

HUTCHINSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

**HUTCHINSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013**

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FINANCIAL SECTION

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BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

7431 Continental Parkway • Amarillo, Texas 79119
P.O. Box 20210 • Amarillo, Texas 79114
806-355-8241 • FAX 806-355-6415

Independent Auditor's Report

**To the Honorable Faye Blanks, County Judge
and County Commissioners, Hutchinson County, Texas
Stinnett, Texas**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hutchinson County, Texas, (the "County") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 16 and the schedule of funding progress – Texas County and District Retirement System on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Brown Graham & Company, P.C.

Amarillo, Texas
August 11, 2014

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HUTCHINSON COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

The County Auditor's Office is pleased to present the Annual Financial Report (AFR) of Hutchinson County, Texas for the fiscal year ended September 30, 2013. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included. This report was prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

The County prepares its financial statements following standards promulgated by GASB, which includes GASB Statement Number 34, *Basic Financial Statements – And Management's Discussion and Analysis – For State and Local Governments* (GASB No. 34). The AFR was prepared in accordance with this statement.

The County is located in the Texas Panhandle and has a population of approximately twenty four thousand. The main economic activity is oil and gas related: consisting of production, service industries, manufacturing and refining. Other industries are agricultural activities including farming and ranching. Appraised taxable values for the 2013 tax roll are \$2,551,543,410 consisting of taxable mineral and industrial values of \$1,970,334,920 and real and personal property making up the balance of approximately \$581,208,490. The County's economic valuations fluctuate with the oil and gas economic fluctuations.

Hutchinson County does not own and or operate a County Hospital. Golden Plains Community Hospital (the only hospital in Hutchinson County) has a separate hospital district with its own tax base and taxes. All indigent health care costs are absorbed by the Hutchinson County Hospital District. The only indigent health care costs incurred by the County are for jail inmates. Jail inmates' medical care is by a contracted doctor living in the County and the Golden Plains Community Hospital emergency room.

The County owns and operates Hutchinson County Airport. This is the only proprietary fund of the County. Daily operations are funded by the County and revenues from fuel sales, hangar rentals, and supply sales. Maintenance of runways and taxiways is usually funded by grants from the Federal Aviation Administration through the Texas Department of Transportation's Aviation Division. These grants usually are 90% Federal grants to be matched 10% by the County.

The County has four County Commissioners, each having a precinct. There are three separate maintenance foremen, one being responsible for two precincts. Each precinct is responsible for maintaining County roads in their respective precinct. Equipment is operated by each precinct and located in each precinct facility.

This section of Hutchinson County's financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2013. Please read it in conjunction with the County's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include all reports, statements and notes listed in the table of contents. These financial reports should be read and used in their entirety.

Government-wide Financial Statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. They present the financial picture of the County using the accrual basis of accounting. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County. Additionally, certain adjustments have occurred to eliminate duplication in regard to interfund activity such as fund transfers, receivables, and payables.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, buildings and facilities, administration of justice, law enforcement and corrections, social services, health, safety, agriculture, roads, bridges, and transportation.

Fund financial statements are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains thirty-one nonmajor governmental funds, which are all special revenue 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, and the Special Road and Flood Control Fund, both of which are considered major funds under the classification guidelines in GASB No. 34. Data from the remaining, or nonmajor, governmental funds are compiled into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The County adopts an annual appropriated budget for its general, special revenue and proprietary funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The Airport Fund is presented as a single, aggregated presentation in the proprietary fund financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of the funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Governmental activity financial analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For Hutchinson County's governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,506,654 at the close of the most recent fiscal year as compared to \$14,442,816 at the close of the previous fiscal year. This represents a 7.4% increase. A comparative analysis of the changes is presented below:

Statement of Net Position

| Governmental activities: | <u>9/30/13</u> | <u>9/30/12</u> |
|--|----------------------|----------------------|
| Current and other assets | \$ 9,094,391 | \$ 8,589,999 |
| Capital assets (net of accumulated depreciation) | <u>7,334,073</u> | <u>6,795,898</u> |
| Total assets | <u>16,428,464</u> | <u>15,385,897</u> |
| Current and other liabilities | 494,575 | 519,704 |
| Long-term liabilities | <u>427,235</u> | <u>423,377</u> |
| Total liabilities | <u>921,810</u> | <u>943,081</u> |
| Net position: | | |
| Net investment in capital assets | 7,334,073 | 6,795,898 |
| Restricted | 686,986 | 861,840 |
| Unrestricted | <u>7,485,595</u> | <u>6,785,078</u> |
| Total net position | <u>\$ 15,506,654</u> | <u>\$ 14,442,816</u> |

A large portion of the County's net position (47%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). For the adoption and implementation of GASB 34, the County was considered a Phase 3 Government; as a result, the County had the option of retroactively reporting infrastructure assets (roads, bridges, etc.). The County elected to not retroactively report its infrastructure assets; rather, the County began prospectively reporting infrastructure assets constructed or acquired after the fiscal year ending September 30, 2003. To date, the County has not constructed or acquired any infrastructure assets since September 30, 2003.

The County uses these capital assets to provide services to citizens; these assets are not available for future spending. Unrestricted net position represents the portion available to meet current requirements and obligations to the County's creditors and citizens. At September 30, 2013, therefore, 48% of total net position was available for that purpose, which is comparable to the ratio at September 30, 2012 of 47%.

Governmental activities net position increased by \$1,063,838 as follows:

Statement of Activities

| | Net Change | 9/30/13 | 9/30/12 |
|---|-----------------------|----------------------|----------------------|
| Governmental activities: | | | |
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$ (63,030) | \$ 2,068,725 | \$ 2,131,755 |
| Operating grants and contributions | (7,122) | 482,266 | 489,388 |
| Capital grants and contributions | (2,680,580) | 535,267 | 3,215,847 |
| General revenues | | | |
| Property taxes | 587,412 | 10,316,015 | 9,728,603 |
| Other taxes | (5,121) | 9,557 | 14,678 |
| Gain on sale of assets | (40,450) | - | 40,450 |
| Investment earnings | (2,998) | 12,530 | 15,528 |
| Miscellaneous revenues | 47,541 | 108,163 | 60,622 |
| Total revenues | <u>(2,164,348)</u> | <u>13,532,523</u> | <u>15,696,871</u> |
| Expenses | | | |
| General government | 225,524 | 3,203,319 | 2,977,795 |
| Public safety | 121,214 | 1,616,788 | 1,495,574 |
| Highways and streets | 42,723 | 1,657,532 | 1,614,809 |
| Justice system | 74,112 | 3,147,575 | 3,073,463 |
| Correction and rehabilitation | 138,181 | 1,851,992 | 1,713,811 |
| Community services | 69,909 | 789,731 | 719,822 |
| Health and human services | 3,974 | 78,498 | 74,524 |
| Total expenses | <u>675,637</u> | <u>12,345,435</u> | <u>11,669,798</u> |
| Change in net position before transfers | (2,839,985) | 1,187,088 | 4,027,073 |
| Transfers | (19,050) | (123,250) | (104,200) |
| Change in net position | <u>\$ (2,859,035)</u> | <u>1,063,838</u> | <u>3,922,873</u> |
| Net position - beginning of year | | <u>14,442,816</u> | <u>10,519,943</u> |
| Net position - end of year | | <u>\$ 15,506,654</u> | <u>\$ 14,442,816</u> |

The Hutchinson County tax rate for 2013 was set at \$.44657 per \$100, which is the same as the tax rate for 2012.

Business-type activity financial analysis (airport):

Statement of Net Position

| Business-type activities: | <u>9/30/13</u> | <u>9/30/12</u> |
|--|---------------------|---------------------|
| Current and other assets | \$ 66,329 | \$ 61,207 |
| Capital assets (net of accumulated depreciation) | <u>2,809,086</u> | <u>3,044,062</u> |
| Total assets | <u>2,875,415</u> | <u>3,105,269</u> |
| Current and other liabilities | 9,335 | 9,781 |
| Long-term liabilities | <u>4,459</u> | <u>5,033</u> |
| Total liabilities | <u>13,794</u> | <u>14,814</u> |
| Net position: | | |
| Net investment in capital assets | 2,809,086 | 3,044,062 |
| Unrestricted | <u>52,535</u> | <u>46,393</u> |
| Total net position | <u>\$ 2,861,621</u> | <u>\$ 3,090,455</u> |

Business-type activities decreased by \$228,834 as follows:

Statement of Activities

| | <u>Net Change</u> | <u>9/30/13</u> | <u>9/30/12</u> |
|---|-----------------------|---------------------|---------------------|
| Business-type activities: | | | |
| Revenues | | | |
| Program revenues | | | |
| Charges for services and rents | \$ (84,064) | \$ 721,991 | \$ 806,055 |
| Operating grants and contributions | 9,021 | 21,697 | 12,676 |
| Capital grants and contributions | 3,694 | 8,038 | 4,344 |
| General revenues | | | |
| Investment earnings | (33) | 11 | 44 |
| Miscellaneous revenue | <u>25,629</u> | <u>25,629</u> | <u>-</u> |
| Total revenues | <u>(45,753)</u> | <u>777,366</u> | <u>823,119</u> |
| Expenses | | | |
| Airport | <u>(101,753)</u> | <u>1,129,450</u> | <u>1,231,203</u> |
| Change in net position before transfers | 56,000 | (352,084) | (408,084) |
| Transfers | <u>19,050</u> | <u>123,250</u> | <u>104,200</u> |
| Change in net position | <u>\$ 75,050</u> | <u>(228,834)</u> | <u>(303,884)</u> |
| Net position - beginning of year | | <u>3,090,455</u> | <u>3,394,339</u> |
| Net position - end of year | | <u>\$ 2,861,621</u> | <u>\$ 3,090,455</u> |

Capital asset activity:

Governmental activities capital assets were as follows:

| | <u>9/30/13</u> | <u>9/30/12</u> |
|----------------------------|-------------------------|-------------------------|
| Land | \$ 108,889 | \$ 108,889 |
| Land improvements | 52,920 | 57,540 |
| Buildings and improvements | 1,330,217 | 1,265,524 |
| Equipment | 1,911,176 | 1,952,168 |
| Construction in progress | <u>3,930,871</u> | <u>3,411,777</u> |
| Total | <u>\$ 7,334,073</u> | <u>\$ 6,795,898</u> |

The acquisition of capital assets in the governmental activities consists of the purchase of vehicles, hardware and software for the County's computer systems, various improvement projects and various equipment purchases. Construction in progress at the end of fiscal year 2013 consisted of \$3,904,419 for the Plemons Road bridge project and \$26,451 for electrical upgrades for the Courthouse.

Business-type activities capital assets were as follows:

| | <u>9/30/13</u> | <u>9/30/12</u> |
|----------------------------|-------------------------|-------------------------|
| Land | \$ 406,196 | \$ 406,196 |
| Land improvements | 1,457,173 | 1,649,716 |
| Buildings and improvements | 941,142 | 981,080 |
| Equipment | <u>4,575</u> | <u>7,070</u> |
| Total | <u>\$ 2,809,086</u> | <u>\$ 3,044,062</u> |

The acquisition of capital assets in the business-type activities consists of blue solar runway lights funded in part by the Federal Aviation Administration passed through the Texas Department of Transportation.

Long-term debt:

The County had no bonds, notes, or loans outstanding at any time during 2013 and 2012. On the government-wide financial statements, long-term liabilities consist of the estimated long-term portion of compensated absences payable.

Fiduciary funds:

Fiduciary funds are funds held by various departments of Hutchinson County for other individuals or organizations. These are not County funds and cannot be used by the County. Most of these funds are required by the court system to be held until resolution of court related issues.

Requests for information:

This financial report is designed to provide a general overview of Hutchinson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the County Auditor's office, P.O. Box 850, Stinnett, Texas, 79083.

Mark B. Dill, C.P.A.
Hutchinson County Auditor

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and cash equivalents | \$ 106,237 | \$ 30,449 | \$ 136,686 |
| Investments | 8,562,042 | 60 | 8,562,102 |
| Receivables (net of allowance for uncollectibles) | 273,481 | 11,954 | 285,435 |
| Due from agency funds | 52,893 | - | 52,893 |
| Inventories | 35,905 | 22,121 | 58,026 |
| Prepaid items | 63,833 | 1,745 | 65,578 |
| Capital assets (net of accumulated depreciation): | | | |
| Land and land improvements | 161,809 | 1,863,369 | 2,025,178 |
| Buildings and improvements | 1,330,217 | 941,142 | 2,271,359 |
| Equipment | 1,911,176 | 4,575 | 1,915,751 |
| Construction in progress | 3,930,871 | - | 3,930,871 |
| Total assets | 16,428,464 | 2,875,415 | 19,303,879 |
| Liabilities: | | | |
| Accounts payable and other current liabilities | 391,307 | 9,335 | 400,642 |
| Due to others | 103,268 | - | 103,268 |
| Non-current liabilities: | | | |
| Due within one year | 15,334 | 4,459 | 19,793 |
| Due in more than one year | 411,901 | - | 411,901 |
| Total liabilities | 921,810 | 13,794 | 935,604 |
| Net position: | | | |
| Net investment in capital assets | 7,334,073 | 2,809,086 | 10,143,159 |
| Restricted | 686,986 | - | 686,986 |
| Unrestricted | 7,485,595 | 52,535 | 7,538,130 |
| Total net position | \$ 15,506,654 | \$ 2,861,621 | \$ 18,368,275 |

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

| Primary Government | | |
|------------------------------------|-------------------------------------|----------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (2,592,852) | \$ - | \$ (2,592,852) |
| (1,521,932) | - | (1,521,932) |
| (479,698) | - | (479,698) |
| (2,596,323) | - | (2,596,323) |
| (1,235,536) | - | (1,235,536) |
| (754,338) | - | (754,338) |
| (78,498) | - | (78,498) |
| (9,259,177) | - | (9,259,177) |
| - | (377,724) | (377,724) |
| - | (377,724) | (377,724) |
| (9,259,177) | (377,724) | (9,636,901) |
| 10,316,015 | - | 10,316,015 |
| 9,557 | - | 9,557 |
| 12,530 | 11 | 12,541 |
| 108,163 | 25,629 | 133,792 |
| (123,250) | 123,250 | - |
| 10,323,015 | 148,890 | 10,471,905 |
| 1,063,838 | (228,834) | 835,004 |
| 14,442,816 | 3,090,455 | 17,533,271 |
| \$ 15,506,654 | \$ 2,861,621 | \$ 18,368,275 |

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FUND FINANCIAL STATEMENTS

HUTCHINSON COUNTY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

| | <u>General Fund</u> | <u>Special Road and Flood Control Fund</u> | <u>Other Governmental Funds</u> |
|---|-------------------------|--|---|
| Assets: | | | |
| Cash and cash equivalents | \$ 17,809 | \$ 855 | \$ 87,573 |
| Investments | 7,899,149 | 49 | 662,844 |
| Taxes receivable (net of allowance for uncollectibles) | 143,496 | - | - |
| Receivables (net of allowance for uncollectibles) | 52,462 | 39,100 | 22,878 |
| Intergovernmental receivables | - | - | 15,545 |
| Due from other funds | 54,804 | 5,430 | 4,558 |
| Inventories | - | 35,905 | - |
| Prepaid items | 62,395 | 1,438 | - |
| | <u>8,230,115</u> | <u>82,777</u> | <u>793,398</u> |
| Total assets | \$ 8,230,115 | \$ 82,777 | \$ 793,398 |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Accounts payable | \$ 284,133 | \$ 69,893 | \$ 36,223 |
| Wages and salaries payable | 15,334 | - | 1,058 |
| Due to other funds | 59 | - | 11,840 |
| Due to others | 44,701 | - | 58,567 |
| Deferred revenue | 116,736 | - | - |
| | <u>460,963</u> | <u>69,893</u> | <u>107,688</u> |
| Total liabilities | 460,963 | 69,893 | 107,688 |
| Fund balances: | | | |
| Nonspendable fund balance: | | | |
| Inventories | - | 35,905 | - |
| Prepaid items | 62,395 | 1,438 | - |
| Restricted fund balance: | | | |
| General government | - | - | 121,704 |
| Highways and streets | - | - | 28,509 |
| Justice system | - | - | 311,870 |
| Correction and rehabilitation | - | - | 195,306 |
| Community services | - | - | 29,596 |
| Unassigned fund balance | 7,706,757 | (24,459) | (1,275) |
| | <u>7,769,152</u> | <u>12,884</u> | <u>685,710</u> |
| Total fund balances | 7,769,152 | 12,884 | 685,710 |
| Total liabilities and fund balances | \$ 8,230,115 | \$ 82,777 | \$ 793,398 |

The accompanying notes are an integral part of these financial statements.

**Total
Governmental
Funds**

\$ 106,237
8,562,042

143,496

114,440

15,545

64,792

35,905

63,833

\$ 9,106,290

\$ 390,249

16,392

11,899

103,268

116,736

638,544

35,905

63,833

121,704

28,509

311,870

195,306

29,596

7,681,023

8,467,746

\$ 9,106,290

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**HUTCHINSON COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

| | |
|---|---------------|
| Total fund balance - Governmental Funds | \$ 8,467,746 |
| Capital assets used in the governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,604,749 and the accumulated depreciation was \$6,808,851. In addition, liabilities for compensated absences in the amount of \$379,121 are not due and payable in the current period, and therefore are not reported as liabilities in the fund financial statements. The net effect of including the beginning balances for capital assets (net of accumulated depreciation) and compensated absences in the governmental activities is to increase net position. | 6,416,777 |
| Current year capital outlays are expenditures in the fund financial statements, but they should be shown as an increase in capital assets in the government-wide financial statements. The net effect of including the 2013 capital outlays is to increase net position. | 1,220,053 |
| The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | (681,880) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating inter-fund transactions, and recognizing the net change in compensated absences. The net effect of these reclassifications, eliminations, and recognitions is to increase net position. | 83,958 |
| Net position - Governmental Activities | \$ 15,506,654 |

The accompanying notes are an integral part of these financial statements.

HUTCHINSON COUNTY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | <u>General Fund</u> | <u>Special Road and Flood Control Fund</u> | <u>Other Governmental Funds</u> |
|---|-------------------------|--|---|
| Revenue: | | | |
| Taxes: | | | |
| Property taxes | \$ 10,352,393 | \$ - | \$ - |
| Other taxes | 9,557 | - | - |
| Licenses and permits | - | 570,369 | - |
| Intergovernmental revenue and grants | 165,056 | 535,267 | 406,021 |
| Charges for services | 974,706 | - | 49,571 |
| Fines | 16,109 | - | 26,974 |
| Inmate housing and telephone charges | 29,340 | - | - |
| Investment earnings | 11,727 | - | 803 |
| Contributions and donations | 4,147 | - | - |
| Other revenue | 102,745 | 56,714 | 241,190 |
| Total revenue | <u>11,665,780</u> | <u>1,162,350</u> | <u>724,559</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | 2,725,727 | - | 1,937 |
| Public safety | 1,602,910 | - | - |
| Highways and streets | 4,790 | 1,518,201 | 16,000 |
| Justice system | 2,741,378 | - | 353,250 |
| Correction and rehabilitation | 1,394,660 | - | 407,661 |
| Community services | 597,333 | - | 188,430 |
| Health and human services | 78,498 | - | - |
| Capital outlay | 452,329 | 736,194 | 31,530 |
| Total expenditures | <u>9,597,625</u> | <u>2,254,395</u> | <u>998,808</u> |
| Excess (deficiency) of revenue over (under) expenditures | <u>2,068,155</u> | <u>(1,092,045)</u> | <u>(274,249)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 12,870 | 1,214,359 | 111,600 |
| Other resources | 16,210 | - | - |
| Transfers out | (1,449,209) | - | (12,870) |
| Total other financing sources (uses) | <u>(1,420,129)</u> | <u>1,214,359</u> | <u>98,730</u> |
| Net change in fund balance | 648,026 | 122,314 | (175,519) |
| Fund balance at beginning of year | <u>7,121,126</u> | <u>(109,430)</u> | <u>861,229</u> |
| Fund balance at end of year | <u>\$ 7,769,152</u> | <u>\$ 12,884</u> | <u>\$ 685,710</u> |

The accompanying notes are an integral part of these financial statements.

**Total
Governmental
Funds**

| | |
|----|-------------------------|
| \$ | 10,352,393 |
| | 9,557 |
| | 570,369 |
| | 1,106,344 |
| | 1,024,277 |
| | 43,083 |
| | 29,340 |
| | 12,530 |
| | 4,147 |
| | <u>400,649</u> |
| | <u>13,552,689</u> |
| | |
| | 2,727,664 |
| | 1,602,910 |
| | 1,538,991 |
| | 3,094,628 |
| | 1,802,321 |
| | 785,763 |
| | 78,498 |
| | <u>1,220,053</u> |
| | <u>12,850,828</u> |
| | |
| | <u>701,861</u> |
| | |
| | 1,338,829 |
| | 16,210 |
| | <u>(1,462,079)</u> |
| | <u>(107,040)</u> |
| | |
| | 594,821 |
| | <u>7,872,925</u> |
| \$ | <u><u>8,467,746</u></u> |

HUTCHINSON COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

| | | |
|--|-----------|--------------------------------|
| Total net changes in fund balance - Governmental Funds | \$ | 594,821 |
| Current year capital outlays are expenditures in the fund financial statements, but they should be shown as an increase in capital assets in the government-wide financial statements. The net effect of including the 2013 capital outlays is to increase net position. | | 1,220,053 |
| Depreciation is not recognized as an expense in the fund financial statements because it does not require the use of current financial resources. The net effect of including the current year's depreciation is to decrease net position. | | (681,880) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating inter-fund transactions, and recognizing the net change in compensated absences. The net effect of these reclassifications, eliminations, and recognitions is to decrease net position. | | (69,156) |
| | | _____ |
| Change in net position - Governmental Activities | \$ | <u><u>1,063,838</u></u> |

The accompanying notes are an integral part of these financial statements.

HUTCHINSON COUNTY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2013

| | <u>Budget Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-----------------------|---------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 10,442,000 | \$ 10,442,000 | \$ 10,352,393 | \$ (89,607) |
| Other taxes | 15,000 | 15,000 | 9,557 | (5,443) |
| Intergovernmental revenue and grants | 123,029 | 123,029 | 165,056 | 42,027 |
| Charges for services | 850,900 | 850,900 | 974,706 | 123,806 |
| Fines | 14,000 | 14,000 | 16,109 | 2,109 |
| Inmate housing and telephone charges | 6,300 | 6,300 | 29,340 | 23,040 |
| Investment earnings | 23,180 | 23,180 | 11,727 | (11,453) |
| Contributions and donations | 5,502 | 5,502 | 4,147 | (1,355) |
| Other revenue | 110,000 | 110,000 | 102,745 | (7,255) |
| Total revenue | <u>11,589,911</u> | <u>11,589,911</u> | <u>11,665,780</u> | <u>75,869</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 3,226,304 | 3,245,471 | 2,725,727 | 519,744 |
| Public safety | 1,657,651 | 1,906,742 | 1,602,910 | 303,832 |
| Highways and streets | 5,500 | 5,500 | 4,790 | 710 |
| Justice system | 3,010,687 | 3,010,687 | 2,741,378 | 269,309 |
| Correction and rehabilitation | 1,432,418 | 1,444,584 | 1,394,660 | 49,924 |
| Community services | 660,432 | 669,709 | 597,333 | 72,376 |
| Health and human services | 85,313 | 85,313 | 78,498 | 6,815 |
| Capital outlay | - | - | 452,329 | (452,329) |
| Total expenditures | <u>10,078,305</u> | <u>10,368,006</u> | <u>9,597,625</u> | <u>770,381</u> |
| Excess of revenue over expenditures | <u>1,511,606</u> | <u>1,221,905</u> | <u>2,068,155</u> | <u>846,250</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | 12,574 | 12,870 | 296 |
| Other resources | - | - | 16,210 | 16,210 |
| Transfers out | - | (109,227) | (1,449,209) | (1,339,982) |
| Total other financing sources (uses) | <u>-</u> | <u>(96,653)</u> | <u>(1,420,129)</u> | <u>(1,323,476)</u> |
| Net change in fund balance | 1,511,606 | 1,125,252 | 648,026 | (477,226) |
| Fund balance at beginning of year | <u>7,121,126</u> | <u>7,121,126</u> | <u>7,121,126</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 8,632,732</u> | <u>\$ 8,246,378</u> | <u>\$ 7,769,152</u> | <u>\$ (477,226)</u> |

The accompanying notes are an integral part of these financial statements.

HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2013

| | Business-Type Activities |
|---|-------------------------------------|
| | Enterprise Fund |
| | Airport |
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 30,449 |
| Investments | 60 |
| Receivables (net of allowance for uncollectibles) | 11,954 |
| Inventories | 22,121 |
| Prepaid items | 1,745 |
| Total current assets | 66,329 |
| Non-current assets: | |
| Capital assets: | |
| Land and land improvements | 7,602,897 |
| Buildings and improvements | 1,373,605 |
| Equipment | 210,028 |
| Less: accumulated depreciation | (6,377,444) |
| Total non-current assets | 2,809,086 |
| Total assets | 2,875,415 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 9,335 |
| Compensated absences payable | 4,459 |
| Total liabilities | 13,794 |
| Net position: | |
| Net investment in capital assets | 2,809,086 |
| Unrestricted | 52,535 |
| Total net position | \$ 2,861,621 |

The accompanying notes are an integral part of these financial statements.

HUTCHINSON COUNTY, TEXAS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | Business-Type Activities |
|--|-------------------------------------|
| | Enterprise Fund |
| | Airport |
| Operating revenue: | |
| Charges for services | \$ 719,591 |
| Grants and contributions | 21,697 |
| Rents | 2,400 |
| Total operating revenue | 743,688 |
| Operating expenses: | |
| Salaries and employee benefits | 178,738 |
| Fuel and materials for resale | 571,451 |
| Other operating expenses | 50,605 |
| Supplies | 4,939 |
| Insurance | 5,022 |
| Postage and freight | 1,487 |
| Repairs and maintenance | 54,916 |
| Utilities | 11,241 |
| Depreciation | 251,051 |
| Total operating expenses | 1,129,450 |
| Operating loss | (385,762) |
| Non-operating revenue: | |
| Investment earnings | 11 |
| Gain on disposal of assets | 25,629 |
| Total nonoperating revenue | 25,640 |
| Income (loss) before transfers in and capital contribution | (360,122) |
| Transfers in | 123,250 |
| Capital contribution - Texas Department of Transportation Grants | 8,038 |
| Change in net position | (228,834) |
| Total net position - beginning of year | 3,090,455 |
| Total net position - end of year | \$ 2,861,621 |

The accompanying notes are an integral part of these financial statements.

HUTCHINSON COUNTY, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | Business-Type Activities |
|--|-------------------------------------|
| | Enterprise Fund |
| | Airport |
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 733,399 |
| Receipts from grants | 21,697 |
| Payments to employees | (179,312) |
| Payments to suppliers | (687,223) |
| Net cash flows from operating activities | (111,439) |
| Cash flows from non-capital financing activities: | |
| Insurance proceeds from hail damage | 25,629 |
| Transfers from other funds | 123,250 |
| Net cash flows from non-capital financing activities | 148,879 |
| Cash flows from capital and related financing activities: | |
| Capital contribution | 8,038 |
| Acquisition and construction of capital assets | (16,075) |
| Net cash flows from capital and related financing activities | (8,037) |
| Cash flows from investing activities: | |
| Interest and dividends received | 11 |
| Net change in cash and cash equivalents | 29,414 |
| Cash and cash equivalents at beginning of year | 1,035 |
| Cash and cash equivalents at end of year | \$ 30,449 |
| Reconciliation of operating loss to net cash flows from operating activities: | |
| Operating loss | \$ (385,762) |
| Adjustments to reconcile operating loss to net cash flows from operating activities: | |
| Depreciation | 251,051 |
| Changes in assets & liabilities: | |
| (Increase) decrease in: | |
| Receivables | 11,408 |
| Inventories | 12,884 |
| Increase (decrease) in: | |
| Accounts payable | (446) |
| Compensated absences | (574) |
| Total adjustments | 274,323 |
| Net cash flows from operating activities | \$ (111,439) |

The accompanying notes are an integral part of these financial statements.

HUTCHINSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
SEPTEMBER 30, 2013

| | <u>Agency Funds</u> |
|---|--------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 855,771 |
| Receivables (net of allowance for uncollectibles) | 1,443 |
| | 857,214 |
| Total assets | \$ <u><u>857,214</u></u> |
| Liabilities: | |
| Due to other governments | \$ 316,960 |
| Due to other funds | 52,893 |
| Due to others | 487,361 |
| | 857,214 |
| Total liabilities | \$ <u><u>857,214</u></u> |

The accompany notes are an integral part of these financial statements.

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HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Hutchinson County, Texas (the “County”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board, (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

Hutchinson County, Texas is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioner’s Court, which is made up of four commissioners and the County Judge in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general administration, tax and recording (e.g. tax collection), judicial (courts, juries, etc.), legal (district attorney, county attorney, etc.), public safety (sheriff, fire protection, etc.), highway and street maintenance, correction and rehabilitation (adult and juvenile probation), community services (museum and library), and health and human services (indigent care, etc.).

The County’s basic financial statements include the accounts of all of its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County’s reporting entity, as set forth in GASB Statement No. 61 *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, “GASB No. 61” include whether:

- The organization is legally separate (can sue and be sued in its name)
- The County holds the corporate powers of the organization
- The County appoints a voting majority of the organization’s board
- The County is able to impose its will on the organization
- The organization has the potential to impose a financial benefit or burden on the County
- There is fiscal dependency by the organization on the County
- The exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in misleading or incomplete financial statements. GASB No. 61 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units, or its constituents; and 2) The County or its component units are entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based upon these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by GASB No. 61.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given 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 and major individual enterprise 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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 County.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

The County reports the following major governmental funds:

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

Special Road and Flood Control Fund - the Special Road and Flood Control Fund accounts for the receipt of auto registration fees that are used to maintain the various roads and bridges located in the four precincts within the County.

The County reports the following major proprietary fund:

The Airport Fund - the Airport Fund is used to account for the activities of an airport operated by the County which is located in Borger, Texas. Activities include the maintenance of runways and taxiways, hanger rental, and the sale of aircraft fuel.

Additionally, the County reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Agency Funds - the County has three Agency Funds - the County and District Clerk Agency Fund, the County Attorney Agency Fund, and the Tax Assessor/Collector Agency Fund. These funds are used to account for various monies collected by the County on behalf of the State of Texas, various other local governments, and various other individuals, with the County acting only in a fiduciary capacity for these funds being held.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets

As provided by state law, the County follows these procedures in establishing the annual budgetary data reflected in the financial statements:

At least 30 days prior to the time when the County Commission makes its tax levy for the upcoming fiscal year beginning October 1, the County Judge, as budget officer, files a proposed operating budget, including proposed expenditures and the means of financing them. Such budget is available for the inspection of any taxpayer and public hearings are conducted no less than 15 days subsequent to the time of filing. The County Commission has authority to make such changes in the budget as it deems warranted. Prior to October 1, the budget is legally enacted through passage of an ordinance.

The County's budget is prepared annually for the general, special revenue and proprietary funds on a detailed account level (line-item) basis. However, the legal level of budgetary control is directed at total expenditures at the individual fund level. The account level basis of the annual budget is intended purely as a management planning and control device. The Commissioner's Court must authorize transfers of budgeted amounts within and among departments and any revisions that alter the total expenditures on an individual fund basis. Although not legally required by state or local law, the County adopts a budget for the proprietary fund to aid management in planning and internal control. The budget to actual comparison in the financial statements is presented on a functional basis to provide information concerning the County's performance as it relates to the budget.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Budgets (continued)

The County uses a flow of current financial resources method to budget for governmental funds and a flow of economic resources method to budget for proprietary funds. Governmental fund budgets are substantially on a basis consistent with GAAP. Proprietary fund budgets are not on a basis consistent with GAAP in that depreciation expense is not budgeted and capital asset purchases and debt principal payments are shown as expenses in the budget. The budgeted amounts reflected in the financial statements are as last amended by the County Commission. Appropriations lapse at year-end.

E. Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are a common budgetary control device, used in conjunction with a formally integrated budget to insure that appropriations are not exceeded. Encumbrance accounting has not been employed in the financial records of the County.

F. Cash and Investments

As permitted by State statute and County ordinance, required reserves and funds held pending expenditures are invested in certificates of deposit or Public Funds Investment Pool (TexPool) accounts guaranteed by the State of Texas.

The County maintains a cash pool that is used to transact a substantial majority of cash transactions for all funds. Interest income earned by the cash pool is allocated monthly to funds based on relative balances (of positive accounts only) at month end.

For purposes of the statement of cash flows for proprietary funds, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased and cash in TexPool accounts to be cash equivalents.

Investments are stated at cost, which approximates fair value.

G. Receivables

The County's management provides an allowance for uncollectible receivables based on an estimate of the amounts that will ultimately be uncollectible.

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the financial statements until such time as cash is transferred in payment of these accounts.

**HUTCHINSON COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

I. Inventories and Prepaid Items

Inventories of materials and supplies are maintained in the Special Road and Flood Control Fund and the Airport Fund. These inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when requisitioned by the various funds and departments of the County (the consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and the fund financial statements. Similar to inventory, prepaid items are recorded as expenditures when requisitioned by the various funds and departments of the County (the consumption method).

J. Capital Assets

Capital assets, which include land and land improvements, buildings and improvements, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The County was classified as a Phase 3 Government under GASB 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* “GASB No. 34” for the adoption and implementation of this pronouncement. Under GASB No. 34, Phase 3 Governments were not required to retroactively state their infrastructure assets unless they opted to do so. The County chose not to retroactively report its infrastructure assets; instead, the County chose to prospectively report the construction and acquisition of infrastructure assets after September 30, 2003. To date, the County has not constructed or acquired any infrastructure assets. The County does have roads, bridges, and other similar types of infrastructure assets located within the County’s geographical border; however, none of these assets were constructed or acquired since September 30, 2003. Normal maintenance and repairs on infrastructure assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimates are reported as expenditures in the year incurred. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 10-30 |
| Building improvements | 22-30 |
| Equipment | 4-18 |
| Land improvements | 5-20 |

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

J. Capital Assets (continued)

The County has accumulated a large collection of historical artifacts, primarily by donations and occasionally by purchase, which are maintained and exhibited in the County's museum located in the City of Borger, Texas. These historical items form the basis of the museum's educational purpose. The museum highlights the history of Hutchinson County, and consists of several buildings which house more than 64 exhibits. In addition, the County employs a curator to ensure that the collection is protected and preserved.

The County has chosen not to capitalize the museum's collection for the financial statements. Using the guidelines established by the GASB, the County believes the museum's collection meets the following criteria, which allows the County the option to not capitalize the collection for financial statement reporting purposes:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from the sale of collection items be used to acquire other items for collection.

The County believes that the capitalization of the museum's collection would be impractical, as placing a monetary value on items of historical significance would not reflect the true worth of the items to the citizens who live in and around the Hutchinson County area.

K. Compensated Absences

The County provides annual vacation leave of two to four weeks (depending upon years of service). Employees can accumulate up to twenty days of vacation which will be paid upon termination or retirement. Since vacation leave is attributable to services already rendered and likely to be paid through time off or at termination or retirement, the County accrues a liability for this benefit. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay the liability. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense and a liability in the government-wide financial statements, but not in the fund financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Employees earn sick leave at the rate of 1.75 days per month, and are allowed to accumulate up to 105 days. Generally, employees are not paid for accumulated sick leave upon termination or retirement; however, if the employee was hired prior to January 1, 1991, an employee is eligible to be paid for unused sick leave up to 53 days. For those employees hired prior to January 1, 1991, the County has accrued a liability for the unused sick leave up to the maximum allowed 53 days that can be paid upon retirement, as the sick leave is attributable to services already rendered and is likely to be paid upon retirement.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

K. Compensated Absences (continued)

Similar to vacation leave, vested or accumulated sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay the liability. Amounts of vested or accumulated sick leave that are not expected to be liquidated with expendable available financial resources are reported as an expense and a liability in the government-wide financial statements, but not in the fund financial statements. Vested or accumulated sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees

For the governmental activities, accrued vacation and sick leave are shown on the government-wide financial statements as non-current liabilities. They are further broken down between the amounts estimated to be liquidated within the next twelve months, and the amounts expected to be liquidated in future years. For the business-type activities, all accrued vacation and sick leave are anticipated to be liquidated within the next 12 months, and have been reported that way on the government-wide financial statements.

L. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond 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 and unamortized bond issuance costs.

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 issuance 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.

During the year ended September 30, 2013, the County had no long-term debt outstanding, nor did the County have any long-term debt transactions.

M. Use of Estimates

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

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

N. Fund Balance

The County's fund balances for its governmental funds are presented in accordance with GASB 54, which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in the following categories:

1. Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.
2. Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority, the Commissioners Court. Formal action consists of a resolution by a majority vote of the Commissioners Court in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the Commissioners Court removes or changes the specified use by taking the same type of action (resolution). Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Commissioners Court. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no committed fund balance amounts as of September 30, 2013.
4. Assigned – The assigned fund balance classification includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The County Commissioners may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The County Commissioners may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the County Commissioners by majority vote in a publicly scheduled meeting. Currently, the Commissioners Court has not delegated the authority to make assignments of fund balance amounts. There were no assigned fund balance amounts as of September 30, 2013.
5. Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not be assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

N. Fund Balance (continued)

When the County incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged first to restricted balances, and then to unrestricted balances as they are needed. When the County incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed resources first, then to assigned resources and then to unassigned resources as they are needed.

The County has implemented a policy of maintaining a minimum unassigned fund balance in the General Fund of 25 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Replenishing deficiencies:

When the unassigned fund balance for the General Fund falls below the minimum 25 percent range, the County will replenish shortages/deficiencies using the budget strategies and timeframes described below:

- The County will reduce recurring expenditures to eliminate any structural deficit or,
- The County will increase revenues or pursue other funding sources, or,
- Some combination of the two strategies above.

Minimum fund balance deficiencies shall be replenished with the following time periods:

- Deficiencies resulting in a minimum fund balance between 15 and 25 percent shall be replenished over a period not to exceed one year.
- Deficiencies resulting in a minimum fund balance between 10 and 14 percent shall be replenished over a period not to exceed three years.
- Deficiencies resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years.

Surplus fund balance:

Should the unassigned fund balance in the general fund ever exceed 50 percent of the range, the County will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expenditures or cash outlays for maintenance, additional staffing, or other recurring expenditures.

O. Deferred Revenue

The County reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

P. Deferred Outflows of Resources

In addition to assets, the statement of net position may include a separate section for deferred outflows of resources, if present. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County did not have anything that qualifies for reporting in this category for the year ended September 30, 2013.

Q. Deferred Inflows of Resources

In addition to liabilities, the statement of net position may include a separate section for deferred inflows of resources, if present. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. The County did not have anything that qualifies for reporting in this category for the year ended September 30, 2013.

R. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 2. 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 in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, and to meet the reporting requirements of the GASB Statement No. 40, *Deposit and Investment Risk Disclosures* "GASB No. 40", the County has disclosed the following information:

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has adopted the following in response to interest rate risk:

- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell investments on the open market prior to maturity.
- Limiting investments to having a legal stated maturity no more than twelve months from the date of purchase.
- Portfolio maturities will be structured to achieve the highest return of interest.

Credit risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy allows the following type of investments to mitigate its credit risk:

- Obligations of the United States or its agencies and instrumentalities.
- Direct obligations of the State of Texas or its agencies or instrumentalities.
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States.
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS (continued):

- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- Certificates of deposit, if issued by a state or national bank domiciled in the State of Texas or a savings and loan association domiciled in the State of Texas, which are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, secured by obligations as allowed under the Public Funds Investment Act, or secured by any other manner and amount provided for by law.
- Fully collateralized repurchase agreements, if it has a defined termination date, is secured by obligations described by the Public Funds Investment Act, requires the securities purchased by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or a third party selected and approved by the County, and is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas.
- Banker's acceptance, if it has a stated maturity of 270 days or fewer from the date of issuance.
- Commercial paper with a stated maturity of 270 days or less from the date of issuance.
- Money market mutual funds that are no-load funds, regulated by the Securities and Exchange Commission, have a dollar-weighted stated maturity of 90 days or fewer, and include in its investment objectives the maintenance of a stable net asset value of \$1 for each share.
- Mutual funds that are no-load funds, regulated by the Securities and Exchange Commission, have an average weighted maturity of less than two years, are invested exclusively in obligations approved by the Public Funds Investment Act, are continuously rated as to an investment rating firm of not less than AAA or its equivalent, and conform to the requirements of the Public Funds Investment Act pertaining to the eligibility of investment pools to receive and invest funds for investing entities.
- Eligible investment pools authorized by the Public Funds Investment Act.

Concentration of credit risk - This is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County has adopted the following in response to its concentration of credit risk:

- The County will diversify its portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of investments by security type and institution, unless the investment is fully collateralized.

Custodial credit risk - deposits - This is the risk that in the event of a bank failure, the County's deposits may not be returned to the County. The County has a policy of requiring that all deposits are collateralized by either the Federal Deposit Insurance Corporation (the "FDIC") or by an Irrevocable Letter of Credit for Local Funds with the Federal Home Loan Bank of Topeka, Kansas.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has adopted the following policies to address this risk:

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 2. DEPOSITS AND INVESTMENTS (continued):

- Financial institutions must be approved by the County to sell investments to the County. The County has requirements that address minimum capital requirements as well as a minimum number of years the institution must have been in operation.
- Financial institutions who desire to become a qualified bidder for the County must supply information to the County as required in the County's investment policies.
- An annual review of all qualified bidders must be conducted by the County's investment officer.
- All trades of investments, where applicable, will be executed by delivery vs. payment, which will help to ensure that securities are deposited in the eligible financial institution prior to the release of funds.
- Investments will be held by a third party custodian as evidence by safekeeping receipts.

Foreign currency risk - This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The County is not exposed to foreign currency risk, as the County's investment policy prohibits the investment in foreign investments.

Investments Held

At September 30, 2013, the carrying amounts of the County's investments are shown below. The County did not invest in any other types of investments other than those shown below during the year.

| <u>Investment</u> | <u>Carrying Amount</u> | <u>Cost</u> |
|--|-----------------------------------|---------------------|
| Certificates of Deposit | \$ <u>700,000</u> | \$ <u>700,000</u> |
| Public Funds Investment Pool (Texpool) | \$ <u>7,862,102</u> | \$ <u>7,862,102</u> |

NOTE 3. RECEIVABLES:

Receivables as of September 30, 2013, for the County's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General Fund</u> | <u>Special Road and Flood Control Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Airport Fund</u> |
|------------------------------------|--------------------------------|---|--|--------------------------------|
| Receivables: | | | | |
| Property taxes | \$ 568,237 | \$ - | \$ - | \$ - |
| Accounts | - | - | - | 10,818 |
| Grants | - | - | - | 1,136 |
| Other | <u>52,462</u> | <u>39,100</u> | <u>22,878</u> | <u>-</u> |
| Total receivables | 620,699 | 39,100 | 22,878 | 11,954 |
| Less: allowance for uncollectibles | <u>(424,741)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total net receivables | \$ <u>195,958</u> | \$ <u>39,100</u> | \$ <u>22,878</u> | \$ <u>11,954</u> |

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 4. PROPERTY TAXES:

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 and become delinquent after January 31. The taxes accrue interest beginning February 1.

Current year property taxes are collected from the levy date October 1 through June 30, at which time the taxes are classified as delinquent and assessed penalties beginning July 1. The delinquent taxes receivable account represents past years uncollected tax levies. The allowance for estimated uncollectibles is approximately 75 % of the total delinquent taxes receivable at September 30, 2013. The allowance for uncollectible accounts is based upon historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

The tax rate on the 2012 tax roll for the 2012-2013 fiscal year was \$.44657 per \$100 of assessed valuation. The resulting tax levy was \$10,527,309 on an assessed value of \$2,357,370,452 (before final adjustments).

The County Tax Assessor/Collector's office bills and collects property for the following governmental entities in addition to billing and collecting taxes for the County:

- Borger Independent School District
- Borger Independent School District County Education District Number 30
- City of Borger
- City of Fritch
- City of Sanford
- City of Stinnett
- Frank Phillips College
- Hutchinson County Hospital District
- North Plains Water District
- Palo Duro River Authority
- Plemons-Stinnett-Phillips Consolidated Independent School District
- Plemons-Stinnett-Phillips Consolidated Independent School District County Education District Number 14
- Sanford-Fritch Consolidated Independent School District
- Sanford-Fritch Consolidated Independent School District County Education District Number 33
- Spring-Creek Independent School District

The County acts only as an intermediary for these other entities in the collection and distribution of property taxes to them. The County Commissioners do not exercise any control over these other entities.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 5. CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2013 was as follows:

| Governmental activities: | Balance Oct 1, 2012 | Additions | Sales, Retirements, and Transfers | Balance Sept. 30, 2013 |
|---|--------------------------------|-------------------|--|-----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 108,889 | \$ - | \$ - | \$ 108,889 |
| Construction in progress | 3,411,777 | 561,719 | 42,625 | 3,930,871 |
| Total capital assets, not being depreciated | <u>3,520,666</u> | <u>561,719</u> | <u>42,625</u> | <u>4,039,760</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 70,206 | - | - | 70,206 |
| Buildings and improvements | 3,781,722 | 249,103 | - | 4,030,825 |
| Equipment | 6,232,155 | 454,992 | 196,450 | 6,490,697 |
| Total capital assets, being depreciated | <u>10,084,083</u> | <u>704,095</u> | <u>196,450</u> | <u>10,591,728</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 12,666 | 4,620 | - | 17,286 |
| Buildings and improvements | 2,516,198 | 184,410 | - | 2,700,608 |
| Equipment | 4,279,987 | 492,850 | 193,316 | 4,579,521 |
| Total accumulated depreciation | <u>6,808,851</u> | <u>681,880</u> | <u>193,316</u> | <u>7,297,415</u> |
| Total capital assets, being depreciated, net | <u>3,275,232</u> | <u>22,215</u> | <u>3,134</u> | <u>3,294,313</u> |
| Total governmental activities capital assets, net | <u>\$ 6,795,898</u> | <u>\$ 583,934</u> | <u>\$ 45,759</u> | <u>\$ 7,334,073</u> |

Construction in progress for the governmental activities as of September 30, 2013 consists primarily of project engineering and construction costs on the Plemons Road bridge replacement project in the amount of \$3,904,420. Funding for the project is anticipated to be 100% from the Texas Department of Transportation. Although subject to change, the total current estimated cost for the bridge replacement project is anticipated to be approximately \$3,905,245. Initial work on the project began in October, 2011, and is expected to be completed during fiscal year 2014. The project was reported to be 99.21% complete by the Texas Department of Transportation as of September 30, 2013. Additional construction in progress in the amount of \$26,451 was for electrical upgrades to the Courthouse

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 5. CAPITAL ASSETS (continued):

| Business-type activities: | Balance Oct 1, 2012 | Additions | Sales, Retirements, Adjustments & Transfers | Balance Sept. 30, 2013 |
|--|--------------------------------|---------------------|--|-----------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 406,196 | \$ - | \$ - | \$ 406,196 |
| Total capital assets, not being depreciated | <u>406,196</u> | <u>-</u> | <u>-</u> | <u>406,196</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 7,180,626 | 16,075 | - | 7,196,701 |
| Buildings and improvements | 1,373,605 | - | - | 1,373,605 |
| Equipment | 202,126 | - | (7,902) | 210,028 |
| Total capital assets, being depreciated | <u>8,756,357</u> | <u>16,075</u> | <u>(7,902)</u> | <u>8,780,334</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 5,530,910 | 208,618 | - | 5,739,528 |
| Buildings and improvements | 392,525 | 39,938 | - | 432,463 |
| Equipment | 195,056 | 2,495 | (7,902) | 205,453 |
| Total accumulated depreciation | <u>6,118,491</u> | <u>251,051</u> | <u>(7,902)</u> | <u>6,377,444</u> |
| Total capital assets, being depreciated, net | <u>2,637,866</u> | <u>(234,976)</u> | <u>-</u> | <u>2,402,890</u> |
| Total business-type activities capital assets, net | <u>\$ 3,044,062</u> | <u>\$ (234,976)</u> | <u>\$ -</u> | <u>\$ 2,809,086</u> |

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

| | |
|--|-------------------|
| Governmental activities: | |
| General government | \$ 481,653 |
| Public safety | 9,190 |
| Highways and streets | 120,245 |
| Justice system | 20,993 |
| Correction and rehabilitation | 47,036 |
| Community services | <u>2,763</u> |
| Total depreciation expense - governmental activities | <u>\$ 681,880</u> |
| Business activities: | |
| Airport | <u>\$ 251,051</u> |

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances as of September 30, 2013, is as follows:

| Governmental activities: | Payable Fund: | | | | | Total |
|-------------------------------------|-----------------|---|--------------------------------------|---|------------------------------------|-----------|
| | General Fund | County and District Clerk Agency Fund | County Attorney Agency Fund | Tax Assessor/ Collector's Agency Fund | Non-major Governmental Funds | |
| Receivable fund: | | | | | | |
| General Fund | \$ - | \$ 14,729 | \$ - | \$ 30,431 | \$ 9,644 | \$ 54,804 |
| Special Road and Flood Control Fund | - | - | - | 5,430 | - | 5,430 |
| Non-major Governmental Funds | 59 | 2,273 | 15 | 15 | 2,196 | 4,558 |
| Total | \$ 59 | \$ 17,002 | \$ 15 | \$ 35,876 | \$ 11,840 | \$ 64,792 |

The outstanding balances between funds result mainly from the time lag between the dates that monies have been collected by various departments within the County and the dates at which the monies are transferred to the appropriate fund within the County.

Interfund transfers during the year ended September 30, 2013 were as follows:

| Transfers in: | Transfers out: | | |
|--------------------------------|-----------------|------------------------------------|--------------|
| | General Fund | Non-major Governmental Funds | Total |
| General Fund | \$ - | \$ 12,870 | \$ 12,870 |
| Special Road and Flood Control | 1,214,359 | - | 1,214,359 |
| Non-major Governmental Funds | 111,600 | - | 111,600 |
| Airport Fund | 123,250 | - | 123,250 |
| | \$ 1,449,209 | \$ 12,870 | \$ 1,462,079 |

Transfers are done in order to move revenues from various funds to finance various programs and operations in other funds that the County must account for separately in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 7. FUND BALANCE:

The County's composition of its governmental fund balances as of September 30, 2013, is as follows:

| | <u>General Fund</u> | <u>Special Road and Flood Control Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---------------------------------------|-------------------------|--|---|---------------------|
| Non-expendable: | | | | |
| Inventories | \$ - | \$ 35,905 | \$ - | \$ 35,905 |
| Prepaid expenditures | 62,395 | 1,438 | - | 63,833 |
| Restricted: | | | | |
| General government: | | | | |
| Motor vehicle inventory | - | - | 1,768 | 1,768 |
| County records management | - | - | 101,432 | 101,432 |
| Registration of voters fund | - | - | 4,392 | 4,392 |
| County Clerk records preservation | - | - | 4,753 | 4,753 |
| District Clerk records preservation | - | - | 9,359 | 9,359 |
| Highways and streets: | | | | |
| Lateral road fund | - | - | 28,509 | 28,509 |
| Justice system: | | | | |
| Court technology fees | - | - | 33,799 | 33,799 |
| Courthouse security | - | - | 38,264 | 38,264 |
| Records management & preservation | - | - | 74,876 | 74,876 |
| Juvenile probation - State funds | - | - | 6,602 | 6,602 |
| Court report service | - | - | 8,337 | 8,337 |
| Juvenile Progressive Sanctions | - | - | 1,101 | 1,101 |
| Juvenile probation - Special | - | - | 31,657 | 31,657 |
| Child support - District Clerk | - | - | 4,465 | 4,465 |
| Juvenile Probation - Title IV | - | - | 962 | 962 |
| Records archive - County Clerk | - | - | 71,065 | 71,065 |
| County Attorney - check fees | - | - | 19,300 | 19,300 |
| District Attorney - check fees | - | - | 4,974 | 4,974 |
| District Attorney - forfeitures | - | - | 4,858 | 4,858 |
| Sheriff - forfeitures & seizures | - | - | 1,092 | 1,092 |
| Distirct Clerk - records management | - | - | 6,710 | 6,710 |
| District Attorney fund | - | - | 64 | 64 |
| Delinquent fines and fees collections | - | - | 3,744 | 3,744 |
| Correction and rehabilitation: | | | | |
| Adult probation - State funds | - | - | 159,127 | 159,127 |
| Community corrections programs | - | - | 6,841 | 6,841 |
| Jail commissary fund | - | - | 4,412 | 4,412 |
| Adult probation - local funds | - | - | 24,926 | 24,926 |
| Community services: | | | | |
| Museum fund | - | - | 29,596 | 29,596 |
| Unassigned | <u>7,706,757</u> | <u>(24,459)</u> | <u>(1,275)</u> | <u>7,681,023</u> |
| Total fund balance | <u>\$ 7,769,152</u> | <u>\$ 12,884</u> | <u>\$ 685,710</u> | <u>\$ 8,467,746</u> |

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 8. EMPLOYEE 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 the TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 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, or may be obtained from the TCDRS website at <http://www.tcdrs.com>.

The plan provisions are adopted by the governing body of the County, 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 deposits in the plan to receive any County-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by the County. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and County-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the County-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding policy

The County has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 11.03% for the months of the accounting year in 2013, and 10.83% for the months of the accounting year in 2012. The contribution rate payable by the employee members is the rate of 7.0% as adopted by the governing body of the County. The employee contribution rate and the County contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act. The TCDRS Act also allows the County to elect to make an additional optional contribution to its account during the year, in addition to its regular monthly contributions.

Annual pension cost

For the County's accounting year ending September 30, 2013, the annual pension cost for the TCDRS plan for its employees was \$645,783, which equals the County's required and actual contributions. The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation factor of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 10 year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 20 years.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 8. EMPLOYEE RETIREMENT PLAN (continued):

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 87.88% funded. The actuarial accrued liability for benefits was \$23,657,883, and the actuarial value of assets was \$20,791,566, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,866,317. The covered payroll (annual payroll of active employees covered by the plan) was \$5,687,255, and the ratio of the UAAL to the covered payroll was 50.40%. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

**Three-Year Trend Information for the Retirement Plan
for the Employees of Hutchinson County, Texas**

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------|--|--|---------------------------------------|
| September 30, 2011 | \$ 559,889 | 100% | - |
| September 30, 2012 | \$ 597,377 | 100% | - |
| September 30, 2013 | \$ 645,783 | 100% | - |

Actuarial Valuation Information

| | <u>12/31/10</u> | <u>12/31/11</u> | <u>12/31/12</u> |
|------------------------------|--|--|--|
| Actuarial valuation date | 12/31/10 | 12/31/11 | 12/31/12 |
| Actuarial cost method | Entry Age | Entry Age | Entry Age |
| Amortization method | Level percentage of payroll, closed | Level percentage of payroll, closed | Level percentage of payroll, closed |
| Amortization period in years | 20 | 20 | 20 |
| Asset valuation method | SAF: 10-yr smoothed value ESF: Fund value | SAF: 10-yr smoothed value ESF: Fund value | SAF: 10-yr smoothed value ESF: Fund value |
| Assumptions: | | | |
| Investment rate of return** | 8% | 8% | 8% |
| Projected salary increases** | 5.4% | 5.4% | 5.4% |
| Inflation | 3.5% | 3.5% | 3.5% |
| Cost-of-living adjustments | 0.0% | 0.0% | 0.0% |

**Includes inflation at the state rate

**HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013**

NOTE 9. GROUP-TERM LIFE INSURANCE PLAN

Plan description

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

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

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term insurance. The County's contributions to the GTLF for the years ended September 30, 2013, 2012, and 2011 were \$33,081, \$31,973, and \$32,233 respectively, which equaled the contractually required contributions each year.

NOTE 10. OTHER POSTEMPLOYMENT BENEFIT DISCLOSURES:

In addition to the benefits described in Notes 8 and 9 above, the County makes available post-employment health care benefits in accordance with the County's personnel policies. All retirees of the County receiving TCDRS benefits are eligible to continue participating in the County's health insurance program. Retirees under 65 years of age can continue under the County's existing insurance program, while retirees over the age of 65 are eligible for a supplemental insurance policy. Participating retirees must pay approximately one-half of the monthly premiums, with the remainder being paid by the County. As of September 30, 2013, nine retirees met those eligibility requirements. The County is also required to provide health insurance coverage to employees who are separated from service (other than retirement) under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA). Under COBRA an employee has coverage on himself and dependents for up to eighteen months and dependents only that lose coverage due to separation of employee from service up to thirty-six months. As of September 30, 2013, there was one former employee covered under the COBRA provisions.

The County finances the post-employment health care benefits on a pay-as-you-go basis. Participants who receive post-employment benefits are required to pay one half of the premiums for themselves and dependent coverage based on rates set by the County. The costs of these benefits for the fiscal year are:

| | <u>Expenditures</u> | <u>Retiree Reimbursements</u> | <u>COBRA Reimbursements</u> | <u>Net Cost to County</u> |
|-----------------------------|---------------------|-----------------------------------|---------------------------------|-------------------------------|
| Retirees/COBRA participants | \$ 78,695 | \$ 34,113 | \$ 6,857 | \$ 37,725 |

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 11. RISK MANAGEMENT:

The County is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All risk management programs of the general fund with inherent risk of significant loss are covered by commercial insurance funded through general fund operations. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 12. DEFERRED COMPENSATION PLAN:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County funds all amounts of compensation deferred under the Plan, at the direction of the covered employee, through various types of funds concentrating on investments in growth stocks, bonds, fixed rate securities, etc. as underwritten by National Retirement Solutions (NRS).

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by NRS for the exclusive benefit of the participating employees and are not accessible by the County or its creditors.

Since the assets are held in trust for the exclusive benefit of the participating employees and not the County or its general creditors, none of the assets are reported in the County's financial statements, in accordance with GASB Statement No. 32.

NOTE 13. COMPENSATED ABSENCES:

Below is a summary of the changes in compensated absences for the year ended September 30, 2013:

| | Balance | | | | Balance |
|----------------------------------|---------------------|-------------------|-------------------|----|-----------------------|
| | Oct. 1, 2012 | Additions | Reductions | | Sept. 30, 2013 |
| Governmental activities: | | | | | |
| Compensated absences | \$ <u>423,377</u> | \$ <u>427,235</u> | \$ <u>423,377</u> | \$ | <u>427,235</u> |
| Business-type activities: | | | | | |
| Compensated absences | \$ <u>5,033</u> | \$ <u>4,459</u> | \$ <u>5,033</u> | \$ | <u>4,459</u> |

In prior years, compensated absences have been typically liquidated by the governmental fund in which the liability has been incurred for governmental activities and by the airport fund for the business-type activities. The County does not anticipate any changes in the future for liquidation of these types of liabilities from how they have been liquidated in the past.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 14. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through August 11, 2014, which is the date on which the financial statements were issued. The following subsequent event was noted that management believes is significant enough to disclose in the notes to the financial statements:

- In November 2013, the County Commissioners approved making a lump sum payment of \$321,000 into the County's pension plan being administered by TCDRS in addition to the County's regular contributions into the pension plan.

NOTE 15. COMMITMENTS AND CONTINGENCIES:

As of September 30, 2013, the County has a bridge replacement project ongoing that is anticipated being funded 100% by the Texas Department of Transportation. This project is known as the Plemons Road Bridge Project. Although subject to change, the anticipated cost of the project is approximately \$3,905,245. As of September 30, 2013, total costs incurred on the project were approximately \$3,904,420, which consisted of project engineering and construction costs. Construction of the Plemons Road Bridge Project is expected to be completed during fiscal year 2014.

NOTE 16. BUDGET VARIANCES:

As noted on the statement of revenue, expenditures, and changes in fund balance - budget and actual – general fund on page 33, the County had one negative variance in an expenditure category compared to the final amended budget for the year. The variance was in the capital outlay category in the amount of \$452,329. The budget variance is the result of how the County's annual budget is prepared verses how the annual financial statements are prepared. The County budgets for capital outlays in the annual budget; however, the capital outlays are not separately identified by a specific expenditure category; rather, the capital outlays are grouped together with other expenditure amounts such as repairs and maintenance. As a result, the County's budgeted capital outlay numbers are included in the various current expenditure categories rather than in the capital outlay category. For the preparation of the annual financial statements, all capital outlay amounts are reported as a separate category under capital outlays rather than the current functional expense categories. The County attempts to monitor the annual budget throughout the year and amend it as necessary; however, sometimes variance will result due to timing differences, etc. The County's management will attempt to more closely monitor the budget variance in the future and amend the budget as needed in order to alleviate this negative variance.

The County does not currently budget for all transfers between funds, so variances are expected to continue in the future until such time as the County begins to budget interfund transfers.

HUTCHINSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2013

NOTE 17. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Recently Issued and Adopted Accounting Pronouncements

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”). GASB 63 standardized the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It also alleviated uncertainty about reporting those financial statement elements by providing guidance where none previously existed. GASB 63 became effective for the County’s fiscal year ended September 30, 2013. The most significant impact GASB 63 had on the County’s financial statements was to change the titles of the government-wide, proprietary fund, and trust and agency fund financial statements.

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”). GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012, with early implementation encouraged. Management is currently evaluating the impact of the adoption of this statement on the County’s financial statements.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement 25* (“GASB 67”). GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the County’s financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27* (“GASB 68”). GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the County’s financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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**HUTCHINSON COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT
RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2013**

| Actuarial Valuation Date | Actuarial Value of Assets | Accrued Liability Entry Age | Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | Percentage of Covered Payroll |
|---|--|--|---|-------------------------|----------------------------|--|
| 12/31/2005 | \$ 12,677,140 | \$ 15,055,271 | \$ 2,378,131 | 84.20% | \$ 4,274,817 | 55.63% |
| 12/31/2006 | 15,787,820 | 16,251,860 | 464,040 | 97.14% | 4,576,087 | 10.14% |
| 12/31/2007 | 17,089,945 | 17,375,586 | 285,641 | 98.36% | 4,794,141 | 5.96% |
| 12/31/2008 | 17,164,752 | 19,463,049 | 2,298,297 | 88.19% | 5,061,164 | 45.41% |
| 12/31/2009 | 19,353,708 | 21,047,370 | 1,693,662 | 91.95% | 5,436,934 | 31.15% |
| 12/31/2010 | 19,224,223 | 21,257,054 | 2,032,831 | 90.44% | 5,521,043 | 36.82% |
| 12/31/2011 | 20,189,771 | 22,577,565 | 2,387,794 | 89.42% | 5,547,592 | 43.04% |
| 12/31/2012 | 20,791,566 | 23,657,883 | 2,866,317 | 87.88% | 5,687,255 | 50.40% |

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS**

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

| | <u>MVI</u> | <u>Court Technology Fees</u> | <u>County Records Management</u> | <u>Courthouse Security</u> |
|---|---------------------|--------------------------------------|--|--------------------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ 27 | \$ - | \$ 25 |
| Investments | 1,753 | 33,675 | 101,164 | 37,953 |
| Receivables (net of allowance for uncollectibles) | - | - | 76 | 30 |
| Intergovernmental receivables | - | - | - | - |
| Due from other funds | 15 | 97 | 192 | 256 |
| | <u>15</u> | <u>97</u> | <u>192</u> | <u>256</u> |
| Total assets | <u>\$ 1,768</u> | <u>\$ 33,799</u> | <u>\$ 101,432</u> | <u>\$ 38,264</u> |
| Liabilities and Fund balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Wages and salaries payable | - | - | - | - |
| Intergovernmental payable | - | - | - | - |
| Due to other funds | - | - | - | - |
| Due to others | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Restricted fund balance: | | | | |
| General government | 1,768 | - | 101,432 | - |
| Highways and streets | - | - | - | - |
| Justice system | - | 33,799 | - | 38,264 |
| Correction and rehabilitation | - | - | - | - |
| Community services | - | - | - | - |
| Unassigned fund balance | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>1,768</u> | <u>33,799</u> | <u>101,432</u> | <u>38,264</u> |
| Total liabilities and fund balances | <u>\$ 1,768</u> | <u>\$ 33,799</u> | <u>\$ 101,432</u> | <u>\$ 38,264</u> |

| Registration of Voters Fund | Records Management & Preservation | Law Library Fund | Adult Probation - State | Community Corrections Programs | Juvenile Probation - State | TJPC |
|--|--|---------------------------------|--|---|---|-------------|
| \$ - | \$ - | \$ - | \$ - | \$ 22,907 | \$ - | \$ - |
| 4,392 | 75,502 | 35 | 144,829 | 17,557 | 70 | - |
| - | - | 151 | 20,168 | - | - | - |
| - | - | - | - | - | 15,545 | - |
| - | 815 | 60 | - | - | 154 | - |
| <u>4,392</u> | <u>76,317</u> | <u>246</u> | <u>164,997</u> | <u>40,464</u> | <u>15,769</u> | <u>-</u> |
| \$ - | \$ 1,441 | \$ 1,521 | \$ 5,775 | \$ 10,719 | \$ 1,793 | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 95 | - | 7,374 | - |
| - | - | - | - | 22,904 | - | - |
| - | 1,441 | 1,521 | 5,870 | 33,623 | 9,167 | - |
| 4,392 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 74,876 | - | - | - | 6,602 | - |
| - | - | - | 159,127 | 6,841 | - | - |
| - | - | - | - | - | - | - |
| - | - | (1,275) | - | - | - | - |
| <u>4,392</u> | <u>74,876</u> | <u>(1,275)</u> | <u>159,127</u> | <u>6,841</u> | <u>6,602</u> | <u>-</u> |
| <u>4,392</u> | <u>76,317</u> | <u>246</u> | <u>164,997</u> | <u>40,464</u> | <u>15,769</u> | <u>-</u> |

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

| | <u>Court Report Service</u> | <u>Juvenile Progressive Sanctions</u> | <u>Juvenile Probation Special</u> | <u>Child Support District Clerk</u> |
|---|-------------------------------------|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 198 | \$ - |
| Investments | 8,226 | 3,372 | 31,520 | 4,395 |
| Receivables (net of allowance for uncollectibles) | 111 | - | - | 70 |
| Intergovernmental receivables | - | - | - | - |
| Due from other funds | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 8,337</u> | <u>\$ 3,372</u> | <u>\$ 31,718</u> | <u>\$ 4,465</u> |
| Liabilities and Fund balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ 61 | \$ - |
| Wages and salaries payable | - | - | - | - |
| Intergovernmental payable | - | - | - | - |
| Due to other funds | - | 2,271 | - | - |
| Due to others | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>-</u> | <u>2,271</u> | <u>61</u> | <u>-</u> |
| Fund balances: | | | | |
| Restricted fund balance: | | | | |
| General government | - | - | - | - |
| Highways and streets | - | - | - | - |
| Justice system | 8,337 | 1,101 | 31,657 | 4,465 |
| Correction and rehabilitation | - | - | - | - |
| Community services | - | - | - | - |
| Unassigned fund balance | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>8,337</u> | <u>1,101</u> | <u>31,657</u> | <u>4,465</u> |
| Total liabilities and fund balances | <u>\$ 8,337</u> | <u>\$ 3,372</u> | <u>\$ 31,718</u> | <u>\$ 4,465</u> |

| <u>Juvenile Title IV</u> | <u>Records Archive - County Clerk</u> | <u>County Attorney Check Fees</u> | <u>District Attorney Check Fees</u> | <u>District Attorney Forfeitures</u> | <u>Sheriff Forfeitures & Seizures</u> | <u>District Clerk Records Management</u> |
|----------------------------------|---|---|---|--|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 862 | 70,180 | 19,285 | 4,974 | 5,083 | 1,092 | 6,637 |
| 100 | 61 | - | - | - | - | 73 |
| - | - | - | - | - | - | - |
| - | 824 | 15 | - | - | - | - |
| <u>\$ 962</u> | <u>\$ 71,065</u> | <u>\$ 19,300</u> | <u>\$ 4,974</u> | <u>\$ 5,083</u> | <u>\$ 1,092</u> | <u>\$ 6,710</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 225 | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 225 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 962 | 71,065 | 19,300 | 4,974 | 4,858 | 1,092 | 6,710 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>962</u> | <u>71,065</u> | <u>19,300</u> | <u>4,974</u> | <u>4,858</u> | <u>1,092</u> | <u>6,710</u> |
| <u>\$ 962</u> | <u>\$ 71,065</u> | <u>\$ 19,300</u> | <u>\$ 4,974</u> | <u>\$ 5,083</u> | <u>\$ 1,092</u> | <u>\$ 6,710</u> |

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

| | District Attorney Fund | Lateral Road Fund | County Clerk Records Preservation | District Clerk Records Preservation |
|---|---------------------------------------|----------------------------------|--|--|
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,122 | \$ - | \$ - | \$ - |
| Investments | - | 28,509 | 4,723 | 9,278 |
| Receivables (net of allowance for uncollectibles) | - | - | - | 81 |
| Intergovernmental receivables | - | - | - | - |
| Due from other funds | - | - | 30 | - |
| | <u>-</u> | <u>-</u> | <u>30</u> | <u>-</u> |
| Total assets | <u>\$ 1,122</u> | <u>\$ 28,509</u> | <u>\$ 4,753</u> | <u>\$ 9,359</u> |
| Liabilities and Fund balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Wages and salaries payable | 1,058 | - | - | - |
| Due to other funds | - | - | - | - |
| Due to others | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>1,058</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Restricted fund balance: | | | | |
| General government | - | - | 4,753 | 9,359 |
| Highways and streets | - | 28,509 | - | - |
| Justice system | 64 | - | - | - |
| Correction and rehabilitation | - | - | - | - |
| Community services | - | - | - | - |
| Unassigned fund balance | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>64</u> | <u>28,509</u> | <u>4,753</u> | <u>9,359</u> |
| Total liabilities and fund balances | <u>\$ 1,122</u> | <u>\$ 28,509</u> | <u>\$ 4,753</u> | <u>\$ 9,359</u> |

| Museum Fund | Delinquent Fines and Fees Collections | Jail Commissary Fund | Juvenile Probation Local Funds | Adult Probation Local Funds | Total Non-Major Governmental Funds |
|--------------------|--|-----------------------------|---------------------------------------|------------------------------------|---|
| \$ 100 | \$ 19 | \$ 486 | \$ 37,763 | \$ 24,926 | \$ 87,573 |
| 44,053 | 3,725 | - | - | - | 662,844 |
| 131 | - | 1,826 | - | - | 22,878 |
| - | - | - | - | - | 15,545 |
| - | - | 2,100 | - | - | 4,558 |
| <u>44,284</u> | <u>3,744</u> | <u>4,412</u> | <u>37,763</u> | <u>24,926</u> | <u>793,398</u> |
| \$ 14,688 | \$ - | \$ - | \$ - | \$ - | \$ 36,223 |
| - | - | - | - | - | 1,058 |
| - | - | - | 2,100 | - | 11,840 |
| - | - | - | 35,663 | - | 58,567 |
| <u>14,688</u> | <u>-</u> | <u>-</u> | <u>37,763</u> | <u>-</u> | <u>107,688</u> |
| - | - | - | - | - | 121,704 |
| - | - | - | - | - | 28,509 |
| - | 3,744 | - | - | - | 311,870 |
| - | - | 4,412 | - | 24,926 | 195,306 |
| 29,596 | - | - | - | - | 29,596 |
| - | - | - | - | - | (1,275) |
| <u>29,596</u> | <u>3,744</u> | <u>4,412</u> | <u>-</u> | <u>24,926</u> | <u>685,710</u> |
| <u>44,284</u> | <u>3,744</u> | <u>4,412</u> | <u>37,763</u> | <u>24,926</u> | <u>793,398</u> |

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | <u>MVI</u> | <u>Court Technology Fees</u> | <u>County Records Management</u> | <u>Courthouse Security</u> |
|--|-----------------|--------------------------------------|--|--------------------------------|
| Revenue: | | | | |
| Intergovernmental revenues and grants | \$ - | \$ - | \$ - | \$ - |
| Investment earnings | 15 | 34 | 90 | 36 |
| Charges for services | - | - | - | 968 |
| Fines | - | 5,012 | - | - |
| Other revenue | 1 | - | 8,647 | 9,418 |
| | <u>16</u> | <u>-</u> | <u>8,647</u> | <u>9,418</u> |
| Total revenue | <u>16</u> | <u>5,046</u> | <u>8,737</u> | <u>10,422</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Highways and streets | - | - | - | - |
| Justice system | - | 5,865 | - | 941 |
| Correction and rehabilitation | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>-</u> | <u>5,865</u> | <u>-</u> | <u>941</u> |
| Excess (deficiency) of revenue over (under) expenditures | <u>16</u> | <u>(819)</u> | <u>8,737</u> | <u>9,481</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | (9,490) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,490)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,490)</u> |
| Net change in fund balances | 16 | (819) | 8,737 | (9) |
| Fund balances at beginning of year | <u>1,752</u> | <u>34,618</u> | <u>92,695</u> | <u>38,273</u> |
| Fund balances at end of year | <u>\$ 1,768</u> | <u>\$ 33,799</u> | <u>\$ 101,432</u> | <u>\$ 38,264</u> |

| Registration of Voters Fund | Records Management & Preservation | Law Library Fund | Adult Probation - State | Community Corrections Programs | Juvenile Probation - State | TJPC |
|--|--|---------------------------------|--|---|---|--------------|
| \$ - | \$ - | \$ - | \$ 91,201 | \$ 38,094 | \$ 219,557 | \$ - |
| 4 | 67 | - | 200 | 12 | 24 | - |
| - | - | - | - | - | - | - |
| - | 21,962 | - | - | - | - | - |
| <u>2,007</u> | <u>-</u> | <u>7,961</u> | <u>202,767</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>2,011</u> | <u>22,029</u> | <u>7,961</u> | <u>294,168</u> | <u>38,106</u> | <u>219,581</u> | <u>-</u> |
| 1,937 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 16,931 | 12,225 | - | - | 219,557 | - |
| - | - | - | 343,822 | 45,044 | - | - |
| - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>1,937</u> | <u>16,931</u> | <u>12,225</u> | <u>343,822</u> | <u>45,044</u> | <u>219,557</u> | <u>-</u> |
| <u>74</u> | <u>5,098</u> | <u>(4,264)</u> | <u>(49,654)</u> | <u>(6,938)</u> | <u>24</u> | <u>-</u> |
| - | - | 3,600 | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(297)</u> |
| - | - | 3,600 | - | - | - | (297) |
| <u>-</u> | <u>-</u> | <u>3,600</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(297)</u> |
| 74 | 5,098 | (664) | (49,654) | (6,938) | 24 | (297) |
| <u>4,318</u> | <u>69,778</u> | <u>(611)</u> | <u>208,781</u> | <u>13,779</u> | <u>6,578</u> | <u>297</u> |
| <u>\$ 4,392</u> | <u>\$ 74,876</u> | <u>\$ (1,275)</u> | <u>\$ 159,127</u> | <u>\$ 6,841</u> | <u>\$ 6,602</u> | <u>\$ -</u> |

**HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

| | <u>Court Report Service</u> | <u>Juvenile Progressive Sanctions</u> | <u>Juvenile Probation Special</u> | <u>Child Support District Clerk</u> |
|--|-------------------------------------|---|---|---|
| Revenue: | | | | |
| Intergovernmental revenues and grants | \$ - | \$ 14,193 | \$ - | \$ - |
| Investment earnings | 7 | 8 | 30 | 4 |
| Charges for services | 4,280 | - | 1,443 | - |
| Fines | - | - | - | - |
| Other revenue | - | - | - | 550 |
| | <u>4,287</u> | <u>14,201</u> | <u>1,473</u> | <u>554</u> |
| Total revenue | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Highways and streets | - | - | - | - |
| Justice system | - | 14,193 | 1,746 | - |
| Correction and rehabilitation | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| | <u>-</u> | <u>14,193</u> | <u>1,746</u> | <u>-</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenue over (under) expenditures | <u>4,287</u> | <u>8</u> | <u>(273)</u> | <u>554</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | <u>(3,083)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(3,083)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 1,204 | 8 | (273) | 554 |
| Fund balances at beginning of year | <u>7,133</u> | <u>1,093</u> | <u>31,930</u> | <u>3,911</u> |
| Fund balances at end of year | <u>\$ 8,337</u> | <u>\$ 1,101</u> | <u>\$ 31,657</u> | <u>\$ 4,465</u> |

| <u>Juvenile Title IV</u> | <u>Records Archive - County Clerk</u> | <u>County Attorney Check Fees</u> | <u>District Attorney Check Fees</u> | <u>District Attorney Forfeitures</u> | <u>Sheriff Forfeitures & Seizures</u> | <u>District Clerk Records Management</u> |
|----------------------------------|---|---|---|--|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 4 | 72 | 17 | 5 | 6 | - | 5 |
| - | 24,559 | 2,555 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 812 | - | 2,180 |
| <u>4</u> | <u>24,631</u> | <u>2,572</u> | <u>5</u> | <u>818</u> | <u>-</u> | <u>2,185</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 3,585 | 35,295 | - | - | 2,723 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>3,585</u> | <u>35,295</u> | <u>-</u> | <u>-</u> | <u>2,723</u> | <u>-</u> | <u>-</u> |
| <u>(3,581)</u> | <u>(10,664)</u> | <u>2,572</u> | <u>5</u> | <u>(1,905)</u> | <u>-</u> | <u>2,185</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>(3,581)</u> | <u>(10,664)</u> | <u>2,572</u> | <u>5</u> | <u>(1,905)</u> | <u>-</u> | <u>2,185</u> |
| <u>4,543</u> | <u>81,729</u> | <u>16,728</u> | <u>4,969</u> | <u>6,763</u> | <u>1,092</u> | <u>4,525</u> |
| <u>\$ 962</u> | <u>\$ 71,065</u> | <u>\$ 19,300</u> | <u>\$ 4,974</u> | <u>\$ 4,858</u> | <u>\$ 1,092</u> | <u>\$ 6,710</u> |

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | <u>District Attorney Fund</u> | <u>Lateral Road Fund</u> | <u>County Clerk Records Preservation</u> | <u>District Clerk Records Preservation</u> |
|--|---------------------------------------|----------------------------------|--|--|
| Revenue: | | | | |
| Intergovernmental revenues and grants | \$ 27,493 | \$ 15,483 | \$ - | \$ - |
| Investment earnings | 1 | 40 | 4 | 7 |
| Charges for services | - | - | 1,120 | 2,538 |
| Fines | - | - | - | - |
| Other revenue | - | - | - | - |
| | <u>27,494</u> | <u>15,523</u> | <u>1,124</u> | <u>2,545</u> |
| Total revenue | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Highways and streets | - | 16,000 | - | - |
| Justice system | 27,485 | - | - | - |
| Correction and rehabilitation | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| | <u>27,485</u> | <u>16,000</u> | <u>-</u> | <u>-</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenue over (under) expenditures | <u>9</u> | <u>(477)</u> | <u>1,124</u> | <u>2,545</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | | | | |
| Net change in fund balances | 9 | (477) | 1,124 | 2,545 |
| Fund balances at beginning of year | <u>55</u> | <u>28,986</u> | <u>3,629</u> | <u>6,814</u> |
| Fund balances at end of year | <u>\$ 64</u> | <u>\$ 28,509</u> | <u>\$ 4,753</u> | <u>\$ 9,359</u> |

| <u>Museum Fund</u> | <u>Delinquent Fines and Fees Collections</u> | <u>Jail Commissary Fund</u> | <u>Juvenile Probation Local Funds</u> | <u>Adult Probation Local Funds</u> | <u>Total Non-Major Governmental Funds</u> |
|------------------------|--|-------------------------------------|---|--|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 406,021 |
| 105 | 4 | 2 | - | - | 803 |
| 2,629 | - | 9,479 | - | - | 49,571 |
| - | - | - | - | - | 26,974 |
| <u>4,618</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,229</u> | <u>241,190</u> |
| <u>7,352</u> | <u>4</u> | <u>9,481</u> | <u>-</u> | <u>2,229</u> | <u>724,559</u> |
| - | - | - | - | - | 1,937 |
| - | - | - | - | - | - |
| - | - | - | - | - | 16,000 |
| - | 12,704 | - | - | - | 353,250 |
| - | - | 15,793 | - | 3,002 | 407,661 |
| 188,430 | - | - | - | - | 188,430 |
| <u>31,530</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,530</u> |
| <u>219,960</u> | <u>12,704</u> | <u>15,793</u> | <u>-</u> | <u>3,002</u> | <u>998,808</u> |
| <u>(212,608)</u> | <u>(12,700)</u> | <u>(6,312)</u> | <u>-</u> | <u>(773)</u> | <u>(274,249)</u> |
| 100,000 | 8,000 | - | - | - | 111,600 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(12,870)</u> |
| <u>100,000</u> | <u>8,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>98,730</u> |
| (112,608) | (4,700) | (6,312) | - | (773) | (175,519) |
| <u>142,204</u> | <u>8,444</u> | <u>10,724</u> | <u>-</u> | <u>25,699</u> | <u>861,229</u> |
| <u>\$ 29,596</u> | <u>\$ 3,744</u> | <u>\$ 4,412</u> | <u>\$ -</u> | <u>\$ 24,926</u> | <u>\$ 685,710</u> |

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | <u>Balance October 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance September 30, 2013</u> |
|---|--|----------------------|----------------------|---|
| COUNTY AND DISTRICT CLERK AGENCY FUND: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 800,729 | \$ 949,809 | \$ 1,340,426 | \$ 410,112 |
| Liabilities: | | | | |
| Due to other funds | \$ 15,222 | \$ 851,662 | \$ 849,882 | \$ 17,002 |
| Due to others | 785,507 | 98,007 | 490,404 | 393,110 |
| Total liabilities | <u>\$ 800,729</u> | <u>\$ 949,669</u> | <u>\$ 1,340,286</u> | <u>\$ 410,112</u> |
| COUNTY ATTORNEY AGENCY FUND: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 9,025 | \$ 95,557 | \$ 94,416 | \$ 10,166 |
| Liabilities: | | | | |
| Due to other funds | \$ 120 | \$ 2,391 | \$ 2,496 | \$ 15 |
| Due to others | 8,905 | 93,166 | 91,920 | 10,151 |
| Total liabilities | <u>\$ 9,025</u> | <u>\$ 95,557</u> | <u>\$ 94,416</u> | <u>\$ 10,166</u> |
| TAX ASSESSOR/COLLECTOR AGENCY FUND: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 394,134 | \$ 56,334,612 | \$ 56,293,253 | \$ 435,493 |
| Receivables (net of allowance for uncollectibles) | 4,876 | 22,259 | 25,692 | 1,443 |
| Total assets | <u>\$ 399,010</u> | <u>\$ 56,356,871</u> | <u>\$ 56,318,945</u> | <u>\$ 436,936</u> |
| Liabilities: | | | | |
| Due to other governments | \$ 306,308 | \$ 37,116,903 | \$ 37,106,251 | \$ 316,960 |
| Due to other funds | 27,506 | 11,167,196 | 11,158,826 | 35,876 |
| Due to others | 65,195 | 3,574,335 | 3,555,430 | 84,100 |
| Total liabilities | <u>\$ 399,009</u> | <u>\$ 51,858,434</u> | <u>\$ 51,820,507</u> | <u>\$ 436,936</u> |
| TOTAL AGENCY FUNDS: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,203,888 | \$ 57,379,978 | \$ 57,728,095 | \$ 855,771 |
| Receivables (net of allowance for uncollectibles) | 4,876 | 22,259 | 25,692 | 1,443 |
| Total assets | <u>\$ 1,208,764</u> | <u>\$ 57,402,237</u> | <u>\$ 57,753,787</u> | <u>\$ 857,214</u> |
| Liabilities: | | | | |
| Due to other governments | \$ 306,308 | \$ 37,116,903 | \$ 37,106,251 | \$ 316,960 |
| Due to other funds | 42,848 | 12,021,249 | 12,011,204 | 52,893 |
| Due to others | 859,607 | 3,765,508 | 4,137,754 | 487,361 |
| Total liabilities | <u>\$ 1,208,763</u> | <u>\$ 52,903,660</u> | <u>\$ 53,255,209</u> | <u>\$ 857,214</u> |