Improvements						0
General Administration						0
TOTAL EXPENSES	159,558	63,426	94,132	0	0	2,000
Excess Revenue over Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

WAYNE R. BEYER  
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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 Commissioner's Court  
Edwards County, Texas

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edwards County, Texas as of and for the year ended September 30, 2010, which collectively comprise Edwards County, Texas's basic financial statements and have issued my report thereon dated July 12, 2011. I conducted my 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 my audit, I considered Edwards County, Texas's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edwards County, Texas's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Edwards County, Texas's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not be necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Edwards County, Texas's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Edwards County, Texas's financial statements that is more than inconsequential will not be prevented or detected by Edwards County, Texas's internal control. I consider the following deficiencies to be significant deficiencies in internal control over financial reporting.



## 2010-1 Segregation of Duties

Condition: Due to the limited number of people working in the office, many critical duties are combined and given to the available employees.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Effect: Because the County does not have proper segregation of duties the possibility exists that the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because it would be impracticable and expensive for the County to have a proper segregation of duties.

Recommendation: We recommend that the County look into the possibility of dividing up the accounting, bookkeeping/cash duties including payroll and purchasing so as to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud. We also recommend that all work be reviewed and initialed by a responsible person.

Response: It would be impracticable and cost prohibitive for the County to employ additional staff.

## 2010-2 Computer Policy

Condition: The County does not have a written backup or data retention and recovery policy.

Criteria: The County should have a written backup or data retention and recovery policy.

Effect: Because the County does not have a written backup or data retention and recovery policy the possibility exists that the computer systems in either the County Treasurer's office, the Justice of the Peace, the County/District Clerk Office or any other County office may fail and leave the County without the necessary data to continue the administration of such office.

Cause of Condition: This condition exists because the County has not implemented a written backup or data retention and recovery policy.

Recommendation: We recommend that the County implement a written backup or data retention and recovery policy.

Response: The County is in the process of adopting a written backup or data retention and recovery policy.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Edwards County, Texas's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I believe that some of the significant deficiencies described as follows to be material weaknesses.

Condition: Recently issued auditing standards have clarified that the components of internal controls are the same for all entities, regardless of their size or other challenges that are present accordingly, auditors are not allowed to give exemptions or special relief to smaller entities when evaluating effective internal control. Certain internal controls that have often been overlooked by small businesses relate to the annual financial reporting process. Annual financial reporting control objectives address the preparation of accurate annual financial statements and related note disclosures in accordance with generally accepted accounting principles. That is to say, the system of internal control over financial reporting does not stop at the County's general ledger. It includes controls over the actual financial statement preparation, including note disclosures.

I have drafted the financial statements and related note disclosures at the County's request. This was done because, due to its limited resources, the County decided to focus their financial accounting resources in other areas and utilize auditors to provide the draft financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. While I am not questioning the County's abilities to understand, analyze and accept the final financial statements, we cannot be considered part of the County's internal controls. Consequently, the initial preparation of the financial statements and related notes by the auditors is considered a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

It is my responsibility to report this deficiency to increase your awareness of the accounting and auditing regulations; however, management can continue to make a conscious decision to continue to allow the auditors to assist in the drafting of the financial statements. To remedy the control deficiency related to the preparation of the annual financial statements, the County needs to ensure that appropriate personnel are in place and that they have the appropriate knowledge and tools to be an effective element of the internal control process either through training or addition of in-house personnel or through the use of outside consultants other than your auditor.

Criteria: Internal controls should be in place that provides reasonable assurance that the County has an individual on staff that is familiar with GAAP and who can apply Generally Accepted Accounting Principles to the County's financial statements.

Effect: Because the County does not have an individual on staff that is familiar with GAAP the County's governing body cannot adequately evaluate the County's financial position and results of operations on an ongoing basis.

Cause of Condition: This condition exists because it would be impracticable and expensive for the County to have someone on staff who is familiar with Generally Accepted Accounting Principles because that individual would have to be a Certified Public Accountant as a minimum.

Recommendation: We recommend that the County look into the possibility of obtaining someone who is familiar with Generally Accepted Accounting Principles.

Response: It would be impracticable and cost prohibitive for the County to employ a staff Certified Public Accountant.

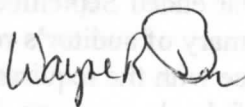
## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edwards County, Texas's financial statements are free of material misstatements, I 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 amount. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Edwards County, Texas in a separate letter dated July 12, 2011.

This report is intended solely for the information and use of management, the audit committee, Commissioner's Court, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Wayne R. Beyer  
Certified Public Accountant  
July 12, 2011

WAYNE R. BEYER  
CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

**Compliance**

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

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Edwards County, Texas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Edwards County, Texas's compliance with those requirements.

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

## Internal Control over Compliance

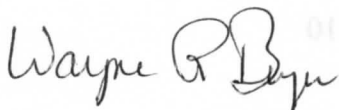
The management of Edwards County, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Edwards County, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, I do not express an opinion of the effectiveness of Edwards County, Texas's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Commissioner's Court, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Wayne R. Beyer  
Certified Public Accountant  
July 12, 2011

EDWARDS COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

General

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all Edwards County, Texas's federal grants for the year ended September 30, 2010. This report is intended for the information of Edwards County, Texas, state and federal awarding agencies, and is not intended to be used and should not be used by anyone other than these specified parties.

Basis of Accounting

The Schedule of Expenditure of Federal Awards is presented using the modified accrual basis of accounting.

Non Cash Grants

Edwards County received a non-cash grants for Surplus Property of \$1,556 for the year ended September 30, 2010.

EDWARDS COUNTY, TEXAS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal

There were no prior audit findings for Federal Awards.



EDWARDS COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Edwards County, Texas.
2. There were two significant deficiencies disclosed during the audit on pages 48-49 as findings 2010-1 and 2010-2. There was one material weakness disclosed during the audit on page 50 as finding 2010-3.
3. There were no instances of noncompliance material to the financial statements of the Edwards County, Texas, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. There were no significant deficiencies over major federal award programs disclosed during the audit. There was no material weakness over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the Edwards County, Texas expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs: USDA Community Facilities Loan and Grant Program - 10.766.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Edwards County did not qualify as a low-risk auditee.
10. Material Weaknesses
  - a. There was one material weakness disclosed during the audit on page 50 as finding 2010-3.

Findings relating to the Financial Statements

None

Findings and Questioned Costs for Federal Awards

None

EDWARDS COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Edwards County, Texas.
2. There were two significant deficiencies identified during the audit on pages 20 and 21 of the findings 2019-1 and 2019-2. There was one material weakness identified during the audit on page 22 as finding 2019-3.
3. There were no instances of noncompliance material to the financial statements of Edwards County, Texas, which would be reported in a separate finding with Government Auditing Standards were identified during the audit.
4. There were no significant deficiencies or material weaknesses identified during the audit. There were no material weaknesses or significant deficiencies identified during the audit.
5. The auditor's report on compliance for the major federal award programs for the Edwards County, Texas expresses an unqualified opinion on all major federal award programs.
6. There were no audit findings that are reported in the findings and questioned costs section of the report on pages A-1 through A-12.
7. The programs tested as major programs: 0250A Community Facilities Development Fund and 0250B Program - 10.000.
8. The auditor's report on the relationship between Type A and B programs was 0250A-001.
9. Edwards County did not qualify as a low-risk auditor.
10. Edwards County was not a low-risk auditor.
11. There was one material weakness identified during the audit on page 22 as finding 2019-3.

EDWARDS COUNTY, TEXAS

EDWARDS COUNTY, TEXAS