

PARKER COUNTY, TEXAS

**ANNUAL FINANCIAL REPORT FOR
THE YEAR ENDED SEPTEMBER 30, 2013**

PARKER COUNTY, TEXAS
Annual Financial Statements
For the Fiscal Year Ended September 30, 2013

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For the Fiscal Year Ended September 30, 2013

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SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Judge and Members of
The Commissioners' Court
Parker County, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Parker County, Texas as of September 30, 2013, 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 management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retirement plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Parker County's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2014, on our consideration of Parker County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parker County's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams

July 24, 2014

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis (MD&A) of Parker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2013. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the Fiscal Year 2013 by \$15,832,086 (*net position*). Of this amount, \$8,079,250 is restricted for specific purposes and \$6,199,466 represents a deficit in unrestricted net position. As required by GASB 34, net position also reflects \$13,952,302 net investment in capital assets.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$36,167,420; of which \$93,344 represents non-spendable fund balance, \$25,045,414 represents fund balance restricted for funding of debt service, capital projects, the lateral road fund, and federal and state programs, \$200,992 represents fund balance assigned to state and special programs, and \$10,827,670 or 30% represents unassigned fund balance.
- The General fund reports a fund balance of \$11,028,426; of which \$90,376 represents non-spendable fund balance, \$91,908 represents fund balance restricted for federal and state programs, \$10,164 represents fund balance assigned to state and special programs, and \$10,835,978 represents unassigned fund balance. Unassigned fund balance for the General fund equals 30% of total General fund expenditures.
- The County's total debt increased by a net amount of \$16,979,361 during the current fiscal year primarily due to the issuance of bonds, offset by scheduled annual principal retirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) other required supplementary information in addition to the basic financial statements themselves. This report also contains other supplementary information in addition to the basic financial statements.

The Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

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

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

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government; public safety; health and welfare; roads and bridges; law enforcement; judicial; recording; and tax assessing-collecting.

The government-wide financial statements can be found on pages 13 and 14 of this report.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

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

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

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

The County maintains forty individual governmental funds (excluding fiduciary funds), thirty-five special revenue funds, a capital project fund, a debt service fund, and a general fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Lateral Road Fund, Capital Projects Tax Road Bonds Fund and the Debt Service Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 15 through 17 of this report.

Proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The County's uses an internal service fund to account for its self-insurance programs. Because these activities benefit governmental functions, they have been included with governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 18 through 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found on page 21 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget comparisons and pension benefits. The required supplementary information can be found on pages 42 through 45 of this report.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$15,832,086 as of September 30, 2013. Also, the County's net position includes prior period adjustments that resulted in restated amounts for 2012. See Note 1 on page 29 for additional information.

Parker County's Net Position

	Governmental Activities	
	2013	Restated 2012
Current and other assets	\$ 43,588,353	\$ 29,234,982
Capital assets, net of depreciation	79,669,524	73,532,813
Total assets	123,257,877	102,767,795
Long-term liabilities	103,009,932	86,030,571
Other liabilities	4,415,859	3,051,420
Total liabilities	107,425,791	89,081,991
Net position:		
Net investment in capital assets	13,952,302	15,240,140
Restricted	8,079,250	9,005,795
Unrestricted	(6,199,466)	(10,560,131)
Total Net Position	\$ 15,832,086	\$ 13,685,804

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$13,952,302. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$8,079,250 of the County's net position (51%) represents resources that are subject to external restrictions on how they may be used. All restricted assets of the County are being held for purposes established by state and local laws, future construction, and debt service requirements on the County's outstanding debt. The unrestricted net position, which includes \$16,371,327 of long-term debt not related to the County's capital assets, represents a deficit fund balance of \$6,199,466.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

The County's governmental activities increased net position by \$2,146,282 during the current fiscal year. Included in this increase is a special item totaling (\$1,519,051) that is the result of expenses financed by long-term proceeds for infrastructure improvements donated to other governmental entities within the County. Although the County will not maintain or own these roads, it continues to be responsible for paying the debt.

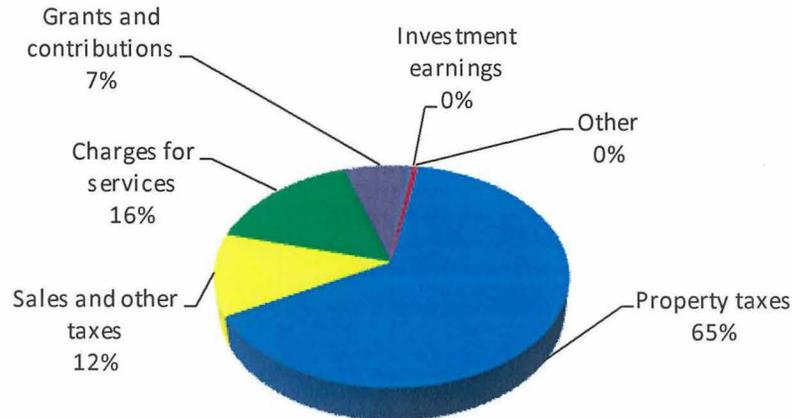
The total cost of all governmental activities this year was \$55,818,777. The amount that our taxpayers paid for these activities through property taxes was \$38,326,288 or 69%.

Parker County's Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 9,512,774	\$ 10,574,569
Operating grants and contributions	4,207,221	4,132,569
Capital grants and contributions	52,677	667,117
General revenues:		
Property taxes	38,326,288	37,186,159
Sales and other taxes	7,127,485	6,822,317
Investment earnings	13,669	13,128
Other	243,996	342,296
Total revenues	<u>59,484,110</u>	<u>59,738,155</u>
Expenses:		
General government	8,234,939	7,667,104
Roads and bridges	11,824,093	10,823,601
Public safety	1,868,782	1,915,391
Law enforcement	16,841,535	15,514,614
Judicial	8,925,330	11,145,668
Health and welfare	588,265	371,946
Recording	2,275,973	1,540,345
Tax assessing-collecting	757,220	737,162
Interest and other costs	4,502,640	3,987,656
Total expenses	<u>55,818,777</u>	<u>53,703,487</u>
Special item	<u>(1,519,051)</u>	<u>(15,345,699)</u>
Change in net position	2,146,282	(9,311,031)
Net position-beginning	16,483,049	24,858,596
Prior period adjustment	<u>(2,797,245)</u>	<u>935,484</u>
Net position-beginning, restated	<u>13,685,804</u>	<u>25,794,080</u>
Net position-ending	<u>\$ 15,832,086</u>	<u>\$ 16,483,049</u>

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

Revenues by Source



Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$13,772,672 equaled 25% of governmental expenses of \$55,818,777. As expected, general revenues (\$45,711,438) provided the remaining support and coverage for expenses.
- Over one-fourth of the expenses are law enforcement (\$16,841,535) while this category provided 6% of total revenues.
- The second largest category of expenses is roads and bridges (\$11,824,093) at 21% while it only provided about 5% of total revenues.
- Grant revenues and contributions comprised about 7% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$36,167,420, an increase of \$12,554,610 in comparison with the prior year. Approximately \$10,827,670 or 30% of the fund balance represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is made up of non-spendable fund balance (\$93,344), assigned fund balance (\$200,992), and restricted fund balance (\$25,045,414). Assigned fund balance is set aside for state and special programs while the restricted fund balance is set aside to pay debt service (\$1,252,446), and fund capital projects (\$17,496,821), lateral road (\$3,510,592), and federal and state programs (\$2,785,555).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the general fund was \$11,028,426; of which \$90,376 was nonspendable fund balance, \$91,908 was restricted fund balance, \$10,164 was assigned fund balance, and the remainder was unassigned. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 30%, or slightly more than 109 days of total fund expenditures.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

The fund balance of the County's general fund increased by \$4,597,988. Key factors in this increase are as follows:

- Increase in property tax, sales tax and intergovernmental revenue; and
- Decrease in capital outlay expenditures.

The debt service fund has a total fund balance of \$1,252,446, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service funds was \$512,809. Total debt principal, interest and fiscal charges increased from the prior year primarily due to the payments on the Unlimited Tax Road Bonds.

The capital projects funds had a total fund balance of \$17,496,821, all of which is restricted for construction and improvements or acquisition of County-owned buildings and equipment.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original fiscal year 2013 budget was adopted in September 2012, with the total beginning general fund expenditures amounting to \$37,924,747. The fiscal year 2013 budget adjustments were primarily due to a decrease in non-departmental, building and grounds, sheriff administration, training division and courthouse security, and an increase in County extension services, emergency management, fire protection, jail, sheriff investigation, sheriff patrol, jail transfer, animal control, county court-at-law #2, justice of the peace #3, 911 addressing, and capital outlay.

In total, the original general fund budget for expenditures and the final general fund amended budget for expenditures increased \$56,993.

Significant variations between the final budget and actual amounts include the following:

- Actual revenues were greater than budgeted by \$2,841,680 primarily due to the increase in sales tax collections and additional intergovernmental, fees of office and miscellaneous revenue over what was expected; and
- Actual expenditures were \$1,729,665 less than budgeted primarily due to lower costs of buildings and grounds, commissioners' court, non-departmental, sheriff administration, fire protection, and juvenile probation expenditures than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The capital assets of the County are those assets (land, work in progress, buildings and improvements, infrastructure, office furnishings and equipment, transportation equipment, road maintenance equipment, emergency management and other equipment), which are used in the performance of the County's functions including current year expenditures for infrastructure assets. At September 30, 2013, net capital assets of the governmental activities totaled \$79,669,524. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$3,685,015.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

**Parker County's Capital Assets
(net of depreciation)**

	Governmental Activities	
	2013	2012
Land	\$ 5,565,537	\$ 5,526,612
Work in progress	22,839,709	25,452,833
Buildings and improvements	24,754,568	25,798,938
Infrastructure	19,896,736	8,275,717
Office furniture and equipment	2,290,773	3,278,268
Transportation equipment	767,821	1,016,604
Road maintenance equipment	3,306,842	4,036,235
Emergency management equipment	244,415	143,312
Other	3,123	4,294
Total	\$ 79,669,524	\$ 73,532,813

Additional information on the County's capital assets can be found in Note 5 on pages 33 through 34 of this report.

Long-term debt and capital leases. As of September 30, 2013, the County had unlimited tax road bonds, general obligation refunding bonds, and certificates of obligation outstanding of \$93,988,552. Total capital leases payable were \$2,329,449.

The County's total property tax rate for fiscal year 2013 was \$.412375 per \$100 assessed valuation, of which \$.0643763 was for annual debt service.

Parker County's Outstanding Debt

	Governmental Activities	
	2013	2012
Unlimited tax road bonds	\$ 78,368,552	\$ 59,794,975
General obligation refunding bonds	2,695,000	2,865,000
Certificates of obligation	12,925,000	13,710,000
Tax notes	-	570,000
Capital leases payable	2,329,449	3,186,315
Total	\$ 96,318,001	\$ 80,126,290

Additional information on the County's long-term debt can be found in Note 8 on pages 35 through 37 of this report.

**PARKER COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the County budget for fiscal year 2014, the County Commissioners and management considered the following factors:

- The County, which is located near the Dallas/Fort Worth Metroplex, is expecting an increase in population, households, and retail sales, therefore sales tax revenues for the County are expected to increase approximately 8.5%.
- Property tax revenues are budgeted to increase 4% in the general fund and 1% in the lateral road fund due to the continued rise in certified values of real estate in the area as well as an increase in the tax rate.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the appropriate financial office (County Auditor) at 1112 Santa Fe Drive, Weatherford, Texas, 76086 or (Parker County Judge) at 1 Courthouse Square, Weatherford, Texas 76086.

FINANCIAL STATEMENTS

PARKER COUNTY, TEXAS
Statement of Net Position
As of September 30, 2013

Exhibit A-1

	Primary Governmental Governmental Activities
ASSETS:	
Cash	\$ 3,024,979
Investments	37,351,942
Receivables (net of allowance for uncollectible accounts)	3,118,088
Prepaid expenses and other assets	93,344
Land and work in progress	28,405,246
Other capital assets, net of depreciation	51,264,278
Total assets	123,257,877
LIABILITIES:	
Accounts payable	2,796,522
Accrued salaries and benefits payable	701,476
Accrued interest payable	794,581
Due to other governmental entities	123,280
Noncurrent liabilities	
Due within one year	2,551,228
Due in more than one year	100,458,704
Total liabilities	107,425,791
NET POSITION:	
Net investment in capital assets	13,952,302
Restricted for:	
Debt service	1,434,213
Lateral road	3,770,872
Federal and state programs	2,874,165
Unrestricted	(6,199,466)
	\$ 15,832,086

PARKER COUNTY, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2013

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General government	\$ 8,234,939	\$ 249,723	\$ 497,928	\$ -	\$ (7,487,288)
Roads and bridges	11,824,093	2,920,103	193,433	-	(8,710,557)
Public safety	1,868,782	86,171	148,018	52,677	(1,581,916)
Law enforcement	16,841,535	958,461	2,408,833	-	(13,474,241)
Judicial	8,925,330	2,251,289	933,363	-	(5,740,678)
Health and welfare	588,265	170,272	25,646	-	(392,347)
Recording	2,275,973	1,399,696	-	-	(876,277)
Tax assessing-collecting	757,220	1,477,059	-	-	719,839
Interest and other costs	4,502,640	-	-	-	(4,502,640)
Total primary government	\$ 55,818,777	\$ 9,512,774	\$ 4,207,221	\$ 52,677	\$ (42,046,105)

General revenue:	
Property taxes	38,326,288
Sales and other taxes	7,127,485
Investment earnings	13,669
Other general revenue	243,996
Total general revenues	<u>45,711,438</u>
Special item	<u>(1,519,051)</u>
Change in net position	2,146,282
Net position - beginning	16,483,049
Prior period adjustment (Note 1)	<u>(2,797,245)</u>
Net position - beginning, restated	<u>13,685,804</u>
Net position - ending	<u>\$ 15,832,086</u>

PARKER COUNTY TEXAS
Balance Sheet
Governmental Funds
September 30, 2013

Exhibit A-3

	<u>General</u>	<u>Lateral Road</u>	<u>Capital Projects Tax Road Bonds</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Assets:						
Cash	\$ 195,761	\$ 24,770	\$ 107,806	\$ 7,259	\$ 69,178	\$ 404,774
Investments	10,896,633	4,169,215	18,143,919	1,221,667	2,919,494	37,350,928
Receivables, net of uncollectible allowance of \$578,058						
Property taxes	846,386	293,298	-	205,287	-	1,344,971
Intergovernmental	1,584,085	982	-	-	27,337	1,612,404
Other	135,201	19,655	77	-	5,816	160,749
Due from other funds	42,701	-	-	-	14,139	56,840
Prepaid expenses and other assets	90,376	-	-	-	2,968	93,344
Total assets	<u>\$ 13,791,143</u>	<u>\$ 4,507,920</u>	<u>\$ 18,251,802</u>	<u>\$ 1,434,213</u>	<u>\$ 3,038,932</u>	<u>\$ 41,024,010</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,370,581	\$ 647,085	\$ 754,981	\$ -	\$ 10,887	\$ 2,783,534
Accrued salaries and benefits payable	605,085	89,963	-	-	6,428	701,476
Due to other funds	-	-	-	-	56,840	56,840
Due to other governmental entities	37,638	-	-	-	85,642	123,280
Total liabilities	<u>2,013,304</u>	<u>737,048</u>	<u>754,981</u>	<u>-</u>	<u>159,797</u>	<u>3,665,130</u>
Deferred inflows of resources:						
Property taxes	749,413	260,280	-	181,767	-	1,191,460
Total deferred inflows of resources	<u>749,413</u>	<u>260,280</u>	<u>-</u>	<u>181,767</u>	<u>-</u>	<u>1,191,460</u>
Fund balances:						
Nonspendable						
Inventory	33,406	-	-	-	-	33,406
Prepaid	56,970	-	-	-	2,968	59,938
Restricted for:						
Debt service	-	-	-	1,252,446	-	1,252,446
Capital projects	-	-	17,496,821	-	-	17,496,821
Lateral road	-	3,510,592	-	-	-	3,510,592
Federal and state programs	91,908	-	-	-	2,693,647	2,785,555
Assigned to state and special programs	10,164	-	-	-	190,828	200,992
Unassigned	10,835,978	-	-	-	(8,308)	10,827,670
Total fund balances	<u>11,028,426</u>	<u>3,510,592</u>	<u>17,496,821</u>	<u>1,252,446</u>	<u>2,879,135</u>	<u>36,167,420</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,791,143</u>	<u>\$ 4,507,920</u>	<u>\$ 18,251,802</u>	<u>\$ 1,434,213</u>	<u>\$ 3,038,932</u>	

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,669,524
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,191,460
Some liabilities, including bonds, capital leases and interest payable, accumulated accretion, unamortized premiums, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(103,804,513)
Assets and liabilities of the internal service fund is included in governmental activities and are not reported with governmental funds.	2,608,195
Net position of governmental activities - statement of net position	<u>\$ 15,832,086</u>

PARKER COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended September 30, 2013

Exhibit A-4

	General	Lateral Road	Capital Projects Tax Road Bonds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 24,461,626	\$ 7,862,272	\$ -	\$ 5,922,728	\$ -	\$ 38,246,626
Sales taxes	7,028,042	-	-	-	-	7,028,042
Intergovernmental	3,094,262	271,698	-	-	1,324,845	4,690,805
Fees of Office	5,048,897	2,156,498	-	-	878,579	8,083,974
Fines and forfeitures	-	356,007	-	-	-	356,007
Interest	9,893	2,334	-	1,172	270	13,669
Royalties	35,894	-	-	-	-	35,894
Miscellaneous	637,197	108,212	55,375	-	127,517	928,301
Total revenues	40,315,811	10,757,021	55,375	5,923,900	2,331,211	59,383,318
EXPENDITURES						
Current:						
General government	6,116,947	-	80,665	-	591,658	6,789,270
Roads and bridges	-	10,415,291	-	-	-	10,415,291
Public safety	1,403,947	-	-	-	177,360	1,581,307
Law enforcement	16,442,525	-	-	-	186,411	16,628,936
Judicial	8,178,865	-	-	-	793,902	8,972,767
Health and welfare	571,426	-	-	-	-	571,426
Recording	2,051,225	-	-	-	218,868	2,270,093
Tax assessing-collecting	768,735	-	-	-	-	768,735
Capital outlays	95,163	341,101	10,954,979	-	63,413	11,454,656
Debt Service						
Principal	519,010	314,637	-	1,916,423	22,558	2,772,628
Interest	104,232	32,028	-	4,520,286	2,639	4,659,185
Bond issuance costs	-	-	244,689	-	-	244,689
Total expenditures	36,252,075	11,103,057	11,280,333	6,436,709	2,056,809	67,128,983
Excess (deficiency) of revenues over (under) expenditures	4,063,736	(346,036)	(11,224,958)	(512,809)	274,402	(7,745,665)
Other financing sources (uses):						
Operating transfers in	512,861	-	-	-	-	512,861
Operating transfers out	-	-	(423,492)	-	(89,369)	(512,861)
Sale of assets	21,391	5,310	-	-	-	26,701
Bond proceeds	-	-	18,965,000	-	-	18,965,000
Premium on long term debt issued	-	-	1,308,574	-	-	1,308,574
Total other financing sources (uses)	534,252	5,310	19,850,082	-	(89,369)	20,300,275
Net changes in fund balances	4,597,988	(340,726)	8,625,124	(512,809)	185,033	12,554,610
Fund balances - October 1	6,430,438	3,851,318	8,871,697	1,765,255	3,125,276	24,043,984
Prior period adjustment (Note 1)	-	-	-	-	(431,174)	(431,174)
Fund balances - October 1, restated	6,430,438	3,851,318	8,871,697	1,765,255	2,694,102	23,612,810
Fund balances - September 30	<u>\$ 11,028,426</u>	<u>\$ 3,510,592</u>	<u>\$ 17,496,821</u>	<u>\$ 1,252,446</u>	<u>\$ 2,879,135</u>	<u>\$ 36,167,420</u>

PARKER COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2013

Exhibit A-5

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

Net changes in fund balances - total governmental funds \$ 12,554,610

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of some of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital outlay	\$ 11,454,656	
Depreciation	<u>(3,685,015)</u>	
Net capital outlay		7,769,641

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals, donations) decreases net position (1,632,269)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 79,662

The issuance of long-term debt, including capital leases, provides current financial resources to governmental funds while increasing long-term liabilities in the statement of net position. (20,273,574)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,772,628

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Amortization of premium from bond issuance	\$ 202,682	
Increase in accrued interest payable	(126,075)	
Accretion of capital appreciation bonds	323,966	
Increase in compensated absences payable	<u>(5,724)</u>	
Net increase in expenditures		394,849

Internal service funds are used by the County to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities. 480,735

Change in net position of governmental activities - statement of activities \$ 2,146,282

PARKER COUNTY, TEXAS
Statement of Net Position
Proprietary Fund
September 30, 2013

Exhibit A-6

		Insurance Escrow
ASSETS:		
Cash	\$	2,620,205
Investment		1,014
Accounts receivable		294
Total assets		2,621,513
LIABILITIES:		
Accounts payable		13,318
Total liabilities		13,318
NET POSITION:		
Unrestricted		2,608,195
Total net position	\$	2,608,195

PARKER COUNTY, TEXAS
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2013

Exhibit A-7

	Insurance Escrow
OPERATING REVENUE	
County contributions	\$ 6,629,838
Total operating revenues	6,629,838
OPERATING EXPENSES	
Contractual	6,257,411
Total operating expenses	6,257,411
Operating income	372,427
NON OPERATING REVENUES	
Miscellaneous	108,308
Total non operating revenues	108,308
Change in net position	480,735
Net position -October 1	2,127,460
Net position -September 30	\$ 2,608,195

PARKER COUNTY, TEXAS
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2013

Exhibit A-8

	<u>Insurance Escrow</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 6,629,667
Payments to providers	<u>(6,264,828)</u>
Net cash provided by operating activities	364,839
 CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments	298,043
Miscellaneous revenues	<u>108,308</u>
Net cash provided by investing activities	<u>406,351</u>
Net increase in cash	771,190
Cash - October 1	<u>1,849,015</u>
Cash - September 30	<u><u>\$ 2,620,205</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 372,427
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(171)
Decrease in accounts payable	<u>(7,417)</u>
Net cash provided by operating activities	<u><u>\$ 364,839</u></u>

PARKER COUNTY, TEXAS
Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2013

Exhibit A-9

ASSETS

Cash	\$ 6,415,930
Investments	909,560
Accounts receivable	<u>784,990</u>
Total assets	<u><u>\$ 8,110,480</u></u>

LIABILITIES

Deposits held and due to others	\$ 8,093,920
Accounts payable - State	<u>16,560</u>
Total liabilities	<u><u>\$ 8,110,480</u></u>

NOTES TO FINANCIAL STATEMENTS

PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Parker County have been prepared in accordance with accounting principles generally accepted in the United States of America. The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The significant accounting policies are described below.

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution V.A.C.S. Parker County, Texas (the County) performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and Commissioners form the governing body as provided by state statute. Various branches of the County government are led by duly elected officials. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. The accompanying financial statements of the County present the financial position of the governmental activities and the respective changes in financial position. The County is not included in any other governmental "reporting entity".

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, an entity for which the County is considered to be financially accountable. The blended component unit, although legally a separate entity, is, in substance, part of the County's operation and so data from this unit is combined with data of the primary government. The following blended component unit has a September 30th year-end.

Historical Commission – The County created the entity to account for revenues and expenses associated with the preservation and restoration activities of the Parker County Historical Society. The governing body is made up of members appointed by the Commissioner's Court. Upon dissolution of the Society, the assets of the Society shall be distributed to Parker County. The Society provides all of its services to Parker County, Texas.

The County is a general purpose government providing the following services to its citizens: public safety, health and welfare, public transportation through roads and bridges, law enforcement, judicial, recording, tax assessing-collecting, and general and financial administrative services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed below. The remainder of the Notes is organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2013.

B. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The financial and reporting policies of the County conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following are the more significant policies used by the County.

PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide financial statements

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

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

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund financial statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, the Lateral Road Fund, the Capital Projects Tax Road Bonds Fund, and the Debt Service Fund meet criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include other Special Revenue Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining Statements.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized at the time the liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds and use the economic resources measurement focus and the accrual basis of accounting. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Lateral Road Fund is a special revenue fund used to account for the maintenance and construction of County roads and bridges. Financing is provided primarily by an annual property tax levy. Additional revenue is provided by a charge on each auto registration and from fines levied by the County.

Capital Projects Tax Road Bonds Fund is used to account for the proceeds of the Unlimited Tax Road Bonds – Series 2009 and Series 2013 which were obtained for constructing, improving, extending, expanding, upgrading and / or developing macadamized, graveled, or paved roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements, and payment of costs of issuance related to the bonds.

Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are set aside to finance particular functions or activities of the County.

The Internal Service Fund is used to account for the group health insurance benefits provided to the County's departments on a cost reimbursement basis.

Agency Funds are used to account for assets held by the County as an agent for individuals, business, other governments and / or other funds.

Budget and Budgetary Accounting

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

- (A) In the event the Commissioners Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three percent but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election.
- (B) Public hearings are conducted at the Parker County Courthouse and Courthouse Annex to obtain taxpayer comments.
- (C) Prior to October 1, the budget is legally enacted through adoption of an order by Commissioners Court.
- (D) Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners Court. There must be an emergency condition existing in order for the Court to increase the total budget.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (E) Budgets for the various funds are adopted on a basis consistent with United States generally accepted accounting principles (GAAP), with the exception of tax revenues being reported on the cash basis.
- (F) Expenditures in excess of appropriations are required by state statutes to be reported down to the department level.
- (G) The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners Court during the year ended September 30, 2013.

C. ASSETS, LIABILITIES AND EQUITIES

Cash Equivalents

The County follows the practice of pooling cash and investments of all funds held by the County Treasurer, except when otherwise requested, in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. Balances in cash and pooled investments are available on a demand basis to each fund. Investments are shown on the balance sheet at cost, which approximate market.

For purposes of the statement of cash flows, the County considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Inventory

Governmental fund inventory consisted of fuel and is valued at cost on the first-in first-out (FIFO) method and is charged to each department as it is used.

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, office furnishings, road maintenance, transportation, firefighting and other equipment, and infrastructure assets (e.g. roads and bridges) are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more. 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.

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

Buildings and improvements	10 - 40 years
Infrastructure	20 years
Office furniture and equipment	3 – 20 years
Road maintenance equipment	3 – 10 years
Transportation equipment	3 – 5 years
Firefighting equipment	5 years
Emergency management equipment	5 years
Other equipment	5 years

PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Upon new debt issuance, premiums and discounts are deferred and amortized over the life of the debt.

In the fund financial statements, governmental fund types recognized debt premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources net of the applicable, premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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 does not have any of this type of item.

In addition to liabilities, the statement of financial position includes 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 County currently only has one item that qualifies for reporting in this category in the governmental fund financial statements. The deferred inflow of property tax revenues is reported in the governmental fund financial statements.

Fund Balances

The County implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The County has evaluated the use of its Debt Service, Special Revenue Funds and Capital Projects Funds under the criteria set forth in GASB Statement 54 and has determined there are no changes needed.

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

Nonspendable Fund Balance – includes amounts that are not in spendable form, not expected to be converted into cash within the current period or at all, or legally or contractually required to be maintained intact.

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

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of Commissioner's Court, which is the County's highest level of decision-making authority, and, conjunctively, require the same formal action by Commissioner's Court to remove or revise the enacted constraint limitations.

Assigned Fund Balance – includes amounts intended to be used for specific purposes that are neither restricted nor committed. Intent is expressed by the Commissioner's Court of Parker County, but operationally the ability to implement the intent may be delegated to one or more persons. Designees may be listed in the County's fund balance policy or, alternatively, in the County's budgetary policy.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned Fund Balance – represents the residual classification of all spendable amounts not contained within the other classifications and is used for all negative fund balances.

It is the County's goal to achieve and maintain an unassigned General Fund balance of approximately 25% to 50% of budgeted expenditures for the fiscal year, to be used for unanticipated needs and to maintain restricted fund balance of the Debt Service Fund of approximately 25% of the following year's debt service requirements, to be used for debt service. At the end of fiscal year 2013, the unassigned General Fund balance was 29% of budgeted expenditures and the Debt Service Fund balance was at 19% of the following year's debt service requirements.

Where appropriate, the County will use restricted, committed, and assigned fund balances, in that order, prior to using unassigned resources.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets—This category consists of a portion of the County's net position invested in various capital assets. Ordinarily, this investment is computed as the remainder of the total of its capital assets net of accumulated depreciation minus its capital-related borrowings.

Since some of the County's borrowings are used to finance capital assets that are owned by other governments, the portion of the debt that is not related to county-owned assets must be removed from the above equation. As of September 30, 2013 a total of \$16,371,327 does not relate to county-owned assets. This debt represents a portion of the County's 2009 Unlimited Tax Road Bonds outstanding and is included in the County's unrestricted net position.

Restricted net position—This category consists of external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position—This category represents net position, not restricted for any project or other purpose.

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

The government-wide statement of net position reports \$8,079,250 of restricted net position, of which \$2,668,150 are restricted by enabling legislation.

Use of Estimates

The preparation of financial statements in conformity with United States 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.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at the end of the fiscal year. Encumbrances outstanding at that time are cancelled and become available for future appropriation.

PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Deficit

Special Revenue Fund – Other Grant Funds have a deficit fund balance of \$480. The deficit is a result of capital outlays in excess of granted funds in prior years. Additionally, the Sheriff's Forfeiture fund has a deficit of \$4,860. The deficit is a result of a decline if forfeiture funds received from state agencies.

New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is effective for periods beginning after December 15, 2011. This standard improves financial reporting by contributing to the GABS's effort to codify all sources of generally accepted accounting principles for state and local governments so that they are derived from a single source. The County has implemented this statement in the year ended September 30, 2013. The County will not disclose that the County has elected to follow Pre-November 30, 1989 FASB and AICPA Pronouncement that did not conflict with GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The County has implemented this reporting for the year ended September 30, 2013. The components of net position were renamed to reflect the requirements of this statement and the financial statement elements of deferred outflows of resources and deferred inflows of resources were added to the financial statements, where applicable.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012 with earlier application encouraged. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The County has implemented this statement in the year ended September 30, 2013. The deferred property taxes were classified as deferred inflows of resources.

Prior Year Restatement

The County recorded a prior period adjustment in the Other Governmental Funds. According to guidance from the State, Parker County Adult Probation Grant Funds, which were reported as special revenue funds by the County in the prior year, should be reported as agency funds in the Statement of Fiduciary Assets and Liabilities. This decreased the beginning fund balance of the Other Governmental Funds by \$346,991 and the beginning net position of the governmental activities by \$1,441,451. Additionally, the County recorded an additional prior period adjustment in the Other Governmental Funds to relieve a receivable balance that should have been recognized as revenue in the prior year. This decreased the beginning fund balance of the Other Governmental Funds and the beginning net position of the governmental activities by \$84,183. The County also recorded a prior period adjustment in accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* to recognize debt issuance costs in the year in which the cost was incurred. This decreased beginning net position of the governmental activities by \$1,271,611.

PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2: DEPOSITS AND INVESTMENTS

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the County's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by Commissioners' Court. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, yield and management of maturities.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed or insured by the State of Texas or the United States or its instrumentalities;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating firm;
6. Certificates of deposit that are guaranteed or insured by the FDIC or are secured as to principal by obligations described Section 2256.009(a) of the Public Funds Investment Act or any other manner or amount provided by law for County deposits;
7. Fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in Section 2256.009(ax 1) of the Public Funds Investment Act, and are placed through a primary government securities dealer or a bank domiciled in the State of Texas;
8. Banker's acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency;
9. Commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank;
10. No-load money market mutual funds registered with the Securities and Exchange Commission (SEC) that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of \$1 for each share;
11. No-load mutual funds registered with the SEC, invested in obligations approved by the County that have an average weighted maturity of less than two years, continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and conformed to the eligibility of investment pools to receive and invest funds of investing entities; and
12. Eligible investment pools.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

As of September 30, 2013, the County had the following investments:

	Weighted Average Maturity	Credit Rating	<u>Market Value</u>	<u>% of Total</u>
DWS Scudder - Government Cash Institutional Shares Fund	47 days	AAAm	\$ 5,395,692	14.10%
UBS - Federated Government Obligation Fund IS	42 days	AAAm	<u>32,865,810</u>	<u>85.90%</u>
Total Investments			<u>\$ 38,261,502</u>	<u>100.00%</u>

Interest Rate Risk – The County limits exposure to fair value losses arising from interest rates by not directly investing in securities with maturity dates that exceed 2 years from the date of purchase. At September 30, 2013, 100% of the County's portfolio had maturity dates less than one year.

Credit Risk – Investments are exposed to credit risk if the security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. As of September 30, 2013, the County's investments in DWS Scudder - Government Cash Institutional Shares Fund and UBS – Federated Government Obligations Fund IS were rated by Standard and Poor's (see credit ratings above) and have an average weighted maturity of less than 90 days.

Concentration of Credit Risk - The County does not place a limit on the amount that may be invested. As of September 30, 2013, 100% of the County's investments were included in SEC regulated no-load money market mutual funds.

Custodial Credit Risk– Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. At September 30, 2013, the County's deposits were insured or collateralized with securities held by the County or by its agent in the County's name.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 3: PROPERTY TAX

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The Parker County Appraisal District assesses and collects property taxes for the County. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal and interest on long-term debt. A practical limitation on taxes levied on debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2013, excluding that portion budgeted for the retirement of long-term debt principal and interest was \$.3479987 per \$100 valuation. The total tax rate for all purposes was \$.412375 per \$100 valuation. The County's general obligation refunding bonds require an annual tax levy sufficient to pay principal and interest on the bonds with allowances being made for delinquent taxes.

NOTE 4: DELINQUENT PROPERTY TAXES

At the governmental fund level, property taxes are recognized as revenue when collected including those collected 60 days after fiscal year end. Delinquent property taxes receivable represent all uncollected property taxes and an account for estimated uncollectible taxes (allowance) is established based on the County's collection history. Deferred inflows of resources are reported in connection with property taxes receivable for revenues that are not considered to be available. The County's taxes on real property are a lien against such property until paid.

The following schedule details delinquent property taxes receivable by fund:

<u>Fund</u>	<u>Delinquent Taxes</u>	<u>Allowance</u>	<u>Net Receivable</u>
General	\$ 1,172,908	\$ (326,522)	\$ 846,386
Debt Service	284,483	(79,196)	205,287
Lateral Road	465,638	(172,340)	293,298
Total	<u>\$ 1,923,029</u>	<u>\$ (578,058)</u>	<u>\$ 1,344,971</u>

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 5: CHANGES IN CAPITAL ASSETS

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

	Balance 10/1/2012	Reclass / Additions	Reclass / Deletions	Balance 9/30/2013
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,526,612	\$ 38,925	\$ -	\$ 5,565,537
Work in progress	25,452,833	10,954,979	13,568,103	22,839,709
Total capital assets not being depreciated	30,979,445	10,993,904	13,568,103	28,405,246
Depreciable capital assets				
Buildings and improvements	35,479,509	44,439	510,567	35,013,381
Infrastructure	121,053,732	13,605,831	1,519,051	133,140,512
Office furniture and equipment	10,187,207	5,270	314,063	9,878,414
Transportation equipment	4,861,119	152,866	338,107	4,675,878
Road maintenance equipment	13,911,575	220,448	86,032	14,045,991
Fire fighting equipment	2,825,496	-	-	2,825,496
Emergency management equipment	506,323	165,001	-	671,324
Other	54,328	-	-	54,328
Total other capital assets	188,879,289	14,193,855	2,767,820	200,305,324
Less accumulated depreciation for:				
Buildings and improvements	9,680,571	974,370	396,128	10,258,813
Infrastructure	112,778,015	465,761	-	113,243,776
Office furniture and equipment	6,908,939	840,395	161,693	7,587,641
Transportation equipment	3,844,515	394,001	330,459	3,908,057
Road maintenance equipment	9,875,340	945,419	81,610	10,739,149
Fire fighting equipment	2,825,496	-	-	2,825,496
Emergency management equipment	363,011	63,898	-	426,909
Other	50,034	1,171	-	51,205
Total accumulated depreciation	146,325,921	3,685,015	969,890	149,041,046
Other capital assets, net	42,553,368	10,508,840	1,797,930	51,264,278
Governmental activities capital assets, net	\$ 73,532,813	\$ 21,502,744	\$ 15,366,033	\$ 79,669,524

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 5: CHANGES IN CAPITAL ASSETS (Continued)

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

Governmental activities:		
General government		\$ 1,483,226
Roads and bridges		1,488,663
Public safety		294,882
Law enforcement		327,323
Judicial		47,469
Health and welfare		21,137
Recording		<u>22,315</u>
Total depreciation for governmental activities		<u><u>\$ 3,685,015</u></u>

NOTE 6: INTERFUND BALANCES AND TRANSFERS

The following is a schedule of interfund receivable and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable From</u>	<u>Payable To</u>	<u>Amount</u>
Other governmental funds	General fund	\$ 42,701
Other governmental funds	Other governmental funds	<u>14,139</u>
	Total	<u><u>\$ 56,840</u></u>

Interfund transfers during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects 2009			
Tax Road Bonds	General fund	\$ 423,492	Administrative fee
Other governmental funds	General fund	<u>89,369</u>	Reclassification of funds
Total transfers		<u><u>\$ 512,861</u></u>	

NOTE 7: ACCUMULATED UNPAID VACATION AND SICK LEAVE

County policy allows the accrual of vacation, compensatory time, and sick pay benefits for all employees other than elected officials. The expense of the benefits is recognized when incurred. Vacation and compensatory pay is paid upon termination if the employee gives two weeks' notice or is terminated by the County. Sick pay is not paid upon termination for any reason. The liability for accrued vacation and compensatory pay is included below with general long-term debt. No liability has been recorded for sick pay since it is non-vesting. At September 30, 2013 the value of accumulated vacation and compensatory benefits amounted to \$849,382.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8: LONG-TERM DEBT AND CAPITAL LEASES

Unlimited Tax Road Bonds

The County issued \$59,999,975 in unlimited tax road bonds in April of 2009 for the purpose of constructing, improving, extending, expanding, upgrading and / or developing macadamized, graveled, or paved roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements. Principal payments are due in annual installments on February 15, maturing in February of 2034. Interest is payable February 15 and August 15, at interest rates ranging from 2.88% to 5.25%. The outstanding balance at September 30, 2013 was \$59,403,552. Current requirements for bonded indebtedness of the County are accounted for in the Debt Service funds.

The County issued \$18,965,000 in unlimited tax road bonds in December of 2012 for the purpose of constructing, improving, extending, expanding, upgrading and / or developing macadamized, graveled, or paved roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements. Principal payments are due in annual installments on February 15, maturing in February of 2038. Interest is payable February 15 and August 15, at interest rates ranging from 2.0% to 4.0%. The outstanding balance at September 30, 2013 was \$18,965,000. Current requirements for bonded indebtedness of the County are accounted for in the Debt Service funds.

General Obligation Refunding Bonds

The County issued \$3,430,000 in refunding bonds in June of 2005 for the purpose of partial refunding of the 2002 and 2004 Tax Notes. Principal payments are due in annual installments on February 15, maturing in February of 2025. Interest is payable February 15 and August 15, at interest rates ranging from 3.10% to 4.50%. The outstanding balance at September 30, 2013 was \$2,695,000. Current requirements for bonded indebtedness of the County are accounted for in the Debt Service funds.

Certificates of Obligation

The County issued \$14,580,000 in certificates of obligation in June 2005 for the purpose of jail construction and improvement, with any excess funds to be used for the construction or acquisition and equipment of other County-owned buildings needed for the County's use. Principal payments are due in annual installments on February 15, maturing in February of 2025. Interest is payable February 15 and August 15, at interest rates ranging from 3.30% to 5.00%. The outstanding balance at September 30, 2013 was \$12,925,000.

Debt Service requirements for the outstanding tax notes, bonds, and certificates of obligation are as follows:

Year	Principal	Interest	Annual
2014	\$ 1,542,414	\$ 5,036,648	\$ 6,579,062
2015	1,561,789	5,245,284	6,807,073
2016	1,569,349	5,284,361	6,853,710
2017	2,805,000	4,121,698	6,926,698
2018	2,995,000	4,000,780	6,995,780
2019-2023	18,165,000	17,796,419	35,961,419
2024-2028	23,550,000	12,865,540	36,415,540
2029-2033	30,020,000	6,357,971	36,377,971
2034-2038	11,780,000	645,110	12,425,110
Total	<u>\$ 93,988,552</u>	<u>\$ 61,353,811</u>	<u>\$ 155,342,363</u>

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8: LONG-TERM DEBT AND CAPITAL LEASES (Continued)

A summary of changes in governmental activities long-term debt follows:

	October 1, 2012	Additions	Retirements	September 30, 2013	Due Within One Year
General Obligation Refunding Bonds	\$ 2,865,000	\$ -	\$ 170,000	\$ 2,695,000	\$ 175,000
Certificates of Obligation	13,710,000	-	785,000	12,925,000	820,000
Unlimited Tax Road Bonds 2009	59,794,975	-	391,423	59,403,552	422,414
Unlimited Tax Road Bonds 2013	-	18,965,000	-	18,965,000	125,000
Tax Notes-Series 2006	570,000	-	570,000	-	-
Plus: Deferred Premiums on Issuance	2,161,400	1,308,574	202,682	3,267,292	224,880
Plus: Accumulated Accretion	2,899,223	140,845	464,811	2,575,257	114,565
Capital Lease Payable	3,186,315	-	856,866	2,329,449	669,369
Compensated Absences	843,658	641,267	635,543	849,382	-
Totals	\$86,030,571	\$21,055,686	\$4,076,325	\$ 103,009,932	\$2,551,228

Capital Leases Payable

Precinct 1

The County entered into a capital lease agreement in December 2009 in the amount of \$240,920. The lease balance is payable in five successive annual payments of \$56,921 each and a final payment of \$1, bearing interest at the rate of 6.07% per annum. The capital lease proceeds were used to purchase equipment by Precinct One (Fund 01). The balance at September 30, 2013 was \$104,291.

The County entered into a capital lease agreement in April 2010 in the amount of \$265,000. The lease balance is payable in five successive annual payments of \$62,610 each and a final payment of \$1, bearing interest at the rate of 6.79% per annum. The capital lease proceeds were used to purchase equipment by Precinct One (Fund 01). The balance at September 30, 2013 was \$113,568.

Emergency Management

The County entered into a capital lease agreement in February 2007 in the amount of \$3,787,122. The lease balance is payable in nine successive annual payments of \$470,877 and a final payment of \$493,761, bearing interest at the rate of 4.17% per annum. The capital lease proceeds were used to purchase County-wide communications equipment for emergency services. The balance at September 30, 2013 was \$1,702,411.

Sheriff Administration

The County entered into a capital lease agreement in October 2009 in the amount of \$411,915. The lease balance is payable in nine successive annual payments of \$54,976, bearing interest at the rate of 4.57% per annum. The capital lease proceeds were used to purchase County-wide CAD mapping software and equipment. The balance at September 30, 2013 was \$196,905.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8: LONG-TERM DEBT AND CAPITAL LEASES (Continued)

Courthouse Security

The County entered into a capital lease agreement in September 2011 in the amount of \$79,190. The lease balance is payable in three successive annual payments of \$28,154, bearing interest at the rate of 5.72% per annum. The capital lease proceeds were used to purchase County-wide alarms and security systems. The balance at September 30, 2013 was \$26,636.

Law Enforcement

The County entered into a capital lease agreement in March 2012 in the amount of \$276,801. The lease balance is payable in three successive annual payments of \$97,390, bearing interest at the rate of 3.27% per annum. The capital lease proceeds were used to purchase vehicles to be used by law enforcement. The balance at September 30, 2013 was \$185,638.

The following analysis of equipment leased under capital leases as of September 30, 2013:

	<u>Governmental Activities</u>
Equipment	\$ 5,038,131
Less accumulated depreciation	<u>(2,868,427)</u>
Total	<u>\$ 2,169,704</u>

Future minimum lease payments for the above capital lease are as follows:

Scheduled minimum lease payments	\$ 2,572,145
Amount representing interest	<u>(242,696)</u>
Present value of future minimum capital lease payments (principal payoff)	<u>\$ 2,329,449</u>

The following is the future annual requirements for the capital lease:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 669,370	\$ 103,620	\$ 772,990
2015	671,269	73,330	744,599
2016	484,209	43,211	527,420
2017	<u>504,601</u>	<u>22,535</u>	<u>527,136</u>
Total	<u>\$ 2,329,449</u>	<u>\$ 242,696</u>	<u>\$ 2,572,145</u>

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9: RETIREMENT PLAN

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. This report is also available at www.tcdrs.org.

The plan provisions are adopted by the Commissioners Court 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 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 9.94% for the months of the accounting year in 2012, and 10.55% for the months of the accounting year in 2013.

The contribution rate payable by the employee members for calendar years 2012 and 2013 is the rate of 7%, adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by the Commissioners Court within the options available in the TCDRS Act.

Annual Pension Cost

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 20 years.

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 82.80% funded. The actuarial accrued liability for benefits was \$59,542,334, and the actuarial value of assets was \$49,298,274, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,244,060. The covered payroll (annual payroll of active employees covered by the plan) was \$19,483,984 and the ratio of the UAAL to the covered payroll was 52.58%.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9: RETIREMENT PLAN (Continued)

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Trend Information for the
Parker County Employee's Retirement Plan

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2011	\$ 2,254,527	100%	\$ -
9/30/2012	\$ 1,969,802	100%	\$ -
9/30/2013	\$ 2,009,878	100%	\$ -

Actuarial Valuation Information

Actuarial valuation date	12/31/2010	12/31/2011	12/31/2012
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accumulation Fund	10-yr smoothed value	10-yr smoothed value	10-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

* Includes inflation at the stated rate

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description:

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

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

Funding Policy:

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2013, 2012, and 2011 were \$66,465, \$67,439, and \$80,095, respectively, which equaled the contractually required contributions each year.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 11: COMMITMENTS AND CONTINGENCIES

The County participates in several programs that are subject to audit by various State and Federal Agencies. These programs have complex compliance requirements. Should State or Federal auditors discover areas of material noncompliance, those County funds may be subject to refund if so determined by administrative audit review.

The County is a defendant in various lawsuits. Although the outcome of the litigation is not presently determinable, it is the opinion of the County's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

The County has entered into various construction commitments. Such contracts include contracts for improvements to roads and bridges within the County. Several of these contracts were in progress but not completed as of September 30, 2013. The total contractual commitments outstanding as of September 30, 2013 aggregated approximately \$6,186,056. The County has sufficient funds available to cover these commitments.

NOTE 12: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of; damage to and destruction of assets; errors and omissions; and natural disasters. To reduce its risk of exposure in these areas, the County is a member of the Texas Association of Counties Risk Pool for liability, property, and workers' compensation. The pool is a public entity risk pool and was created based on the general objectives of formulating, developing and administering a program of self-insurance for the membership and obtaining lower costs for coverages. The pool coverage is offered through interlocal agreements between the Pool and counties. The pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training, and financial reporting for its members. The Association submits sealed bids to counties during the bid process. The Pool is governed by a Board of Directors made up of employees or officials of counties which are members of the pool. Member counties make contributions to the pool, and the pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the pool are detailed in a separate document which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin, TX 78701.

There have been no significant reductions in coverage from the coverage in the past fiscal year, and there have been no settlements exceeding insurance coverage in the current or past three fiscal years.

NOTE 13: SPECIAL ITEM

During the year ended September 30, 2013, the County completed various capital projects relating to the Unlimited Tax Road Bonds. Of the projects completed, the County donated \$1,519,051 to the City of Weatherford. The donations were recorded at cost and included all right-of-way, land and road costs included in the respective projects.

NOTE 14: SUBSEQUENT EVENT

General Obligation Refunding Bonds

The County issued \$12,645,000 in general obligation refunding bonds in May of 2014 for the purpose of refunding the remaining portion of the Certificates of Obligation, Series 2005 and to pay costs related to the issuance of these bonds. Principal payments are due in annual installments on February 15, maturing in February of 2025. Interest is payable February 15 and August 15, at interest rates ranging from 0.39% to 3.47%.

REQUIRED
SUPPLEMENTARY
INFORMATION

PARKER COUNTY, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2013

Exhibit B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Property taxes	\$ 24,575,582	\$ 24,575,582	\$ 24,461,626	\$ (113,956)
Sales taxes	6,100,000	6,100,000	7,028,042	928,042
Intergovernmental	1,785,509	1,835,082	3,094,262	1,259,180
Fees of Office	4,543,786	4,545,816	5,048,897	503,081
Interest	5,501	5,501	9,893	4,392
Royalties	20,000	20,000	35,894	15,894
Miscellaneous	386,760	392,150	637,197	245,047
Total revenues	<u>37,417,138</u>	<u>37,474,131</u>	<u>40,315,811</u>	<u>2,841,680</u>
EXPENDITURES				
General government				
Commissioners' court	456,105	456,105	100,002	356,103
County judge	337,169	337,169	332,776	4,393
Veterans' service officer	62,253	62,253	60,702	1,551
Non-departmental	2,118,159	1,975,252	1,619,534	355,718
Employee benefits	123,111	123,111	132,595	(9,484)
Election expenses	489,844	489,844	443,154	46,690
County auditor	484,677	484,677	473,172	11,505
County treasurer	319,480	319,480	280,953	38,527
Building and grounds	1,469,407	1,445,111	1,295,026	150,085
Purchasing administration	300,946	300,946	274,796	26,150
Information technology	678,516	678,516	622,619	55,897
Social services	208,940	208,940	203,560	5,380
County extension services	294,606	296,206	278,058	18,148
Total general government	<u>7,343,213</u>	<u>7,177,610</u>	<u>6,116,947</u>	<u>1,060,663</u>
Public safety				
Emergency management	316,307	356,037	287,180	68,857
Fire protection	1,239,945	1,269,537	1,116,767	152,770
Total public safety	<u>1,556,252</u>	<u>1,625,574</u>	<u>1,403,947</u>	<u>221,627</u>
Law enforcement				
Jail	6,484,665	6,524,665	6,859,396	(334,731)
Constable #1	185,770	162,730	159,846	2,884
Constable #2	177,708	177,708	180,133	(2,425)
Constable #3	160,034	160,034	156,987	3,047
Constable #4	174,557	174,557	177,121	(2,564)
Sheriff administration	8,008,677	7,968,677	7,817,533	151,144
Sheriff investigation	116,409	116,659	107,368	9,291
Sheriff dispatching	16,130	16,130	12,904	3,226
Sheriff patrol	369,688	370,938	291,617	79,321
Training division	44,602	43,002	31,058	11,944
Jail transfer	98,228	104,368	107,599	(3,231)
Narcotics task force	88,530	88,530	58,831	29,699
Game warden	1,399	1,399	1,396	3
Non-departmental	10,350	10,350	-	10,350
Animal control	470,802	472,402	379,886	92,516
Courthouse security	1,187	967	649	318
Highway patrol (North)	45,716	45,716	43,068	2,648
Highway patrol (South)	58,915	58,915	57,133	1,782
Total law enforcement	<u>16,513,367</u>	<u>16,497,747</u>	<u>16,442,525</u>	<u>55,222</u>

PARKER COUNTY, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2013

Exhibit B-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judicial				
District court 43rd	\$ 826,586	\$ 826,586	\$ 743,683	\$ 82,903
District court 415th	797,583	797,583	843,400	(45,817)
County court-at-law #1	611,918	611,917	605,448	6,469
County court-at-law #2	605,953	697,553	699,666	(2,113)
Justice of the peace #1	364,486	364,486	356,397	8,089
Justice of the peace #2	370,915	370,915	364,894	6,021
Justice of the peace #3	407,795	409,055	387,238	21,817
Justice of the peace #4	406,933	406,933	404,534	2,399
County attorney	1,805,639	1,805,639	1,769,566	36,073
District attorney	1,318,513	1,318,513	1,310,782	7,731
Non-departmental	300	300	-	300
Adult probation	10,000	10,000	7,048	2,952
Probate	87,329	87,329	85,933	1,396
Juvenile probation	803,751	803,751	600,276	203,475
Total Judicial	<u>8,417,701</u>	<u>8,510,560</u>	<u>8,178,865</u>	<u>331,695</u>
Health and welfare				
Medical examiner-investigator	273,122	273,122	246,777	26,345
911 addressing	65,247	75,354	46,736	28,618
Sanitations	281,682	281,682	277,913	3,769
Total health and welfare	<u>620,051</u>	<u>630,158</u>	<u>571,426</u>	<u>58,732</u>
Recording				
County clerk	472,051	472,051	464,875	7,176
County clerk court division	754,879	754,879	744,745	10,134
District clerk	882,877	882,878	841,605	41,273
Total recording	<u>2,109,807</u>	<u>2,109,808</u>	<u>2,051,225</u>	<u>58,583</u>
Tax assessing-collecting	796,088	796,088	768,735	27,353
Capital outlays	-	65,927	95,163	(29,236)
Debt Service				
Principal	475,042	475,042	519,010	(43,968)
Interest	93,226	93,226	104,232	(11,006)
Total Debt Service	<u>568,268</u>	<u>568,268</u>	<u>623,242</u>	<u>(54,974)</u>
Total expenditures	<u>37,924,747</u>	<u>37,981,740</u>	<u>36,252,075</u>	<u>1,729,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(507,609)</u>	<u>(507,609)</u>	<u>4,063,736</u>	<u>4,571,345</u>
Other financing sources:				
Operating transfers in	423,492	423,492	512,861	89,369
Sale of assets	3,500	3,500	21,391	17,891
Total other financing sources	<u>426,992</u>	<u>426,992</u>	<u>534,252</u>	<u>107,260</u>
Net changes in fund balances	(80,617)	(80,617)	4,597,988	4,678,605
Fund balances - October 1	6,430,438	6,430,438	6,430,438	1,724,906
Fund balances - September 30	<u>\$ 6,349,821</u>	<u>\$ 6,349,821</u>	<u>\$ 11,028,426</u>	<u>\$ 6,403,511</u>

The accompanying notes are an integral part of this statement

PARKER COUNTY, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Lateral Road Fund
For the Fiscal Year Ended September 30, 2013

Exhibit B-2

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 7,865,606	\$ 7,865,606	\$ 7,862,272	\$ (3,334)
Intergovernmental	241,000	362,297	271,698	(90,599)
Fees of office	2,105,550	2,105,550	2,156,498	50,948
Fines and forfeitures	266,000	266,000	356,007	90,007
Interest	1,400	1,400	2,334	934
Miscellaneous	58,275	58,275	108,212	49,937
	<u>10,537,831</u>	<u>10,659,128</u>	<u>10,757,021</u>	<u>97,893</u>
EXPENDITURES				
Roads and Bridges				
General	243,896	243,896	294,207	(50,311)
Precinct 1	2,685,245	2,685,245	2,315,475	369,770
Precinct 2	3,054,554	2,991,554	2,487,294	504,260
Precinct 3	3,234,743	3,164,961	2,968,457	196,504
Precinct 4	2,883,317	2,763,971	2,349,858	414,113
Capital outlays				
Precinct 2	-	63,000	63,000	-
Precinct 3	-	37,458	37,458	-
Precinct 4	-	240,643	240,643	-
Debt service				
Precinct 1	154,970	154,970	154,365	605
Precinct 2	81,387	81,387	80,194	1,193
Precinct 3	78,952	111,275	111,367	(92)
Precinct 4	988	988	739	249
	<u>12,418,052</u>	<u>12,539,348</u>	<u>11,103,057</u>	<u>1,436,291</u>
Deficiency of revenues under expenditures	<u>(1,880,221)</u>	<u>(1,880,220)</u>	<u>(346,036)</u>	<u>1,534,184</u>
Other financing sources:				
Sale of assets	45,000	45,000	5,310	(39,690)
Total other financing sources	<u>45,000</u>	<u>45,000</u>	<u>5,310</u>	<u>(39,690)</u>
Net changes in fund balances	(1,835,221)	(1,835,220)	(340,726)	1,494,494
Fund balances - October 1	<u>3,851,318</u>	<u>3,851,318</u>	<u>3,851,318</u>	<u>-</u>
Fund balances - September 30	<u>\$ 2,016,097</u>	<u>\$ 2,016,098</u>	<u>\$ 3,510,592</u>	<u>\$ 1,494,494</u>

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Schedule of Funding Progress for the Retirement Plan
for the Employees of Parker County
Last Three Fiscal Years

Exhibit B-3

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
12/31/2010	\$ 41,536,327	\$ 49,446,927	7,910,600	84.00%	\$ 20,035,025	39.48%
12/31/2011	45,430,966	54,603,913	9,172,947	83.20%	19,629,775	46.73%
12/31/2012	49,298,274	59,542,334	10,244,060	82.80%	19,483,984	52.58%

SUPPLEMENTARY INFORMATION

PARKER COUNTY, TEXAS
Lateral Road Fund
Combining Balance Sheet
September 30, 2013
(With Comparative Totals at September 30, 2012)

Exhibit C-1

	Precinct #1	Precinct #2	Precinct #3	Precinct #4	Road & Bridge	Total	2012 Actual
ASSETS							
Cash	\$ 3,499	\$ 2,902	\$ 3,475	\$ 3,885	\$ 11,009	\$ 24,770	\$ 77,038
Investments	588,817	488,465	585,089	653,882	1,852,962	4,169,215	4,045,965
Receivables:							
Property taxes (net of allowance)	-	-	-	-	293,298	293,298	283,085
Intergovernmental	-	-	-	982	-	982	15,326
Other	8,717	999	-	99	9,840	19,655	95,773
Prepaid expense	-	-	-	-	-	-	662
Total assets	\$ 601,033	\$ 492,366	\$ 588,564	\$ 658,848	\$ 2,167,109	\$ 4,507,920	\$ 4,517,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 39,356	\$ 224,548	\$ 213,711	\$ 169,450	\$ 20	\$ 647,085	\$ 328,969
Accrued salaries and benefits payable	26,211	21,445	25,343	16,964	-	89,963	85,117
Total liabilities	65,567	245,993	239,054	186,414	20	737,048	414,086
Deferred inflows of resources							
Property taxes	-	-	-	-	260,280	260,280	252,445
Total deferred inflows of resources	-	-	-	-	260,280	260,280	252,445
Fund balances							
Nonspendable	-	-	-	-	-	-	662
Restricted for lateral road	535,466	246,373	349,510	472,434	1,906,809	3,510,592	3,850,656
Total fund balances	535,466	246,373	349,510	472,434	1,906,809	3,510,592	3,851,318
Total liabilities, deferred inflows of resources and fund balances	\$ 601,033	\$ 492,366	\$ 588,564	\$ 658,848	\$ 2,167,109	\$ 4,507,920	\$ 4,517,849

NONMAJOR FUNDS
SPECIAL REVENUE FUNDS

Historical Commission Fund - To account for revenues and expenses associated with the preservation and restoration activities of the Parker County Historical Society, a blended component unit of Parker County, Texas.

Estray Fund - To account for the proceeds and expenses associated with the capture and sale of stray livestock.

Abandoned Vehicle Fund - To account for the proceeds and expenses associated with abandoned vehicles sold at public auction.

Courthouse Security Fund - To account for proceeds and expenses associated with courthouse security measures.

Voter Registration Fund - Monies received by the County Clerk for registering new voters and keeping voter registration lists up to date.

Sheriff's Forfeiture Federal Share Fund - Monies received through federal forfeitures held for use by the Sheriff in drug enforcement activities.

Contract Elections Fund - Monies received and disbursed in conducting elections.

Pre-Trial Intervention Fund - To account for revenues and expenses associated with pre-trial intervention.

Sheriff's Forfeiture Fund - Monies not returned to the defendant held for use by the Sheriff in drug enforcement activities.

District Attorney State Supplement Fund - To account for revenues from the State and expenses associated with the District Attorney's office salary supplements and part time employees.

Special District Attorney Fund - To account for the collection of fees from felony hot checks (over \$750) and expenses associated with law enforcement supplemental salaries and equipment purchases.

Special County Attorney Fund - To account for the collection of fees from misdemeanor hot checks (under \$750) and expenses associated with law enforcement supplemental salaries and equipment purchases.

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

District Attorney Awarded Fund – To account for the proceeds and expenses associated with property seizures in criminal cases under current law.

Justice Technology Fund – To account for revenues and expenses associated with the justice of the peace technology.

Law Library Fund – The County and District Clerks collect fees which are used for publications and maintenance of the law library located on the second floor of the main courthouse.

Road and Bridge Escrow Fund – To account for funds held for road maintenance bonds

Juvenile Probation Funds – **These combined funds consist of the following:**

Juvenile Probation Fees Fund - To account for proceeds collected at a local level and restricted for expenses in association with the social education of juvenile probationers.

Juvenile Probation State Aid Grant Fund – To account for the grant proceeds and expenses to support basic juvenile probation services and assist the board in adhering to the standards and policies.

Juvenile Probation Commitment Reduction Program Fund – To account for the grant proceeds and expenses related to diverting appropriate youth from the Texas Youth Commission to suitable programs and services in local communities.

Adult Probation Bond Fund - To account for revenues and expenses associated with the supervision bond fees of adult probationers in Parker County.

District Court Records Technology Fund – To account for revenues and expenses associated with the district court record technology.

Justice Court Security Fund – To account for the security protection for all justice of the peace courts.

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

County/District Technology Fund - To account for revenues and expenses associated with the district and county technology.

County Clerk Records Management Fund - To account for proceeds and expenses associated with record management and preservation by the County Clerk office as required by State Law.

County Clerk Vital Records Fund - To account for fees received and expenses associated with County Clerk employees to attend vital statistic training seminars.

Records Management County Wide Fund - To account for the proceeds and expenses associated with records management and preservation county wide as required by State Law.

District Clerk Records Management Fund - To account for the proceeds and expenses associated with record management and preservation by the District Clerk office as required by State Law.

Court Reporters Service Fund - To account for proceeds and expenses associated with court reporting services.

District Clerk Fund - The County collects fees for ADR services which are then paid out per a Contract that the County has with Dispute Resolution Services of North Texas.

Court Record Preservation Fund - To account for fees and related expenditures to preserve court records.

Documentation Preservation Fund - To account for the County records archive revenues.

Other Grant Funds - To account for grants not accounted for in others funds.

PARKER COUNTY, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

Exhibit C-2

	Special Revenue Funds						
	Historical Commission	Estray	Abandoned Vehicle	Courthouse Security	Voter Registration	Sheriff's Forfeiture Federal Share	Contract Elections
ASSETS							
Cash	\$ 777	\$ 68	\$ 182	\$ 544	\$ 72	\$ 31,898	\$ 65
Investments	130,734	11,522	30,584	91,680	12,241	173,404	10,910
Receivables:							
Intergovernmental	-	-	-	-	11,469	-	-
Other	-	-	-	478	-	-	-
Due from other funds	-	-	-	-	-	14,139	-
Prepaid expenses and other assets	-	-	-	-	-	-	-
Total assets	\$ 131,511	\$ 11,590	\$ 30,766	\$ 92,702	\$ 23,782	\$ 219,441	\$ 10,975
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 4,518	\$ 1,621	\$ -	\$ -	\$ 545
Accrued salaries and benefits payable	-	-	-	989	-	-	379
Due to other funds	-	-	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-	-	-
Total liabilities	-	-	4,518	2,610	-	-	924
Fund balances (deficit)							
Nonspendable	-	-	-	-	-	-	-
Restricted for state and federal programs	-	11,590	26,248	90,092	23,782	219,441	10,051
Assigned to state and special programs	131,511	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	131,511	11,590	26,248	90,092	23,782	219,441	10,051
Total liabilities and fund balances	\$ 131,511	\$ 11,590	\$ 30,766	\$ 92,702	\$ 23,782	\$ 219,441	\$ 10,975

The accompanying notes are an integral part of this statement.

Special Revenue Funds

Pre-Trial Intervention	Sheriff's Forfeiture	District Attorney State Supplement	Special District Attorney	Special County Attorney	District Attorney Awarded	Justice Technology Fund	Law Library	Road and Bridge Escrow
\$ 113 19,063	\$ 11,632 -	\$ 8 1,319	\$ 104 17,530	\$ 254 42,761	\$ 10,460 156,415	\$ 2,542 427,795	\$ 1,206 202,913	\$ 455 76,545
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	147	783	-
-	-	-	-	-	-	-	-	-
<u>\$ 19,176</u>	<u>\$ 11,632</u>	<u>\$ 1,327</u>	<u>\$ 17,634</u>	<u>\$ 43,015</u>	<u>\$ 166,875</u>	<u>\$ 430,484</u>	<u>\$ 204,902</u>	<u>\$ 77,000</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,183	\$ 4	\$ 65	\$ 1,482	\$ -
-	2,353	-	-	149	-	-	-	-
-	14,139	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	77,000
-	<u>16,492</u>	-	-	<u>1,332</u>	<u>4</u>	<u>65</u>	<u>1,482</u>	<u>77,000</u>
-	-	-	-	-	-	-	-	-
19,176	-	1,327	-	-	166,871	430,419	203,420	-
-	-	-	17,634	41,683	-	-	-	-
-	<u>(4,860)</u>	-	-	-	-	-	-	-
<u>19,176</u>	<u>(4,860)</u>	<u>1,327</u>	<u>17,634</u>	<u>41,683</u>	<u>166,871</u>	<u>430,419</u>	<u>203,420</u>	<u>-</u>
<u>\$ 19,176</u>	<u>\$ 11,632</u>	<u>\$ 1,327</u>	<u>\$ 17,634</u>	<u>\$ 43,015</u>	<u>\$ 166,875</u>	<u>\$ 430,484</u>	<u>\$ 204,902</u>	<u>\$ 77,000</u>

PARKER COUNTY, TEXAS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

Exhibit C-2

	Special Revenue Funds						
	Juvenile Probation Fees and Grant Funds	Adult Probation Bond Fund	District Court Records Technology	Justice Court Security	County/ District Technology Fund	County Clerk Records Management	County Clerk Vital Records
ASSETS							
Cash	\$ 596	\$ 338	\$ 178	\$ 530	\$ 47	\$ 800	\$ 135
Investments	100,161	57,134	30,024	89,081	7,943	134,574	22,838
Receivables:							
Intergovernmental	-	-	-	-	-	-	-
Other	-	833	96	37	44	680	13
Due from other funds	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-	-
Total assets	\$ 100,757	\$ 58,305	\$ 30,298	\$ 89,648	\$ 8,034	\$ 136,054	\$ 22,986
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 535	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ -
Accrued salaries and benefits payable	-	832	-	-	-	863	-
Due to other funds	-	-	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-	-	-
Total liabilities	535	832	-	-	-	889	-
Fund balances (deficit)							
Nonspendable	-	-	-	-	-	-	-
Restricted for state and federal programs	100,222	57,473	30,298	89,648	8,034	135,165	22,986
Assigned to state and special programs	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	100,222	57,473	30,298	89,648	8,034	135,165	22,986
Total liabilities and fund balances	\$ 100,757	\$ 58,305	\$ 30,298	\$ 89,648	\$ 8,034	\$ 136,054	\$ 22,986

Exhibit C-2

Special Revenue Funds

Records Management County Wide	District Clerk Records Management	Court Reporters Service	District Clerk	Court Record Preservation	Document Preservation	Other Grant Funds	Total Special Revenue Funds
\$ 865	\$ 532	\$ 1,156	\$ 933	\$ 463	\$ 2,225	\$ -	\$ 69,178
145,593	89,593	194,567	157,029	78,032	374,600	32,909	2,919,494
-	-	-	-	-	-	15,868	27,337
493	96	482	402	322	910	-	5,816
-	-	-	-	-	-	-	14,139
-	-	-	-	-	-	2,968	2,968
<u>\$ 146,951</u>	<u>\$ 90,221</u>	<u>\$ 196,205</u>	<u>\$ 158,364</u>	<u>\$ 78,817</u>	<u>\$ 377,735</u>	<u>\$ 51,745</u>	<u>\$ 3,038,932</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26	\$ 882	\$ 10,887
-	-	-	-	-	863	-	6,428
-	-	-	-	-	-	42,701	56,840
-	-	-	-	-	-	8,642	85,642
-	-	-	-	-	889	52,225	159,797
-	-	-	-	-	-	2,968	2,968
146,951	90,221	196,205	158,364	78,817	376,846	-	2,693,647
-	-	-	-	-	-	-	190,828
-	-	-	-	-	-	(3,448)	(8,308)
<u>146,951</u>	<u>90,221</u>	<u>196,205</u>	<u>158,364</u>	<u>78,817</u>	<u>376,846</u>	<u>(480)</u>	<u>2,879,135</u>
<u>\$ 146,951</u>	<u>\$ 90,221</u>	<u>\$ 196,205</u>	<u>\$ 158,364</u>	<u>\$ 78,817</u>	<u>\$ 377,735</u>	<u>\$ 51,745</u>	<u>\$ 3,038,932</u>

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2013

Exhibit C-3

	Special Revenue Funds						
	Historical Commission	Estray	Abandoned Vehicle	Courthouse Security	Voter Registration	Sheriff's Forfeiture Federal Share	
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 21,732	\$ 131,327	\$ -
Fees of office	-	-	-	85,099	-	-	93,130
Interest	-	-	-	-	-	-	-
Miscellaneous	13,535	20,121	4,745	-	-	-	-
Total revenues	13,535	20,121	4,745	85,099	21,732	131,327	93,130
EXPENDITURES							
Current:							
General government	1,258	-	-	-	21,681	-	106,058
Public safety	-	-	-	69,914	-	-	-
Law enforcement	-	9,830	4,650	-	-	51,030	-
Judicial	-	-	-	-	-	-	-
Recording	-	-	-	-	-	-	-
Capital outlays	-	6,000	-	5,270	-	46,606	-
Debt Service							
Principal	-	-	-	22,558	-	-	-
Interest	-	-	-	2,639	-	-	-
Total expenditures	1,258	15,830	4,650	100,381	21,681	97,636	106,058
Excess (deficiency) of revenues							
Net changes in fund balances	12,277	4,291	95	(15,282)	51	33,691	(12,928)
Other financing uses:							
Operating transfers out	-	-	-	-	-	-	-
Total financing other uses	-	-	-	-	-	-	-
Net changes in fund balances	12,277	4,291	95	(15,282)	51	33,691	(12,928)
Fund balances (deficit) - October 1	119,234	7,299	26,153	105,374	23,731	185,750	22,979
Prior period adjustment	-	-	-	-	-	-	-
Fund balances (deficit) - October 1, restated	119,234	7,299	26,153	105,374	23,731	185,750	22,979
Fund balances (deficit) - September 30	<u>\$ 131,511</u>	<u>\$ 11,590</u>	<u>\$ 26,248</u>	<u>\$ 90,092</u>	<u>\$ 23,782</u>	<u>\$ 219,441</u>	<u>\$ 10,051</u>

The accompanying notes are an integral part of this statement.

Special Revenue Funds

Pre-trial Intervention	Sheriff's Evidence	Sheriff's Forfeiture	LEOSE Education	District Attorney State Supplement	Special District Attorney	Special County Attorney	District Attorney Awarded	Justice Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ 22,500	\$ -	\$ -	\$ -	\$ -
6,479	-	-	-	-	1,500	5,902	-	47,721
-	-	-	-	1	7	23	77	-
-	-	49,808	-	-	-	-	39,308	-
<u>6,479</u>	<u>-</u>	<u>49,808</u>	<u>-</u>	<u>22,501</u>	<u>1,507</u>	<u>5,925</u>	<u>39,385</u>	<u>47,721</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	120,901	-	-	-	-	-	-
-	-	-	-	21,310	22	26,193	46,609	25,489
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>120,901</u>	<u>-</u>	<u>21,310</u>	<u>22</u>	<u>26,193</u>	<u>46,609</u>	<u>25,489</u>
<u>6,479</u>	<u>-</u>	<u>(71,093)</u>	<u>-</u>	<u>1,191</u>	<u>1,485</u>	<u>(20,268)</u>	<u>(7,224)</u>	<u>22,232</u>
<u>-</u>	<u>(10,164)</u>	<u>-</u>	<u>(9,730)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(10,164)</u>	<u>-</u>	<u>(9,730)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>6,479</u>	<u>(10,164)</u>	<u>(71,093)</u>	<u>(9,730)</u>	<u>1,191</u>	<u>1,485</u>	<u>(20,268)</u>	<u>(7,224)</u>	<u>22,232</u>
<u>12,697</u>	<u>10,164</u>	<u>66,233</u>	<u>9,730</u>	<u>136</u>	<u>16,149</u>	<u>61,951</u>	<u>174,095</u>	<u>408,187</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>12,697</u>	<u>10,164</u>	<u>66,233</u>	<u>9,730</u>	<u>136</u>	<u>16,149</u>	<u>61,951</u>	<u>174,095</u>	<u>408,187</u>
<u>\$ 19,176</u>	<u>\$ -</u>	<u>\$ (4,860)</u>	<u>\$ -</u>	<u>\$ 1,327</u>	<u>\$ 17,634</u>	<u>\$ 41,683</u>	<u>\$ 166,871</u>	<u>\$ 430,419</u>

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit)
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2013

Exhibit C-3

	Special Revenue Funds						
	Law Library	Juvenile Probation Fees and Grant Funds	Adult Probation Bond Fund	District Court Records Technology	Justice Court Security	County/ District Technology Fund	
REVENUES							
Intergovernmental	\$ -	\$ 569,840	\$ -	\$ -	\$ -	\$ -	\$ -
Fees of office	41,515	25,409	108,068	8,349	11,645	3,894	152,680
Interest	-	-	20	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>41,515</u>	<u>595,249</u>	<u>108,088</u>	<u>8,349</u>	<u>11,645</u>	<u>3,894</u>	<u>152,680</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-
Judicial	18,395	571,784	82,919	-	1,181	-	-
Recording	-	-	-	-	-	-	76,389
Capital outlays	-	-	-	-	-	-	-
Debt Service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>18,395</u>	<u>571,784</u>	<u>82,919</u>	<u>-</u>	<u>1,181</u>	<u>-</u>	<u>76,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,120</u>	<u>23,465</u>	<u>25,169</u>	<u>8,349</u>	<u>10,464</u>	<u>3,894</u>	<u>76,291</u>
Other financing uses:							
Operating transfers out	-	(69,475)	-	-	-	-	-
Total financing other uses	<u>-</u>	<u>(69,475)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	23,120	(46,010)	25,169	8,349	10,464	3,894	76,291
Fund balances (deficit) - October 1	180,300	230,415	379,295	21,949	79,184	4,140	58,874
Prior period adjustment	-	(84,183)	(346,991)	-	-	-	-
Fund balances (deficit) - October 1, restated	<u>180,300</u>	<u>146,232</u>	<u>32,304</u>	<u>21,949</u>	<u>79,184</u>	<u>4,140</u>	<u>58,874</u>
Fund balances (deficit) - September 30	<u>\$ 203,420</u>	<u>\$ 100,222</u>	<u>\$ 57,473</u>	<u>\$ 30,298</u>	<u>\$ 89,648</u>	<u>\$ 8,034</u>	<u>\$ 135,165</u>

The accompanying notes are an integral part of this statement.

Special Revenue Funds

County Clerk Vital Records	Records Management County Wide	District Clerk Records Management	Court Reporters Service	District Clerk	Court Record Preservation	Document Preservation	Other Grant Funds	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 579,446	\$ 1,324,845
5,220	40,350	9,126	26,223	20,603	23,102	162,564	-	878,579
-	-	-	-	-	-	142	-	270
-	-	-	-	-	-	-	-	127,517
5,220	40,350	9,126	26,223	20,603	23,102	162,706	579,446	2,331,211
-	-	-	-	-	-	-	462,661	591,658
-	-	-	-	-	-	-	107,446	177,360
-	-	-	-	-	-	-	-	186,411
-	-	-	-	-	-	-	-	793,902
460	1,932	1,983	-	-	-	138,104	-	218,868
-	-	-	-	-	-	-	5,537	63,413
-	-	-	-	-	-	-	-	22,558
-	-	-	-	-	-	-	-	2,639
460	1,932	1,983	-	-	-	138,104	575,644	2,056,809
4,760	38,418	7,143	26,223	20,603	23,102	24,602	3,802	274,402
-	-	-	-	-	-	-	-	(89,369)
-	-	-	-	-	-	-	-	(89,369)
4,760	38,418	7,143	26,223	20,603	23,102	24,602	3,802	185,033
18,226	108,533	83,078	169,982	137,761	55,715	352,244	(4,282)	3,125,276
-	-	-	-	-	-	-	-	(431,174)
18,226	108,533	83,078	169,982	137,761	55,715	352,244	(4,282)	2,694,102
\$ 22,986	\$ 146,951	\$ 90,221	\$ 196,205	\$ 158,364	\$ 78,817	\$ 376,846	\$ (480)	\$ 2,879,135

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND

Agency Funds – To account for assets held by the County as an agent for individuals, private organizations, other governmental units or other funds.

AGENCY FUNDS

Sheriff's Jail Trust Account – This account is used to temporarily hold cash bonds, fines, and sheriff's sale proceeds.

Auto Registration Account – To account for monies received for registering automobiles in Parker County.

Vehicle Inventory Tax Escrow – To account for monies collected and held in escrow for vehicle inventory tax account.

Vehicle Comptroller Account – To account for monies received from the collection of vehicle sales tax due to the State Comptroller.

County Clerk's Court Fund Account – To account for monies received from individuals or the adult probation department to pay for court fees.

County Attorney's Escrow Account – To account for monies received by the County Attorney's office for NSF checks.

County Clerk's Deposit Account – To account for monies received from court issued bonds.

County Clerk's Registry Account – To account for monies used for condemnation suits and for defendants to reimburse the County Treasurer for court appointed attorneys.

County Clerk's Individual Trust Account – To account for monies in trust for several individuals.

District Court Deposit Account – To account for monies received by the District Clerk for court fees.

District Clerk's Registry Account – To account for monies received by court order in care of an individual. Also cash bonds are accounted for in this account.

District Clerk's Individual Trust Accounts – To account for monies in trust for several individuals.

Sheriff's Office Inmate Trust Account – To account for inmates' monies which were confiscated during arrests and to hold deposits from family members of the inmates.

AGENCY FUNDS (CONTINUED)

County Jail Commissary Fund – To account for funds held in the inmates' names for personal purchases.

Criminal Justice Fund – To account for monies received as court costs prior to being forwarded to the State.

Adult Probation Funds – To account for funds relating to the adult probation supervision grant and the adult probation CCP grant.

V.I.T. Interest Account – To account for interest earned on the Vehicle Inventory Tax for the T.A.C. to defray the cost of administration of the prepayment procedure.

District Attorney Trust Account – To account for monies in trust for several individuals.

County Clerk's Probate Fund – To account for monies received by court order in care of an individual.

TPWD Funds Account – To account for monies received for the taxation of water vehicles for Texas Parks and Wildlife Department.

Juvenile Probation Restitution Account – To account for monies received by Juvenile Probation for probation fees received prior to distribution to the County.

CSCD Restitution Account – To account for monies received by Adult Probation for probation fees received prior to distribution to the County and other entities.

PARKER COUNTY, TEXAS
Combining Balance Sheet
All Agency Funds
September 30, 2013

Exhibit C-4

	Sheriff's Jail Trust Account	Auto Registration Account	Vehicle Inventory Tax Escrow	Vehicle Comptroller Account	County Clerk's Court Fund Account	County Attorney's Escrow Account	County Clerk's Deposit Account	County Clerk's Registry Account
Assets								
Cash	\$ 5,707	\$ 692,092	\$ 661,781	\$ 326,862	\$ 51,868	\$ 4,742	\$ 512,090	\$ 2,260,107
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Total assets	\$ 5,707	\$ 692,092	\$ 661,781	\$ 326,862	\$ 51,868	\$ 4,742	\$ 512,090	\$ 2,260,107
Liabilities								
Deposits held and due to others	\$ 5,707	\$ 692,092	\$ 661,781	\$ 326,862	\$ 51,868	\$ 4,742	\$ 512,090	\$ 2,260,107
Accounts payable - State	-	-	-	-	-	-	-	-
Total liabilities	\$ 5,707	\$ 692,092	\$ 661,781	\$ 326,862	\$ 51,868	\$ 4,742	\$ 512,090	\$ 2,260,107

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Combining Balance Sheet
All Agency Funds
September 30, 2013

Exhibit C-4

	County Clerk's Individual Trust Account	District Court Deposit Account	District Clerk's Registry Account	District Clerk's Individual Trust Accounts	Sheriff's Inmate Trust Account	County Jail Commissary Fund	Criminal Justice Fund	Adult Probation Fund
Assets								
Cash	\$ 504,386	\$ 81,221	\$ 718,409	\$ 97,000	\$ 50,173	\$ 27,858	\$ (124,949)	\$ 2,829
Investments	-	-	-	-	-	-	433,266	476,294
Accounts receivable	-	-	-	-	-	-	8,491	776,499
Total assets	\$ 504,386	\$ 81,221	\$ 718,409	\$ 97,000	\$ 50,173	\$ 27,858	\$ 316,808	\$ 1,255,622
Liabilities								
Deposits held and due to others	\$ 504,386	\$ 81,221	\$ 718,409	\$ 97,000	\$ 50,173	\$ 27,858	\$ 300,248	\$ 1,255,622
Accounts payable - State	-	-	-	-	-	-	16,560	-
Total liabilities	\$ 504,386	\$ 81,221	\$ 718,409	\$ 97,000	\$ 50,173	\$ 27,858	\$ 316,808	\$ 1,255,622

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Combining Balance Sheet
All Agency Funds
September 30, 2013

Exhibit C-4

	<u>V.I.T. Interest Account</u>	<u>District Attorney Trust Account</u>	<u>County Clerk's Probate Fund</u>	<u>TPWD Funds Account</u>	<u>Juvenile Probation Restitution Account</u>	<u>CSCD Restitution Account</u>	<u>Total</u>
Assets							
Cash	\$ 51,069	\$ 142,680	\$ 196,047	\$ 26,348	\$ 2,726	\$ 124,884	\$ 6,415,930
Investments	-	-	-	-	-	-	909,560
Accounts receivable	-	-	-	-	-	-	784,990
Total assets	<u>\$ 51,069</u>	<u>\$ 142,680</u>	<u>\$ 196,047</u>	<u>\$ 26,348</u>	<u>\$ 2,726</u>	<u>\$ 124,884</u>	<u>\$ 8,110,480</u>
Liabilities							
Deposits held and due to others	\$ 51,069	\$ 142,680	\$ 196,047	\$ 26,348	\$ 2,726	\$ 124,884	\$ 8,093,920
Accounts payable - State	-	-	-	-	-	-	16,560
Total liabilities	<u>\$ 51,069</u>	<u>\$ 142,680</u>	<u>\$ 196,047</u>	<u>\$ 26,348</u>	<u>\$ 2,726</u>	<u>\$ 124,884</u>	<u>\$ 8,110,480</u>

The accompanying notes are an integral part of this statement.

PARKER COUNTY, TEXAS
Schedule of Principal and Interest Payments
September 30, 2013

Unlimited Tax Road Bonds, Series 2009

Exhibit D-1

Year	Principal February 15	Interest February 15	Interest August 15	Total Due Each Year
2014	\$ 422,414	\$ 2,184,436	\$ 1,446,850	\$ 4,053,700
2015	391,789	2,440,061	1,446,850	4,278,700
2016	304,349	2,527,496	1,446,850	4,278,695
2017	1,410,000	1,446,850	1,420,413	4,277,263
2018	1,465,000	1,420,413	1,391,113	4,276,526
2019-2023	8,335,000	6,617,288	6,436,725	21,389,013
2024-2028	16,195,000	5,387,306	4,972,669	26,554,975
2029-2033	25,040,000	2,779,006	2,136,394	29,955,400
2034-2038	5,840,000	153,300	-	5,993,300
	<u>\$ 59,403,552</u>	<u>\$ 24,956,156</u>	<u>\$ 20,697,864</u>	<u>\$ 105,057,572</u>

Unlimited Tax Road Bonds, Series 2013

Exhibit D-2

Year	Principal February 15	Interest February 15	Interest August 15	Total Due Each Year
2014	\$ 125,000	\$ 342,393	\$ 341,144	\$ 808,537
2015	130,000	341,143	339,844	810,987
2016	180,000	339,843	337,144	856,987
2017	260,000	337,143	333,244	930,387
2018	340,000	333,243	328,144	1,001,387
2019-2023	2,925,000	1,556,518	1,502,170	5,983,688
2024-2028	4,085,000	1,212,270	1,130,570	6,427,840
2029-2033	4,980,000	769,070	673,501	6,422,571
2034-2038	5,940,000	295,667	199,143	6,434,810
	<u>\$ 18,965,000</u>	<u>\$ 5,527,290</u>	<u>\$ 5,184,904</u>	<u>\$ 29,677,194</u>

PARKER COUNTY, TEXAS
Schedule of Principal and Interest Payments
September 30, 2013

General Obligation Refunding Bonds, Series 2005

Exhibit D-3

Year	Principal February 15	Interest February 15	Interest August 15	Total Due Each Year
2014	\$ 175,000	\$ 57,294	\$ 54,057	\$ 286,351
2015	185,000	54,056	50,542	289,598
2016	190,000	50,541	46,837	287,378
2017	200,000	46,837	42,836	289,673
2018	210,000	42,836	38,531	291,367
2019-2023	1,185,000	143,311	117,155	1,445,466
2024-2028	550,000	18,675	6,300	574,975
	<u>\$ 2,695,000</u>	<u>\$ 413,550</u>	<u>\$ 356,258</u>	<u>\$ 3,464,808</u>

PARKER COUNTY, TEXAS
Schedule of Principal and Interest Payments
September 30, 2013

Certificates of Obligation, Series 2005

Exhibit D-4

Year	Principal February 15	Interest February 15	Interest August 15	Total Due Each Year
2014	\$ 820,000	\$ 314,463	\$ 296,012	\$ 1,428,644
2015	855,000	296,013	276,775	1,430,475
2016	895,000	276,775	258,875	1,430,650
2017	935,000	258,875	235,500	1,429,375
2018	980,000	235,500	211,000	1,426,500
2019-2023	5,720,000	783,125	640,125	7,143,250
2024-2028	2,720,000	102,875	34,875	2,857,750
	<u>\$ 12,925,000</u>	<u>\$ 2,267,626</u>	<u>\$ 1,953,162</u>	<u>\$ 17,146,644</u>

OVERALL COMPLIANCE AND
INTERNAL CONTROL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Honorable Judge and Members of
the Commissioners' Court
Parker County, Texas

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, each major fund, and the aggregate remaining fund information of Parker County, Texas as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parker County's 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2013-001, 2013-002, 2013-006, 2013-007, 2013-008, 2013-009, 2013-010 and 2013-012, described in the accompanying schedule of findings and question costs, to be material weaknesses.

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. We consider the deficiencies 2013-003, 2013-004, 2013-005 and 2013-011, described in the accompanying schedule of findings and question costs, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parker County's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questions costs as items 2013-006, 2013-007, 2013-008, 2013-009, 2013-010, 2013-011, 2013-012 and 2013-013.

Parker County's Response to Findings

Parker County's response to the findings identified in our audit is described in the accompanying corrective action plan. Parker County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Snow Garrett Williams

Snow Garrett Williams

July 24, 2014

**PARKER COUNTY, TEXAS
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2013**

There were no findings or questioned costs noted in the prior year relative to Federal awards.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year ended September 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiencies identified that are not considered to be material weaknesses? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Significant deficiencies identified that are not considered to be material weaknesses? X yes no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

Identification of Major Programs:

U.S. Department of Housing and Urban Development
CFDA # 14.228 Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B federal programs: \$300,000

Auditee qualified as a low-risk auditee? X yes no

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section II – Financial Statement Findings

Findings required to be reported in accordance with Government Auditing Standards:

2013-001 Reconciliation of Liability Account– Material Weakness
12-01

Criteria: Liabilities reported as due to the State should be relieved as payments are made and account balances should be reconciled to ensure proper classification of financial statement information.

Condition: A material portion of an account due to the State (in the Criminal Justice Agency Fund) could not be identified as a liability to the State.

Effect: A material adjusting entry was necessary to correct and adjust the balance and to properly relieve the liability.

Cause: The account had not been reconciled to determine the actual liability amount.

Auditor's Recommendation: All liability accounts should be reconciled and reviewed at least annually to determine if the balances are accurate. All transactions recorded as liabilities should be reviewed to determine if they are appropriately classified and if they are being properly relieved as the liabilities are paid.

2013-002 Preparation of the Schedule of Expenditures of Federal and State Awards– Material Weakness

Criteria: The auditee is responsible for identifying all Federal and State awards expended.

Condition: Seventeen Federal and State grants were either missing from the County's grant schedule or included the incorrect expenditure amount.

Effect: The grant schedule was materially misstated. The total Federal expenditures were understated by \$333,911 and the total State expenditures were understated by \$73,829. The grant schedule showed that a single audit was not required for either Federal or State purposes, but after the schedule was adjusted during the audit, it was determined that a Federal single audit was required.

Cause: Lack of a centralized system and procedures to track and monitor grant funding.

Auditor's Recommendation: The County should develop and implement County-wide internal control procedures for reporting both grant funding received and grant expenditures.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section II – Financial Statement Findings (Continued)

2013-003 Audit Adjustments/Prior Period Adjustments – Significant Deficiency

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budget appropriations, prepare long-range financial plans, and to safeguard assets.

Condition: Significant adjusting entries, including a prior period adjustment, were necessary to correct and adjust balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Effect: The County's year-end financial statements were misstated prior to approval and recording of the proposed audit adjustments.

Cause: Significant adjustments were necessary to properly record bond issuance costs and to adjust an agency fund liability due to the State, agency fund receivables, bank activity for the United Health Care self insurance bank account, retirement payable, and a receivable balance that should have been recognized in the prior year.

Auditor's Recommendation: The County should review the content of the audit adjustments in order to understand the purpose of the adjustments, reclassifications or corrections and incorporate these entries into the County's monthly and year-end accounting transactions. Additionally, the County should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring to produce more useful and accurate financial reports.

2013-004 Capital Assets – Significant Deficiency

Criteria: According to Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, governments should report all capital assets, including infrastructure assets, in the government-wide statement of net position and generally should report depreciation expense in the statement of activities.

Condition: The spreadsheet used to track capital assets did not include some of the prior year corrections, and some of the current year additions. It also improperly included some of next year's capital asset additions.

Effect: Significant adjustments were necessary to ensure accurate reporting of capital asset information in the government-wide financial statements.

Cause: The system for identifying and recording capital asset transactions does not appear to be consistently applied.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section II – Financial Statement Findings (Continued)

Auditor's Recommendation: The County should maintain and monitor capital asset transactions and update the capital asset listing regularly. The County should also establish procedures for identifying capital assets in the general ledger.

2013-005 Construction in Progress – Significant Deficiency

Criteria: The County has significant amounts of construction in progress relating to the Transportation Bonds. As projects are completed they will need to be identified and recorded as a County asset or potentially removed if the asset is donated to other governmental entities.

Condition: Transportation Bond project information did not reconcile with financial statement information.

Effect: Significant adjustments were required to reconcile the financial statements to the underlying financial data related to construction in progress.

Cause: The County is not properly tracking activity relating to construction, completion and possible donation of the Transportation Bond projects to other governmental entities.

Auditor's Recommendation: We recommend that the County establish procedures for tracking the progress of all projects related to the Transportation Bond and any other construction in progress through completion and disposal, if applicable.

Section III – Federal Award Findings and Questioned Costs

2013-006 Allowable Activities and Costs Review - Non-compliance and Material Weakness in Internal Controls

Program: CFDA 14.228, Walnut Creek Special Utility District (the District) Community Development Block Grant from the U.S. Department of Housing and Urban Development, which was passed through the Texas Department of Agriculture

Criteria: Management has a sufficient understanding of staff, processes, and controls to identify where unallowable activities or costs could be charged to a Federal program and not be detected. Management reviews supporting documentation of allowable cost information.

Condition: The County reviewed the supporting documentation of the grant expenditures, but relied on the State to determine allowable activities and costs.

Effect: The State changed the amount requested for 3 out of 4 requests for payment tested.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Cause: Lack of review of supporting documentation for grant expenditures for allowable activities and costs caused inaccurate information to be submitted to the State.

Auditor's Recommendation: All grant expenditures should be reviewed by management for allowable activities and costs prior to submitting the request for payment.

2013-007 Allowable Cost: Inaccurate Calculations - Non-compliance and Material Weakness

Program: CFDA 14.228, Walnut Creek Special Utility District (the District) Community Development Block Grant from the U.S. Department of Housing and Urban Development, which was passed through the Texas Department of Agriculture

Criteria: According to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, charges are for actual costs.

Condition: 10 out of 34 Construction/Administrative Personnel Time Sheets (C/APTS) tested included miscalculations of either the total hours or the total costs. 22 out of 31 C/APTS tested included personnel hours not supported by timecards, the listings of employees that worked on the project for the day(s) listed, or actual hours paid to the employee. 6 out of 32 Construction Time Sheets (CPTS) tested included equipment hours not supported by the hours worked by the personnel assigned to the equipment.

Questioned Costs: None

Effect: The District prepared inaccurate grant documentation and the grant was overcharged for personnel and equipment costs.

Cause: Inaccurate and unsupported C/APTS prepared by the District and lack of review of grant documentation resulted in incorrect grant submissions to the State.

Auditor's Recommendation: Procedures should be developed and implemented requiring the grant consultant or the County to perform a detailed review of all grant documentation, reports, and supporting documentation for accuracy prior to submission.

2013-008 Allowable Cost: Fringe Benefits - Non-compliance and Material Weakness

Program: CFDA 14.228, Walnut Creek Special Utility District (the District) Community Development Block Grant from the U.S. Department of Housing and Urban Development, which was passed through the Texas Department of Agriculture

Criteria: According to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, charges for leave, employee insurance, pension plans, etc., are reasonable and required by law, employee agreements, or an established policy of the entity and are distributed equitably to federal programs and other activities.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Condition: 18 out of 18 Personnel Cost Calculation Sheets (PCCS) tested did not calculate the cost of workers' compensation using the actual percentage of payroll costs by employee type. 10 out of 18 PCCS tested included an incorrect cost amount for the insurance contribution by employer. 3 out of 18 PCCS tested included the incorrect number of days for holiday and sick leave.

Questioned Costs: None

Effect: The incorrect hourly cost rate for employees was used in the determination of personnel costs charged to the grant.

Cause: Inaccurate and unsupported PCCS prepared by the District and lack of review of grant documentation resulted in incorrect grant submissions to the State.

Auditor's Recommendation: Procedures should be developed requiring review of all PCCS and supporting documentation for accuracy before they are submitted to the State and used to calculate personnel costs.

2013-009 Allowable Cost: Personnel Activity Reports - Non-compliance and Material Weakness

Program: CFDA 14.228, Walnut Creek Special Utility District (the District) Community Development Block Grant from the U.S. Department of Housing and Urban Development, which was passed through the Texas Department of Agriculture

Criteria: According to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages are supported by personnel activity reports or equivalent documentation which meets the following standards:

- They reflect an after-the-fact distribution of the actual activity of each employee;
- They account for the total activity for which each employee is compensated;
- They are prepared at least monthly and coincide with one or more pay periods;
and
- They are signed by the employee.

Condition: 31 out of 31 Construction/Administrative Personnel Time Sheets tested did not have the required supporting personnel activity reports.

Questioned Costs: Undeterminable

Effect: Hours could be coded to the incorrect activity.

Cause: The grant recipient was unaware of the personnel activity report compliance requirement.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Auditor's Recommendation: All Federal grant requirements should be reviewed prior to the start of a grant and procedures should be developed based on grant requirements.

2013-010 Allowable Cost: Payroll Documentation - Non-compliance and Material Weakness

Program: CFDA 14.228, Walnut Creek Special Utility District (the District) Community Development Block Grant from the U.S. Department of Housing and Urban Development, which was passed through the Texas Department of Agriculture

Criteria: According to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, charges to Federal awards for salaries and wages, whether treated as direct or indirect costs are based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit.

Condition: For 31 out of 31 Construction/Administrative Personnel Time Sheets tested, supporting timecards were not reviewed and signed by a supervisor and payroll registers were not reviewed or approved.

Questioned Costs: Undeterminable

Effect: Hours worked or paid could be inaccurate.

Cause: Adequate internal control over the District's payroll was not in place.

Auditor's Recommendation: The County should work with the District to develop and implement adequate supervision and review procedures over the District's payroll.

2013-011 Allowable Cost: Equipment Costs - Non-compliance and Significant Deficiency

Program: CFDA 14.228, Walnut Creek Special Utility District (the District) Community Development Block Grant from the U.S. Department of Housing and Urban Development, which was passed through the Texas Department of Agriculture

Criteria: According to Texas Community Development Block Grant Project Implementation Manual, Chapter 8, Force Account Labor, the grant recipient may be compensated for the use of equipment using Federal Emergency Management Agency (FEMA) equipment rates.

Condition: 9 out of 32 Construction Personnel Time Sheets (CPTS) tested included inaccurate FEMA rates.

Questioned Costs: None

Effect: The District prepared inaccurate grant documentation.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Cause: Inaccurate and unsupported CPTS prepared by the District and lack of review of grant documentation resulted in incorrect grant submissions to the State.

Auditor's Recommendation: Procedures should be developed requiring review of grant documentation prior to submission, including review of FEMA rates.

2013-012 Allowable Cost: Maximum Annual Use Allowance - Non-compliance and Material Weakness

Program: CFDA 14.228, Walnut Creek Special Utility District (the District) Community Development Block Grant from the U.S. Department of Housing and Urban Development, which was passed through the Texas Department of Agriculture

Criteria: According to OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, the use allowance for equipment will be computed at an annual rate not exceeding 6 2/3 percent of acquisition cost.

Condition: 10 out of 19 pieces of equipment exceeded the annual maximum use allowance.

Questioned Costs: \$31,810

Effect: The grant recipient was over paid for equipment costs.

Cause: The grant recipient was unaware of the maximum use allowance compliance requirement.

Auditor's Recommendation: All Federal grant requirements should be reviewed prior to the start of the grant and procedures developed based on grant requirements.

2013-013 Submission of Data Collection Form - Non-compliance

Criteria: According to OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the audit shall be completed and the data collection form shall be submitted within nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition: The data collection form was submitted more than nine months after year end.

Questioned Costs: None

Effect: The data collection form was not submitted timely.

PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2013

Section III – Federal Award Findings and Questioned Costs (Continued)

Cause: Audit fieldwork was postponed by the County due to the implementation of a new general ledger software program in fiscal year 2014.

Auditor's Recommendation: The County should strive to submit its data collection form prior to the required deadline.

PARKER COUNTY, TEXAS
CORRECTIVE ACTION PLAN
September 30, 2013

Parker County, Texas respectfully submits the following corrective action plan for the year ended September 30, 2013.

The findings from the September 30, 2013 Schedule of Findings and Questioned Costs are discussed below.

Finding – Financial Statements

2013-001 Reconciliation of Liability Account– Material Weakness

Recommendation: All liability accounts should be reconciled and reviewed at least annually to determine if the balances are accurate. All transactions recorded as liabilities should be reviewed to determine if they are appropriately classified and if they are being properly relieved as the liabilities are paid.

Action Taken: Action will be taken to reconcile and review all liability accounts quarterly.

2013-002 Preparation of the Schedule of Expenditures of Federal and State Awards– Material Weakness

Recommendation: The County should develop and implement County-wide internal control procedures for reporting both grant funding received and grant expenditures.

Action Taken: Internal controls for development and implementation will be assigned to an Assistant Auditor for recording and reporting grant revenues and expenditures.

2013-003 Audit Adjustments/Prior Period Adjustments – Significant Deficiency

Recommendation: The County should review the content of the audit adjustments in order to understand the purpose of the adjustments, reclassifications or corrections and incorporate these entries into the County's monthly and year-end accounting transactions. Additionally, the County should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring to produce more useful and accurate financial reports.

Action Taken: Policies and procedures will be implemented to strengthen internal controls, utilize training to understand audit adjustments, and incorporate them into the County's year-end accounting transactions.

2013-004 Capital Assets – Significant Deficiency

Recommendation: The County should maintain and monitor capital asset transactions and update the capital asset listing regularly. The County should also establish procedures for identifying capital assets in the general ledger.

Action Taken: Reconciliation and conversion to new Fixed Asset software will assist in the identification of capital assets in the General Ledger.

PARKER COUNTY, TEXAS
CORRECTIVE ACTION PLAN
September 30, 2013

Finding – Financial Statements (Continued)

2013-005 Construction in Progress – Significant Deficiency

Recommendation: We recommend that the County establish procedures for tracking the progress of all projects related to the Transportation Bond and any other construction in progress through completion and disposal, if applicable.

Action Taken: Procedures will be established to track all construction projects through completion.

Findings – Federal Award Programs

2013-006 Allowable Activities and Costs Review - Non-compliance and Material Weakness in Internal Controls

Recommendation: All grant expenditures should be reviewed by management for allowable activities and costs prior to submitting the request for payment.

2013-007 Allowable Cost: Inaccurate Calculations - Non-compliance and Material Weakness

Recommendation: Procedures should be developed and implemented requiring the grant consultant or the County to perform a detailed review of all grant documentation, reports, and supporting documentation for accuracy prior to submission.

2013-008 Allowable Cost: Fringe Benefits - Non-compliance and Material Weakness

Recommendation: Procedures should be developed requiring review of all Personnel Cost Calculations Sheets and supporting documentation for accuracy before they are submitted to the State and used to calculate personnel costs.

2013-009 Allowable Cost: Personnel Activity Reports - Non-compliance and Material Weakness

Recommendation: All Federal grant requirements should be reviewed prior to the start of a grant and procedures should be developed based on grant requirements.

2013-010 Allowable Cost: Payroll Documentation - Non-compliance and Material Weakness

Recommendation: The County should work with the Walnut Creek Special Utility District to develop and implement adequate supervision and review procedures over the District's payroll.

2013-011 Allowable Cost: Equipment Costs - Non-compliance and Significant Deficiency

Recommendation: Procedures should be developed requiring review of grant documentation prior to submission, including review of FEMA rates.

2013-012 Allowable Cost: Maximum Annual Use Allowance - Non-compliance and Material Weakness

Recommendation: All Federal grant requirements should be reviewed prior to the start of the grant and procedures developed based on grant requirements.

**PARKER COUNTY, TEXAS
CORRECTIVE ACTION PLAN
September 30, 2013**

Findings – Federal Award Programs (Continued)

2013-013 Submission of Data Collection Form - Non-compliance

Recommendation: The County should strive to submit its data collection form prior to the required deadline.

Action Taken on Findings 2013-006 - 2013-013: The County is establishing a plan to review all grant requirements, requested grant funding, grant documents, reports, personnel cost calculations (including FEMA calculation rates), supervise and establish procedures of an entity's payroll, and to submit the data collection form in a timely manner.

FEDERAL AWARDS SECTION



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Judge and Members of
the Commissioners' Court
Parker County, Texas

Report on Compliance for Each Major Federal Program

We have audited Parker County, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Parker County's major federal programs for the year ended September 30, 2013. Parker County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Parker County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Parker County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Parker County's compliance.

Basis for Qualified Opinion on the Walnut Creek Special Utility District Community Development Block Grant (CDBG)

As described in the accompanying schedule of findings and questioned costs, Parker County did not comply with requirements regarding CFDA 14.228 CDBG as described in finding numbers 2013-006, 2013-007, 2013-008, 2013-009, 2013-010, 2013-011, and 2013-012 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for Parker County to comply with the requirements applicable to that program.

Qualified Opinion on the Walnut Creek Special Utility District Community Development Block Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Parker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Walnut Creek Special Utility District Community Development Block Grant for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-013. Our opinion on the major federal program is not modified with respect to this matter.

Parker County's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Parker County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Parker County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Parker County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Parker County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013- 006 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Parker County's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Parker County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Snow Garrett Williams

Snow Garrett Williams
July 24, 2014

PARKER COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Agriculture Community Development Block Grant	14.228	710559	\$ 325,193
Total U.S. Department of Housing and Urban Development			<u>325,193</u>
<u>U.S. Department of Justice</u>			
Direct Programs			
State Criminal Alien Assistance Program	16.606	2012-H4917-TX-AP	12,791
Bullet Proof Vest Partnership Program	16.607	N/A	29,609
Equitable Sharing Program (Asset Forfeiture Funds) - Sheriff	16.922	N/A	<u>97,636</u>
Total U.S. Department of Justice			<u>140,036</u>
<u>General Services Administration</u>			
Passed through Texas Facilities Commission Federal Surplus Property Program Donation of Federal Surplus Personal Property (Note 3)	39.003	24170	<u>5,758</u>
Total General Services Administration			<u>5,758</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Texas Department of State Health Services			
Public Health Emergency Preparedness	93.069	2013-041422-001-CPS	51,279
Public Health Emergency Preparedness	93.069	2014-001165-00	<u>2,024</u>
Total CFDA# 93.069			<u>53,303</u>
Total U.S. Department of Health and Human Services			<u>53,303</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Palo Pinto County			
Fire Management Assistance Grant	97.046	2888	133,624
Fire Management Assistance Grant	97.046	2952	<u>33,439</u>
Total CFDA# 97.046			<u>167,063</u>
Passed Through Texas Department of Public Safety			
2011 Homeland Security Grant Program (HSGP) State Homeland Security Grant (SHSP)	97.067	EMW-2011-SS-00019	15,815
2011 Homeland Security Grant Program (HSGP) Urban Areas Security Initiative Grant (UASI)	97.067	EMW-2011-SS-00019	33,054
2011 Homeland Security Grant Program (HSGP) Citizen Corp Program (CCP)	97.067	EMW-2011-SS-00019	<u>10,809</u>
Total CFDA# 97.067			<u>59,678</u>
Total U.S. Department of Homeland Security			<u>226,741</u>
Total Expenditures of Federal Awards			<u>\$ 751,031</u>

PARKER COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2013

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Parker County, Texas under programs of the federal government for the fiscal year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Parker County, it is not intended to and does not present the financial position or changes in net position of Parker County, Texas.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Reconciliation of Federal Surplus Property

The following amounts were acquired from the Federal government at fair market value less applicable shipping and handling fees:

Property (Non-cash)	\$ 4,518
Handling Fees Paid	<u>1,240</u>
Total for CFDA# 39.003	<u>\$ 5,758</u>

