

HUTCHINSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2014**

HUTCHINSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

	Page
PART I – INTRODUCTORY SECTION	
LIST OF PRINCIPAL COUNTY OFFICIALS	iii
PART II – FINANCIAL SECTION	
INDEPENDENT AUDITORS’ REPORT.....	1
BASIC FINANCIAL STATEMENTS	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	3
Statement of Activities	4
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund	10
Statement of Net Position – Proprietary Fund	11
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	12
Statement of Cash Flows – Proprietary Funds	13
Statement of Fiduciary Net Position – Agency Funds	14

HUTCHINSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2014

TABLE OF CONTENTS

	Page
<u>Notes to Basic Financial Statements</u>	15
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for the Retirement Plan for the Employees of Hutchinson County, Texas	30
 OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-major Governmental Funds	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	35
Combining Statement of Fiduciary Net Position – Agency Funds	39
 PART III – COMPLIANCE	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	40

PART I

INTRODUCTORY SECTION

HUTCHINSON COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2014

Beatrice “Faye” Blanks	County Judge
Larry Coffman	Commissioner, Precinct #1
Jerry Hefner	Commissioner, Precinct #2
Samuel “Red” Isbell	Commissioner, Precinct #3
Charles “Eddie” Whittington	Commissioner, Precinct #4
William “Bill” Smith	Judge, 84 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
Donald “Don” Johnson	County Sheriff
Shila Hart	Justice of the Peace, Precinct #1
Cindy Irwin	Justice of the Peace, Precinct #2
Kendell 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 with its respective budgetary comparison schedule, and the aggregate remaining fund information of Hutchinson County, Texas as of and for the year ended September 30, 2014, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Road and Bridge Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress for the retirement plan for the employees of Hutchinson County, Texas on page 30 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 or economic 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 July 8, 2015, 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
July 8, 2015

BASIC FINANCIAL STATEMENTS

HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,180,138	\$ 20,398	\$ 9,200,536
Accounts receivable, net	304,281	8,580	312,861
Taxes receivable, net	144,749	-	144,749
Internal balances	(1,474)	1,474	-
Due from other governments	2,411	-	2,411
Inventories	27,296	37,375	64,671
Prepaid expenses	62,014	1,745	63,759
Capital assets net of of accumulated depreciation	7,343,770	2,564,189	9,907,959
Total assets	<u>17,063,185</u>	<u>2,633,761</u>	<u>19,696,946</u>
LIABILITIES			
Accounts payable	342,342	24,819	367,161
Due to other governmental agencies	44,854	-	44,854
Accrued payroll	1,039	-	1,039
Noncurrent liabilities:			
Due within one year	42,840	671	43,511
Due in more than one year	385,565	6,035	391,600
Total liabilities	<u>816,640</u>	<u>31,525</u>	<u>848,165</u>
NET POSITION			
Net investment in capital assets	7,343,770	2,564,189	9,907,959
Restricted:			
By enabling legislation for special projects	849,222	-	849,222
Unrestricted	8,053,553	38,047	8,091,600
Total net position	<u>\$ 16,246,545</u>	<u>\$ 2,602,236</u>	<u>\$ 18,848,781</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Administrative	\$ 3,049,583	\$ 531,912	\$ 17,600	\$ -	\$ (2,500,071)	\$ -	\$ (2,500,071)	
Judicial	2,378,785	524,471	79,688	-	(1,774,626)	-	(1,774,626)	
Public facilities	1,332,863	17,137	2,005	-	(1,313,721)	-	(1,313,721)	
Public safety	3,444,417	173,690	3,166	-	(3,267,561)	-	(3,267,561)	
Road and bridge	1,897,892	561,139	153,890	-	(1,182,863)	-	(1,182,863)	
Public service	1,298,528	231,997	457,923	-	(608,608)	-	(608,608)	
Total governmental activities	13,402,068	2,040,346	714,272	-	(10,647,450)	-	(10,647,450)	
Business-type activities:								
Airport	1,212,065	758,418	49,150	-	-	(404,497)	(404,497)	
Total business-type activities	1,212,065	758,418	49,150	-	-	(404,497)	(404,497)	
Total primary government	\$ 14,614,133	\$ 2,798,764	\$ 763,422	\$ -	(10,647,450)	(404,497)	(11,051,947)	
General revenues:								
Taxes:								
Property taxes					10,796,319	-	10,796,319	
Mixed beverage taxes					28,970	-	28,970	
Investment earnings					5,449	12	5,461	
Miscellaneous					339,611	-	339,611	
Gain on disposal of assets					103,656	-	103,656	
Transfers					(145,100)	145,100	-	
Total general revenues and transfers					11,128,905	145,112	11,274,017	
Change in net position					481,455	(259,385)	222,070	
Net position - beginning					15,506,653	2,861,621	18,368,274	
Prior period restatement					258,437	-	258,437	
Net position - beginning, as restated					15,765,090	2,861,621	18,626,711	
Net position - ending					\$ 16,246,545	\$ 2,602,236	\$ 18,848,781	

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

**HUTCHINSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Road & Bridge</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
ASSETS				
Cash and cash equivalents	\$ 8,217,216	\$ 86,907	\$ 876,015	\$ 9,180,138
Accounts receivable, net	297,301	3,847	3,133	304,281
Taxes receivable, net	144,749	-	-	144,749
Due from other funds	2,558	-	154	2,712
Due from other governments	-	-	2,411	2,411
Inventories	-	27,296	-	27,296
Prepaid expenditures	62,014	-	-	62,014
	<u>\$ 8,723,838</u>	<u>\$ 118,050</u>	<u>\$ 881,713</u>	<u>\$ 9,723,601</u>
Total assets				
LIABILITIES				
Liabilities:				
Accounts payable	\$ 249,354	\$ 64,189	\$ 28,799	\$ 342,342
Due to other funds	1,533	-	2,653	4,186
Due to other governmental entities	44,854	-	-	44,854
Accrued expenses	-	-	1,039	1,039
	<u>295,741</u>	<u>64,189</u>	<u>32,491</u>	<u>392,421</u>
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	124,870	-	-	124,870
Unavailable revenue - other receivables	209,311	-	-	209,311
	<u>334,181</u>	<u>-</u>	<u>-</u>	<u>334,181</u>
Total deferred inflows of resources				
Fund balances:				
Nonspendable:				
Prepaid expenditures	62,014	-	-	62,014
Inventories	-	27,596	-	27,596
Restricted:				
By enabling legislation for special projects	-	-	849,222	849,222
Unassigned	8,031,902	26,265	-	8,058,167
	<u>8,093,916</u>	<u>53,861</u>	<u>849,222</u>	<u>8,996,999</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,723,838</u>	<u>\$ 118,050</u>	<u>\$ 881,713</u>	<u>\$ 9,723,601</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, 2014**

Total fund balance - governmental funds	\$	8,996,999
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		7,343,770
<p>Long-term assets are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements.</p>		334,181
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:</p>		
Accrued compensated absences		(428,405)
Net position - governmental activities	\$	16,246,545

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, 2014

	<u>General Fund</u>	<u>Road & Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 10,788,185	\$ -	\$ -	\$ 10,788,185
Miscellaneous taxes	28,970	-	-	28,970
Licenses and fees	1,091,310	561,139	352,741	2,005,190
Fines and forfeitures	17,137	-	1,455	18,592
Intergovernmental	74,439	137,978	499,850	712,267
Interest	5,120	6	323	5,449
Miscellaneous	306,257	28,298	7,061	341,616
	<u>12,311,418</u>	<u>727,421</u>	<u>861,430</u>	<u>13,900,269</u>
EXPENDITURES				
Current:				
Administrative	2,944,443	-	16,103	2,960,546
Judicial	2,318,764	-	52,452	2,371,216
Public facilities	987,253	-	202,987	1,190,240
Public safety	3,230,003	-	16,658	3,246,661
Road and bridge	-	1,636,079	16,000	1,652,079
Public service	680,749	-	610,816	1,291,565
Capital outlay	192,770	505,521	-	698,291
	<u>10,353,982</u>	<u>2,141,600</u>	<u>915,016</u>	<u>13,410,598</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>1,957,436</u>	<u>(1,414,179)</u>	<u>(53,586)</u>	<u>489,671</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	103,656	-	103,656
Transfers in	13,149	1,351,500	230,247	1,594,896
Transfers out	(1,726,847)	-	(13,149)	(1,739,996)
	<u>(1,713,698)</u>	<u>1,455,156</u>	<u>217,098</u>	<u>(41,444)</u>
NET CHANGE IN FUND BALANCES				
	243,738	40,977	163,512	448,227
FUND BALANCES - BEGINNING PRIOR PERIOD RESTATEMENT				
	7,769,152	12,884	685,710	8,467,746
	<u>81,026</u>	<u>-</u>	<u>-</u>	<u>81,026</u>
FUND BALANCES - BEGINNING, AS RESTATED				
	<u>7,850,178</u>	<u>12,884</u>	<u>685,710</u>	<u>8,548,772</u>
FUND BALANCES - ENDING				
	<u>\$ 8,093,916</u>	<u>\$ 53,861</u>	<u>\$ 849,222</u>	<u>\$ 8,996,999</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, 2014**

Net change in fund balances - total governmental funds:	\$	448,227
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 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.		
This is the amount by which capital outlays, \$698,291, exceeded depreciation, \$688,593, in the current period.		9,698
 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.		
		24,700
 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:		
Compensated absences, net change		<u>(1,170)</u>
 Change in net position - governmental activities	 \$	 <u><u>481,455</u></u>

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

HUTCHINSON COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 10,998,000	\$ 10,998,000	\$ 10,788,185	\$ (209,815)
Miscellaneous taxes	15,000	15,000	28,970	13,970
Licenses and fees	868,200	868,200	1,091,310	223,110
Fines and forfeitures	14,000	14,000	17,137	3,137
Intergovernmental	65,552	65,552	74,439	8,887
Investment earnings	23,180	23,180	5,120	(18,060)
Miscellaneous	165,379	165,379	306,257	140,878
	<u>12,149,311</u>	<u>12,149,311</u>	<u>12,311,418</u>	<u>162,107</u>
EXPENDITURES				
Current:				
Administrative	3,313,112	3,313,112	2,944,443	368,669
Judicial	2,430,396	2,430,396	2,318,764	111,632
Public facilities	1,155,216	1,155,216	987,253	167,963
Public safety	3,434,602	3,434,602	3,230,003	204,599
Public service	734,248	734,248	680,749	53,499
Capital outlay	5,100	5,100	192,770	(187,670)
	<u>11,072,674</u>	<u>11,072,674</u>	<u>10,353,982</u>	<u>718,692</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>1,076,637</u>	<u>1,076,637</u>	<u>1,957,436</u>	<u>880,799</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	12,574	12,574	13,149	575
Transfers out	(109,227)	(109,227)	(1,726,847)	(1,617,620)
	<u>(96,653)</u>	<u>(96,653)</u>	<u>(1,713,698)</u>	<u>(1,617,045)</u>
NET CHANGE IN FUND BALANCE				
	979,984	979,984	243,738	(736,246)
FUND BALANCE - BEGINNING				
PRIOR PERIOD RESTATEMENT	7,769,152	7,769,152	7,769,152	-
	<u>-</u>	<u>-</u>	<u>81,026</u>	<u>81,026</u>
FUND BALANCE AT BEGINNING, AS RESTATED				
	<u>7,769,152</u>	<u>7,769,152</u>	<u>7,850,178</u>	<u>81,026</u>
FUND BALANCE - ENDING				
	<u>\$ 8,749,136</u>	<u>\$ 8,749,136</u>	<u>\$ 8,093,916</u>	<u>\$ (655,220)</u>

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

HUTCHINSON COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
ROAD & BRIDGE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and fees	\$ 792,000	\$ 792,000	\$ 561,139	\$ (230,861)
Intergovernmental	-	-	137,978	137,978
Investment earnings	800	800	6	(794)
Miscellaneous	12,000	12,000	28,298	16,298
	<u>804,800</u>	<u>804,800</u>	<u>727,421</u>	<u>(77,379)</u>
Total revenues				
EXPENDITURES				
Current:				
Road and bridge	2,206,288	2,206,288	1,636,079	570,209
Capital outlay	-	-	505,521	(505,521)
	<u>2,206,288</u>	<u>2,206,288</u>	<u>2,141,600</u>	<u>64,688</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,401,488)</u>	<u>(1,401,488)</u>	<u>(1,414,179)</u>	<u>(12,691)</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	103,656	103,656	103,656	-
Transfers in	1,227	1,227	1,351,500	1,350,273
	<u>104,883</u>	<u>104,883</u>	<u>1,455,156</u>	<u>1,350,273</u>
Total other financing sources				
NET CHANGE IN FUND BALANCE	(1,296,605)	(1,296,605)	40,977	1,337,582
FUND BALANCE - BEGINNING	<u>12,884</u>	<u>12,884</u>	<u>12,884</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (1,283,721)</u>	<u>\$ (1,283,721)</u>	<u>\$ 53,861</u>	<u>\$ 1,337,582</u>

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

**HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 20,398
Receivables, net	8,580
Due from other funds	1,474
Inventories	37,375
Prepaid expenses	<u>1,745</u>
Total current assets	<u>69,572</u>
Non-current assets:	
Capital assets:	
Land	404,524
Buildings and improvements	1,373,605
Land improvements	7,202,731
Machinery and equipment	210,028
Less accumulated depreciation	<u>(6,626,699)</u>
Total non-current assets	<u>2,564,189</u>
Total assets	<u>2,633,761</u>

LIABILITIES

Current liabilities:	
Accounts payable	24,819
Compensated absences	<u>671</u>
Total current liabilities	<u>25,490</u>
Non-current liabilities:	
Compensated absences	<u>6,035</u>
Total non-current liabilities	<u>6,035</u>
Total liabilities	<u>31,525</u>

NET POSITION

Net investment in capital assets	2,564,189
Unrestricted	<u>38,047</u>
Total net position	<u><u>\$ 2,602,236</u></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
FOR THE YEAR ENDED SEPTEMBER 30, 2014

OPERATING REVENUES:

Charges for services	\$ 756,018
Intergovernmental	49,150
Rents	<u>2,400</u>
 Total operating revenues	 <u>807,568</u>

OPERATING EXPENSES:

Salaries and employee benefits	193,236
Fuel and materials for resale	593,975
Other operating expenses	105,697
Supplies	4,454
Insurance	4,565
Postage and freight	599
Repairs and maintenance	45,557
Utilities	14,529
Depreciation	<u>249,255</u>

Total operating expenses	<u>1,211,867</u>
--------------------------	------------------

Operating loss	<u>(404,299)</u>
----------------	------------------

NON-OPERATING REVENUES (EXPENSES):

Interest income	12
Loss on disposal of assets	<u>(198)</u>
 Total non-operating revenues (expenses)	 <u>(186)</u>

LOSS BEFORE TRANSFERS	(404,485)
------------------------------	------------------

TRANSFERS IN	<u>145,100</u>
---------------------	-----------------------

CHANGE IN NET POSITION	(259,385)
-------------------------------	------------------

TOTAL NET POSITION - BEGINNING	<u>2,861,621</u>
---------------------------------------	-------------------------

TOTAL NET POSITION - ENDING	<u><u>\$ 2,602,236</u></u>
------------------------------------	-----------------------------------

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

**HUTCHINSON COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 809,468
Payments to suppliers and service providers	(769,146)
Payments to employees for salaries and benefits	<u>(190,989)</u>
Net cash used by operating activities	<u>(150,667)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer to other funds	<u>145,100</u>
Net cash provided by noncapital financing activities	<u>145,100</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from disposal of capital assets	1,474
Purchases of capital assets	<u>(6,030)</u>
Net cash used by capital and related financing activities	<u>(4,556)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>12</u>
Net cash provided by investing activities	<u>12</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (10,111)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 30,509

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 20,398

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	\$ (404,299)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	249,255
(Increase) decrease in operating assets:	
Receivables	3,374
Inventories	(15,254)
Due from other funds	(1,474)
Increase (decrease) in operating liabilities:	
Accounts payable	15,484
Accrued payroll and compensated absences	<u>2,247</u>
Net cash used by operating activities	<u><u>\$ (150,667)</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, 2014

ASSETS		
Cash and cash equivalents		\$ 785,494
Accounts receivable		1,278
		<hr/>
Total assets		<u>\$ 786,772</u>
LIABILITIES		
Accounts payable		\$ 76,735
Due to other governments		346,422
Deposits		363,615
		<hr/>
Total liabilities		<u>\$ 786,772</u>

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

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hutchinson County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

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 Commissioners Court, which is made up of four commissioners and the county judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: administrative (e.g. tax collection), judicial (e.g. courts, juries, district attorney, etc.), public safety (e.g. sheriff, jail, etc.), road and bridge, public facilities, and public services (e.g. juvenile services and assistance to indigents).

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of inter-fund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes, charges for services, and intergovernmental revenues.

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

Fund-Level Statements

Separate **fund financial statements** are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund meets the criteria as a **major governmental fund**. The major fund is reported in a separate column in the fund financial statements. Non-major funds include the other Special Revenue Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types which have been accrued are district clerk and county clerk fees, justice of the peace fines and fees, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and other miscellaneous revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue.

Revenues susceptible to accrual include property taxes, fines, forfeitures, licenses, interest income, and charges for service and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Interfund eliminations have not been made in the fund financial statements.

Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The County reports the following major governmental 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 administrative, judicial, public facilities, public safety, public service, and capital acquisition.

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.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which 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.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

E. 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 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.

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 interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

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.

Reimbursements 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 \$6,684,932.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

2. Receivables and Payables – Continuation

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. Tax collections during the months of October through December are entitled to discounts offered by the County. 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 \$411,978.

4. 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, 2014, inventories consisted of fuel, rock, and culverts in the road and bridge department and the airport.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, and equipment, are reported in the government-wide financial statements. The County has opted not to retroactively report infrastructure assets (assets acquired prior to October 1, 2003). 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
Land improvements	5 - 20 years
Equipment	4 - 18 years

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

6. **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 limit of 105 days. No unused sick leave will be paid upon termination. Accrued vacation leave and comp time are accrued in the government-wide financial statements.

7. **Deferred Inflows and Outflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. **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:

Nonspendable 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.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

8. **Fund Balances** – Continuation

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 nonspendable, 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.

9. **Net Position**

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

Net Investment 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.

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 positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

10. **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.

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.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

A. Budgetary Information – Continuation

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 and Road and Bridge Funds.
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 the General Fund.
5. Budgets for the General and Road and Bridge 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.
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, 2014, expenditures exceeded appropriations in the Capital Outlay function of the General and Road and Bridge Funds by \$187,670 and \$505,521, 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 \$718,692 and \$64,688, respectively.

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3 – DEPOSITS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2014:

Cash and deposit balances consist of:

Cash on hand	\$	1,615
Bank deposits		1,002,365
Temporary investments - TexPool (interest rate .03%)		8,282,050
Certificate of deposit (interest rates at .15%)		700,000
		700,000
Total	\$	9,986,030

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

Government-wide Statement of Net Position:

Governmental activities:

Unrestricted	\$	9,180,137
--------------	----	-----------

Business-type activities:

Unrestricted		20,399
--------------	--	--------

Fiduciary Funds Statement of Net Position

		785,494
--	--	---------

Total	\$	9,986,030
-------	----	-----------

Custodial credit risk – deposits. As of September 30, 2014, the carrying amount of the County's deposits with financial institutions was \$1,702,365 and the bank's balance was \$1,969,284. Of the bank balance, \$856,451 was insured through the Federal Depository Insurance Corporation (FDIC), and the remaining \$1,112,833 was collateralized with securities held by the pledging institution’s agent in the County’s name.

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, readily available TexPool shares, or in certificates of deposit with weighted average maturities of one year or less.

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, 2014, 17% of the County’s carrying value of cash was deposited with the County’s depository banks and was 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 2013 tax roll was \$.435 per \$100, which means that the County has a tax margin of \$.365 per \$100 and could raise up to \$9,300,551 additional revenue from the 2013 assessed valuation of \$2,548,096,240 before the limit is reached.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 – PROPERTY TAX – Continuation

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 in October through December are entitled to discounts offered by the County. 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.

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 opted not to report its infrastructure retroactively.

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 108,889	\$ -	\$ -	\$ 108,889
Construction in progress	3,930,871	68,282	(94,733)	3,904,420
Total capital assets, not being depreciated	4,039,760	68,282	(94,733)	4,013,309
Capital assets, being depreciated:				
Buildings and improvements	4,030,825	189,375	-	4,220,200
Land improvements	70,206	-	-	70,206
Equipment	6,490,691	535,367	(292,390)	6,733,668
Total capital assets, being depreciated	10,591,722	724,742	(292,390)	11,024,074
Less accumulated depreciation for:				
Buildings and improvements	(2,700,608)	(198,476)	-	(2,899,084)
Land improvements	(17,286)	(4,620)	-	(21,906)
Equipment	(4,579,516)	(485,497)	292,390	(4,772,623)
Total accumulated depreciation	(7,297,410)	(688,593)	292,390	(7,693,613)
Total capital assets, being depreciated, net	3,294,312	36,149	-	3,330,461
Governmental activities capital assets, net	\$ 7,334,072	\$ 104,431	\$ (94,733)	\$ 7,343,770

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2014 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 89,037
Judicial	5,803
Public facilities	144,389
Public safety	196,588
Road and bridge	245,813
Public service	6,963
	<hr/>
Total Depreciation Expense	<u><u>\$ 688,593</u></u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 406,196</u>	<u>\$ -</u>	<u>\$ (1,672)</u>	<u>\$ 404,524</u>
Total capital assets, not being depreciated	<u>406,196</u>	<u>-</u>	<u>(1,672)</u>	<u>404,524</u>
Capital assets, being depreciated:				
Buildings and improvements	1,373,605	-	-	1,373,605
Land improvements	7,196,701	6,030	-	7,202,731
Equipment	<u>210,028</u>	<u>-</u>	<u>-</u>	<u>210,028</u>
Total capital assets, being depreciated	<u>8,780,334</u>	<u>6,030</u>	<u>-</u>	<u>8,786,364</u>
Less accumulated depreciation for:				
Buildings and improvements	(432,462)	(36,685)	-	(469,147)
Infrastructure	(5,739,528)	(210,075)	-	(5,949,603)
Equipment	<u>(205,454)</u>	<u>(2,495)</u>	<u>-</u>	<u>(207,949)</u>
Total accumulated depreciation	<u>(6,377,444)</u>	<u>(249,255)</u>	<u>-</u>	<u>(6,626,699)</u>
Total capital assets, being depreciated, net	<u>2,402,890</u>	<u>(243,225)</u>	<u>-</u>	<u>2,159,665</u>
Business-type activities capital assets, net	<u><u>\$ 2,809,086</u></u>	<u><u>\$ (243,225)</u></u>	<u><u>\$ (1,672)</u></u>	<u><u>\$ 2,564,189</u></u>

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 – CONSTRUCTION IN PROCESS

The County has active construction projects as of September 30, 2014. The projects include the replacement of the Plemons Road bridge. At year end the County had no outstanding commitments on this construction project as funding is anticipated to be 100% from the Texas Department of Transportation.

NOTE 7 – RETIREMENT PLAN

Plan Description

Hutchinson County provides retirement, disability, 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 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the 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.

Funding Policy

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 11.03% for the year 2013 and 11.84% for the year 2014. The contribution rate payable by the employee members is 7.0% for the year 2014 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.

Annual Pension Cost

For 2014, the County's annual pension cost of \$1,030,866 was equal to the County's required and actual contributions, plus a lump sum payment of \$321,000.

During the fiscal year ended September 30, 2014, the County paid \$321,000 to the plan in addition to the normal cost based on 11.84% of the covered payroll of \$6,098,769 which amounted to \$709,866, for a total contribution of \$1,030,866.

Continued

**HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 7 – RETIREMENT PLAN – Continuation

**TREND INFORMATION FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF
HUTCHINSON COUNTY, TEXAS**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2012	\$ 597,377	100%	\$ -
September 30, 2013	645,783	100	-
September 30, 2014	709,866	100	-

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized over a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 20.0 years.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 89.42% funded. The actuarial accrued liability for benefits was \$24,901,217, and the actuarial value of assets was \$22,265,764, resulting in an underfunded actuarial accrued liability (UAAL) of \$2,635,453. The covered payroll (annual payroll of active employees covered by the plan) was \$5,933,287, and the ratio of UAAL to the covered payroll was 44.42%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

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

Continued

**HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 8 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN – Continuation

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 years ended September 30, 2014, 2013 and 2012, were \$35,071, \$33,081, and \$31,973, respectively, which equaled the contractually required contributions each year.

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Interfund Receivables and Payables

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 2,558	\$ 1,533
Special Revenue Funds:		
Adult Probation - State	-	95
Juvenile Probation - State	154	-
Juvenile Progressive Sanctions	-	2,272
Juvenile Probation Special	-	286
Proprietary Fund:		
Airport	1,474	-
	\$ 4,186	\$ 4,186

The primary purpose of interfund receivables and payables are the reimbursement of cash disbursements through both the accounts payable and payroll clearing funds.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – Continuation

Fund	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 13,149	\$ 1,726,847
Special Revenue Fund:		
Road and Bridge	1,351,500	-
Courthouse Security	-	9,925
Law Library Fund	6,900	-
Court Report Service	-	3,224
Museum Fund	210,721	-
Delinquent Fines and Fees Collections	12,626	-
Proprietary Fund:		
Airport	145,100	-
	<u>\$ 1,739,996</u>	<u>\$ 1,739,996</u>

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

NOTE 10 – CONCENTRATION OF TAXPAYERS

As of September 30, 2014, 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	\$ 3,931,509	35.53 %

NOTE 11 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 427,235	\$ 441,924	\$ (440,754)	\$ 428,405	\$ 42,840
Business-type activities:					
Compensated absences	\$ 4,459	\$ 9,522	\$ (7,275)	\$ 6,706	\$ 671

**HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 12 – 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, with the exception of the County not insuring road equipment for property coverage. 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.

NOTE 13 – PRIOR PERIOD RESTATEMENT

The government-wide statement's net position and the fund financial statement's fund balances were restated as follows:

	Government Wide Statement	Governmental Funds
	Governmental Activities	General Fund
Net position/fund balance as of September 30, 2013, as previously reported	\$ 15,506,653	\$ 7,769,152
Correct prior year accounts receivable, net of allowance	258,437	258,437
Correct prior year deferred inflows of resources	-	(192,745)
Correct accrued compensated absences	-	15,334
Total net restatement	258,437	81,026
Net position/fund balance as of October 1, 2013, as restated	\$ 15,765,090	\$ 7,850,178

v

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**HUTCHINSON COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF HUTCHINSON COUNTY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 20,189,771	\$ 22,577,565	\$ 2,387,794	89.42 %	\$ 5,547,592	43.04 %
12/31/12	21,086,061	23,952,378	2,866,317	88.03	5,687,255	50.40
12/31/13	22,265,764	24,901,217	2,635,453	89.42	5,933,287	44.42

OTHER SUPPLEMENTARY INFORMATION

**HUTCHINSON COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014**

	Motor Vehicle Inventory	Court Technology Fees	County Records Management
ASSETS			
Cash and cash equivalents	\$ 1,786	\$ 37,544	\$ 109,413
Due from other funds	-	-	-
Receivable from other governments	-	-	-
Accounts receivable, net	-	-	-
Total assets	\$ 1,786	\$ 37,544	\$ 109,413
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Other accrued expenses	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted:			
By enabling legislation for special projects	1,786	37,544	109,413
Total fund balances	1,786	37,544	109,413
Total liabilities and fund balances	\$ 1,786	\$ 37,544	\$ 109,413

<u>Courthouse Security</u>	<u>Registration of Voters Fund</u>	<u>Records Management & Preservation</u>	<u>Law Library Fund</u>	<u>Adult Probation - State</u>	<u>Community Corrections Programs</u>
\$ 34,902	\$ 4,479	\$ 85,697	\$ 979	\$ 204,147	\$ 27,742
-	-	-	-	-	-
-	-	-	-	2,411	-
-	-	-	-	1,072	-
<u>\$ 34,902</u>	<u>\$ 4,479</u>	<u>\$ 85,697</u>	<u>\$ 979</u>	<u>\$ 207,630</u>	<u>\$ 27,742</u>
\$ -	\$ -	\$ 1,125	\$ 896	\$ 871	\$ 17,908
-	-	-	-	95	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>1,125</u>	<u>896</u>	<u>966</u>	<u>17,908</u>
<u>34,902</u>	<u>4,479</u>	<u>84,572</u>	<u>83</u>	<u>206,664</u>	<u>9,834</u>
<u>34,902</u>	<u>4,479</u>	<u>84,572</u>	<u>83</u>	<u>206,664</u>	<u>9,834</u>
<u>\$ 34,902</u>	<u>\$ 4,479</u>	<u>\$ 85,697</u>	<u>\$ 979</u>	<u>\$ 207,630</u>	<u>\$ 27,742</u>

Continued

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Continuation

	Juvenile Probation - State	Court Report Service	Juvenile Progressive Sanctions
ASSETS			
Cash and cash equivalents	\$ 51,117	\$ 9,584	\$ 5,741
Due from other funds	154	-	-
Receivable from other governments	-	-	-
Accounts receivable, net	-	-	-
	<u>51,271</u>	<u>9,584</u>	<u>5,741</u>
Total assets	<u>\$ 51,271</u>	<u>\$ 9,584</u>	<u>\$ 5,741</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,402	\$ -	\$ -
Due to other funds	-	-	2,272
Other accrued expenses	-	-	-
	<u>1,402</u>	<u>-</u>	<u>2,272</u>
Total liabilities	<u>1,402</u>	<u>-</u>	<u>2,272</u>
Fund balances:			
Restricted:			
By enabling legislation for special projects	<u>49,869</u>	<u>9,584</u>	<u>3,469</u>
Total fund balances	<u>49,869</u>	<u>9,584</u>	<u>3,469</u>
Total liabilities and fund balances	<u>\$ 51,271</u>	<u>\$ 9,584</u>	<u>\$ 5,741</u>

<u>Juvenile Probation Special</u>	<u>Child Support District Clerk</u>	<u>Juvenile Title IV</u>	<u>Records Archive - County Clerk</u>	<u>County Attorney Check Fees</u>	<u>District Attorney Check Fees</u>
\$ 31,413	\$ 4,716	\$ 863	\$ 98,525	\$ 22,277	\$ 4,974
-	-	-	-	-	-
-	-	-	-	-	-
-	-	100	-	-	-
<u>\$ 31,413</u>	<u>\$ 4,716</u>	<u>\$ 963</u>	<u>\$ 98,525</u>	<u>\$ 22,277</u>	<u>\$ 4,974</u>
\$ 69	\$ 800	\$ -	\$ -	\$ -	\$ -
286	-	-	-	-	-
-	-	-	-	-	-
<u>355</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>31,058</u>	<u>3,916</u>	<u>963</u>	<u>98,525</u>	<u>22,277</u>	<u>4,974</u>
<u>31,058</u>	<u>3,916</u>	<u>963</u>	<u>98,525</u>	<u>22,277</u>	<u>4,974</u>
<u>\$ 31,413</u>	<u>\$ 4,716</u>	<u>\$ 963</u>	<u>\$ 98,525</u>	<u>\$ 22,277</u>	<u>\$ 4,974</u>

Continued

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Continuation

	District Attorney Forfeitures	Sheriff Forfeitures & Seizures	District Clerk Records Management
ASSETS			
Cash and cash equivalents	\$ 4,929	\$ 1,092	\$ 9,330
Due from other funds	-	-	-
Receivable from other governments	-	-	-
Accounts receivable, net	-	-	-
	<u>4,929</u>	<u>1,092</u>	<u>9,330</u>
Total assets	<u>\$ 4,929</u>	<u>\$ 1,092</u>	<u>\$ 9,330</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Other accrued expenses	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted:			
By enabling legislation for special projects	4,929	1,092	9,330
Total fund balances	<u>4,929</u>	<u>1,092</u>	<u>9,330</u>
Total liabilities and fund balances	<u>\$ 4,929</u>	<u>\$ 1,092</u>	<u>\$ 9,330</u>

<u>District Attorney Fund</u>	<u>Lateral Road Fund</u>	<u>County Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>Museum Fund</u>	<u>Delinquent Fines and Fees Collections</u>
\$ 8,134	\$ 28,431	\$ 5,965	\$ 13,225	\$ 47,653	\$ 13,203
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	135	-
<u>\$ 8,134</u>	<u>\$ 28,431</u>	<u>\$ 5,965</u>	<u>\$ 13,225</u>	<u>\$ 47,788</u>	<u>\$ 13,203</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,728	\$ -
-	-	-	-	-	-
1,039	-	-	-	-	-
<u>1,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,728</u>	<u>-</u>
<u>7,095</u>	<u>28,431</u>	<u>5,965</u>	<u>13,225</u>	<u>42,060</u>	<u>13,203</u>
<u>7,095</u>	<u>28,431</u>	<u>5,965</u>	<u>13,225</u>	<u>42,060</u>	<u>13,203</u>
<u>\$ 8,134</u>	<u>\$ 28,431</u>	<u>\$ 5,965</u>	<u>\$ 13,225</u>	<u>\$ 47,788</u>	<u>\$ 13,203</u>

Continued

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Continuation

	Jail Commissary Fund	Adult Probation Local Funds	Total Non- Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 8,154	\$ -	\$ 876,015
Due from other funds	-	-	154
Receivable from other governments	-	-	2,411
Accounts receivable, net	1,826	-	3,133
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,980</u>	<u>\$ -</u>	<u>\$ 881,713</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 28,799
Due to other funds	-	-	2,653
Other accrued expenses	-	-	1,039
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>32,491</u>
Fund balances:			
Restricted:			
By enabling legislation for special projects	9,980	-	849,222
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>9,980</u>	<u>-</u>	<u>849,222</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 9,980</u>	<u>\$ -</u>	<u>\$ 881,713</u>

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Motor Vehicle Inventory</u>	<u>Court Technology Fees</u>	<u>County Records Management</u>
REVENUES			
Licenses and fees	\$ -	\$ 5,461	\$ 7,946
Fines and forfeitures	-	-	-
Intergovernmental	-	-	-
Interest	18	11	35
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	18	5,472	7,981
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	1,727	-
Public facilities	-	-	-
Public safety	-	-	-
Road and bridge	-	-	-
Public service	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	1,727	-
	<hr/>	<hr/>	<hr/>
EXCESS / (DEFICIENCY) OF REVENUES OVER / (UNDER) EXPENDITURES	18	3,745	7,981
OTHER FINANCING SOURCES / (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	-	-	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	18	3,745	7,981
FUND BALANCES - BEGINNING (DEFICIT)	1,768	33,799	101,432
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 1,786	\$ 37,544	\$ 109,413
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Courthouse Security</u>	<u>Registration of Voters Fund</u>	<u>Records Management & Preservation</u>	<u>Law Library Fund</u>	<u>Adult Probation - State</u>	<u>Community Corrections Programs</u>
\$ 10,413	\$ -	\$ 23,838	\$ 8,302	\$ 230,661	\$ -
-	-	-	-	-	-
-	-	-	-	139,308	57,221
14	-	24	-	92	-
-	2,024	-	-	-	-
<u>10,427</u>	<u>2,024</u>	<u>23,862</u>	<u>8,302</u>	<u>370,061</u>	<u>57,221</u>
-	1,937	14,166	-	-	-
3,864	-	-	13,844	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	322,524	54,228
<u>3,864</u>	<u>1,937</u>	<u>14,166</u>	<u>13,844</u>	<u>322,524</u>	<u>54,228</u>
6,563	87	9,696	(5,542)	47,537	2,993
-	-	-	6,900	-	-
(9,925)	-	-	-	-	-
<u>(9,925)</u>	<u>-</u>	<u>-</u>	<u>6,900</u>	<u>-</u>	<u>-</u>
(3,362)	87	9,696	1,358	47,537	2,993
<u>38,264</u>	<u>4,392</u>	<u>74,876</u>	<u>(1,275)</u>	<u>159,127</u>	<u>6,841</u>
<u>\$ 34,902</u>	<u>\$ 4,479</u>	<u>\$ 84,572</u>	<u>\$ 83</u>	<u>\$ 206,664</u>	<u>\$ 9,834</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, 2014

Continuation

	Juvenile Probation - State	Court Report Service	Juvenile Progressive Sanctions
REVENUES			
Licenses and fees	\$ -	\$ 4,469	\$ -
Fines and forfeitures	-	-	-
Intergovernmental	236,162	-	16,559
Interest	9	2	2
Miscellaneous	-	-	-
Total revenues	<u>236,171</u>	<u>4,471</u>	<u>16,561</u>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	-	-
Public facilities	-	-	-
Public safety	-	-	-
Road and bridge	-	-	-
Public service	192,904	-	14,193
Total expenditures	<u>192,904</u>	<u>-</u>	<u>14,193</u>
EXCESS / (DEFICIENCY) OF REVENUES OVER / (UNDER) EXPENDITURES	43,267	4,471	2,368
OTHER FINANCING SOURCES / (USES)			
Transfers in	-	-	-
Transfers out	-	(3,224)	-
TOTAL OTHER FINANCING SOURCES / (USES)	<u>-</u>	<u>(3,224)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	43,267	1,247	2,368
FUND BALANCES - BEGINNING (DEFICIT)	<u>6,602</u>	<u>8,337</u>	<u>1,101</u>
FUND BALANCES - ENDING	<u>\$ 49,869</u>	<u>\$ 9,584</u>	<u>\$ 3,469</u>

<u>Juvenile Probation Special</u>	<u>Child Support District Clerk</u>	<u>Juvenile Title IV</u>	<u>Records Archive - County Clerk</u>	<u>County Attorney Check Fees</u>	<u>District Attorney Check Fees</u>
\$ 1,336	\$ -	\$ -	\$ 27,431	\$ 2,970	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
12	-	-	29	7	-
-	251	-	-	-	-
<u>1,348</u>	<u>251</u>	<u>-</u>	<u>27,460</u>	<u>2,977</u>	<u>-</u>
-	-	-	-	-	-
-	800	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,946	-	-	-	-	-
<u>1,946</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(598)	(549)	-	27,460	2,977	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(598)	(549)	-	27,460	2,977	-
<u>31,656</u>	<u>4,465</u>	<u>963</u>	<u>71,065</u>	<u>19,300</u>	<u>4,974</u>
<u>\$ 31,058</u>	<u>\$ 3,916</u>	<u>\$ 963</u>	<u>\$ 98,525</u>	<u>\$ 22,277</u>	<u>\$ 4,974</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, 2014

Continuation

	<u>District Attorney Forfeitures</u>	<u>Sheriff Forfeitures & Seizures</u>	<u>District Clerk Records Management</u>
REVENUES			
Licenses and fees	\$ -	\$ -	\$ 2,616
Fines and forfeitures	1,455	-	-
Intergovernmental	-	-	-
Interest	3	-	4
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	1,458	-	2,620
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	1,387	-	-
Public facilities	-	-	-
Public safety	-	-	-
Road and bridge	-	-	-
Public service	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	1,387	-	-
	<hr/>	<hr/>	<hr/>
EXCESS / (DEFICIENCY) OF REVENUES OVER / (UNDER) EXPENDITURES	71	-	2,620
OTHER FINANCING SOURCES / (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	-	-	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	71	-	2,620
FUND BALANCES - BEGINNING (DEFICIT)	4,858	1,092	6,710
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 4,929	\$ 1,092	\$ 9,330
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>District Attorney Fund</u>	<u>Lateral Road Fund</u>	<u>County Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>Museum Fund</u>	<u>Delinquent Fines and Fees Collections</u>
\$ -	\$ -	\$ 1,210	\$ 3,862	\$ -	\$ -
-	-	-	-	-	-
34,688	15,912	-	-	-	-
-	10	2	4	39	6
-	-	-	-	4,691	-
<u>34,688</u>	<u>15,922</u>	<u>1,212</u>	<u>3,866</u>	<u>4,730</u>	<u>6</u>
-	-	-	-	-	-
27,657	-	-	-	-	3,173
-	-	-	-	202,987	-
-	-	-	-	-	-
-	16,000	-	-	-	-
-	-	-	-	-	-
<u>27,657</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>202,987</u>	<u>3,173</u>
7,031	(78)	1,212	3,866	(198,257)	(3,167)
-	-	-	-	210,721	12,626
-	-	-	-	-	-
-	-	-	-	210,721	12,626
7,031	(78)	1,212	3,866	12,464	9,459
64	28,509	4,753	9,359	29,596	3,744
<u>\$ 7,095</u>	<u>\$ 28,431</u>	<u>\$ 5,965</u>	<u>\$ 13,225</u>	<u>\$ 42,060</u>	<u>\$ 13,203</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, 2014**

Continuation

	Jail Commissary Fund	Adult Probation Local Funds	Total Non- Major Governmental Funds
REVENUES			
Licenses and fees	\$ 22,226	\$ -	\$ 352,741
Fines and forfeitures	-	-	1,455
Intergovernmental	-	-	499,850
Interest	-	-	323
Miscellaneous	-	95	7,061
	<hr/>	<hr/>	<hr/>
Total revenues	22,226	95	861,430
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Administrative	-	-	16,103
Judicial	-	-	52,452
Public facilities	-	-	202,987
Public safety	16,658	-	16,658
Road and bridge	-	-	16,000
Public service	-	25,021	610,816
	<hr/>	<hr/>	<hr/>
Total expenditures	16,658	25,021	915,016
	<hr/>	<hr/>	<hr/>
EXCESS / (DEFICIENCY) OF REVENUES OVER / (UNDER) EXPENDITURES	5,568	(24,926)	(53,586)
OTHER FINANCING SOURCES / (USES)			
Transfers in	-	-	230,247
Transfers out	-	-	(13,149)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	-	-	217,098
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	5,568	(24,926)	163,512
FUND BALANCES - BEGINNING (DEFICIT)	4,412	24,926	685,710
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 9,980	\$ -	\$ 849,222
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HUTCHINSON COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 SEPTEMBER 30, 2014

	Juvenile SOCC Program	District Attorney Seizure	Inmate Trust	County Registry	County Restitution	Tax Assessor/ Collector	Total Agency Funds
ASSETS							
Cash and cash equivalents	\$ 2,163	\$ 34,874	\$ 11,996	\$ 294,898	\$ 10,260	\$ 431,303	\$ 785,494
Accounts receivable	-	-	-	-	-	1,278	1,278
Total assets	\$ 2,163	\$ 34,874	\$ 11,996	\$ 294,898	\$ 10,260	\$ 432,581	\$ 786,772
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,735	\$ 76,735
Due to other governments	-	-	-	-	-	346,422	346,422
Deposits	2,163	34,874	11,996	294,898	10,260	9,424	363,615
Total liabilities	\$ 2,163	\$ 34,874	\$ 11,996	\$ 294,898	\$ 10,260	\$ 432,581	\$ 786,772

PART III
COMPLIANCE



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

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 with its respective budgetary comparison schedule, and the aggregate remaining fund information of Hutchinson County, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Hutchinson County, Texas' basic financial statements and have issued our report thereon dated July 8, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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
July 8, 2015