

HUTCHINSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2018**

HUTCHINSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2018

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PART I

INTRODUCTORY SECTION

HUTCHINSON COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2018

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, 2018, 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, 2018, 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 41 – 46 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' basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 June 14, 2019, 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 the effectiveness of the county's 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
June 14, 2019

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BASIC FINANCIAL STATEMENTS

HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,189,906	\$ 151,048	\$ 8,340,954
Accounts receivable, net	311,755	24,727	336,482
Taxes receivable, net	156,455	-	156,455
Internal balances	(1,474)	1,474	-
Due from other governmental entities	18,040	4,600	22,640
Inventories	22,418	27,955	50,373
Prepaid items	70,847	-	70,847
Net pension asset	858,824	18,271	877,095
Capital assets net of of accumulated depreciation	<u>9,645,829</u>	<u>1,752,285</u>	<u>11,398,114</u>
Total assets	<u>19,272,600</u>	<u>1,980,360</u>	<u>21,252,960</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions	573,876	12,209	586,085
Pension assumption changes	306,700	6,525	313,225
Other postemployment benefit contributions	13,652	290	13,942
Other postemployment benefit assumption changes	<u>13,217</u>	<u>281</u>	<u>13,498</u>
Total deferred outflows of resources	<u>907,445</u>	<u>19,305</u>	<u>926,750</u>
LIABILITIES			
Accounts payable	332,204	21,984	354,188
Due to other governmental agencies	40,671	-	40,671
Accrued interest	2,787	-	2,787
Noncurrent liabilities:			
Due within one year	75,454	500	75,954
Due in more than one year	418,041	4,201	422,242
Other postemployment benefit liability	<u>424,550</u>	<u>9,032</u>	<u>433,582</u>
Total liabilities	<u>1,293,707</u>	<u>35,717</u>	<u>1,329,424</u>
DEFERRED INFLOWS OF RESOURCES			
Pension economic/demographic gains	561,227	11,940	573,167
Pension excess earnings	495,442	10,540	505,982
Other postemployment benefit economic/demographic gains	<u>7,532</u>	<u>160</u>	<u>7,692</u>
Total deferred inflows of resources	<u>1,064,201</u>	<u>22,640</u>	<u>1,086,841</u>
NET POSITION			
Net investment in capital assets	9,530,096	1,752,285	11,282,381
Restricted:			
By enabling legislation	932,202	-	932,202
Unrestricted	<u>7,359,839</u>	<u>189,023</u>	<u>7,548,862</u>
Total net position	<u>\$ 17,822,137</u>	<u>\$ 1,941,308</u>	<u>\$ 19,763,445</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, 2018**

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	\$ 2,983,476	\$ 518,614	\$ 20,150	\$ -	\$ (2,444,712)	\$	\$ (2,444,712)
Judicial	2,891,012	449,897	102,500	-	(2,338,615)		(2,338,615)
Public facilities	1,469,858	16,172	725	-	(1,452,961)		(1,452,961)
Public safety	4,007,521	139,931	3,045	-	(3,864,545)		(3,864,545)
Road and bridge	2,214,797	536,890	28,726	-	(1,649,181)		(1,649,181)
Public service	1,355,980	222,000	415,404	-	(718,576)		(718,576)
Interest on long-term debt	2,905	-	-	-	(2,905)		(2,905)
Total governmental activities	14,925,549	1,883,504	570,550	-	(12,471,495)		(12,471,495)
Business-type activities:							
Airport	1,039,255	679,123	16,015	-	-	(344,117)	(344,117)
Total business-type activities	1,039,255	679,123	16,015	-	-	(344,117)	(344,117)
Total primary government	\$ 15,964,804	\$ 2,562,627	\$ 586,565	\$ -	(12,471,495)	(344,117)	(12,815,612)
General revenues:							
Taxes:							
Property taxes					12,704,385	-	12,704,385
Payments in lieu of taxes					27,590	-	27,590
Mixed beverage taxes					25,189	-	25,189
Investment earnings					182,512	3,829	186,341
Miscellaneous					357,853	-	357,853
Gain on disposal of assets					76,010	-	76,010
Transfers					(251,000)	251,000	-
Total general revenues and transfers					13,122,539	254,829	13,377,368
Change in net position					651,044	(89,288)	561,756
Net position - beginning					17,566,540	2,039,009	19,605,549
Prior period restatement					(395,447)	(8,413)	(403,860)
Net assets, beginning, as restated					17,171,093	2,030,596	19,201,689
Net position - ending					\$ 17,822,137	\$ 1,941,308	\$ 19,763,445

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

HUTCHINSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General</u>	<u>Road & Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,034,655	\$ 193,197	\$ 962,054	\$ 8,189,906
Accounts receivable, net	275,811	16,354	19,590	311,755
Taxes receivable, net	156,455	-	-	156,455
Due from other funds	10,991	-	154	11,145
Due from other governmental entities	-	-	18,040	18,040
Inventories	-	22,418	-	22,418
Prepaid items	70,847	-	-	70,847
	<u>7,548,759</u>	<u>231,969</u>	<u>999,838</u>	<u>8,780,566</u>
Total assets	<u>\$ 7,548,759</u>	<u>\$ 231,969</u>	<u>\$ 999,838</u>	<u>\$ 8,780,566</u>
LIABILITIES				
Accounts payable	\$ 253,649	\$ 48,858	\$ 29,697	\$ 332,204
Due to other funds	1,533	-	11,086	12,619
Due to other governmental entities	37,536	-	3,135	40,671
	<u>292,718</u>	<u>48,858</u>	<u>43,918</u>	<u>385,494</u>
Total liabilities	<u>292,718</u>	<u>48,858</u>	<u>43,918</u>	<u>385,494</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	138,869	-	-	138,869
Unavailable revenue - other receivables	197,741	-	-	197,741
	<u>336,610</u>	<u>-</u>	<u>-</u>	<u>336,610</u>
Total deferred inflows of resources	<u>336,610</u>	<u>-</u>	<u>-</u>	<u>336,610</u>
FUND BALANCES				
Non-spendable:				
Inventories	-	22,418	-	22,418
Prepaid items	70,847	-	-	70,847
Restricted:				
By enabling legislation	-	-	932,202	932,202
Committed for:				
Special projects	-	-	23,718	23,718
Unassigned	6,848,584	160,693	-	7,009,277
	<u>6,919,431</u>	<u>183,111</u>	<u>955,920</u>	<u>8,058,462</u>
Total fund balances	<u>6,919,431</u>	<u>183,111</u>	<u>955,920</u>	<u>8,058,462</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,548,759</u>	<u>\$ 231,969</u>	<u>\$ 999,838</u>	<u>\$ 8,780,566</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, 2018

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

Total fund balance - governmental funds	\$	8,058,462
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.		9,645,829
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		336,610
The net pension asset is not a current financial resource and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		858,824
Pension and other postemployment benefit contributions paid after the measurement date, December 31, 2017, and before September 30, 2018 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		573,876
Other postemployment benefit contributions		13,652
Pension and other postemployment benefit losses and deficient earnings are shown as deferred outflows of resources in the government-wide financial statements.		
Pension assumption changes		306,700
Other postemployment benefit assumption changes		13,217
Pension and other postemployment benefit gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(561,227)
Pension excess earnings		(495,442)
Other postemployment benefit economic/demographic gains		(7,532)
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		(2,787)
Note payable		(115,733)
Accrued compensated absences		(377,762)
Other postemployment benefit liability		(424,550)
		(910,732)
Net position - governmental activities	\$	17,822,137

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, 2018

	<u>General</u>	<u>Road & Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 12,679,884	\$ -	\$ -	\$ 12,679,884
Payments in lieu of taxes	27,590	-	-	27,590
Mixed beverage taxes	25,189	-	-	25,189
Licenses and fees	998,591	536,890	345,164	1,880,645
Fines and forfeitures	16,172	-	-	16,172
Intergovernmental	131,976	-	437,850	569,826
Interest	158,776	11,132	12,604	182,512
Miscellaneous	274,236	55,624	28,717	358,577
	<u>14,312,414</u>	<u>603,646</u>	<u>824,335</u>	<u>15,740,395</u>
EXPENDITURES				
Current:				
Administrative	2,879,884	-	15,014	2,894,898
Judicial	2,794,871	-	62,839	2,857,710
Public facilities	1,085,321	-	189,356	1,274,677
Public safety	3,775,785	-	22,279	3,798,064
Road and bridge	-	1,595,602	16,000	1,611,602
Public service	702,086	-	626,180	1,328,266
Debt service:				
Principal	36,618	-	-	36,618
Interest	4,273	-	-	4,273
Capital outlay	954,180	273,048	11,044	1,238,272
	<u>12,233,018</u>	<u>1,868,650</u>	<u>942,712</u>	<u>15,044,380</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,079,396</u>	<u>(1,265,004)</u>	<u>(118,377)</u>	<u>696,015</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	140,091	1,419,385	253,978	1,813,454
Transfers out	(2,029,489)	(9,672)	(25,293)	(2,064,454)
	<u>(1,889,398)</u>	<u>1,409,713</u>	<u>228,685</u>	<u>(251,000)</u>
NET CHANGE IN FUND BALANCES	189,998	144,709	110,308	445,015
FUND BALANCES - BEGINNING	<u>6,729,433</u>	<u>38,402</u>	<u>845,612</u>	<u>7,613,447</u>
FUND BALANCES - ENDING	<u>\$ 6,919,431</u>	<u>\$ 183,111</u>	<u>\$ 955,920</u>	<u>\$ 8,058,462</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, 2018**

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

Net change in fund balances - total governmental funds:	\$	445,015
<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, \$1,238,272, exceeded depreciation, \$1,077,978, in the current period.</p>		
		160,294
<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>		
		(5,190)
<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>		
		81,200
<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>		
		11,188
<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>Principal repayments:</p>		
Note payable		36,618
<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		1,372
Compensated absences, net change		8,216
Deferred outflows of resources:		
Pension contributions, net change		22,128
Pension economic/demographic losses		(45,467)
Pension deficient earnings		(2,210,861)
Pension assumption changes		103,997
Other postemployment benefit contributions, net change		1,002
Other postemployment benefit assumption changes		13,217
Deferred inflows of resources:		
Pension economic/demographic gains		(188,889)
Pension excess earnings		(495,442)
Other postemployment benefit economic/demographic gains		(7,532)
Net pension asset, net change		858,824
Net pension liability, net change		1,877,808
Other postemployment benefit liability, net change		(16,454)
		160,294
		(5,190)
		81,200
		11,188
		36,618
		1,372
		8,216
		22,128
		(45,467)
		(2,210,861)
		103,997
		1,002
		13,217
		(188,889)
		(495,442)
		(7,532)
		858,824
		1,877,808
		(16,454)
Change in net position - governmental activities	\$	651,044

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, 2018**

ASSETS

Current assets:

Cash and cash equivalents	\$	151,048
Receivables, net		24,727
Due from other funds		1,474
Due from other governmental entities		4,600
Inventories		27,955
		209,804
Total current assets		209,804

Non-current assets:

Net pension asset		18,271
Capital assets:		
Land		404,524
Buildings and improvements		1,414,293
Infrastructure		7,202,731
Machinery and equipment		267,686
Construction in progress (non-depreciable)		60,500
Less accumulated depreciation		(7,597,449)
		1,770,556
Total non-current assets		1,770,556

Total assets		1,980,360
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DEFERRED OUTFLOWS OF RESOURCES

Pension contributions		12,209
Pension assumption changes		6,525
Other postemployment benefit contributions		290
Other postemployment benefit assumption changes		281
		281
Total deferred outflows of resources	\$	19,305

Continued

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

HUTCHINSON COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
AIRPORT
SEPTEMBER 30, 2018

Continuation

LIABILITIES

Current liabilities:

Accounts payable	\$	21,984
Compensated absences		500

Total current liabilities		<u>22,484</u>
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Non-current liabilities:

Compensated absences		4,201
Other postemployment benefit liability		9,032

Total non-current liabilities		<u>13,233</u>
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Total liabilities		<u>35,717</u>
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DEFERRED INFLOWS OF RESOURCES

Pension economic/demographic gains		11,940
Pension excess earnings		10,540
Other postemployment benefit economic/demographic gains		160

Total deferred inflows of resources		<u>22,640</u>
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NET POSITION

Net investment in capital assets		1,752,285
Unrestricted		189,023

Total net position		<u><u>\$ 1,941,308</u></u>
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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, 2018

OPERATING REVENUES:

Charges for services	\$ 676,923
Rents	2,200
	679,123
Total operating revenues	679,123

OPERATING EXPENSES:

Salaries and employee benefits	212,367
Fuel and materials for resale	495,856
Other operating expenses	40,565
Supplies	4,503
Postage and freight	587
Repairs and maintenance	38,260
Utilities	13,922
Depreciation	233,195
	1,039,255
Total operating expenses	1,039,255

Operating loss	(360,132)
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NON-OPERATING REVENUES:

Intergovernmental	16,015
Interest and investment revenue	3,829
	19,844
Total non-operating revenues	19,844

LOSS BEFORE TRANSFERS	(340,288)
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TRANSFERS IN	358,082
TRANSFERS OUT	(107,082)

CHANGE IN NET POSITION	(89,288)
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TOTAL NET POSITION - BEGINNING	2,039,009
PRIOR PERIOD ADJUSTMENT	(8,413)

TOTAL NET POSITION - BEGINNING, AS RESTATED	2,030,596
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TOTAL NET POSITION - ENDING	\$ 1,941,308
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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, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 658,299
Payments to suppliers and service providers	(591,445)
Payments to employees for salaries and benefits	<u>(210,661)</u>
Net cash used by operating activities	<u>(143,807)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES**

Operating grants	16,015
Transfer to other funds	<u>251,000</u>
Net cash provided by noncapital financing activities	<u>267,015</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Purchases of capital assets	<u>(68,031)</u>
Net cash used by capital and related financing activities	<u>(68,031)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>3,829</u>
Net cash provided by investing activities	<u>3,829</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

59,006

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

92,042

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 151,048

Continued

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, 2018

Continuation

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

Operating loss	\$	(360,132)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense		233,195
(Increase) decrease in operating assets		
Accounts receivable		(16,224)
Inventories		(14,840)
Due from other governmental entities		(4,600)
Deferred outflows of resources - pension		47,773
Net pension asset		(18,271)
Deferred outflows of resources - OPEB		(302)
Increase (decrease) in operating liabilities		
Accounts payable		17,088
Accrued compensated absences		(779)
Deferred inflows of resources - pension		14,255
Net pension liability		(41,480)
Deferred inflows of resources - OPEB		160
Total OPEB liability		350
Net cash used by operating activities	\$	(143,807)

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, 2018

ASSETS

Cash and cash equivalents	\$	908,161
Accounts receivable		1,129
		<hr/>
Total assets	\$	<u><u>909,290</u></u>

LIABILITIES

Accounts payable	\$	69,516
Due to other governments		366,108
Deposits		473,666
		<hr/>
Total liabilities	\$	<u><u>909,290</u></u>

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

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018

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, 2018

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, 2018

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 \$7,308,947.

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 \$469,366.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, maintenance of the commissary in the Sheriff’s Department, and maintenance of a drug court. 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, 2018, 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, 2018

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 of resources (expense/expenditure) until then. The County has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County's pension plan and other postemployment benefit plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial 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 qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the County's pension plan and other postemployment benefit plan reported in the government-wide statement of net position.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 and Other Post-Employment Benefits

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.

For purposes of measuring the other post-employment benefit (OPEB) asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Texas County and District Retirement System Supplemental Death 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.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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 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 expenditure 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, 2018

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, 2018, expenditures exceeded appropriations in the 84th District Court line (\$25,000), the Capital Outlay function of the General Fund (\$912,696), and the Capital Outlay function of the Road and Bridge Funds (\$273,048), 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 \$226,086 and \$30,382, respectively.

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2018:

Cash and deposit balances consist of:

Petty cash funds	\$	2,715
Bank deposits		1,196,736
Temporary investments - TexPool		8,049,664
		8,049,664
Total	\$	9,249,115

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

Government-wide Statement of Net Position:

Unrestricted	\$	8,189,906
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Business-type activities:

Unrestricted		151,048
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Fiduciary Funds Statement of Net Position

		908,161
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Total	\$	9,249,115
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Custodial credit risk – deposits. As of September 30, 2018, the carrying amount of the County's deposits with financial institutions was \$1,196,736 and the bank's balance was \$1,636,564. Of the bank balance, \$840,195 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$796,369 was collateralized with securities held by the pledging institution’s agent in the County’s name.

As of September 30, 2018, the County had \$8,049,664 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, 2018

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, 2018, 87.03% 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 2017 tax roll was \$.54 per \$100, which means that the County has a tax margin of \$.26 per \$100 and could raise up to \$6,279,345 additional revenue from the 2017 assessed valuation of \$2,414,826,590 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, 2018

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, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases and Transfer</u>	<u>Decreases and Transfer</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 108,889	\$ -	\$ -	\$ 108,889
Construction in process	1,612,699	483,902	-	2,096,601
	<u>1,721,588</u>	<u>483,902</u>	<u>-</u>	<u>2,205,490</u>
Total capital assets, not being depreciated				
	1,721,588	483,902	-	2,205,490
Capital assets, being depreciated:				
Buildings and improvements	5,912,932	98,513	-	6,011,445
Infrastructure	3,974,626	-	-	3,974,626
Equipment	7,708,408	737,057	(335,522)	8,109,943
	<u>17,595,966</u>	<u>835,570</u>	<u>(335,522)</u>	<u>18,096,014</u>
Total capital assets, being depreciated				
	17,595,966	835,570	(335,522)	18,096,014
Less accumulated depreciation for:				
Buildings and improvements	(3,534,805)	(280,530)	-	(3,815,335)
Infrastructure	(619,826)	(197,624)	-	(817,450)
Equipment	(5,753,398)	(599,824)	330,332	(6,022,890)
	<u>(9,908,029)</u>	<u>(1,077,978)</u>	<u>330,332</u>	<u>(10,655,675)</u>
Total accumulated depreciation				
	(9,908,029)	(1,077,978)	330,332	(10,655,675)
Total capital assets, being depreciated, net				
	<u>7,687,937</u>	<u>(242,408)</u>	<u>(5,190)</u>	<u>7,440,339</u>
Governmental activities capital assets, net				
	<u>\$ 9,409,525</u>	<u>\$ 241,494</u>	<u>\$ (5,190)</u>	<u>\$ 9,645,829</u>

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2018 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 80,970
Judicial	20,756
Public facilities	193,317
Public safety	178,797
Road and bridge	592,267
Public service	11,871
	<u>1,077,978</u>
Total Depreciation Expense	<u>\$ 1,077,978</u>

	Beginning Balance	Increases and Transfer	Decreases and Transfer	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 404,524	\$ -	\$ -	\$ 404,524
Construction in process	-	60,500	-	60,500
	<u>404,524</u>	<u>60,500</u>	<u>-</u>	<u>465,024</u>
Total capital assets, not being depreciated				
	<u>404,524</u>	<u>60,500</u>	<u>-</u>	<u>465,024</u>
Capital assets, being depreciated:				
Buildings and improvements	1,414,293	-	-	1,414,293
Land improvements	7,202,731	-	-	7,202,731
Equipment	260,155	7,531	-	267,686
	<u>8,877,179</u>	<u>7,531</u>	<u>-</u>	<u>8,884,710</u>
Total capital assets, being depreciated				
	<u>8,877,179</u>	<u>7,531</u>	<u>-</u>	<u>8,884,710</u>
Less accumulated depreciation for:				
Buildings and improvements	(581,332)	(39,706)	-	(621,038)
Land improvements	(6,556,776)	(185,278)	-	(6,742,054)
Equipment	(226,146)	(8,211)	-	(234,357)
	<u>(7,364,254)</u>	<u>(233,195)</u>	<u>-</u>	<u>(7,597,449)</u>
Total accumulated depreciation				
	<u>(7,364,254)</u>	<u>(233,195)</u>	<u>-</u>	<u>(7,597,449)</u>
Total capital assets, being depreciated, net				
	<u>1,512,925</u>	<u>(225,664)</u>	<u>-</u>	<u>1,287,261</u>
Business-type activities capital assets, net				
	<u>\$ 1,917,449</u>	<u>\$ (165,164)</u>	<u>\$ -</u>	<u>\$ 1,752,285</u>

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – CONSTRUCTION IN PROCESS

The County has one active construction project as of September 30, 2018. The project is the Courthouse A/C & Water Pipe replacement/enhancement project. At year end, the County had \$130,360 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 December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	115
Inactive employees entitled to but not yet receiving benefits	97
Active employees	138

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 9.78% with a supplemental rate of 1.57% for the months of the accounting year in 2017 and contributed using the actuarially determined rate of 9.80% with a supplemental rate of 1.55% for the months of the accounting year in 2018. The contribution rate payable by the employee members is 7.0% for fiscal year 2018 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.

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**HUTCHINSON COUNTY, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

NOTE 7 – RETIREMENT PLAN – Continuation

Net Pension Liability: The County’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

All actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	2.75%

The payroll growth assumption is for the aggregate covered payroll of an employer.

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 numbers shown are based on January 2018 information for a 10-year time horizon.

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HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – RETIREMENT PLAN – Continuation

Note that 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 2017.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	18.00%	4.10%

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.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – RETIREMENT PLAN – Continuation

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.

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, 2018

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, 2016	\$ 39,917,023	\$ 37,997,735	\$ 1,919,288
Changes for the year:			
Service cost	887,974	-	887,974
Interest on total pension liability (1)	3,213,457	-	3,213,457
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(467,968)	-	(467,968)
Effect of assumptions changes or inputs	279,513	-	279,513
Refund of contributions	(120,477)	(120,477)	-
Benefit payments	(2,189,876)	(2,189,876)	-
Administrative expenses	-	(28,195)	28,195
Member contributions	-	469,596	(469,596)
Net investment income	-	5,528,862	(5,528,862)
Employer contributions	-	761,421	(761,421)
Other (3)	-	(22,325)	22,325
Balances as of December 31, 2017	<u>\$ 41,519,646</u>	<u>\$ 42,396,741</u>	<u>\$ (877,095)</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	\$ 46,037,392	\$ 41,519,646	\$ 37,626,304
Fiduciary net position	<u>42,396,741</u>	<u>42,396,741</u>	<u>42,396,741</u>
Net pension liability / (asset)	<u>\$ 3,640,651</u>	<u>\$ (877,095)</u>	<u>\$ (4,770,437)</u>

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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	\$ 887,974
Interest on total pension liability (1)	3,213,457
Effect of plan changes	-
Administrative expenses	28,195
Member contributions	(469,596)
Expected investment return net of investment expenses	(3,032,948)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(228,894)
Recognition of assumption changes or inputs	173,469
Recognition of investment gains or losses	269,768
Other (2)	22,325
Pension expense / (income)	\$ 863,750

(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, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 573,167	\$ -
Changes of assumptions	-	313,225
Net difference between projected and actual earnings	505,982	-
Contributions made subsequent to measurement date	N/A	586,085

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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:	
2018	\$ 167,872
2019	65,603
2020	(500,217)
2021	(499,182)
2022	-
Thereafter	-

NOTE 8 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description: Hutchinson County, Texas participates in the retiree Group Term Life program (GTL) for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. 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.

Benefits Provided: All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the other postemployment benefit plan (OPEB). The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the GTL program. Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL Fund does not meet the requirements of a trust under paragraph 4b of GASB Statement 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Employees Covered by Benefit Terms: At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	96
Inactive employees entitled to but not yet receiving benefits	24
Active employees	138

Total OPEB Liability: The County's total OPEB liability was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN – Continuation

All actuarial assumptions that determined the total OPEB liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Discount Rate: The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB Statement 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.44% based on the 20 Year Bond GO index published by bondbuyer.com is used as of the measurement date of December 31, 2017.

Changes in the Total OPEB Liability:

	Changes in Total OPEB Liability
Balances as of December 31, 2016	\$ 416,778
Changes for the year:	
Service cost	11,140
Interest on total OPEB liability (1)	15,849
Changes of benefit terms (2)	-
Effect of economic/demographic experience	(9,615)
Effect of assumptions changes or inputs (3)	16,872
Benefit payments	(17,442)
Other	-
Balances as of December 31, 2017	\$ 433,582

(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) Reflects change in discount rate and the new assumptions adopted based on the January 1, 2013 - December 31, 2016 Investigation of Experience.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN – Continuation

Sensitivity of the net pension liability / (asset) to changes in the discount rate: The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.44%, as well as the what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 2.44%	Current Discount Rate 3.44%	1% Increase 4.44%
Total OPEB liability	\$ 508,278	\$ 433,582	\$ 374,548

OPEB Expense / (Income):

	January 1, 2017 to December 31, 2017
Service cost	\$ 11,140
Interest on total OPEB liability (1)	15,849
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(1,923)
Recognition of assumption changes or inputs	3,374
Other	-
OPEB expense / (income)	\$ 28,440

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

Deferred Inflows / Outflows of Resources: As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 7,692	\$ -
Changes of assumptions	-	13,498
Contributions made subsequent to measurement date	N/A	13,942

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE 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:		
2018	\$	1,451
2019		1,451
2020		1,452
2021		1,452
2022		-
Thereafter		-

NOTE 9 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 10,991	\$ 1,533
Special Revenue:		
Juvenile Probation - State	154	8,814
Juvenile Progressive Sanctions	-	2,272
Proprietary Fund:		
Airport	1,474	-
	<u>\$ 12,619</u>	<u>\$ 12,619</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.

Continued

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS - Continuation

Individual Inter-fund Transfers

<u>Fund</u>	<u>Inter-fund Transfers In</u>	<u>Inter-fund Transfers Out</u>
General Fund	\$ 140,091	\$ 2,029,489
Special Revenue:		
Road and Bridge	1,419,385	9,672
Courthouse Security	-	10,710
Law Library Fund	6,595	-
Adult Probation - State	1,955	-
Community Corrections Programs	-	1,955
Court Report Service	-	3,410
Museum Fund	218,382	9,218
Drug Court Fund	27,046	-
Proprietary Fund:		
Airport	358,082	107,082
	<u>\$ 2,171,536</u>	<u>\$ 2,171,536</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.

NOTE 10 – CONCENTRATION OF TAXPAYERS

As of September 30, 2018, the following taxpayer accounted for a significant portion of the County's total tax levy.

<u>Taxpayer</u>	<u>Industry</u>	<u>Tax Amount</u>	<u>Percent of Total Levy</u>
Taxpayer A	Agriculture	\$ 2,541,311	19.48 %
Taxpayer B	Oil & Gas	1,348,308	10.34

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 – TAX ABATEMENTS

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. Construction of the property had not been completed as of the current tax roll, therefore the abatement terms have not gone into effect as of September 30, 2018.

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.

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 385,979	\$ 298,359	\$ (306,576)	\$ 377,762	\$ 38,000
Note Payable	152,351	-	(36,618)	115,733	37,454
	<u>\$ 538,330</u>	<u>\$ 298,359</u>	<u>\$ (343,194)</u>	<u>\$ 493,495</u>	<u>\$ 75,454</u>
Business-type activities:					
Compensated absences	\$ 5,480	\$ 8,852	\$ (9,631)	\$ 4,701	\$ 500
	<u>\$ 5,480</u>	<u>\$ 8,852</u>	<u>\$ (9,631)</u>	<u>\$ 4,701</u>	<u>\$ 500</u>

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2018 is as follows:

Fiscal Year	Total	Note Payable	
		Interest	Principal
2019	\$ 40,891	\$ 3,437	\$ 37,454
2020	40,891	2,324	38,567
2021	40,891	1,179	39,712
	<u>\$ 122,673</u>	<u>\$ 6,940</u>	<u>\$ 115,733</u>

The County paid interest expenses in the amount of \$4,273 during the fiscal year ended September 30, 2018.

HUTCHINSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

	<u>Governmental Activities</u>	<u>Business-Type Activities</u> <u>Airport</u>
Net position as of September 30, 2017, as previously reported	\$ 17,566,540	\$ 2,039,009
To implement provisions of GASB 75 - OPEB reporting	<u>(395,447)</u>	<u>(8,413)</u>
Net position as of October 1, 2017, as restated	<u>\$ 17,171,093</u>	<u>\$ 2,030,596</u>

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**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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 12,875,000	\$ 12,875,000	\$ 12,679,884	\$ (195,116)
Payments in lieu of taxes	27,000	27,000	27,590	590
Mixed beverage taxes	19,000	19,000	25,189	6,189
Licenses and fees	1,007,900	1,007,900	998,591	(9,309)
Fines and forfeitures	14,000	14,000	16,172	2,172
Intergovernmental	79,502	79,502	131,976	52,474
Investment earnings	50,180	50,180	158,776	108,596
Miscellaneous	170,200	170,200	274,236	104,036
	<u>14,242,782</u>	<u>14,242,782</u>	<u>14,312,414</u>	<u>69,632</u>
EXPENDITURES				
Current:				
Administrative				
County Judge	311,075	298,575	266,863	31,712
County Auditor	257,170	257,170	240,060	17,110
County Clerk	401,127	401,127	386,977	14,150
County Tax Assessor/Collector	861,721	861,721	825,145	36,576
County Treasurer	203,114	203,114	197,131	5,983
Elections	95,750	95,750	60,880	34,870
Non-departmental	663,741	667,288	641,899	25,389
Data processing	310,496	301,496	260,929	40,567
	<u>3,104,194</u>	<u>3,086,241</u>	<u>2,879,884</u>	<u>206,357</u>
Judicial				
316th District Court	664,027	683,832	682,710	1,122
84th District Court	504,733	558,433	583,433	(25,000)
Justice of the Peace, #1	193,922	193,922	178,088	15,834
Justice of the Peace, #2	215,736	215,736	209,918	5,818
District Attorney	418,480	418,480	403,243	15,237
County Attorney	372,664	372,664	368,097	4,567
District Clerk	384,917	384,917	369,382	15,535
	<u>2,754,479</u>	<u>2,827,984</u>	<u>2,794,871</u>	<u>33,113</u>
Public facilities				
Plant operations	1,138,628	1,110,628	542,082	568,546
County library	558,803	554,528	543,239	11,289
	<u>1,697,431</u>	<u>1,665,156</u>	<u>1,085,321</u>	<u>579,835</u>

**HUTCHINSON COUNTY, TEXAS
GENERAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Continuation				
EXPENDITURES				
Current:				
Public safety				
Sheriff's department	\$ 1,676,996	\$ 1,677,121	\$ 1,580,281	\$ 96,840
Jail	1,757,541	1,832,541	1,783,521	49,020
Constable, #1	77,720	77,720	74,371	3,349
Constable, #2	76,269	76,269	74,569	1,700
Emergency operations center	184,230	135,280	119,043	16,237
Fire protection	145,500	145,500	144,000	1,500
Total public safety	<u>3,918,256</u>	<u>3,944,431</u>	<u>3,775,785</u>	<u>168,646</u>
Public service				
Veteran's services	14,865	14,865	14,214	651
Adult probation department	25,900	25,900	15,415	10,485
Juvenile probation department	612,109	612,109	515,907	96,202
County welfare	52,600	52,600	29,300	23,300
Child welfare	11,500	11,500	11,500	-
County extension	135,943	135,943	115,750	20,193
Total public service	<u>852,917</u>	<u>852,917</u>	<u>702,086</u>	<u>150,831</u>
Debt service:				
Principal	36,618	36,618	36,618	-
Interest	4,273	4,273	4,273	-
Total debt service	<u>40,891</u>	<u>40,891</u>	<u>40,891</u>	<u>-</u>
Capital outlay	<u>11,300</u>	<u>41,484</u>	<u>954,180</u>	<u>(912,696)</u>
Total expenditures	<u>12,379,468</u>	<u>12,459,104</u>	<u>12,233,018</u>	<u>226,086</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,863,314</u>	<u>1,783,678</u>	<u>2,079,396</u>	<u>295,718</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,119	14,119	140,091	125,972
Transfers out	(1,952,570)	(1,952,570)	(2,029,489)	(76,919)
Total other financing sources / (uses)	<u>(1,938,451)</u>	<u>(1,938,451)</u>	<u>(1,889,398)</u>	<u>49,053</u>
NET CHANGE IN FUND BALANCE	(75,137)	(154,773)	189,998	344,771
FUND BALANCE - BEGINNING	<u>6,729,433</u>	<u>6,729,433</u>	<u>6,729,433</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,654,296</u>	<u>\$ 6,574,660</u>	<u>\$ 6,919,431</u>	<u>\$ 344,771</u>

**HUTCHINSON COUNTY, TEXAS
ROAD & BRIDGE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<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	\$ 536,890	\$ (13,110)
Investment earnings	800	800	11,132	10,332
Miscellaneous	12,000	12,000	55,624	43,624
	<u>562,800</u>	<u>562,800</u>	<u>603,646</u>	<u>40,846</u>
EXPENDITURES				
Current:				
Road and bridge	1,982,185	1,899,032	1,595,602	303,430
Capital outlay	-	-	273,048	(273,048)
	<u>1,982,185</u>	<u>1,899,032</u>	<u>1,868,650</u>	<u>30,382</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,419,385)</u>	<u>(1,336,232)</u>	<u>(1,265,004)</u>	<u>71,228</u>
OTHER FINANCING SOURCES				
Transfers in	1,419,385	1,419,385	1,419,385	-
Transfers out	-	-	(9,672)	9,672
	<u>1,419,385</u>	<u>1,419,385</u>	<u>1,409,713</u>	<u>9,672</u>
NET CHANGE IN FUND BALANCE	-	83,153	144,709	80,900
FUND BALANCE - BEGINNING	<u>38,402</u>	<u>38,402</u>	<u>38,402</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 38,402</u>	<u>\$ 121,555</u>	<u>\$ 183,111</u>	<u>\$ 80,900</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,			
	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 887,974	\$ 930,573	\$ 864,694	\$ 854,535
Interest on total pension liability (1)	3,213,457	3,053,448	2,920,751	2,746,348
Effect of plan changes	-	-	(76,777)	-
Effect of assumption changes or inputs	279,513	-	414,360	-
Effect of economic/demographic (gains) or losses	(467,968)	(255,274)	(378,215)	185,883
Benefit payments/refunds of contributions	(2,310,353)	(2,064,567)	(1,885,657)	(1,725,712)
Net change in total pension liability	1,602,623	1,664,180	1,859,156	2,061,054
Total pension liability, beginning	39,917,023	38,252,843	36,393,687	34,332,633
Total pension liability, ending (a)	<u>\$ 41,519,646</u>	<u>\$ 39,917,023</u>	<u>\$ 38,252,843</u>	<u>\$ 36,393,687</u>
Fiduciary Net Position:				
Employer contributions	\$ 761,421	\$ 734,260	\$ 721,928	\$ 1,729,986
Member contributions	469,596	452,848	445,241	442,825
Investment income net of investment expenses	5,528,862	2,666,600	(145,957)	2,355,349
Benefit payments/refunds of contributions	(2,310,353)	(2,064,567)	(1,885,657)	(1,725,712)
Administrative expenses	(28,195)	(29,077)	(26,367)	(27,481)
Other	(22,325)	54,591	(59,673)	137,610
Net change in fiduciary net position	4,399,006	1,814,655	(950,485)	2,912,577
Fiduciary net position, beginning	37,997,735	36,183,080	37,133,565	34,220,988
Fiduciary net position, ending (b)	<u>\$ 42,396,741</u>	<u>\$ 37,997,735</u>	<u>\$ 36,183,080</u>	<u>\$ 37,133,565</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (877,095)</u>	<u>\$ 1,919,288</u>	<u>\$ 2,069,763</u>	<u>\$ (739,878)</u>
Fiduciary net position as a % of total pension liability	102.11%	95.19%	94.59%	102.03%
Pensionable covered payroll	\$ 6,708,512	\$ 6,469,256	\$ 6,360,586	\$ 6,165,408
Net pension liability/(asset) as a % of covered payroll	-13.07%	29.67%	32.54%	-12.00%

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

	Year Ended December 31,			
	2017	2016	2015	2014
Total OPEB Liability:				
Service cost	\$ 11,140	\$ N/A	\$ N/A	\$ N/A
Interest on total OPEB liability	15,849	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A
Effect of assumption changes or inputs	16,872	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(9,615)	N/A	N/A	N/A
Benefit payments	(17,442)	N/A	N/A	N/A
Net change in total OPEB liability	16,804	N/A	N/A	N/A
Total OPEB liability, beginning	416,778	N/A	N/A	N/A
Total OPEB liability, ending	<u>\$ 433,582</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Covered employee payroll	\$ 6,708,512	\$ N/A	\$ N/A	\$ N/A
Total OPEB liability as a % of covered employee payroll	6.46%	N/A	N/A	N/A

Notes to Schedule:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary increases	Does not apply
Investment rate of return	3.44% (20 Year Bond GO Index published by bondbuyer.com as of December 28, 2017)

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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.

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.

Drug Court – The Drug Court fund accounts for fees collected by the County and District Clerks on court cases. The fees are dedicated by law to be used to fund a drug court within the County.

HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>Motor Vehicle Inventory Tax</u>	<u>Court Technology Fees</u>	<u>County Records Management</u>	<u>Courthouse Security</u>
ASSETS				
Cash and cash equivalents	\$ 1,916	\$ 49,585	\$ 146,847	\$ 26,268
Accounts receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental entities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,916</u>	<u>\$ 49,585</u>	<u>\$ 146,847</u>	<u>\$ 26,268</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental entities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES				
Restricted:				
By enabling legislation	1,916	49,585	146,847	26,268
Committed for:				
Special projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 1,916</u>	<u>\$ 49,585</u>	<u>\$ 146,847</u>	<u>\$ 26,268</u>

Registration of Voters	Records Management & Preservation	Law Library	Adult Probation - State	Community Corrections Programs	Juvenile Probation - State
\$ 5,557	\$ 135,351	\$ 18,193	\$ 152,296	\$ 24,695	\$ 17
-	-	138	17,402	-	-
-	-	-	-	-	154
-	-	-	-	-	18,039
<u>\$ 5,557</u>	<u>\$ 135,351</u>	<u>\$ 18,331</u>	<u>\$ 169,698</u>	<u>\$ 24,695</u>	<u>\$ 18,210</u>
\$ -	\$ 3,177	\$ 747	\$ 475	\$ 14,495	\$ 2,605
-	-	-	-	-	8,814
-	-	-	-	80	2,779
-	3,177	747	475	14,575	14,198
5,557	132,174	17,584	169,223	10,120	4,012
-	-	-	-	-	-
<u>5,557</u>	<u>132,174</u>	<u>17,584</u>	<u>169,223</u>	<u>10,120</u>	<u>4,012</u>
<u>\$ 5,557</u>	<u>\$ 135,351</u>	<u>\$ 18,331</u>	<u>\$ 169,698</u>	<u>\$ 24,695</u>	<u>\$ 18,210</u>

Continued

**HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

Continuation

	<u>Court Report Service</u>	<u>Juvenile Progressive Sanctions</u>	<u>Juvenile Probation Special</u>	<u>Child Support District Clerk</u>
ASSETS				
Cash and cash equivalents	\$ 13,263	\$ 3,461	\$ 24,865	\$ 3,416
Accounts receivable, net	-	-	-	33
Due from other funds	-	-	-	-
Due from other governmental entities	-	1	-	-
	<u>13,263</u>	<u>3,462</u>	<u>24,865</u>	<u>3,449</u>
Total assets	<u>\$ 13,263</u>	<u>\$ 3,462</u>	<u>\$ 24,865</u>	<u>\$ 3,449</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,272	-	-
Due to other governmental entities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>2,272</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted:				
By enabling legislation	13,263	1,190	24,865	3,449
Committed for:				
Special projects	-	-	-	-
	<u>13,263</u>	<u>1,190</u>	<u>24,865</u>	<u>3,449</u>
Total fund balances	<u>13,263</u>	<u>1,190</u>	<u>24,865</u>	<u>3,449</u>
Total liabilities and fund balances	<u>\$ 13,263</u>	<u>\$ 3,462</u>	<u>\$ 24,865</u>	<u>\$ 3,449</u>

Juvenile Title IV	Records Archive - County Clerk	County Attorney Check Fees	District Attorney Check Fees	District Attorney Forfeitures	Sheriff Forfeitures & Seizures
\$ 69	\$ 124,007	\$ 25,974	\$ 5,888	\$ 14,497	\$ 2,025
100	-	25	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 169</u>	<u>\$ 124,007</u>	<u>\$ 25,999</u>	<u>\$ 5,888</u>	<u>\$ 14,497</u>	<u>\$ 2,025</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
169	124,007	25,999	5,888	14,497	2,025
-	-	-	-	-	-
169	124,007	25,999	5,888	14,497	2,025
<u>\$ 169</u>	<u>\$ 124,007</u>	<u>\$ 25,999</u>	<u>\$ 5,888</u>	<u>\$ 14,497</u>	<u>\$ 2,025</u>

Continued

HUTCHINSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

Continuation

	District Clerk Records Management	District Attorney	Lateral Road	County Clerk Records Preservation
ASSETS				
Cash and cash equivalents	\$ 17,803	\$ 8,273	\$ 40,480	\$ 10,948
Accounts receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental entities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 17,803</u>	<u>\$ 8,273</u>	<u>\$ 40,480</u>	<u>\$ 10,948</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,007	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental entities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/> -	<hr/> 1,007	<hr/> -	<hr/> -
FUND BALANCES				
Restricted:				
By enabling legislation	17,803	7,266	40,480	10,948
Committed for:				
Special projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<hr/> 17,803	<hr/> 7,266	<hr/> 40,480	<hr/> 10,948
Total liabilities and fund balances	<u>\$ 17,803</u>	<u>\$ 8,273</u>	<u>\$ 40,480</u>	<u>\$ 10,948</u>

District Clerk Records Preservation	Museum	Jail Commissary	Drug Court Fund	Total Non- Major Governmental Funds
\$ 31,451	\$ 25,107	\$ 18,402	\$ 31,400	\$ 962,054
-	66	1,826	-	19,590
-	-	-	-	154
-	-	-	-	18,040
<u>\$ 31,451</u>	<u>\$ 25,173</u>	<u>\$ 20,228</u>	<u>\$ 31,400</u>	<u>\$ 999,838</u>
\$ -	\$ 1,455	\$ -	\$ 5,736	\$ 29,697
-	-	-	-	11,086
-	-	-	276	3,135
-	1,455	-	6,012	43,918
31,451	-	20,228	25,388	932,202
-	23,718	-	-	23,718
<u>31,451</u>	<u>23,718</u>	<u>20,228</u>	<u>25,388</u>	<u>955,920</u>
<u>\$ 31,451</u>	<u>\$ 25,173</u>	<u>\$ 20,228</u>	<u>\$ 31,400</u>	<u>\$ 999,838</u>

HUTCHINSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Motor Vehicle Inventory Tax	Court Technology Fees	County Records Management	Courthouse Security
REVENUES				
Licenses and fees	\$ -	\$ 4,387	\$ 6,758	\$ 9,024
Intergovernmental	-	-	-	-
Interest	58	715	2,181	326
Miscellaneous	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	58	5,102	8,939	9,350
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
Administrative	-	-	-	-
Judicial	-	-	-	-
Public facilities	-	-	-	-
Public safety	-	-	-	-
Road and bridge	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	58	5,102	8,939	9,350
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES / (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(10,710)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	-	-	-	(10,710)
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	58	5,102	8,939	(1,360)
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING	1,858	44,483	137,908	27,628
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 1,916	\$ 49,585	\$ 146,847	\$ 26,268
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Registration of Voters</u>	<u>Records Management & Preservation</u>	<u>Law Library</u>	<u>Adult Probation - State</u>	<u>Community Corrections Programs</u>	<u>Juvenile Probation - State</u>
\$ -	\$ 24,710	\$ 6,599	\$ 220,166	\$ -	\$ -
-	-	-	96,760	77,802	207,062
81	1,936	282	483	9	208
349	-	-	-	-	-
<u>430</u>	<u>26,646</u>	<u>6,881</u>	<u>317,409</u>	<u>77,811</u>	<u>207,270</u>
-	15,014	-	-	-	-
-	-	8,195	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	335,408	65,741	222,942
-	-	-	-	-	-
<u>-</u>	<u>15,014</u>	<u>8,195</u>	<u>335,408</u>	<u>65,741</u>	<u>222,942</u>
430	11,632	(1,314)	(17,999)	12,070	(15,672)
-	-	6,595	1,955	-	-
-	-	-	-	(1,955)	-
<u>-</u>	<u>-</u>	<u>6,595</u>	<u>1,955</u>	<u>(1,955)</u>	<u>-</u>
430	11,632	5,281	(16,044)	10,115	(15,672)
<u>5,127</u>	<u>120,542</u>	<u>12,303</u>	<u>185,267</u>	<u>5</u>	<u>19,684</u>
<u>\$ 5,557</u>	<u>\$ 132,174</u>	<u>\$ 17,584</u>	<u>\$ 169,223</u>	<u>\$ 10,120</u>	<u>\$ 4,012</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, 2018

Continuation

	<u>Court Report Service</u>	<u>Juvenile Progressive Sanctions</u>	<u>Juvenile Probation Special</u>	<u>Child Support District Clerk</u>
REVENUES				
Licenses and fees	\$ 3,674	\$ -	\$ 1,835	\$ -
Intergovernmental	-	-	-	-
Interest	174	53	377	50
Miscellaneous	-	-	-	219
	<u>3,848</u>	<u>53</u>	<u>2,212</u>	<u>269</u>
Total revenues				
EXPENDITURES				
Current:				
Administrative	-	-	-	-
Judicial	-	-	-	-
Public facilities	-	-	-	-
Public safety	-	-	-	-
Road and bridge	-	-	-	-
Public service	-	-	2,089	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,089</u>	<u>-</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,848	53	123	269
OTHER FINANCING SOURCES / (USES)				
Transfers in	-	-	-	-
Transfers out	(3,410)	-	-	-
	<u>(3,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES / (USES)	(3,410)	-	-	-
NET CHANGE IN FUND BALANCES	438	53	123	269
FUND BALANCES - BEGINNING	<u>12,825</u>	<u>1,137</u>	<u>24,742</u>	<u>3,180</u>
FUND BALANCES - ENDING	<u>\$ 13,263</u>	<u>\$ 1,190</u>	<u>\$ 24,865</u>	<u>\$ 3,449</u>

<u>Juvenile Title IV</u>	<u>Records Archive - County Clerk</u>	<u>County Attorney Check Fees</u>	<u>District Attorney Check Fees</u>	<u>District Attorney Forfeitures</u>	<u>Sheriff Forfeitures & Seizures</u>
\$ -	\$ 28,806	\$ 520	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,648	389	89	221	31
-	-	-	-	-	-
-	30,454	909	89	221	31
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	30,454	909	89	221	31
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	30,454	909	89	221	31
169	93,553	25,090	5,799	14,276	1,994
<u>\$ 169</u>	<u>\$ 124,007</u>	<u>\$ 25,999</u>	<u>\$ 5,888</u>	<u>\$ 14,497</u>	<u>\$ 2,025</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, 2018

Continuation

	District Clerk Records Management	District Attorney	Lateral Road	County Clerk Records Preservation
REVENUES				
Licenses and fees	\$ 2,286	\$ -	\$ -	\$ 930
Intergovernmental	-	27,500	28,726	-
Interest	252	3	693	159
Miscellaneous	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	2,538	27,503	29,419	1,089
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
Administrative	-	-	-	-
Judicial	-	27,670	-	-
Public facilities	-	-	-	-
Public safety	-	-	-	-
Road and bridge	-	-	16,000	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	27,670	16,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,538	(167)	13,419	1,089
OTHER FINANCING SOURCES / (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES / (USES)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	2,538	(167)	13,419	1,089
FUND BALANCES - BEGINNING	15,265	7,433	27,061	9,859
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 17,803	\$ 7,266	\$ 40,480	\$ 10,948
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

District Clerk Records Preservation	Museum	Jail Commissary	Drug Court Fund	Total Non- Major Governmental Funds
\$ 4,142	\$ -	\$ 28,992	\$ 2,335	\$ 345,164
-	-	-	-	437,850
444	1,623	3	116	12,604
-	5,284	-	22,865	28,717
<u>4,586</u>	<u>6,907</u>	<u>28,995</u>	<u>25,316</u>	<u>824,335</u>
-	-	-	-	15,014
-	-	-	26,974	62,839
-	189,356	-	-	189,356
-	-	22,279	-	22,279
-	-	-	-	16,000
-	-	-	-	626,180
-	11,044	-	-	11,044
<u>-</u>	<u>200,400</u>	<u>22,279</u>	<u>26,974</u>	<u>942,712</u>
4,586	(193,493)	6,716	(1,658)	(118,377)
-	218,382	-	27,046	253,978
-	(9,218)	-	-	(25,293)
<u>-</u>	<u>209,164</u>	<u>-</u>	<u>27,046</u>	<u>228,685</u>
4,586	15,671	6,716	25,388	110,308
<u>26,865</u>	<u>8,047</u>	<u>13,512</u>	<u>-</u>	<u>845,612</u>
<u>\$ 31,451</u>	<u>\$ 23,718</u>	<u>\$ 20,228</u>	<u>\$ 25,388</u>	<u>\$ 955,920</u>

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, 2018

	<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	\$ 25,535	\$ 1,178	\$ 304,443	\$ 21,924	\$ 552,918	\$ 908,161
Accounts receivable	-	-	-	-	-	1,129	1,129
Total assets	<u>\$ 2,163</u>	<u>\$ 25,535</u>	<u>\$ 1,178</u>	<u>\$ 304,443</u>	<u>\$ 21,924</u>	<u>\$ 554,047</u>	<u>\$ 909,290</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,516	\$ 69,516
Due to other governments	-	-	-	-	-	366,108	366,108
Deposits	2,163	25,535	1,178	304,443	21,924	118,423	473,666
Total liabilities	<u>\$ 2,163</u>	<u>\$ 25,535</u>	<u>\$ 1,178</u>	<u>\$ 304,443</u>	<u>\$ 21,924</u>	<u>\$ 554,047</u>	<u>\$ 909,290</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, 2018, and the related notes to the financial statements, which collectively comprise Hutchinson County, Texas' basic financial statements and have issued our report thereon dated June 14, 2019.

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

June 14, 2019