

HUTCHINSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2017**

HUTCHINSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2017

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PART I

INTRODUCTORY SECTION

HUTCHINSON COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2017

Cindy Irwin	County Judge
Larry Coffman	Commissioner, Precinct #1
Jerry Hefner	Commissioner, Precinct #2
Samuel “Red” Isbell	Commissioner, Precinct #3
Charles “Eddie” Whittington	Commissioner, Precinct #4
Curt Brancheau	Judge, 84 th Judicial District
James Mosley	Judge, 316 th Judicial District
Mark Snider	District Attorney
Robin Stroud	District Clerk
Mike Milner	County Attorney
Jan Barnes	County Clerk
Carrie Kimmell	County Tax Assessor/Collector
Kathy Sargent	County Treasurer
Kirk Coker	County Sheriff
Shila Hart	Justice of the Peace, Precinct #1
Yadi Rodriguez	Justice of the Peace, Precinct #2
Kendall McWilliams	Constable, Precinct #1
Charles “Ron” Cromer	Constable, Precinct #2
Mark B. Dill, CPA	County Auditor

PART II
FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Hutchinson County, Texas

INDEPENDENT AUDITORS' REPORT

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 as of and for the year ended September 30, 2017, 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

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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 County'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.

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 Hutchinson County, Texas, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof 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 budgetary comparison schedules, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 36 – 40 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.

The County has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018, on our consideration of Hutchinson County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hutchinson County, Texas' internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
April 20, 2018

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BASIC FINANCIAL STATEMENTS

HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,100,327	\$ 92,042	\$ 8,192,369
Accounts receivable, net	355,053	8,503	363,556
Taxes receivable, net	148,802	-	148,802
Internal balances	(1,474)	1,474	-
Due from other governmental entities	35,469	-	35,469
Inventories	19,924	13,115	33,039
Prepaid items	67,343	-	67,343
Capital assets net of of accumulated depreciation	9,409,525	1,917,449	11,326,974
Total assets	<u>18,134,969</u>	<u>2,032,583</u>	<u>20,167,552</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	551,747	12,188	563,935
Pension economic loss	45,467	1,004	46,471
Pension deficient earnings	2,210,861	48,837	2,259,698
Pension assumption changes	202,703	4,478	207,181
Total deferred outflows of resources	<u>3,010,778</u>	<u>66,507</u>	<u>3,077,285</u>
LIABILITIES			
Accounts payable	749,505	4,896	754,401
Due to other governmental agencies	37,070	-	37,070
Accrued interest	4,156	-	4,156
Noncurrent liabilities:			
Due within one year	75,216	548	75,764
Due in more than one year	463,114	4,932	468,046
Net pension liability	1,877,808	41,480	1,919,288
Total liabilities	<u>3,206,869</u>	<u>51,856</u>	<u>3,258,725</u>
DEFERRED INFLOWS OF RESOURCES			
Pension economic/demographic gains	372,338	8,225	380,563
Total deferred inflows of resources	<u>372,338</u>	<u>8,225</u>	<u>380,563</u>
NET POSITION			
Net investment in capital assets	9,253,018	1,917,449	11,170,467
Restricted:			
By enabling legislation	837,565	-	837,565
Unrestricted	7,475,957	121,560	7,597,517
Total net position	<u>\$ 17,566,540</u>	<u>\$ 2,039,009</u>	<u>\$ 19,605,549</u>

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

HUTCHINSON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
Administrative	\$ 2,998,003	\$ 564,038	\$ 30,012	\$ -	\$ (2,403,953)	\$ -	\$ (2,403,953)
Judicial	2,616,122	351,122	32,488	-	(2,232,512)	-	(2,232,512)
Public facilities	1,421,759	15,256	-	-	(1,406,503)	-	(1,406,503)
Public safety	3,959,323	116,588	3,069	-	(3,839,666)	-	(3,839,666)
Road and bridge	2,218,472	528,977	17,377	-	(1,672,118)	-	(1,672,118)
Public service	1,390,727	206,833	434,492	-	(749,402)	-	(749,402)
Interest on long-term debt	4,156	-	-	-	(4,156)	-	(4,156)
Total governmental activities	<u>14,608,562</u>	<u>1,782,814</u>	<u>517,438</u>	<u>-</u>	<u>(12,308,310)</u>	<u>-</u>	<u>(12,308,310)</u>
Business-type activities:							
Airport	<u>885,376</u>	<u>473,427</u>	<u>34,612</u>	<u>-</u>	<u>-</u>	<u>(377,337)</u>	<u>(377,337)</u>
Total business-type activities	<u>885,376</u>	<u>473,427</u>	<u>34,612</u>	<u>-</u>	<u>-</u>	<u>(377,337)</u>	<u>(377,337)</u>
Total primary government	<u>\$ 15,493,938</u>	<u>\$ 2,256,241</u>	<u>\$ 552,050</u>	<u>\$ -</u>	<u>(12,308,310)</u>	<u>(377,337)</u>	<u>(12,685,647)</u>
General revenues:							
Taxes:							
Property taxes					11,867,511	-	11,867,511
Payments in lieu of taxes					27,025	-	27,025
Mixed beverage taxes					22,173	-	22,173
Investment earnings					86,196	1,020	87,216
Miscellaneous					416,971	-	416,971
Gain on disposal of assets					7,761	-	7,761
Transfers					(106,629)	106,629	-
Total general revenues and transfers					<u>12,321,008</u>	<u>107,649</u>	<u>12,428,657</u>
Change in net position					12,698	(269,688)	(256,990)
Net position - beginning					<u>17,553,842</u>	<u>2,308,697</u>	<u>19,862,539</u>
Net position - ending					<u>\$ 17,566,540</u>	<u>\$ 2,039,009</u>	<u>\$ 19,605,549</u>

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

HUTCHINSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	<u>General</u>	<u>Road & Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,188,182	\$ 50,478	\$ 861,667	\$ 8,100,327
Accounts receivable, net	320,527	16,425	18,101	355,053
Taxes receivable, net	148,802	-	-	148,802
Due from other funds	9,857	-	159	10,016
Due from other governmental entities	-	-	35,469	35,469
Inventories	-	19,924	-	19,924
Prepaid items	67,343	-	-	67,343
	<u>7,734,711</u>	<u>86,827</u>	<u>915,396</u>	<u>8,736,934</u>
Total assets	<u>\$ 7,734,711</u>	<u>\$ 86,827</u>	<u>\$ 915,396</u>	<u>\$ 8,736,934</u>
LIABILITIES				
Accounts payable	\$ 643,891	\$ 48,425	\$ 57,189	\$ 749,505
Due to other funds	1,533	-	9,957	11,490
Due to other governmental entities	34,432	-	2,638	37,070
	<u>679,856</u>	<u>48,425</u>	<u>69,784</u>	<u>798,065</u>
Total liabilities	<u>679,856</u>	<u>48,425</u>	<u>69,784</u>	<u>798,065</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	114,368	-	-	114,368
Unavailable revenue - other receivables	211,054	-	-	211,054
	<u>325,422</u>	<u>-</u>	<u>-</u>	<u>325,422</u>
Total deferred inflows of resources	<u>325,422</u>	<u>-</u>	<u>-</u>	<u>325,422</u>
FUND BALANCES				
Non-spendable:				
Inventories	-	19,924	-	19,924
Prepaid items	67,343	-	-	67,343
Restricted:				
By enabling legislation	-	-	837,565	837,565
Committed for:				
Special projects	-	-	8,047	8,047
Unassigned (deficit)	6,662,090	18,478	-	6,680,568
	<u>6,729,433</u>	<u>38,402</u>	<u>845,612</u>	<u>7,613,447</u>
Total fund balances	<u>6,729,433</u>	<u>38,402</u>	<u>845,612</u>	<u>7,613,447</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,734,711</u>	<u>\$ 86,827</u>	<u>\$ 915,396</u>	<u>\$ 8,736,934</u>

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

HUTCHINSON COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	7,613,447
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		9,409,525
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		325,422
Pension contributions paid after the measurement date, December 31, 2016, and before September 30, 2017 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		551,747
Pension losses and deficient earnings are shown as deferred outflows of resources in the government-wide financial statements.		
Pension economic/demographic losses		45,467
Pension deficient earnings		2,210,861
Pension assumption changes		202,703
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(372,338)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued interest payable		(4,156)
Note payable		(152,351)
Accrued compensated absences		(385,979)
Net pension liability		(1,877,808)
Net position - governmental activities	\$	17,566,540

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

HUTCHINSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General</u>	<u>Road & Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 11,870,835	\$ -	\$ -	\$ 11,870,835
Payments in lieu of taxes	27,025	-	-	27,025
Mixed beverage taxes	22,173	-	-	22,173
Licenses and fees	944,008	528,977	317,613	1,790,598
Fines and forfeitures	15,256	-	-	15,256
Intergovernmental	60,544	1,962	454,932	517,438
Interest	75,266	4,515	6,415	86,196
Miscellaneous	383,386	26,660	6,924	416,970
	<u>13,398,493</u>	<u>562,114</u>	<u>785,884</u>	<u>14,746,491</u>
EXPENDITURES				
Current:				
Administrative	2,765,856	-	21,264	2,787,120
Judicial	2,403,029	-	81,477	2,484,506
Public facilities	1,035,678	-	188,617	1,224,295
Public safety	3,561,908	-	15,583	3,577,491
Road and bridge	-	1,574,297	16,000	1,590,297
Public service	691,205	-	619,196	1,310,401
Capital outlay	2,074,705	320,109	27,745	2,422,559
	<u>12,532,381</u>	<u>1,894,406</u>	<u>969,882</u>	<u>15,396,669</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>866,112</u>	<u>(1,332,292)</u>	<u>(183,998)</u>	<u>(650,178)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of notes payable	152,351	-	-	152,351
Transfers in	198,943	1,372,357	231,481	1,802,781
Transfers out	(1,820,942)	-	(88,468)	(1,909,410)
	<u>(1,469,648)</u>	<u>1,372,357</u>	<u>143,013</u>	<u>45,722</u>
NET CHANGE IN FUND BALANCES	(603,536)	40,065	(40,985)	(604,456)
FUND BALANCES - BEGINNING (DEFICIT)	<u>7,332,969</u>	<u>(1,663)</u>	<u>886,597</u>	<u>8,217,903</u>
FUND BALANCES - ENDING	<u>\$ 6,729,433</u>	<u>\$ 38,402</u>	<u>\$ 845,612</u>	<u>\$ 7,613,447</u>

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

HUTCHINSON COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$	(604,456)
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlays, \$2,422,559, exceeded depreciation, \$1,025,589, in the current period.</p>		
		1,396,970
<p>In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the disposition, if any, increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset sold.</p>		
		(37,239)
<p>The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.</p>		
		45,000
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>		
		(26,363)
<p>In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.</p> <p>Debt issued or incurred:</p> <p style="padding-left: 20px;">Note payable</p>		
		(152,351)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Accrued interest on debt, net change		(4,156)
Compensated absences, net change		335
Deferred outflows of resources:		
Pension contributions, net change		16,087
Pension economic/demographic losses		(45,446)
Pension deficient earnings		(526,299)
Pension assumption changes		(101,283)
Deferred inflows of resources:		
Pension economic/demographic gains		(94,869)
Net pension liability, net change		146,768
		146,768
Change in net position - governmental activities	\$	12,698

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

**HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
AIRPORT
SEPTEMBER 30, 2017**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 92,042
Receivables, net	8,503
Due from other funds	1,474
Inventories	<u>13,115</u>
Total current assets	<u>115,134</u>
Non-current assets:	
Capital assets:	
Land	404,524
Buildings and improvements	1,414,293
Infrastructure	7,202,731
Machinery and equipment	260,155
Less accumulated depreciation	<u>(7,364,254)</u>
Total non-current assets	<u>1,917,449</u>
Total assets	<u>2,032,583</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension contributions	12,188
Pension economic loss	1,004
Pension deficient earnings	48,837
Pension assumption changes	<u>4,478</u>
Total deferred outflows of resources	<u>66,507</u>

LIABILITIES

Current liabilities:	
Accounts payable	4,896
Compensated absences	<u>548</u>
Total current liabilities	<u>5,444</u>
Non-current liabilities:	
Compensated absences	4,932
Capital lease obligation	-
Notes payable	-
General obligation bonds payable	-
Net pension liability	<u>41,480</u>
Total non-current liabilities	<u>46,412</u>
Total liabilities	<u>51,856</u>

DEFERRED INFLOWS OF RESOURCES

Pension economic/demographic gains	<u>8,225</u>
Total deferred inflows of resources	<u>8,225</u>

NET POSITION

Net investment in capital assets	1,917,449
Unrestricted	<u>121,560</u>
Total net position	<u>\$ 2,039,009</u>

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

HUTCHINSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
AIRPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

OPERATING REVENUES:

Charges for services:	\$	471,027
Rents		2,400
		473,427

OPERATING EXPENSES:

Salaries and employee benefits		223,948
Fuel and materials for resale		307,505
Other operating expenses		59,642
Supplies		4,863
Insurance		2,006
Postage and freight		473
Repairs and maintenance		28,668
Utilities		13,726
Depreciation		244,545
		885,376

Total operating expenses 885,376

Operating loss (411,949)

NON-OPERATING REVENUES:

Intergovernmental		34,612
Interest and investment revenue		1,020
		35,632

Total non-operating revenues 35,632

LOSS BEFORE TRANSFERS (376,317)

TRANSFERS IN		219,270
TRANSFERS OUT		(112,641)

CHANGE IN NET POSITION (269,688)

TOTAL NET POSITION - BEGINNING 2,308,697

TOTAL NET POSITION - ENDING \$ 2,039,009

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

**HUTCHINSON COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
AIRPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 473,988
Payments to suppliers and service providers	(414,646)
Payments to employees for salaries and benefits	<u>(210,935)</u>
Net cash used by operating activities	<u>(151,593)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants	34,612
Transfer to other funds	<u>106,629</u>
Net cash provided by noncapital financing activities	<u>141,241</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(25,708)</u>
Net cash used by capital and related financing activities	<u>(25,708)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>1,020</u>
Net cash provided by investing activities	<u>1,020</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,040)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>127,082</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 92,042</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (411,949)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	244,545
(Increase) decrease in operating assets	
Accounts receivable	561
Inventories	5,193
Deferred outflows of resources - pension	15,353
Increase (decrease) in operating liabilities	
Accounts payable	(2,956)
Accrued payroll and compensated absences	(665)
Deferred inflows of resources - pension	2,032
Net pension liability	<u>(3,707)</u>
Net cash used by operating activities	<u><u>\$ (151,593)</u></u>

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

HUTCHINSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2017

ASSETS		
Cash and cash equivalents		\$ 1,117,826
Accounts receivable		6,289
		<hr/>
Total assets		\$ 1,124,115
		<hr/> <hr/>
LIABILITIES		
Accounts payable		\$ 20,830
Due to other governments		347,139
Deposits		756,146
		<hr/>
Total liabilities		\$ 1,124,115
		<hr/> <hr/>

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

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The County, incorporated in 1901, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Government-Wide Statements – Continuation

The Statement of Activities demonstrates the degree to which the direct expenses of the County’s programs are offset by those programs’ revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental funds:

General Fund – The *General Fund* is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general government, judicial, public facilities, public safety, public service, and capital acquisition.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Fund-Level Statements – Continuation

Road and Bridge Fund – The *Road and Bridge Fund* is a special revenue fund used to account for the revenues derived from license fees levied for purposes of road and bridge expenditures.

The County reports the following major proprietary funds:

The **Airport Fund** accounts for funds received from outside parties for the benefit and use of the Hutchinson County Airport.

Additionally, the County reports the following fund types:

Special Revenue Funds – The *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Use of Estimates

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

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of one year or less, and deposits within public fund investment pools. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

The County is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

1. Deposits and Investments – Continuation

The Act requires an annual audit of investment policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the area of investment practices, management has established and reported appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables revenues at the time all eligibility requirements established by the provider have been met.

Charges for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$7,112,299.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year unless the half payment option is elected in which one-half the tax is due November 30, and the balance the following June 30. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levies are shown net of an allowance for uncollectible accounts of \$471,207.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

4. Restricted Assets/Funds

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as defraying the costs of collecting the vehicle inventory tax within the County, technology requirements for the justice court, management and preservation of public records, personnel and security for the courthouse, defraying the County’s voter registration expenses, maintenance of the County’s law library, enhancement of the county and district attorneys’ operations with fees from processing dishonored and forged checks, enhancement of law enforcement operations with seized funds, and maintenance of the commissary in the Sheriff’s Department. All restrictions are enacted according to Texas statutes.)

- In addition to the statutory restrictions the County has also received grant awards from various State agencies. These awards are all restricted for the stated purposes of the grant.

5. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the governmental funds are recorded as expenditures when consumed rather than purchased. At September 30, 2017, inventories consisted of fuel in the road and bridge department.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of non-spendable fund balance which indicates they do not represent “available spendable resources”.

6. Capital Assets

Capital assets, which include land, infrastructure, buildings and improvements, and equipment, are reported in the government-wide financial statements. The County has opted to not retroactively report infrastructure assets. According to the County’s capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of two years. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	10 - 30 years
Infrastructure	5 - 20 years
Equipment	4 - 18 years

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

7. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Regular full-time employees are entitled to vacation of up to four weeks per year as earned, depending on years of service. Vacation time earned, but not taken, is paid upon termination. Compensation time is accrued at one and one-half the employee's regular rate for each hour worked over forty hours in a work week, except for law enforcement which is calculated according to the rules promulgated by United States Code Section 29, Chapter 207, paragraph k. Sick leave accrues at 1.75 days per month with a maximum accumulation of 105 days. No unused sick leave will be paid upon termination. Accrued vacation leave and comp time are accrued in the government-wide and proprietary fund financial statements.

8. Long-term Obligations

In the government-wide and proprietary 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.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. 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 or resources (expense/expenditure) until then. The government has several items that qualify for reporting in this category. They are the contributions and other items related to the County's pension plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualifies for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, *pension economic/demographic gains*, is related to the changes in the County's net pension liability and is reported in the government-wide statement of net position.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

10. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable forms, 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, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the Commissioners' Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners' Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted or committed.

Unassigned Fund Balance – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

12. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investments in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

12. Net Position – Continuation

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net position amounts that do not meet the definition of “net investment in capital assets” or “restricted net position.”

13. Fund Balance Policies

When the County incurs an expenditures for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners’ Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County’s highest level of decision-making authority is the Commissioners’ Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund, and the Road and Bridge Special Revenue Fund.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

A. Budgetary Information – Continuation

4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for both the General Fund and the Road and Bridge Special Revenue Fund.
5. Budgets for the General and Road and Bridge Special Revenue Funds are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and the Road and Bridge Special Revenue Fund.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

B. Excess of Expenditures Over Appropriations

For the year ended September 30, 2017, expenditures exceeded appropriations in the Sheriff's Department line (\$18,782), the Capital Outlay function of the General Fund (\$2,046,205), and the Capital Outlay function of the Road and Bridge Funds (\$320,109), respectively. The over expenditures in both funds were funded by lower than expected expenditures in the other functions of the County. The General and Road and Bridge Fund expenditures were under budget in total by \$951,901 and \$40,751, respectively.

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2017:

Cash and deposit balances consist of:

Petty cash funds	\$ 1,515
Bank deposits	1,247,654
Temporary investments - TexPool (interest rate at 1.0151%)	<u>8,061,026</u>
Total	<u><u>\$ 9,310,195</u></u>

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$ 8,100,327
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Business-type activities:

Unrestricted	92,042
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Fiduciary Funds Statement of Net Position	<u>1,117,826</u>
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Total	<u><u>\$ 9,310,195</u></u>
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Custodial credit risk – deposits. As of September 30, 2017, the carrying amount of the County's deposits with financial institutions was \$1,247,654 and the bank's balance was \$1,431,313. Of the bank balance, \$886,768 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$544,545 was collateralized with securities held by the pledging institution’s agent in the County’s name.

As of September 30, 2017, the County had \$8,061,026 invested with the Texas Treasury Safekeeping Trust Company (TexPool). The Inter-local Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

TexPool use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool, does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAAM from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principle. TexPool invests in a quality portfolio of debt securities investments that are legally permissible for local governments in the state.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, or in certificates of deposit with weighted average maturities of one year or less.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2017, 86.60% of the County's carrying value of cash was invested in pooled investment accounts. All other cash was deposited with the County's depository bank and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2016 tax roll was \$.52 per \$100, which means that the County has a tax margin of \$.28 per \$100 and could raise up to \$6,575,962 additional revenue from the 2016 assessed valuation of \$2,348,558,030 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has not opted to report its infrastructure retroactively.

Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Increases and Transfer	Decreases and Transfer	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 108,889	\$ -	\$ -	\$ 108,889
Construction in process	363,520	1,833,547	(584,368)	1,612,699
	<u>472,409</u>	<u>1,833,547</u>	<u>(584,368)</u>	<u>1,721,588</u>
Total capital assets, not being depreciated				
	<u>472,409</u>	<u>1,833,547</u>	<u>(584,368)</u>	<u>1,721,588</u>
Capital assets, being depreciated:				
Buildings and improvements	5,190,377	769,430	(46,875)	5,912,932
Infrastructure	3,974,626	-	-	3,974,626
Equipment	7,450,051	448,950	(190,593)	7,708,408
	<u>16,615,054</u>	<u>1,218,380</u>	<u>(237,468)</u>	<u>17,595,966</u>
Total capital assets, being depreciated				
	<u>16,615,054</u>	<u>1,218,380</u>	<u>(237,468)</u>	<u>17,595,966</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,284,873)	(259,568)	9,636	(3,534,805)
Infrastructure	(421,465)	(198,361)	-	(619,826)
Equipment	(5,376,331)	(567,660)	190,593	(5,753,398)
	<u>(9,082,669)</u>	<u>(1,025,589)</u>	<u>200,229</u>	<u>(9,908,029)</u>
Total accumulated depreciation				
	<u>(9,082,669)</u>	<u>(1,025,589)</u>	<u>200,229</u>	<u>(9,908,029)</u>
Total capital assets, being depreciated, net				
	<u>7,532,385</u>	<u>192,791</u>	<u>(37,239)</u>	<u>7,687,937</u>
Governmental activities capital assets, net				
	<u>\$ 8,004,794</u>	<u>\$ 2,026,338</u>	<u>\$ (621,607)</u>	<u>\$ 9,409,525</u>

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2017 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 77,537
Judicial	14,306
Public facilities	155,869
Public safety	211,761
Road and bridge	552,778
Public service	<u>13,338</u>
 Total Depreciation Expense	 <u><u>\$ 1,025,589</u></u>

	<u>Beginning Balance</u>	<u>Increases and Transfer</u>	<u>Decreases and Transfer</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 404,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404,524</u>
 Total capital assets, not being depreciated	 <u>404,524</u>	 <u>-</u>	 <u>-</u>	 <u>404,524</u>
Capital assets, being depreciated:				
Buildings and improvements	1,388,585	25,708	-	1,414,293
Land improvements	7,202,731	-	-	7,202,731
Equipment	<u>260,155</u>	<u>-</u>	<u>-</u>	<u>260,155</u>
 Total capital assets, being depreciated	 <u>8,851,471</u>	 <u>25,708</u>	 <u>-</u>	 <u>8,877,179</u>
Less accumulated depreciation for:				
Buildings and improvements	(543,016)	(38,316)	-	(581,332)
Land improvements	(6,358,580)	(198,196)	-	(6,556,776)
Equipment	<u>(218,113)</u>	<u>(8,033)</u>	<u>-</u>	<u>(226,146)</u>
 Total accumulated depreciation	 <u>(7,119,709)</u>	 <u>(244,545)</u>	 <u>-</u>	 <u>(7,364,254)</u>
 Total capital assets, being depreciated, net	 <u>1,731,762</u>	 <u>(218,837)</u>	 <u>-</u>	 <u>1,512,925</u>
 business-type activities capital assets, net	 <u><u>\$ 2,136,286</u></u>	 <u><u>\$ (218,837)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,917,449</u></u>

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – CONSTRUCTION IN PROCESS

The County has active construction projects as of September 30, 2017. The project is the Courthouse A/C & Water Pipe replacement/enhancement project. At year end, the County had \$358,340 remaining as a commitment related to this project.

NOTE 7 – RETIREMENT PLAN

Plan Description: Hutchinson County provides retirement and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of several 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 and is available at www.tcdrs.org.

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

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

Employees Covered by Benefit Terms: At September 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	112
Inactive employees entitled to but not yet receiving benefits	98
Active employees	133

Contributions: The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the 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 11.35% for the months of the accounting year in 2016 and in 2017. The contribution rate payable by the employee members is 7.00% for fiscal year 2017 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Net Pension Liability: The County's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – RETIREMENT PLAN – Continuation

Actuarial Assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8%, net of investment expenses, including inflation
Cost-of-living adjustments	None

In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater, LLC. The number shown are based on January 2017 information for a 7-10 year time horizon.

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – RETIREMENT PLAN – Continuation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – RETIREMENT PLAN – Continuation

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2015	\$ 38,252,843	\$ 36,183,080	\$ 2,069,763
Changes for the year:			
Service cost	930,573	-	930,573
Interest on total pension liability (1)	3,053,448	-	3,053,448
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(255,274)	-	(255,274)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(133,040)	(133,040)	-
Benefit payments	(1,931,527)	(1,931,527)	-
Administrative expenses	-	(29,077)	29,077
Member contributions	-	452,848	(452,848)
Net investment income	-	2,666,600	(2,666,600)
Employer contributions	-	734,260	(734,260)
Other (3)	-	54,591	(54,591)
Balances as of December 31, 2016	<u>\$ 39,917,023</u>	<u>\$ 37,997,735</u>	<u>\$ 1,919,288</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Sensitivity of the net pension liability / (asset) to changes in the discount rate: The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 44,289,003	\$ 39,917,023	\$ 36,209,016
Fiduciary net position	<u>37,997,735</u>	<u>37,997,735</u>	<u>37,997,735</u>
Net pension liability / (asset)	<u>\$ 6,291,268</u>	<u>\$ 1,919,288</u>	<u>\$ (1,788,719)</u>

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2016 to December 31, 2016
Service cost	\$ 930,573
Interest on total pension liability (1)	3,053,448
Effect of plan changes	-
Administrative expenses	29,077
Member contributions	(452,848)
Expected investment return net of investment expenses	(2,896,999)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(111,901)
Recognition of assumption changes or inputs	103,590
Recognition of investment gains or losses	768,950
Other (2)	(54,591)
Pension expense / (income)	\$ 1,369,299

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Deferred Inflows / Outflows of Resources: As of December 31, 2016, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 380,563	\$ 46,471
Changes of assumptions	-	207,181
Net difference between projected and actual earnings	-	2,259,698
Contributions made subsequent to measurement date	N/A	563,935

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – RETIREMENT PLAN – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 760,639
2018	714,168
2019	611,900
2020	46,080
2021	-
Thereafter	-

NOTE 8 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Hutchinson County, Texas participates in a cost sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GLTF). This optional plan provides group term life insurance coverage to current eligible employees.

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 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 life insurance. Hutchinson County, Texas contributions to the GTLF for the year ended September 30, 2017, 2016 and 2015, were \$36,694, \$40,120, and \$37,582, respectively, which equaled the contractually required contributions each year.

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 9,857	\$ 1,533
Special Revenue:		
Adult Probation - State	5	-
Community Corrections Programs	-	5
Juvenile Probation - State	154	7,680
Juvenile Progressive Sanctions	-	2,272
Proprietary Fund:		
Airport	1,474	-
	<u>\$ 11,490</u>	<u>\$ 11,490</u>

The primary purpose of inter-fund receivables and payables is the loaning of funds from the General Fund to Special Revenue Funds for the purpose of meeting current year expenditures.

Individual Inter-fund Transfers

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 198,943	\$ 1,820,942
Special Revenue:		
Road and Bridge	1,372,357	-
Courthouse Security	-	10,710
Law Library Fund	6,595	-
Adult Probation - State	-	2,166
Community Corrections Programs	2,166	-
Court Report Service	-	3,343
Museum Fund	222,720	58,920
Delinquent Fines and Fees Collections	-	13,329
Proprietary Fund:		
Airport	219,270	112,641
	<u>\$ 2,022,051</u>	<u>\$ 2,022,051</u>

Transfers are primarily utilized to use unrestricted revenues from the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10 – CONCENTRATION OF TAXPAYERS

As of September 30, 2017, the following taxpayer accounted for a significant portion of the County’s total tax levy.

Taxpayer	Industry	Tax Amount	Percent of Total Levy
Taxpayer A	Oil & Gas	\$ 3,138,890	25.57 %
Taxpayer B	Agriculture	2,112,554	17.21

NOTE 11 – TAX ABATEMENTS

During the year ended September 30, 2005, Hutchinson County entered into a 7 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business’ property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Hutchinson County. To be eligible the Company agreed to construct a Clean Fuels Project consisting various new facilities and technologies with the Borger Refinery Complex, the anticipated initial value of the improvements was to be \$300,000,000. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner’s tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due, less any payments made at any time to the County. The Company has also made payments in lieu of taxes for the current year of \$27,025.

During the year ended September 30, 2013, Hutchinson County entered into a 7 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business’ property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Hutchinson County. To be eligible the Company agreed to an expansion of existing facilities and construction of new facilities on land already owned with an anticipated combined initial value of \$460,000,000. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner’s tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due, less any payments made at any time to the County.

For the fiscal year ended September 30, 2017, Hutchinson County abated property taxes totaling \$34,163 under this program, including the following tax abatement agreements:

- A 30 percent tax abatement to Solvay Specialty Polymers USA, LLC, and the abatement amounted to \$34,163.
- A 90 percent tax abatement to Cominco Fertilizer Partnership, and the abatement amounted to \$0 as construction had not been completed for the 2016 tax roll.

NOTE 12 – LONG-TERM LIABILITIES

On November 4, 2016 the County financed capital purchases in the Sheriff’s Department by taking out a note payable through a financial institution. Principal and interest payments are to be made annually on October 10. The interest rate is 2.97% and the debt is collateralized by the equipment.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 12 – LONG-TERM LIABILITIES – Continuation

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2017 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 386,314	\$ 268,747	\$ (269,082)	\$ 385,979	\$ 38,598
Note Payable	-	152,351	-	152,351	36,618
	<u>\$ 386,314</u>	<u>\$ 421,098</u>	<u>\$ (269,082)</u>	<u>\$ 538,330</u>	<u>\$ 75,216</u>
Business-type activities:					
Compensated absences	\$ 6,145	\$ 5,152	\$ (5,817)	\$ 5,480	\$ 548
	<u>\$ 6,145</u>	<u>\$ 5,152</u>	<u>\$ (5,817)</u>	<u>\$ 5,480</u>	<u>\$ 548</u>

Long-term liability activity for the year ended September 30, 2017, was as follows:

Fiscal Year	Total	Note Payable	
		Interest	Principal
2018	\$ 40,891	\$ 4,273	\$ 36,618
2019	40,891	3,437	37,454
2020	40,891	2,324	38,567
2021	40,891	1,179	39,712
	<u>\$ 163,564</u>	<u>\$ 11,213</u>	<u>\$ 152,351</u>

The County paid interest expenses in the amount of \$0 during the fiscal year ended September 30, 2017.

NOTE 13 – RISK MANAGEMENT

The County's major areas of risk management are: public officials', law enforcement, and automobile liability, general comprehensive liability and property damage, workers' compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

HUTCHINSON COUNTY, TEXAS
GENERAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 12,118,896	\$ 12,118,896	\$ 11,870,835	\$ (248,061)
Payments in lieu of taxes	25,000	25,000	27,025	2,025
Mixed beverage taxes	19,000	19,000	22,173	3,173
Licenses and fees	994,900	994,900	944,008	(50,892)
Fines and forfeitures	14,000	14,000	15,256	1,256
Intergovernmental	79,502	79,502	60,544	(18,958)
Investment earnings	15,180	15,180	75,266	60,086
Miscellaneous	170,200	170,200	383,386	213,186
	<u>13,436,678</u>	<u>13,436,678</u>	<u>13,398,493</u>	<u>(38,185)</u>
Total revenues				
EXPENDITURES				
Current:				
Administrative				
County Judge	316,541	316,541	285,018	31,523
County Auditor	249,809	249,809	229,471	20,338
County Clerk	384,703	384,703	366,371	18,332
County Tax Assessor/Collector	813,949	813,949	779,792	34,157
County Treasurer	185,654	185,654	180,229	5,425
Elections	77,650	77,650	53,355	24,295
Non-departmental	678,677	681,432	622,344	59,088
Data processing	346,468	346,468	249,276	97,192
	<u>3,053,451</u>	<u>3,056,206</u>	<u>2,765,856</u>	<u>290,350</u>
Total administrative				
Judicial				
316th District Court	608,744	661,744	655,670	6,074
84th District court	419,400	392,400	329,939	62,461
Justice of the Peace, #1	204,463	204,463	149,523	54,940
Justice of the Peace, #2	210,776	210,776	183,489	27,287
District Attorney	405,673	405,673	379,741	25,932
County Attorney	362,311	362,311	352,071	10,240
District Clerk	372,021	372,021	352,596	19,425
	<u>2,583,388</u>	<u>2,609,388</u>	<u>2,403,029</u>	<u>206,359</u>
Total judicial				
Public facilities				
Plant operations	2,497,339	2,530,339	523,239	2,007,100
County library	648,333	648,333	512,439	135,894
	<u>3,145,672</u>	<u>3,178,672</u>	<u>1,035,678</u>	<u>2,142,994</u>
Total public facilities				

HUTCHINSON COUNTY, TEXAS
GENERAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Continuation	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Public safety				
Sheriff's department	1,607,961	1,607,961	1,626,743	(18,782)
Jail	1,735,559	1,735,559	1,530,660	204,899
Constable, #1	74,997	74,997	72,720	2,277
Constable, #2	73,647	73,647	71,903	1,744
Emergency operations center	179,063	179,063	115,882	63,181
Fire protection	152,656	152,656	144,000	8,656
Total public safety	<u>3,823,883</u>	<u>3,823,883</u>	<u>3,561,908</u>	<u>261,975</u>
Public service				
Veteran's services	14,865	14,865	14,015	850
Adult probation department	24,900	24,900	16,713	8,187
Juvenile probation department	553,319	553,319	506,251	47,068
County welfare	52,600	52,600	46,138	6,462
Child welfare	11,000	11,000	11,000	-
County extension	130,949	130,949	97,088	33,861
Total public service	<u>787,633</u>	<u>787,633</u>	<u>691,205</u>	<u>96,428</u>
Capital outlay	<u>8,500</u>	<u>28,500</u>	<u>2,074,705</u>	<u>(2,046,205)</u>
Total expenditures	<u>13,402,527</u>	<u>13,484,282</u>	<u>12,532,381</u>	<u>951,901</u>
EXCESS / (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	<u>34,151</u>	<u>(47,604)</u>	<u>866,112</u>	<u>913,716</u>
OTHER FINANCING SOURCES / (USES)				
Issuance of notes payable	-	-	152,351	152,351
Transfers in	14,053	14,053	198,943	184,890
Transfers out	(1,820,942)	(1,820,942)	(1,820,942)	-
Total other financing sources / (uses)	<u>(1,806,889)</u>	<u>(1,806,889)</u>	<u>(1,469,648)</u>	<u>337,241</u>
NET CHANGE IN FUND BALANCE	<u>(1,772,738)</u>	<u>(1,854,493)</u>	<u>(603,536)</u>	<u>1,250,957</u>
FUND BALANCE - BEGINNING	<u>7,332,969</u>	<u>7,332,969</u>	<u>7,332,969</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 5,560,231</u>	<u>\$ 5,478,476</u>	<u>\$ 6,729,433</u>	<u>\$ 1,250,957</u>

HUTCHINSON COUNTY, TEXAS
ROAD & BRIDGE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and fees	\$ 550,000	\$ 550,000	\$ 528,977	\$ (21,023)
Intergovernmental	-	-	1,962	1,962
Investment earnings	800	800	4,515	3,715
Miscellaneous	12,000	12,000	26,660	14,660
	<u>562,800</u>	<u>562,800</u>	<u>562,114</u>	<u>(686)</u>
EXPENDITURES				
Current:				
Road and bridge	1,935,157	1,935,157	1,574,297	360,860
Capital outlay	-	-	320,109	(320,109)
	<u>1,935,157</u>	<u>1,935,157</u>	<u>1,894,406</u>	<u>40,751</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,372,357)</u>	<u>(1,372,357)</u>	<u>(1,332,292)</u>	<u>40,065</u>
OTHER FINANCING SOURCES				
Transfers in	1,372,357	1,372,357	1,372,357	-
	<u>1,372,357</u>	<u>1,372,357</u>	<u>1,372,357</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	40,065	40,065
FUND BALANCE - BEGINNING (DEFICIT)	<u>(1,663)</u>	<u>(1,663)</u>	<u>(1,663)</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (1,663)</u>	<u>\$ (1,663)</u>	<u>\$ 38,402</u>	<u>\$ 40,065</u>

HUTCHINSON COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	Year Ended December 31,		
	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 930,573	\$ 864,694	\$ 854,535
Interest on total pension liability (1)	3,053,448	2,920,751	2,746,348
Effect of plan changes	-	(76,777)	-
Effect of assumption changes or inputs	-	414,360	-
Effect of economic/demographic (gains) or losses	(255,274)	(378,215)	185,883
Benefit payments/refunds of contributions	(2,064,567)	(1,885,657)	(1,725,712)
Net change in total pension liability	1,664,180	1,859,156	2,061,054
Total pension liability, beginning	38,252,843	36,393,687	34,332,633
Total pension liability, ending (a)	<u>\$ 39,917,023</u>	<u>\$ 38,252,843</u>	<u>\$ 36,393,687</u>
Fiduciary Net Position:			
Employer contributions	\$ 734,260	\$ 721,928	\$ 1,729,986
Member contributions	452,848	445,241	442,825
Investment income net of investment expenses	2,666,600	(145,957)	2,355,349
Benefit payments/refunds of contributions	(2,064,567)	(1,885,657)	(1,725,712)
Administrative expenses	(29,077)	(26,367)	(27,481)
Other	54,591	(59,673)	137,610
Net change in fiduciary net position	1,814,655	(950,485)	2,912,577
Fiduciary net position, beginning	36,183,080	37,133,565	34,220,988
Fiduciary net position, ending (b)	<u>\$ 37,997,735</u>	<u>\$ 36,183,080</u>	<u>\$ 37,133,565</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,919,288</u>	<u>\$ 2,069,763</u>	<u>\$ (739,878)</u>
Fiduciary net position as a % of total pension liability	95.19%	94.59%	102.03%
Pensionable covered payroll	\$ 6,469,256	\$ 6,360,586	\$ 6,165,408
Net pension liability as a % of covered payroll	29.67%	32.54%	-12.00%

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes.

Motor Vehicle Inventory Tax – The Motor Vehicle Inventory Tax fund accounts for the interest income earned by the Tax Assessor Collector holding the escrow payments received from automobile dealerships during the year. The amounts are to be used to statutorily supplement the costs of the Tax Assessor’s office.

Court Technology Fees – The Court Technology Fees fund accounts for fees collected by all defendants convicted in the County or District Court. The fees are dedicated by law to be expended only for the costs of continuing education for county and district judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

County Records Management – The County Records Management fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used for specific records management and preservation purposes of the County.

Courthouse Security – The Courthouse Security fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the District, County or Justice Courts.

Registration of Voters – The Registration of Voters fund accounts for state allocated funds issued to voter registrars in Texas. The funds are dedicated by law to be used to help defray the County’s voter registration expenses.

Records Management & Preservation – The Records Management & Preservation fund accounts for fees collected by the County and District Clerks after the filing and recording of a document in the records offices of the Clerks. The fees are dedicated by law to be used for specific records management and preservation purposes in the County.

Law Library – The Law Library fund accounts for statutory fees collected in civil cases filed in County and District Courts. These fees are dedicated by law to provide and maintain a County law library.

Adult Probation – State – The Adult Probation – State fund accounts for grants received from the Texas Department of Criminal Justice – Community Justice Assistance Division as well as local funds. The funds are dedicated by law to provide adult probation services.

Community Corrections Programs – The Community Corrections Programs fund accounts for grants received from the Texas Department of Criminal Justice – Community Justice Assistance Division. The grant funds are dedicated by law to provide adult probation services.

Juvenile Probation – State – The Juvenile Probation – State fund accounts for grants received from the Texas Juvenile Justice Department. The grant funds are dedicated by law to provide juvenile probation services.

Court Report Service – The Court Report Service fund accounts for statutory fees collected by the County and District Clerks on each civil case filed. The fees are dedicated by law to maintain a court reporter that is available for assignment in the court.

Juvenile Progressive Sanctions – The Juvenile Progressive Sanctions fund accounts for grants received from the Texas Juvenile Justice Department. The grant funds are dedicated by law to provide juvenile probation services.

Juvenile Probation Special – The Juvenile Probation Special fund accounts for local funds received from juvenile offenders within the county. The funds are dedicated by law to assist in the provision of juvenile probation services.

Child Support District Clerk – The Child Support District Clerk fund accounts for payment received under the Title IV-D child support enforcement program. The revenue is used to support and improve the County’s child support registry and child support case services provided by the County.

Juvenile Title IV – The Juvenile Title IV fund accounts for grants received from the Texas Juvenile Justice Department. The grant funds are dedicated by law to provide juvenile probation services.

Records Archive County Clerk – The Records Archive County Clerk fund accounts for fees collected by the County Clerk for the recording or filing of public documents. The fees are dedicated by law to be expended only for the preservation and restoration of the County Clerk’s records archive.

County/District Attorney Check Fees – The County/District Attorney Check Fees funds account for fees collected by the County and District Attorneys for every hot check processed through their respective offices. The fees are dedicated by law to be used at the sole discretion of the Attorneys to defray the salaries and expenses of the prosecutors’ offices.

District Attorney Forfeiture – The District Attorney Forfeiture fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by law enforcement officers. The funds are dedicated by law to be used to supplement the District Attorney’s office.

Sheriff Forfeitures & Seizures – The Sheriff Forfeitures & Seizures fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by law enforcement officers. The funds are dedicated by law to be used to supplement the costs of the Sheriff’s office.

District Clerk Records Management – The District Clerk Records Management fund accounts for fees collected by the District Clerk on court cases. The fees are dedicated by law to be used for specific records management projects of the office.

District Attorney – The District Attorney Fund accounts for the supplemental income received from the State of Texas on behalf of the District Attorney. The income is dedicated by law to be used as supplemental salaries within the District Attorney’s office.

Lateral Road – The Lateral Road Fund accounts for lateral road fees received from the State of Texas. The fees are dedicated by law to maintain and improve county roads.

County/District Clerk Records Preservation – The County/District Clerk Records Preservation Funds account for revenue from fees collected by the County and District Clerks on court cases. The fees are dedicated by law to be used for specific records preservation projects of the offices.

Museum – The Museum fund accounts for the proceeds from the admittance fees and gift shop sales of the Hutchinson County Historical Museum. The funds are committed by the Commissioners’ Court to maintain that facility.

Delinquent Fines and Fees Collections – The Delinquent Fines and Fees Collections fund accounts for the revenues from the collection of outstanding fine and fee amounts. The funds remain dedicated to the purposes of the original filings.

Jail Commissary – The Jail Commissary fund accounts for the proceeds received by the Sheriff’s office from incarcerated persons on the sale of commissary items. The funds are restricted by law to be used to maintain the commissary and for the benefit of the Sheriff’s Department.

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Motor Vehicle Inventory Tax	Court Technology Fees	County Records Management
ASSETS			
Cash and cash equivalents	\$ 1,858	\$ 44,483	\$ 137,908
Accounts receivable, net	-	-	-
Due from other funds	-	-	-
Due from other governmental entities	-	-	-
	\$ 1,858	\$ 44,483	\$ 137,908
Total assets	\$ 1,858	\$ 44,483	\$ 137,908
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to other governmental entities	-	-	-
	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted:			
By enabling legislation	1,858	44,483	137,908
Committed for:			
Special projects	-	-	-
	1,858	44,483	137,908
Total fund balances	1,858	44,483	137,908
Total liabilities and fund balances	\$ 1,858	\$ 44,483	\$ 137,908

Courthouse Security	Registration of Voters	Records Management & Preservation	Law Library	Adult Probation - State	Community Corrections Programs
\$ 27,628	\$ 5,127	\$ 121,592	\$ 13,175	\$ 170,486	\$ 16,062
-	-	-	277	15,862	-
-	-	-	-	5	-
-	-	-	-	-	-
<u>\$ 27,628</u>	<u>\$ 5,127</u>	<u>\$ 121,592</u>	<u>\$ 13,452</u>	<u>\$ 186,353</u>	<u>\$ 16,062</u>
\$ -	\$ -	\$ 1,050	\$ 1,149	\$ 1,086	\$ 16,052
-	-	-	-	-	5
-	-	-	-	-	-
-	-	1,050	1,149	1,086	16,057
27,628	5,127	120,542	12,303	185,267	5
-	-	-	-	-	-
<u>27,628</u>	<u>5,127</u>	<u>120,542</u>	<u>12,303</u>	<u>185,267</u>	<u>5</u>
<u>\$ 27,628</u>	<u>\$ 5,127</u>	<u>\$ 121,592</u>	<u>\$ 13,452</u>	<u>\$ 186,353</u>	<u>\$ 16,062</u>

Continued

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

Continuation

	Juvenile Probation - State	Court Report Service	Juvenile Progressive Sanctions
ASSETS			
Cash and cash equivalents	\$ 37	\$ 12,825	\$ 3,408
Accounts receivable, net	-	-	-
Due from other funds	154	-	-
Due from other governmental entities	35,468	-	1
Total assets	\$ 35,659	\$ 12,825	\$ 3,409
LIABILITIES			
Accounts payable	\$ 5,657	\$ -	\$ -
Due to other funds	7,680	-	2,272
Due to other governmental entities	2,638	-	-
Total liabilities	15,975	-	2,272
FUND BALANCES			
Restricted:			
By enabling legislation	19,684	12,825	1,137
Committed for:			
Special projects	-	-	-
Total fund balances	19,684	12,825	1,137
Total liabilities and fund balances	\$ 35,659	\$ 12,825	\$ 3,409

Juvenile Probation Special	Child Support District Clerk	Juvenile Title IV	Records Archive - County Clerk	County Attorney Check Fees	District Attorney Check Fees
\$ 24,742	\$ 3,180	\$ 69	\$ 94,463	\$ 25,090	\$ 5,799
-	-	100	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 24,742</u>	<u>\$ 3,180</u>	<u>\$ 169</u>	<u>\$ 94,463</u>	<u>\$ 25,090</u>	<u>\$ 5,799</u>
\$ -	\$ -	\$ -	\$ 910	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	910	-	-
24,742	3,180	169	93,553	25,090	5,799
-	-	-	-	-	-
<u>24,742</u>	<u>3,180</u>	<u>169</u>	<u>93,553</u>	<u>25,090</u>	<u>5,799</u>
<u>\$ 24,742</u>	<u>\$ 3,180</u>	<u>\$ 169</u>	<u>\$ 94,463</u>	<u>\$ 25,090</u>	<u>\$ 5,799</u>

Continued

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

Continuation

	District Attorney Forfeitures	Sheriff Forfeitures & Seizures	District Clerk Records Management
ASSETS			
Cash and cash equivalents	\$ 14,276	\$ 1,994	\$ 15,265
Accounts receivable, net	-	-	-
Due from other funds	-	-	-
Due from other governmental entities	-	-	-
	<u>14,276</u>	<u>1,994</u>	<u>15,265</u>
Total assets	<u>\$ 14,276</u>	<u>\$ 1,994</u>	<u>\$ 15,265</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to other governmental entities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted:			
By enabling legislation	14,276	1,994	15,265
Committed for:			
Special projects	-	-	-
	<u>14,276</u>	<u>1,994</u>	<u>15,265</u>
Total fund balances	<u>14,276</u>	<u>1,994</u>	<u>15,265</u>
Total liabilities and fund balances	<u>\$ 14,276</u>	<u>\$ 1,994</u>	<u>\$ 15,265</u>

<u>District Attorney</u>	<u>Lateral Road</u>	<u>County Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>Museum</u>	<u>Delinquent Fines and Fees Collections</u>
\$ 8,459	\$ 27,061	\$ 9,859	\$ 26,865	\$ 38,270	\$ -
-	-	-	-	36	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 8,459</u>	<u>\$ 27,061</u>	<u>\$ 9,859</u>	<u>\$ 26,865</u>	<u>\$ 38,306</u>	<u>\$ -</u>
\$ 1,026	\$ -	\$ -	\$ -	\$ 30,259	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,259</u>	<u>-</u>
7,433	27,061	9,859	26,865	-	-
-	-	-	-	8,047	-
<u>7,433</u>	<u>27,061</u>	<u>9,859</u>	<u>26,865</u>	<u>8,047</u>	<u>-</u>
<u>\$ 8,459</u>	<u>\$ 27,061</u>	<u>\$ 9,859</u>	<u>\$ 26,865</u>	<u>\$ 38,306</u>	<u>\$ -</u>

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**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

Continuation

	Jail Commissary	Total Non- Major Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 11,686	\$ 861,667
Accounts receivable, net	1,826	18,101
Due from other funds	-	159
Due from other governmental entities	-	35,469
	\$ 13,512	\$ 915,396
LIABILITIES		
Accounts payable	\$ -	\$ 57,189
Due to other funds	-	9,957
Due to other governmental entities	-	2,638
	-	69,784
FUND BALANCES		
Restricted:		
By enabling legislation	13,512	837,565
Committed for:		
Special projects	-	8,047
	13,512	845,612
Total fund balances	13,512	845,612
Total liabilities and fund balances	\$ 13,512	\$ 915,396

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Motor Vehicle Inventory Tax</u>	<u>Court Technology Fees</u>	<u>County Records Management</u>
REVENUES			
Licenses and fees	\$ -	\$ 3,598	\$ 8,187
Intergovernmental	-	-	-
Interest	32	295	924
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	<u>32</u>	<u>3,893</u>	<u>9,111</u>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	740	-
Public facilities	-	-	-
Public safety	-	-	-
Road and bridge	-	-	-
Public service	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>-</u>	<u>740</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32	3,153	9,111
OTHER FINANCING SOURCES / (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	32	3,153	9,111
FUND BALANCES - BEGINNING	<u>1,826</u>	<u>41,330</u>	<u>128,797</u>
FUND BALANCES - ENDING	<u>\$ 1,858</u>	<u>\$ 44,483</u>	<u>\$ 137,908</u>

Courthouse Security	Registration of Voters	Records Management & Preservation	Law Library	Adult Probation - State	Community Corrections Programs
\$ 8,620	\$ -	\$ 26,210	\$ 7,498	\$ 205,018	\$ -
-	-	-	-	132,795	44,494
160	34	802	85	1,152	3
-	2,310	-	-	-	-
<u>8,780</u>	<u>2,344</u>	<u>27,012</u>	<u>7,583</u>	<u>338,965</u>	<u>44,497</u>
-	2,200	18,000	-	-	-
-	-	-	8,239	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	323,600	64,355
-	-	-	-	-	-
<u>-</u>	<u>2,200</u>	<u>18,000</u>	<u>8,239</u>	<u>323,600</u>	<u>64,355</u>
8,780	144	9,012	(656)	15,365	(19,858)
-	-	-	6,595	-	2,166
<u>(10,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,166)</u>	<u>-</u>
<u>(10,710)</u>	<u>-</u>	<u>-</u>	<u>6,595</u>	<u>(2,166)</u>	<u>2,166</u>
(1,930)	144	9,012	5,939	13,199	(17,692)
<u>29,558</u>	<u>4,983</u>	<u>111,530</u>	<u>6,364</u>	<u>172,068</u>	<u>17,697</u>
<u>\$ 27,628</u>	<u>\$ 5,127</u>	<u>\$ 120,542</u>	<u>\$ 12,303</u>	<u>\$ 185,267</u>	<u>\$ 5</u>

Continued

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Continuation

	Juvenile Probation - State	Court Report Service	Juvenile Progressive Sanctions
REVENUES			
Licenses and fees	\$ -	\$ 4,258	\$ -
Intergovernmental	234,740	-	-
Interest	162	74	24
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	<u>234,902</u>	<u>4,332</u>	<u>24</u>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	-	-
Public facilities	-	-	-
Public safety	-	-	-
Road and bridge	-	-	-
Public service	228,224	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>228,224</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,678	4,332	24
OTHER FINANCING SOURCES / (USES)			
Transfers in	-	-	-
Transfers out	-	(3,343)	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	<u>-</u>	<u>(3,343)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,678	989	24
FUND BALANCES - BEGINNING	<u>13,006</u>	<u>11,836</u>	<u>1,113</u>
FUND BALANCES - ENDING	<u>\$ 19,684</u>	<u>\$ 12,825</u>	<u>\$ 1,137</u>

Juvenile Probation Special	Child Support District Clerk	Juvenile Title IV	Records Archive - County Clerk	County Attorney Check Fees	District Attorney Check Fees
\$ 1,815	\$ -	\$ -	\$ 30,244	\$ 642	\$ -
-	-	-	-	-	-
172	21	-	675	171	40
-	101	-	-	-	-
<u>1,987</u>	<u>122</u>	<u>-</u>	<u>30,919</u>	<u>813</u>	<u>40</u>
-	-	-	-	-	-
-	-	-	44,674	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,017	-	-	-	-	-
-	-	-	-	-	-
<u>3,017</u>	<u>-</u>	<u>-</u>	<u>44,674</u>	<u>-</u>	<u>-</u>
(1,030)	122	-	(13,755)	813	40
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,030)	122	-	(13,755)	813	40
<u>25,772</u>	<u>3,058</u>	<u>169</u>	<u>107,308</u>	<u>24,277</u>	<u>5,759</u>
<u>\$ 24,742</u>	<u>\$ 3,180</u>	<u>\$ 169</u>	<u>\$ 93,553</u>	<u>\$ 25,090</u>	<u>\$ 5,799</u>

Continued

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Continuation

	District Attorney Forfeitures	Sheriff Forfeitures & Seizures	District Clerk Records Management
REVENUES			
Licenses and fees	\$ 2,921	\$ -	\$ 2,573
Intergovernmental	-	-	-
Interest	93	13	96
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	<u>3,014</u>	<u>13</u>	<u>2,669</u>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	628	-	-
Public facilities	-	-	-
Public safety	-	-	-
Road and bridge	-	-	-
Public service	-	-	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>628</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,386	13	2,669
OTHER FINANCING SOURCES / (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,386	13	2,669
FUND BALANCES - BEGINNING	<u>11,890</u>	<u>1,981</u>	<u>12,596</u>
FUND BALANCES - ENDING	<u><u>\$ 14,276</u></u>	<u><u>\$ 1,994</u></u>	<u><u>\$ 15,265</u></u>

District Attorney	Lateral Road	County Clerk Records Preservation	District Clerk Records Preservation	Museum	Delinquent Fines and Fees Collections
\$ -	\$ -	\$ 1,040	\$ 4,610	\$ -	\$ -
27,488	15,415	-	-	-	-
3	249	64	170	813	81
-	-	-	-	4,513	-
<u>27,491</u>	<u>15,664</u>	<u>1,104</u>	<u>4,780</u>	<u>5,326</u>	<u>81</u>
-	-	-	1,064	-	-
27,196	-	-	-	-	-
-	-	-	-	188,617	-
-	-	-	-	-	-
-	16,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	27,745	-
<u>27,196</u>	<u>16,000</u>	<u>-</u>	<u>1,064</u>	<u>216,362</u>	<u>-</u>
295	(336)	1,104	3,716	(211,036)	81
-	-	-	-	222,720	-
-	-	-	-	(58,920)	(13,329)
-	-	-	-	163,800	(13,329)
295	(336)	1,104	3,716	(47,236)	(13,248)
<u>7,138</u>	<u>27,397</u>	<u>8,755</u>	<u>23,149</u>	<u>55,283</u>	<u>13,248</u>
<u>\$ 7,433</u>	<u>\$ 27,061</u>	<u>\$ 9,859</u>	<u>\$ 26,865</u>	<u>\$ 8,047</u>	<u>\$ -</u>

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HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Continuation

	Jail Commissary	Total Non- Major Governmental Funds
REVENUES		
Licenses and fees	\$ 10,379	\$ 317,613
Intergovernmental	-	454,932
Interest	7	6,415
Miscellaneous	-	6,924
Total revenues	10,386	785,884
EXPENDITURES		
Current:		
Administrative	-	21,264
Judicial	-	81,477
Public facilities	-	188,617
Public safety	15,583	15,583
Road and bridge	-	16,000
Public service	-	619,196
Capital outlay	-	27,745
Total expenditures	15,583	969,882
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,197)	(183,998)
OTHER FINANCING SOURCES / (USES)		
Transfers in	-	231,481
Transfers out	-	(88,468)
TOTAL OTHER FINANCING SOURCES / (USES)	-	143,013
NET CHANGE IN FUND BALANCES	(5,197)	(40,985)
FUND BALANCES - BEGINNING	18,709	886,597
FUND BALANCES - ENDING	\$ 13,512	\$ 845,612

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

Juvenile SOCC Program – The Juvenile “Strengthening Our Capacity to Care” (SOCC) Program Fund accounts for monies held on behalf of in the Hutchinson County Juvenile Probation program to maintain a preventive program aimed at reducing the percent of recidivism among first time juvenile offenders.

District Attorney Seizure – The District Attorney Seizure Fund accounts for seized assets collected by the District Attorney.

Inmate Trust – The Sheriff’s Inmate Trust Fund accounts for the money of inmates held in the Hutchinson County Jail.

County Registry – The County Registry Fund accounts for registry funds held by the County and District Clerks as well as money received from cash bonds.

County Restitution – The County Restitution Fund accounts for money collected and held as restitution to victims of crimes by both the County and District Attorneys.

Tax Assessor Collector – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2017

	<u>Juvenile SOCC Program</u>	<u>District Attorney Seizure</u>	<u>Inmate Trust</u>	<u>County Registry</u>	<u>County Restitution</u>	<u>Tax Assessor/ Collector</u>	<u>Total Agency Funds</u>
ASSETS							
Cash and cash equivalents	\$ 2,163	\$ 18,009	\$ 8,446	\$ 621,542	\$ 12,849	\$ 454,817	\$ 1,117,826
Accounts receivable	-	-	-	-	-	6,289	6,289
Total assets	<u>\$ 2,163</u>	<u>\$ 18,009</u>	<u>\$ 8,446</u>	<u>\$ 621,542</u>	<u>\$ 12,849</u>	<u>\$ 461,106</u>	<u>\$ 1,124,115</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,830	\$ 20,830
Due to other governments	-	-	-	-	-	347,139	347,139
Deposits	<u>2,163</u>	<u>18,009</u>	<u>8,446</u>	<u>621,542</u>	<u>12,849</u>	<u>93,137</u>	<u>756,146</u>
Total liabilities	<u>\$ 2,163</u>	<u>\$ 18,009</u>	<u>\$ 8,446</u>	<u>\$ 621,542</u>	<u>\$ 12,849</u>	<u>\$ 461,106</u>	<u>\$ 1,124,115</u>

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PART III
COMPLIANCE



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Hutchinson County, Texas

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and its respective budgetary comparison schedules, and the aggregate remaining fund information of Hutchinson County, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Hutchinson County, Texas' basic financial statements and have issued our report thereon dated April 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hutchinson County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hutchinson County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Hutchinson County, Texas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

April 20, 2018