

PALO PINTO COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

PALO PINTO COUNTY, TEXAS

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FOR THE YEAR ENDED SEPTEMBER 30, 2013

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PALO PINTO COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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FINANCIAL SECTION



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Independent Auditor's Report

To The Honorable County Judge and County Commissioners
Palo Pinto County, Texas

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

Management's Responsibility for the Financial Statements

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.

Basis for Qualified Opinions on Governmental Activities and General Fund

As fully described in Note 13 to the financial statements, the County has not recorded the receivables from the judicial assessments at September 30, 2013 in the accompanying financial statements of the Governmental Activities and General Fund. Accounting principles generally accepted in the United States of America require that these receivables should be recorded, which would increase the assets and fund balance/net position and change the revenues in the Governmental Activities and General Fund. The amount by which this departure would affect the assets, fund balance/net position, and revenues of the Governmental Activities and General Fund has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and General Fund of the County, as of September 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than the General Fund, and the aggregate remaining fund information of the County as of September 30, 2013, and the respective changes in financial position 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 funding schedules on the Texas County and District Retirement System and Palo Pinto County Retiree Health Care 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 the County's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for 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 combining financial statements and 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 financial statements and 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 January 14, 2014, on our consideration of the 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 the County's internal control over financial reporting and compliance.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
January 14, 2014

Management's Discussion and Analysis

As management of Palo Pinto County, we offer readers of the Palo Pinto County's financial statements this narrative overview of the financial activities of Palo Pinto County for the fiscal year ended September 30, 2013.

Financial Highlights

The assets of Palo Pinto County exceeded its liabilities at the close of the fiscal year by \$18,994,874 (*net position*). Of this amount, \$6,644,543 (*unrestricted net position*) may be used to meet the County's ongoing obligations.

As of the close of the fiscal year, the Palo Pinto County's governmental funds reported combined ending fund balances of \$9,030,931. Of this total amount, \$6,422,054 (71.1 percent) is *available for spending* at the County's discretion (*unassigned fund balance*).

At the end of the fiscal year, unassigned fund balance for the General Fund is \$6,422,054 or 47.6 percent of total General Fund expenditures.

The County's total long-term obligations increased \$179,506 (8.9 percent) during the fiscal year. The increase is due to an increase in post-employment benefit obligation of \$295,949, and retirements of debt in the amount of \$128,000. In addition, compensated absences increase by \$11,557.

Overview of Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide a broad overview of Palo Pinto County's finances, in a manner similar to private sector business.

The *Statement of Net Position* presents information on all of Palo Pinto County's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the County's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the year. All changes in net position are reported as soon as the event causing 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 periods (e.g., uncollected taxes).

The government-wide financial statements are presented on pages 9-10 of this report.

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. Palo Pinto 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 Palo Pinto County can be divided into two categories: governmental 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. However, unlike the government-wide financial statements, governmental fund financial focus is on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Palo Pinto County maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining funds* elsewhere in this report.

Palo Pinto County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

The basic governmental financial statements can be found on pages 11-15 of this report.

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

The combined fiduciary fund *Statement of Fiduciary Assets and Liabilities* can be found on page 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the audited financial statements.

The notes can be found on pages 17-36 of this report.

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 Palo Pinto County, assets exceeded liabilities by \$18,994,874 at September 30, 2013.

The largest portion of the County's net position (60 percent) reflects its investment in capital assets (eg., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Palo Pinto 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.

Net Position

	<i>Government Activities</i>	
	<u>2013</u>	<u>2012</u>
<i>Current and Other Assets</i>	\$ 9,697,965	\$ 9,083,155
<i>Capital Assets</i>	<u>11,982,281</u>	<u>12,121,986</u>
Total Assets	<u>\$ 21,680,246</u>	<u>\$ 21,205,141</u>
<i>Current Liabilities</i>	\$ 489,406	\$ 405,566
<i>Long-Term Liabilities</i>	<u>2,195,966</u>	<u>2,016,460</u>
Total Liabilities	<u>\$ 2,685,372</u>	<u>\$ 2,422,026</u>
Net Position:		
<i>Net Investment in Capital Assets</i>	\$ 11,414,281	\$ 11,425,986
<i>Restricted</i>	936,050	964,559
<i>Unrestricted</i>	<u>6,644,543</u>	<u>6,392,570</u>
Total Net Position	<u>\$ 18,994,874</u>	<u>\$ 18,783,115</u>

Restricted net position represents resources that are subject to external restrictions. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, Palo Pinto County is able to report positive balances in net position, for the government as a whole, as well as for its separate governmental activities.

Changes in Net Position

	<i>Government Activities</i>	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
<i>Charges for Services</i>	\$ 2,874,682	\$ 2,761,723
<i>Operating Grants and Contributions</i>	1,200,477	654,698
<i>Capital Grants and Contributions</i>	-	1,086,927
General Revenues:		
<i>Property Taxes</i>	8,549,379	7,813,875
<i>Other Taxes</i>	1,631,995	1,653,239
<i>Other</i>	223,243	263,610
Total Revenues	<u>\$ 14,479,776</u>	<u>\$ 14,234,072</u>
Expenses:		
<i>General Government</i>	\$ 3,843,297	\$ 3,584,051
<i>Administration of Justice</i>	1,880,044	1,816,352
<i>Public Safety</i>	3,547,541	2,532,801
<i>Corrections and Rehabilitation</i>	2,170,303	2,202,842
<i>Health and Human Services</i>	203,996	201,754
<i>Community and Economic Development</i>	278,899	270,385
<i>Infrastructure and Environmental Services</i>	2,343,937	2,072,483
Total Expenses	<u>\$ 14,268,017</u>	<u>\$ 12,680,668</u>
<i>Change in Net Position</i>	\$ 211,759	\$ 1,553,404
<i>Net Position - 10/1/12</i>	<u>18,783,115</u>	<u>17,229,711</u>
<i>Net Position - 9/30/13</i>	<u>\$ 18,994,874</u>	<u>\$ 18,783,115</u>

Financial Analysis of the Government's Funds

Governmental funds. The focus of Palo Pinto 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 financing 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 a fiscal year.

The General Fund is the chief operating fund of Palo Pinto County. At the end of the current fiscal year, unassigned fund balance of the General Fund is \$6,422,054 while the total fund balance reached \$7,548,291. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 47.6 percent of total General Fund expenditures, while total fund balance represents 56 percent of total General Fund expenditures.

Other items

The fund balance of Palo Pinto County's General Fund increased by \$529,227 during the current fiscal year. Key factor in this growth is:

- ◆ Ad valorem taxes increased by \$705,466 due to rebuilding of properties previously damaged by fires.

The Capital Projects Funds have a total fund balance of \$544,270, all of which is committed for future capital projects. This represents an increase over 2012 of \$4,950. It is the intent of the County to use these funds for future growth and expansion needs of the County.

The Debt Service Fund has a total fund balance of \$0. The Fund is used to account for the Texas Capital Fund loan. The monthly lease payments received by the County are immediately paid toward the loan balance.

Palo Pinto County's Special Revenue Funds have a combined restricted fund balance of \$933,938 which represents an decrease of \$23,159 primarily due to the hiring of a Court House Security Deputy, paid from the Court House Security Fund.

General Fund Budgetary Highlights

The final amended budget showed an increase of \$1,020,200 (8 percent) over the original budget which was for various grants, contributions, and insurance proceeds.

It is the practice of the County to budget very conservatively. Actual revenues were 2 percent higher than budgeted. Licenses, Fee and Fines were 1.8 percent higher than budgeted. Ad valorem taxes were 2.3 percent higher than budgeted. Sales tax revenue was 1.1 percent lower than budgeted after several years of suffering from slower retail sales and a poor local economy. Actual operating expenditures were 8.9 percent lower than budgeted. This can be attributed primarily to lower than anticipated costs in both general operations and road and bridge operations.

Capital Asset and Debt Administration

Capital assets. Palo Pinto County's investment in capital assets for its governmental activities as of September 30, 2013 amounts to \$11,982,281 (net of depreciation). This investment in capital assets includes land, buildings and building improvements, other improvements, transportation, machinery, equipment and other assets, infrastructure and construction-in-progress.

Major capital asset events during the current fiscal year included the following:

- ◆ The addition of infrastructure in the form of major road improvements, totaling \$359,426.
- ◆ The purchase of a number of law enforcement vehicles for \$124,659.
- ◆ The purchase of several vehicles and heavy equipment for road and bridge operations totaling \$167,776.

Additional information on the County's capital assets can be found in Note 5 on page 26 of this report.

Long-term debt. At the end of the fiscal year, the County had total long-term obligations of \$2,195,996 outstanding. This debt is 100% backed by the full faith and credit of the County.

Additional information on the County's long-term debt can be found in Note 7 on pages 27-28 of this report.

Economic Factors and Next Year's Budgets

At the end of the fiscal year the unassigned fund balance in the General Fund was \$6,422,054. The County appropriated \$674,896 of this amount for spending in the 2013-14 fiscal year budget for road and bridge operations, and to fund several contingency line items in the General Fund for unexpected emergencies. It is intended that the use of available fund balance will lessen the need to raise taxes during the 2013 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Palo Pinto County's finances. Questions concerning information in this report should be addressed to the County Auditor, Palo Pinto County, P.O. Box 159, Palo Pinto, Texas 76484.

Reference: Gauthier, Stephen J. Governmental Accounting, Auditing, and Financial Reporting, Chicago: Government Finance Officers Association, 2001.

BASIC FINANCIAL STATEMENTS

PALO PINTO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Governmental Activities
Assets	
Cash	\$ 990,151
Investments	7,714,545
Taxes receivable, net	477,071
Accounts receivable	211,058
Due from fiduciary	94,057
Prepaid expenses	152,498
Inventory	58,585
Capital assets, net	11,982,281
Total assets	<u>21,680,246</u>
Liabilities	
Accounts payable	326,581
Interest payable	1,490
Accrued liabilities	118,779
Due to fiduciary	14,606
Due to others	27,950
Long-term liabilities:	
Due within one year	309,522
Due in more than one year	1,886,444
Total liabilities	<u>2,685,372</u>
Net Position	
Net investment in capital assets	11,414,281
Restricted	936,050
Unrestricted	6,644,543
Total net position	<u>\$ 18,994,874</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ 3,843,297	\$ 1,212,024	\$ -	\$ (2,631,273)
Administration of Justice	1,880,044	719,245	148,680	(1,012,119)
Public Safety	3,547,541	43,214	1,017,250	(2,487,077)
Corrections and Rehabilitation	2,170,303	98,519	-	(2,071,784)
Health and Human Services	203,996	-	-	(203,996)
Community and Economic Development	278,899	-	-	(278,899)
Infrastructure and Environmental Services	2,343,937	801,680	34,547	(1,507,710)
Total governmental activities	<u>\$ 14,268,017</u>	<u>\$ 2,874,682</u>	<u>\$ 1,200,477</u>	<u>(10,192,858)</u>
General revenues:				
Property taxes, levied for general purposes				8,549,379
Sales taxes				1,482,869
Hotel/motel taxes				115,755
Mixed beverage taxes				33,371
Investment earnings				90,939
Miscellaneous				132,304
Total general revenues				<u>10,404,617</u>
Change in net position				211,759
Net position - beginning				18,783,115
Net position - ending				<u>\$ 18,994,874</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 247,243	\$ 742,908	\$ 990,151
Investments	7,011,146	703,399	7,714,545
Receivables, net:			
Taxes	435,206	41,865	477,071
Accounts	196,592	14,466	211,058
Due from other funds	87,562	6,040	93,602
Prepaid expenses	152,498	-	152,498
Inventory	58,525	60	58,585
Total assets	<u>\$ 8,188,772</u>	<u>\$ 1,508,738</u>	<u>\$ 9,697,510</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 307,442	\$ 19,139	\$ 326,581
Accrued liabilities	117,486	1,293	118,779
Due to other funds	13,401	750	14,151
Due to others	23,034	4,916	27,950
Total liabilities	<u>461,363</u>	<u>26,098</u>	<u>487,461</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>179,118</u>	<u>-</u>	<u>179,118</u>
Fund balances:			
Nonspendable	211,023	60	211,083
Restricted	2,012	934,038	936,050
Committed	85,092	548,542	633,634
Assigned	828,110	-	828,110
Unassigned	6,422,054	-	6,422,054
Total fund balances	<u>7,548,291</u>	<u>1,482,640</u>	<u>9,030,931</u>
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 8,188,772</u>	<u>\$ 1,508,738</u>	<u>\$ 9,697,510</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds (Exhibit A-3)		\$ 9,030,931
Amounts reported for <i>governmental activities</i> in the Statement of Net Position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	\$ 22,197,307	
Related accumulated depreciation	<u>10,215,026</u>	11,982,281
Property tax receivables are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		179,118
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Time warrant payable	50,000	
Note payable	518,000	
Accrued compensated absences	231,522	
Net other post-employment benefit obligation	1,396,444	
Accrued interest	<u>1,490</u>	<u>(2,197,456)</u>
Total net position - governmental activities (Exhibit A-1)		<u>\$ 18,994,874</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 8,529,231	\$ -	\$ 8,529,231
Licenses, fees and fines	2,487,954	182,141	2,670,095
Sales taxes	1,482,869	-	1,482,869
Inmate revenue	66,740	-	66,740
Interest earned	79,708	11,223	90,931
Occupancy tax	-	115,755	115,755
Federal and state grants	1,083,586	62,047	1,145,633
Commissary revenue	-	26,924	26,924
Mixed beverage tax	33,371	-	33,371
Other revenue	247,552	61,470	309,022
Total revenues	<u>14,011,011</u>	<u>459,560</u>	<u>14,470,571</u>
Expenditures			
29th District Court	360,658	-	360,658
Capital projects	-	61,640	61,640
Commissary	-	25,512	25,512
Commissioner's Court	25,442	-	25,442
Constable	309,634	-	309,634
County Attorney	209,458	5,165	214,623
County Auditor	234,270	-	234,270
County Clerk	279,614	113,029	392,643
County Court	173,715	-	173,715
County Extension Service	77,773	-	77,773
County Treasurer	109,635	-	109,635
Courthouse security	-	48,422	48,422
Debt service - principal	-	28,000	28,000
District Attorney	237,286	26,168	263,454
District Clerk	192,765	-	192,765
Election Administration	141,625	-	141,625
Emergency Management	980,905	-	980,905
Emergency Medical & Health Services	94,000	-	94,000
Forfeiture expenditures	-	5,759	5,759
General operations	2,914,856	47,960	2,962,816
Health services	10,000	-	10,000
Hotel/motel tax	-	115,552	115,552
Information Technology	97,666	-	97,666
Inmate contract	216,022	-	216,022
Jail and detention	1,512,014	-	1,512,014
Justice of the Peace	434,281	-	434,281
Narcotics Unit	114,827	-	114,827
Public Works	339,885	-	339,885

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Road and Bridge:			
Precinct No. 1	474,657	-	474,657
Precinct No. 2	623,787	-	623,787
Precinct No. 3	590,615	-	590,615
Precinct No. 4	537,863	-	537,863
Sheriff	1,645,055	-	1,645,055
Tax Assessor-Collector	493,654	-	493,654
Vending Expenditures	-	3,737	3,737
Veteran's Administration	49,822	-	49,822
Total expenditures	<u>13,481,784</u>	<u>480,944</u>	<u>13,962,728</u>
Net change in fund balances	529,227	(21,384)	507,843
Fund balances, beginning of year	<u>7,019,064</u>	<u>1,504,024</u>	<u>8,523,088</u>
Fund balances, end of year	<u><u>\$ 7,548,291</u></u>	<u><u>\$ 1,482,640</u></u>	<u><u>\$ 9,030,931</u></u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds (Exhibit A-5)		\$	507,843
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit A-2) are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:			
Capital outlay during the year	\$	832,366	
Depreciation expense for the year		<u>961,128</u>	(128,762)
Proceeds from the sale of capital assets are recorded as revenues when received in the governmental funds. In the Statement of Activities, the difference between the proceeds and the book value of the capital asset is reported as a gain (loss) from sale.			
			(10,943)
Because property tax receivables will not be collected for several months after the County's fiscal year ends, they are not considered 'available' revenues and are deferred inflows of resources in the governmental funds. Deferred inflows of resources increased by this amount.			
			20,148
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. The long-term debt principal paid during the year was as follows:			
Time warrants		100,000	
Note payable		<u>28,000</u>	128,000
Included in long-term debt are obligations for accrued vacation leave and the net other post-employment benefit obligation. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The change in these long-term obligations was:			
			(307,506)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in accrued interest is as follows:			
Accrued interest at September 30, 2012		4,469	
Accrued interest at September 30, 2013		<u>1,490</u>	<u>2,979</u>
Change in net position of governmental activities (Exhibit A-2)		\$	<u><u>211,759</u></u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>Agency Funds</u>
Assets	
Cash	\$ 1,561,231
Investments	460,065
Accounts receivable	14,539
Due from other funds	14,606
Total assets	<u>\$ 2,050,441</u>
Liabilities	
Due to other funds	\$ 94,057
Due to others	1,956,384
Total liabilities	<u>\$ 2,050,441</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Palo Pinto, Texas (County) was created by the Act of Legislature on August 27, 1856, and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk, District Clerk, County Tax Assessor-Collector and County Treasurer. The County Auditor is appointed for a term of two years and serves at the will of the District Judge, whose court is located in Palo Pinto County. The 2010 census population for the County was 28,111 and the area covered is approximately 949 square miles. The unincorporated community of Palo Pinto is the County Seat. The County provides the following public services: Public Safety – Sheriff’s Department and Jail Detention, Tax Assessing and Collecting, Sanitation, Fire, Emergency Medical Services, Public Records, Criminal and Civil Prosecution, Road and Bridge Maintenance and General Operations.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The government’s significant accounting policies are described below:

A. Reporting Entity

In evaluating the County for financial reporting purposes, management has considered all potential component units. The evaluation was made by applying the criteria set forth in generally accepted accounting principles for inclusion of component units with a reporting entity. The major criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility over the unit. The most significant manifestation of this ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no potential component units included in the reporting entity as defined by GASB 14, “The Reporting Entity”, as amended by GASB 39 and 61.

There are no component units which satisfy requirements for blending or discrete presentation within the County’s financial statements. Accordingly, the basic financial statements present the County only.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the non-fiduciary activities of the County. For the most part, the effects of interfund activity have been removed from these statements.

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental fund:

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

The County reports the following nonmajor governmental funds reported as 'Other Governmental Funds':

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

The *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The *Debt Service Funds* are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

Additionally, the County reports the following fund types:

Agency Funds are used to report cash and investments and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The assets are held in a trustee or agent capacity and are not available to support County programs; therefore, these funds are not included in the government-wide financial statements.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

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

The preparation of the financial statements in conformity with generally accepted accounting principles require the use of estimates by management that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Financial Statement Amounts

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and investment pools.

Investments for the County are reported at fair value. The authorized investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, including those for the County, are shown net of an allowance for uncollectibles.

Property taxes are levied by October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

3. Uncollected Taxes Receivable

The office of the Tax Assessor-Collector is under contract to eighteen (18) different taxing entities. It is the responsibility of the Tax Assessor-Collector to collect the taxes for the various taxing districts and then to remit the tax, including any penalty and interest, less a 1% fee of current taxes and 7% of delinquent taxes, to the tax district, except for the Palo Pinto County Education District, in which the Tax Assessor-Collector receives all penalties collected. The amount recorded as investment in uncollected taxes represents the total taxes receivable for the eighteen districts and the Palo Pinto County Education District.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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. For the year ended September 30, 2013, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 has only one type of item that qualifies for reporting in this category, property taxes receivable. Property taxes receivable are unavailable and therefore cannot be recognized as revenue in the governmental funds until they are received.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs on fixed assets are not capitalized. Interest is charged to the Debt Service Fund for assets acquired with tax notes. For assets purchased under capital lease agreements, interest is expensed in the fund responsible for making the lease payments.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Furniture & Fixtures	7 years
Vehicles	3 - 15 years
Equipment	5 - 7 years
Heavy Equipment	8 - 30 years
Buildings and Improvements	5 - 40 years
Other Improvements	10 - 20 years
Public Domain Infrastructure	15 - 30 years

7. Compensated Absences

It is the County's policy to permit employees to accumulate a limited amount of earned but unused vacation and compensated absences, which will be paid to employees upon separation from the County's service. In governmental funds, the cost of vacation and compensated absences is recognized when payments are made to employees. A long-term liability of \$231,522 of accrued vacation and compensated absences at September 30, 2013 has been recorded in the government-wide statements, representing the County's commitment to fund such costs from future operations. The department for which the employee works is charged when payments for vacation or compensated absences are paid. The County's sick leave policy provides for an unlimited accumulation of earned sick leave. The County has no obligation for the accumulated sick leave until it is actually taken; therefore, no accrual for sick leave has been made.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Issuance costs associated with long-term debt are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners' Court. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

2. COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions are reported below, along with actions taken to address such violations:

For the year ended September 30, 2013, the County had no violations of finance-related legal or contractual provisions.

B. Deficit Fund Balance or Fund Net Position of Individual Funds

As of September 30, 2013, there were no funds with a deficit fund balance or net position.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

3. DEPOSITS AND INVESTMENTS

A. Deposits

Deposits, except for those held in trust by the County and District Clerks, were held with the contracted depository banks in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and by pledged government securities in the name of the depository banks. At September 30, 2013, the carrying amount of the County's deposits was \$8,426,616 and the balance per the bank was \$8,631,137. Included in the carrying amount and bank balance are certificates of deposit (recorded as investments) totaling \$7,436,465.

The County and District Clerks hold deposit accounts and investments as trustees under court orders in various banks. The accounts are styled for the benefit of the individual beneficiaries and do not actually belong to the County. The investments consist of interest bearing demand deposits and certificates of deposit whose carrying value and market value are the same. The carrying amounts of agency funds held by the County at September 30, 2013 were \$2,021,296 and the balance per the bank was \$2,021,296. All deposits and investments were secured by FDIC coverage.

B. Investments

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

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The County's investments at September 30, 2013 are shown below:

<u>Investments</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Government Pools (Lone Star)	-	\$ 195,965
Certificates of Deposit	4.75	7,436,465
Money Market Mutual Fund	-	<u>82,115</u>
Total		<u>\$7,714,545</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized 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.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

3. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

D. Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

E. Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The County's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1 and do not begin to accrue interest until February 1. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes (exclusive of those amounts levied to service long-term debt) up to \$.80 per \$100 of assessed valuation for general services, permanent improvements, road and bridge and jury fund purposes. The combined tax rate to finance general government (exclusive of long-term debt service and Special Road & Bridge) for the year ended September 30, 2013, was \$0.33200 per \$100 valuation.

No taxes were levied for the payment of principal and interest related to long-term debt as the bonded debt was paid in full in the prior year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2013, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$403,542
Allowance for uncollectible taxes	<u>(224,424)</u>
Net property taxes receivable	<u>\$179,118</u>

Of the \$403,542 of property taxes receivable at September 30, 2013, the County expects to collect approximately \$140,000 within a year. This is similar to the amount of delinquent taxes received in previous years.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

5. CAPITAL ASSETS

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

Governmental Activities:	<u>Balance</u> 10/1/12	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> 9/30/13
Capital assets not being depreciated:					
Land	\$ 224,820	\$ -	\$ -	\$ -	\$ 224,820
Construction in progress	<u>74,655</u>	<u>96,923</u>	<u>-</u>	<u>(67,078)</u>	<u>104,500</u>
Total capital assets not being depreciated	<u>299,475</u>	<u>96,923</u>	<u>-</u>	<u>(67,078)</u>	<u>329,320</u>
Capital assets being depreciated:					
Buildings and improvements	8,627,748	-	-	-	8,627,748
Equipment	3,426,857	256,875	96,918	-	3,586,814
Vehicles	2,637,434	152,557	44,741	-	2,745,250
Infrastructure	<u>6,515,086</u>	<u>326,011</u>	<u>-</u>	<u>67,078</u>	<u>6,908,175</u>
Total capital assets being depreciated	<u>21,207,125</u>	<u>735,443</u>	<u>141,659</u>	<u>67,078</u>	<u>21,867,987</u>
Less accumulated depreciation for:					
Buildings and improvements	4,651,417	239,862	-	-	4,891,279
Equipment	1,924,224	168,982	88,672	-	2,004,534
Vehicles	1,877,490	228,955	42,044	-	2,064,401
Infrastructure	<u>931,483</u>	<u>323,329</u>	<u>-</u>	<u>-</u>	<u>1,254,812</u>
Total accumulated depreciation	<u>9,384,614</u>	<u>961,128</u>	<u>130,716</u>	<u>-</u>	<u>10,215,026</u>
Total capital assets being depreciated, net	<u>11,822,511</u>	<u>(225,685)</u>	<u>10,943</u>	<u>67,078</u>	<u>11,652,961</u>
Governmental activities capital assets, net	<u>\$12,121,986</u>	<u>(\$128,762)</u>	<u>\$ 10,943</u>	<u>\$ -</u>	<u>\$11,982,281</u>

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

Governmental Activities:	
General Government	\$ 76,034
Administration of Justice	9,763
Public Safety	181,575
Corrections and Rehabilitation	131,851
Health and Human Services	894
Community and Economic Development	29,897
Infrastructure and Environmental Services	<u>531,114</u>
Total governmental depreciation	<u>\$961,128</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

6. INTERFUND BALANCES

Balances due to and from other funds at September 30, 2013 was as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Fiduciary Funds	\$ 87,562	Short-term loan
Other Governmental Funds	Fiduciary Funds	6,040	Short-term loan
Fiduciary Funds	General Fund	13,401	Short-term loan
Fiduciary Funds	Other Governmental Funds	750	Short-term loan
Fiduciary Funds	Fiduciary Funds	<u>455</u>	Short-term loan
	Total	<u>\$108,208</u>	

All of the above amounts are expected to be repaid within one year.

7. LONG-TERM OBLIGATIONS

The County issued time warrants and notes payable to provide funds for the acquisition and construction of major capital facilities. These issues are direct obligations and pledge the full faith and credit of the County.

Changes in long-term liabilities for the year ended September 30, 2013 was as follows:

Governmental Activities:	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/13</u>	<u>Due Within</u> <u>One Year</u>
Time warrants	\$ 150,000	\$ -	\$100,000	\$ 50,000	\$ 50,000
Note payable	546,000	-	28,000	518,000	28,000
Compensated absences	219,965	243,630	232,073	231,522	231,522
Net other post-employment benefit obligation	<u>1,100,495</u>	<u>295,949</u>	<u>-</u>	<u>1,396,444</u>	<u>-</u>
Total long-term liabilities – governmental activities	<u>\$2,016,460</u>	<u>\$539,579</u>	<u>\$360,073</u>	<u>\$2,195,966</u>	<u>\$309,522</u>

For the governmental activities, compensated absences and other post-employment benefit obligations are generally liquidated by the General Fund.

Total debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 78,000	\$ 1,625	\$ 79,625
2015	28,000	-	28,000
2016	28,000	-	28,000
2017	28,000	-	28,000
2018	28,000	-	28,000
2019-23	140,000	-	140,000
2024-28	140,000	-	140,000
2029-32	<u>98,000</u>	<u>-</u>	<u>98,000</u>
Totals	<u>\$568,000</u>	<u>\$ 1,625</u>	<u>\$569,625</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

Time Warrants

Time warrants, payable to the Comanche National Bank, at September 30, 2013 consisted of the following:

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/13</u>
Construction of the Chestnut Mountain Road	\$250,000	12/23/10	10/31/13	3.25%	<u>\$50,000</u>

The time warrant obligation debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 50,000</u>	<u>\$ 1,625</u>	<u>\$ 51,625</u>

Note Payable

The note payable to the Texas Department of Rural Community Affairs is part of the Texas Department of Agriculture's Community Development Block Grant (CDBG) known as the Texas Capital Fund. The County borrowed \$560,000 interest-free to purchase a facility which was leased to a business. The lease proceeds will be used to repay the loan. The monthly lease is for \$2,333 which began in June 2012.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/13</u>
Purchase and lease facility as part of the CDBG Texas Capital Fund program	\$560,000	05/23/11	04/15/32	0.00%	<u>\$518,000</u>

The note payable obligation debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 28,000	\$ -	\$ 28,000
2015	28,000	-	28,000
2016	28,000	-	28,000
2017	28,000	-	28,000
2018	28,000	-	28,000
2019-23	140,000	-	140,000
2024-28	140,000	-	140,000
2029-32	<u>98,000</u>	<u>-</u>	<u>98,000</u>
Total	<u>\$518,000</u>	<u>\$ -</u>	<u>\$518,000</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

8. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the County's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

9. CONTINGENT LIABILITIES AND COMMITMENTS

Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Litigation

In the normal course of providing services to the public, the County from time-to-time is subjected to litigation claims. The County defends itself against such claims based on internal assessment of liability and risk. Litigation expenses are recorded as expenditures in the period when litigation services are rendered and damages are accrued as expenditures when determined to be probable and when amounts can reasonably be estimated. The County cannot readily determine the outcome of the litigation at this time; consequently, no liabilities have been accrued in the financial statements relative to litigation in process at September 30, 2013.

Texas Department of Transportation Contract

On December 21, 2006, the County entered into a contract with the Texas Department of Transportation (TXDOT) for the replacement of five bridges in Palo Pinto County. Three bridges have been completed. The total cost of the remaining two bridges is estimated at \$1,246,000 with the County contributing a 10% match of \$124,600. The County's match may be made in cash or in-kind. The County's match is required to be made no more than three years from the date TXDOT lets contracts for the construction project. As of September 30, 2013, the two remaining bridges had not been let.

Post-employment Benefits

A. Health and Supplemental Insurance

Effective October 1, 2002, the County began offering post-employment benefits, subject to appropriations, for monthly healthcare premiums for qualified retirees under 65 years of age. In addition, the County pays a portion of the cost of a Medicare supplement for retirees over 65 years of age. Effective January 1, 2006, the County's contribution amount is 35% of the supplement premium. At year end there were ten participants receiving healthcare benefits and eight participants receiving Medicare supplemental benefits. The cost to the County for retiree healthcare benefits was \$75,024 and the cost for retiree Medicare supplemental benefits was \$7,742 and is funded on a pay-as-you-go basis.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

B. Life Insurance Benefit

The County participates in a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (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 post-employment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

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

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's contributions to the GTLF, attributable to retired employees, for the years ended September 30, 2013, 2012 and 2011 were \$8,919, \$7,220, and \$6,119, respectively, which equaled the contractually required contributions each year.

10. RETIREMENT PLAN

A. 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 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.

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

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

B. Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 10.93% for the months of the accounting year in 2012, and 11.50% 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% as adopted by the Commissioners' Court of the County. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

C. 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 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.

The County's annual pension cost and actual contributions for the years ended September 30, 2013, 2012 and 2011 were \$749,624, \$682,421, and \$656,584, respectively. The County did not have a Net Pension Obligation (NPO) at the end of any of those years.

D. Funding Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 79.82 percent funded. The actuarial accrued liability for benefits was \$17,728,774 and the actuarial value of assets was \$14,150,456, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,578,318. The covered payroll (annual payroll of active employees covered by the plan) was \$6,338,220, and the ratio of the UAAL to the covered payroll was 56.46 percent.

The schedule of funding progress, presented as 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.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

11. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The County administers the Palo Pinto County Retiree Health Care Plan for retired employees.

A. Plan Description

Pre-65 Plan – Any employee who meets the retirement eligibility requirements of the TCDRS, and who leaves the employ of the County may, upon retirement, elect to remain on the County's group medical until the retiree reaches age 65 or qualifies for Medicare. The County pays 100% of the total monthly premium prescribed in the current health plan for retired participants who continue coverage. The retired employee may continue coverage for dependents, if he or she pays the entire premium for the dependent. Premiums are determined annually by estimating the amount needed to cover projected claims. The benefit is subject to annual appropriations by the Commissioners' Court.

Post-65 Plan – Retirees may purchase a Medicare supplement policy without prescription drug coverage for a reduced premium. Retirees have the option to purchase prescription drug coverage to which the County does not contribute. Spouses may receive the same plan at retiree's expense. Premiums and benefits are subject to change each year. Percent of premium paid by County is subject to change with the intent of leaving the dollar amount of benefit the same. The benefit is subject to annual appropriations by the Commissioners' Court.

B. Normal Retirement Benefits

Retirement benefits are a defined benefit plan under TCDRS (see note 10). Members are eligible to retire under TCDRS at age 60 or more with 8 years of vested service, at any time with a minimum of 30 years of vested service, or any age plus years of service equaling 75.

C. Early Retirement Benefits

Members retiring under early retirement conditions (non-vested) are not eligible for retiree healthcare benefits.

D. Deferred Retirement Benefits

Members who may be vested and terminate employment, but do not apply for retirement benefits, are not eligible for retiree health care benefits.

E. Benefits for Spouses / Children of Retired Employees

Currently, the spouse of a retiree is eligible to continue health care benefits until Medicare eligible. Children of retirees are eligible to continue to receive health care benefits until age 25, meeting the qualifications of dependent children described in the County's healthcare plan.

F. Disability Retirement Benefits

If a member has 8 years or more of service and becomes disabled, the employee may be eligible for disability retirement. If a member has less than 8 years of service and the disability is work-related, the member may be eligible for disability retirement.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

G. Funding Policy and Annual OPEB Cost

The County's annual other post-employment benefits (OPEB) cost is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The County had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB and another valuation completed for the year ended September 30, 2013. The County's OPEB cost for the year ended September 30, 2013 was as follows:

Annual Required Contribution	\$ 478,326
Interest on OPEB obligation	49,522
Adjustment to ARC	(45,882)
Annual OPEB cost (expense) end of year	481,966
Net estimated employer contributions	(186,017)
Increase (decrease) in net OPEB obligation	295,949
Net OPEB obligation – beginning of year	<u>1,100,495</u>
Net OPEB obligation – end of year	<u>\$1,396,444</u>

H. Schedule of Actuarial Liabilities and Funding Status

Actuarial Valuation Date	3/31/11
Actuarial Value of Assets	\$ -
Actuarial Accrued Liabilities	\$3,323,771
Unfunded Actuarial Accrued Liability (UAAL)	\$3,323,771
Funded Ratio	0.00%
Annual Covered Payroll	N/A
UAAL as a Percentage of Annual Covered Payroll	N/A

I. Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between Palo Pinto County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

Inflation Rate	3.0% per annum
Investment Rate of Return	4.5%, net of expenses
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level as a percentage of salary
Amortization Period	Open 30 year period
Salary Growth	3.0% per annum
Medical Trend	Initial rate of 9.0% declining to an ultimate rate of 4.5% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the profitability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

12. DEFERRED COMPENSATION PLAN

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code 457. The plans, available to all County employees on a voluntary basis, permit them to defer a portion of their salaries until future years. The County does not make any contributions to the plans.

Deferred compensation is available to employees' beneficiaries in case of death. One plan is through the National Association of Counties and its assets are administered by Nationwide Retirement Solutions, an independent third party administrator. The second plan's assets are managed by ITT Hartford, an independent administrator. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributed to those amounts, property or rights are solely the property and rights of the participants.

13. JUDICIAL ASSESSMENT RECEIVABLES

At September 30, 2013, the County has not recorded the receivables from judicial assessments in the accompanying financial statements; nor have they been recorded in the prior year. Though these amounts are significant, the County has not determined the allowances for uncollectible amounts for recording them at year end. Consequently, the effects on the financial statements of not including the judicial assessment receivables are not reasonably determinable.

14. NET POSITION/FUND BALANCES

The Governmental Activities' net position consisted of the following at September 30, 2013:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

Net investment in capital assets	<u>\$11,414,281</u>
Restricted:	
General Government	509,451
Administration of Justice	106,131
Public Safety	210,331
Corrections and Rehabilitation	34,955
Community and Economic Development	75,082
Infrastructure and Environmental Services	<u>100</u>
Total restricted	<u>936,050</u>
Unrestricted	<u>6,644,543</u>
Total net position	<u>\$18,994,874</u>

The Governmental Funds' fund balances consisted of the following at September 30, 2013:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepays	\$ 152,498	\$ -	\$ 152,498
Inventories	<u>58,525</u>	<u>60</u>	<u>58,585</u>
Total nonspendable	<u>211,023</u>	<u>60</u>	<u>211,083</u>
Restricted:			
General Government	-	509,451	509,451
Administration of Justice	-	106,131	106,131
Public Safety	2,012	208,319	210,331
Corrections and Rehabilitation	-	34,955	34,955
Community and Economic Development	-	75,082	75,082
Infrastructure and Environmental Services	<u>-</u>	<u>100</u>	<u>100</u>
Total restricted	<u>2,012</u>	<u>934,038</u>	<u>936,050</u>
Committed:			
General Government	19,307	2,052	21,359
Health and Human Services	-	2,320	2,320
Infrastructure and Environmental Services	<u>65,785</u>	<u>544,170</u>	<u>609,955</u>
Total committed	<u>85,092</u>	<u>548,542</u>	<u>633,634</u>
Assigned:			
PK roads	218,999	-	218,999
2013-14 budget deficit	<u>609,111</u>	<u>-</u>	<u>609,111</u>
Total assigned	<u>828,110</u>	<u>-</u>	<u>828,110</u>
Unassigned	<u>6,422,054</u>	<u>-</u>	<u>6,422,054</u>
Total fund balances	<u>\$7,548,291</u>	<u>\$1,482,640</u>	<u>\$9,030,931</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2013

15. SUBSEQUENT EVENTS

In October 2013, the County awarded the sewer project totaling \$182,538. The project will be funded by the Community Development Block Grant passed through the Texas Department of Agriculture.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 8,340,800	\$ 8,340,800	\$ 8,529,231	\$ 188,431
Licenses, fees and fines	2,444,380	2,444,380	2,487,954	43,574
Sales taxes	1,500,000	1,500,000	1,482,869	(17,131)
Inmate revenue	50,000	50,000	66,740	16,740
Interest earned	68,500	84,500	79,708	(4,792)
Federal and state grants	186,000	1,122,572	1,083,586	(38,986)
Mixed beverage tax	28,000	28,000	33,371	5,371
Other	124,000	191,628	247,552	55,924
Total revenues	<u>12,741,680</u>	<u>13,761,880</u>	<u>14,011,011</u>	<u>249,131</u>
Expenditures				
29th District Court	349,285	367,285	360,658	6,627
Commissioners' Court	48,502	46,302	25,442	20,860
Constable	320,096	331,236	309,634	21,602
County Attorney	229,426	229,426	209,458	19,968
County Auditor	225,856	234,571	234,270	301
County Clerk	282,362	282,362	279,614	2,748
County Court	169,072	178,572	173,715	4,857
County Extension Service	92,908	92,908	77,773	15,135
County Treasurer	111,831	111,831	109,635	2,196
District Attorney	243,911	243,911	237,286	6,625
District Clerk	196,677	196,677	192,765	3,912
Election Administration	147,264	147,264	141,625	5,639
Emergency Management	73,372	982,816	980,905	1,911
Emergency Medical & Health Services	98,000	98,000	94,000	4,000
General Operations	3,225,100	3,191,085	2,914,856	276,229
Health Services	10,000	10,000	10,000	-
Information Technology	103,443	103,443	97,666	5,777
Inmate Contract	226,272	226,272	216,022	10,250
Jail and Detention	1,619,438	1,619,438	1,512,014	107,424
Justice of the Peace	447,430	447,430	434,281	13,149
Narcotics Unit	153,684	153,684	114,827	38,857
Public Works	338,378	380,928	339,885	41,043
Road and Bridge:				
Precinct No. 1	566,136	613,283	474,657	138,626
Precinct No. 2	783,639	799,639	623,787	175,852
Precinct No. 3	700,192	700,192	590,615	109,577
Precinct No. 4	656,707	656,707	537,863	118,844
Sheriff	1,661,351	1,697,820	1,645,055	52,765
Tax Assessor-Collector	501,986	501,986	493,654	8,332
Veterans' Administration	51,477	51,477	49,822	1,655
Total expenditures	<u>13,633,795</u>	<u>14,696,545</u>	<u>13,481,784</u>	<u>1,214,761</u>
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	<u>(892,115)</u>	<u>(934,665)</u>	<u>529,227</u>	<u>1,463,892</u>

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Other sources and (uses):				
Transfers in	100,000	100,000	-	(100,000)
Total other sources and (uses):	100,000	100,000	-	(100,000)
Net change in fund balances	(792,115)	(834,665)	529,227	1,363,892
Fund balances, beginning of year	7,019,064	7,019,064	7,019,064	-
Fund balances, end of year	<u>\$ 6,226,949</u>	<u>\$ 6,184,399</u>	<u>\$ 7,548,291</u>	<u>\$ 1,363,892</u>

PALO PINTO COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2013

A. BUDGETARY INFORMATION

Annual budgets are adopted on the GAAP basis of accounting for all governmental funds except capital project funds. All annual appropriations lapse at fiscal year end.

The County Judge is, by statute, the Budget Officer of the County and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Judge. The County Judge reviews budget requests and holds informal hearings when needed. Before October 1, a proposed budget is presented to the Commissioners' Court. A public hearing is then held and the Commissioners' Court takes action on the proposed budget. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. No amendments may be made without Commissioners' Court approval to the total budget for each department within a fund. Thus, the legal level of budgetary control is at the department level. No supplemental appropriations were required during the year.

PALO PINTO COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS -
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ 12,153,107	\$ 14,978,255	\$ 2,825,148	81.14%	\$ 6,232,046	45.33%
12/31/2011	13,092,992	16,249,834	3,156,842	80.57%	6,121,549	51.57%
12/31/2012	14,150,456	17,728,774	3,578,318	79.82%	6,338,220	56.46%

PALO PINTO COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS -
PALO PINTO COUNTY RETIREE HEALTH CARE PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/2008	\$ -	\$ 2,767,074	\$ 2,767,074	0.00%	N/A	N/A
3/31/2011	-	3,323,771	3,323,771	0.00%	N/A	N/A

Note: Valuations are performed every third year.

*COMBINING FINANCIAL STATEMENTS
AS SUPPLEMENTARY INFORMATION*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2013

	10 General Fund	11/12/13/14 Road and Bridge Fund	Total
ASSETS			
Cash	\$ 102,324	\$ 144,919	\$ 247,243
Investments	5,125,013	1,886,133	7,011,146
Receivables, net:			
Taxes	406,642	28,564	435,206
Accounts	173,602	22,990	196,592
Due from other funds	57,348	30,214	87,562
Prepaid expenses	152,498	-	152,498
Inventory	8,971	49,554	58,525
Total assets	<u>\$ 6,026,398</u>	<u>\$ 2,162,374</u>	<u>\$ 8,188,772</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 186,273	\$ 121,169	\$ 307,442
Accrued liabilities	100,128	17,358	117,486
Due to other funds	13,401	-	13,401
Due to others	23,034	-	23,034
Total liabilities	<u>322,836</u>	<u>138,527</u>	<u>461,363</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>150,554</u>	<u>28,564</u>	<u>179,118</u>
Fund balances:			
Nonspendable	161,469	49,554	211,023
Restricted	2,012	-	2,012
Committed	85,092	-	85,092
Assigned	-	828,110	828,110
Unassigned	5,304,435	1,117,619	6,422,054
Total fund balances	<u>5,553,008</u>	<u>1,995,283</u>	<u>7,548,291</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,026,398</u>	<u>\$ 2,162,374</u>	<u>\$ 8,188,772</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	10 General Fund	11/12/13/14 Road and Bridge Fund	Total
Revenues			
Ad valorem taxes	\$ 7,138,097	\$ 1,391,134	\$ 8,529,231
Licenses, fees and fines	1,788,523	699,431	2,487,954
Sales taxes	1,482,869	-	1,482,869
Inmate revenue	66,740	-	66,740
Interest earned	63,040	16,668	79,708
Federal and state grants	1,083,586	-	1,083,586
Mixed beverage tax	33,371	-	33,371
Other revenue	183,905	63,647	247,552
Total revenues	<u>11,840,131</u>	<u>2,170,880</u>	<u>14,011,011</u>
Expenditures			
29th District Court	360,658	-	360,658
Commissioners' Court	25,442	-	25,442
Constable	309,634	-	309,634
County Attorney	209,458	-	209,458
County Auditor	234,270	-	234,270
County Clerk	279,614	-	279,614
County Court	173,715	-	173,715
County Extension Service	77,773	-	77,773
County Treasurer	109,635	-	109,635
District Attorney	237,286	-	237,286
District Clerk	192,765	-	192,765
Election Administration	141,625	-	141,625
Emergency Management	980,905	-	980,905
Emergency Medical & Health Services	94,000	-	94,000
General operations	2,914,856	-	2,914,856
Health services	10,000	-	10,000
Information Technology	97,666	-	97,666
Inmate contract	216,022	-	216,022
Jail and detention	1,512,014	-	1,512,014
Justice of the Peace	434,281	-	434,281
Narcotics Unit	114,827	-	114,827
Public Works	339,885	-	339,885
Road and Bridge:			
Precinct No. 1	-	474,657	474,657
Precinct No. 2	-	623,787	623,787
Precinct No. 3	-	590,615	590,615
Precinct No. 4	-	537,863	537,863
Sheriff	1,645,055	-	1,645,055
Tax Assessor-Collector	493,654	-	493,654
Veteran's Administration	49,822	-	49,822
Total expenditures	<u>11,254,862</u>	<u>2,226,922</u>	<u>13,481,784</u>
Net change in fund balances	585,269	(56,042)	529,227
Fund balances, beginning of year	<u>4,967,739</u>	<u>2,051,325</u>	<u>7,019,064</u>
Fund balances, end of year	<u>\$ 5,553,008</u>	<u>\$ 1,995,283</u>	<u>\$ 7,548,291</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General (10)		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad valorem taxes	\$ 6,980,000	\$ 7,138,097	\$ 158,097
Licenses, fees and fines	1,763,000	1,788,523	25,523
Sales taxes	1,500,000	1,482,869	(17,131)
Inmate revenue	50,000	66,740	16,740
Interest earned	76,000	63,040	(12,960)
Federal and state grants	1,122,572	1,083,586	(38,986)
Mixed beverage tax	28,000	33,371	5,371
Other revenue	128,481	183,905	55,424
Total revenues	11,648,053	11,840,131	192,078
Expenditures			
29th District Court	367,285	360,658	6,627
Commissioners' Court	46,302	25,442	20,860
Constable	331,236	309,634	21,602
County Attorney	229,426	209,458	19,968
County Auditor	234,571	234,270	301
County Clerk	282,362	279,614	2,748
County Court	178,572	173,715	4,857
County Extension Service	92,908	77,773	15,135
County Treasurer	111,831	109,635	2,196
District Attorney	243,911	237,286	6,625
District Clerk	196,677	192,765	3,912
Election Administration	147,264	141,625	5,639
Emergency Management	982,816	980,905	1,911
Emergency Medical & Health Services	98,000	94,000	4,000
General operations	3,191,085	2,914,856	276,229
Health services	10,000	10,000	-
Information Technology	103,443	97,666	5,777
Inmate contract	226,272	216,022	10,250
Jail and detention	1,619,438	1,512,014	107,424
Justice of the Peace	447,430	434,281	13,149
Narcotics Unit	153,684	114,827	38,857
Public Works	380,928	339,885	41,043
Road and Bridge:			
Precinct No. 1	-	-	-
Precinct No. 2	-	-	-
Precinct No. 3	-	-	-
Precinct No. 4	-	-	-
Sheriff	1,697,820	1,645,055	52,765
Tax Assessor-Collector	501,986	493,654	8,332
Veteran's Administration	51,477	49,822	1,655
Total expenditures	11,926,724	11,254,862	671,862
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	(278,671)	585,269	863,940
Other sources and (uses):			
Transfers in	100,000	-	(100,000)
Net change in fund balances	(178,671)	585,269	763,940
Fund balances, beginning of year	4,967,739	4,967,739	-
Fund balances, end of year	\$ 4,789,068	\$ 5,553,008	\$ 763,940

Road and Bridge (11/12/13/14)			Total		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,360,800	\$ 1,391,134	\$ 30,334	\$ 8,340,800	\$ 8,529,231	\$ 188,431
681,380	699,431	18,051	2,444,380	2,487,954	43,574
-	-	-	1,500,000	1,482,869	(17,131)
-	-	-	50,000	66,740	16,740
8,500	16,668	8,168	84,500	79,708	(4,792)
-	-	-	1,122,572	1,083,586	(38,986)
-	-	-	28,000	33,371	5,371
63,147	63,647	500	191,628	247,552	55,924
<u>2,113,827</u>	<u>2,170,880</u>	<u>57,053</u>	<u>13,761,880</u>	<u>14,011,011</u>	<u>249,131</u>
-	-	-	367,285	360,658	6,627
-	-	-	46,302	25,442	20,860
-	-	-	331,236	309,634	21,602
-	-	-	229,426	209,458	19,968
-	-	-	234,571	234,270	301
-	-	-	282,362	279,614	2,748
-	-	-	178,572	173,715	4,857
-	-	-	92,908	77,773	15,135
-	-	-	111,831	109,635	2,196
-	-	-	243,911	237,286	6,625
-	-	-	196,677	192,765	3,912
-	-	-	147,264	141,625	5,639
-	-	-	982,816	980,905	1,911
-	-	-	98,000	94,000	4,000
-	-	-	3,191,085	2,914,856	276,229
-	-	-	10,000	10,000	-
-	-	-	103,443	97,666	5,777
-	-	-	226,272	216,022	10,250
-	-	-	1,619,438	1,512,014	107,424
-	-	-	447,430	434,281	13,149
-	-	-	153,684	114,827	38,857
-	-	-	380,928	339,885	41,043
613,283	474,657	138,626	613,283	474,657	138,626
799,639	623,787	175,852	799,639	623,787	175,852
700,192	590,615	109,577	700,192	590,615	109,577
656,707	537,863	118,844	656,707	537,863	118,844
-	-	-	1,697,820	1,645,055	52,765
-	-	-	501,986	493,654	8,332
-	-	-	51,477	49,822	1,655
<u>2,769,821</u>	<u>2,226,922</u>	<u>542,899</u>	<u>14,696,545</u>	<u>13,481,784</u>	<u>1,214,761</u>
(655,994)	(56,042)	599,952	(934,665)	529,227	1,463,892
-	-	-	100,000	-	(100,000)
(655,994)	(56,042)	599,952	(834,665)	529,227	1,363,892
<u>2,051,325</u>	<u>2,051,325</u>	<u>-</u>	<u>7,019,064</u>	<u>7,019,064</u>	<u>-</u>
<u>\$ 1,395,331</u>	<u>\$ 1,995,283</u>	<u>\$ 599,952</u>	<u>\$ 6,184,399</u>	<u>\$ 7,548,291</u>	<u>\$ 1,363,892</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Funds				
	20	24	25	30	32
	Commissary	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor- Collector
ASSETS					
Cash	\$ 35,300	\$ 2,320	\$ 277	\$ 1,500	\$ 2,675
Investments	-	-	-	-	-
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	11	-	-	-	-
Due from other funds	-	-	401	-	16
Inventory	60	-	-	-	-
Total assets	<u>\$ 35,371</u>	<u>\$ 2,320</u>	<u>\$ 678</u>	<u>\$ 1,500</u>	<u>\$ 2,691</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to others	356	-	-	-	-
Total liabilities	<u>356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	60	-	-	-	-
Restricted	34,955	-	678	1,500	2,691
Committed	-	2,320	-	-	-
Total fund balances	<u>35,015</u>	<u>2,320</u>	<u>678</u>	<u>1,500</u>	<u>2,691</u>
Total liabilities and fund balances	<u>\$ 35,371</u>	<u>\$ 2,320</u>	<u>\$ 678</u>	<u>\$ 1,500</u>	<u>\$ 2,691</u>

Special Revenue Funds

35 Hotel/ Motel Fund	42 District Attorney Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund	50 County Clerk PRF	51 District Clerk PRF
\$ 33,217	\$ 2,894	\$ 35,673	\$ 9,936	\$ 7,592	\$ 131,643	\$ 26,543
-	-	-	-	-	200,975	-
41,865	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,143	11
-	-	-	-	-	-	-
<u>\$ 75,082</u>	<u>\$ 2,894</u>	<u>\$ 35,673</u>	<u>\$ 9,936</u>	<u>\$ 7,592</u>	<u>\$ 336,761</u>	<u>\$ 26,554</u>
\$ -	\$ 1,379	\$ -	\$ -	\$ -	\$ 200	\$ -
-	-	-	490	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>1,379</u>	<u>-</u>	<u>490</u>	<u>-</u>	<u>200</u>	<u>-</u>
-	-	-	-	-	-	-
75,082	1,515	35,673	9,446	7,592	336,561	26,554
-	-	-	-	-	-	-
<u>75,082</u>	<u>1,515</u>	<u>35,673</u>	<u>9,446</u>	<u>7,592</u>	<u>336,561</u>	<u>26,554</u>
<u>\$ 75,082</u>	<u>\$ 2,894</u>	<u>\$ 35,673</u>	<u>\$ 9,936</u>	<u>\$ 7,592</u>	<u>\$ 336,761</u>	<u>\$ 26,554</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Funds				
	52	54	55	56	57
	Preservation of Records	Law Library Fund	Courthouse Security Fund	Justice Technology Fund	Justice Court Security Fee
ASSETS					
Cash	\$ 86,095	\$ 53,266	\$ 21,975	\$ 76,870	\$ 15,258
Investments	-	-	150,732	-	-
Receivables, net:					
Taxes	-	-	-	-	-
Accounts	-	-	108	144	36
Due from other funds	46	105	634	546	138
Inventory	-	-	-	-	-
Total assets	<u>\$ 86,141</u>	<u>\$ 53,371</u>	<u>\$ 173,449</u>	<u>\$ 77,560</u>	<u>\$ 15,432</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,750	\$ 1,709	\$ -	\$ -	\$ -
Accrued liabilities	-	-	803	-	-
Due to other funds	-	-	-	-	-
Due to others	-	-	-	-	-
Total liabilities	<u>1,750</u>	<u>1,709</u>	<u>803</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	84,391	51,662	172,646	77,560	15,432
Committed	-	-	-	-	-
Total fund balances	<u>84,391</u>	<u>51,662</u>	<u>172,646</u>	<u>77,560</u>	<u>15,432</u>
Total liabilities and fund balances	<u>\$ 86,141</u>	<u>\$ 53,371</u>	<u>\$ 173,449</u>	<u>\$ 77,560</u>	<u>\$ 15,432</u>

58 Employee Fund	Debt Service Fund	Capital Projects				Total Other Governmental Funds
	62 Texas Capital Fund	70 Texas Capital Fund	72 Dempsey Facility	74 Capital Improvement Fund	76 Sewer Grant Fund	
\$ 2,736	\$ -	\$ 100	\$ 132,946	\$ 64,092	\$ -	\$ 742,908
-	-	-	150,732	200,960	-	703,399
-	-	-	-	-	-	41,865
394	-	-	-	-	13,773	14,466
-	-	-	-	-	-	6,040
-	-	-	-	-	-	60
<u>\$ 3,130</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 283,678</u>	<u>\$ 265,052</u>	<u>\$ 13,773</u>	<u>\$ 1,508,738</u>
\$ 328	\$ -	\$ -	\$ -	\$ -	\$ 13,773	\$ 19,139
-	-	-	-	-	-	1,293
750	-	-	-	-	-	750
-	-	-	4,560	-	-	4,916
<u>1,078</u>	<u>-</u>	<u>-</u>	<u>4,560</u>	<u>-</u>	<u>13,773</u>	<u>26,098</u>
-	-	-	-	-	-	60
-	-	100	-	-	-	934,038
2,052	-	-	279,118	265,052	-	548,542
<u>2,052</u>	<u>-</u>	<u>100</u>	<u>279,118</u>	<u>265,052</u>	<u>-</u>	<u>1,482,640</u>
<u>\$ 3,130</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 283,678</u>	<u>\$ 265,052</u>	<u>\$ 13,773</u>	<u>\$ 1,508,738</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds				
	20	24	25	30	32
	Commissary	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor-Collector
Revenues					
Licenses, fees and fines	\$ -	\$ -	\$ 5,253	\$ 8	\$ 102
Interest earned	-	5	-	-	14
Occupancy tax	-	-	-	-	-
Federal and state grants	-	-	-	-	-
Commissary revenue	26,924	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>26,924</u>	<u>5</u>	<u>5,253</u>	<u>8</u>	<u>116</u>
Expenditures					
Capital projects	-	-	-	-	-
Commissary	25,512	-	-	-	-
County Attorney	-	-	5,165	-	-
County Clerk	-	-	-	-	-
Courthouse security	-	-	-	-	-
Debt Service - principal	-	-	-	-	-
District Attorney	-	-	-	-	-
Forfeiture expenditures	-	-	-	-	-
General operations	-	250	-	-	-
Hotel/motel tax	-	-	-	-	-
Vending expenditures	-	-	-	-	-
Total expenditures	<u>25,512</u>	<u>250</u>	<u>5,165</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,412	(245)	88	8	116
Fund balances, beginning of year	33,603	2,565	590	1,492	2,575
Fund balances, end of year	<u>\$ 35,015</u>	<u>\$ 2,320</u>	<u>\$ 678</u>	<u>\$ 1,500</u>	<u>\$ 2,691</u>

EXHIBIT C-5

(Page 1 of 2)

Special Revenue Funds						
35 Hotel/ Motel Fund	42 District Attorney Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund	50 County Clerk PRF	51 District Clerk PRF
\$ -	\$ -	\$ -	\$ -	\$ 1,549	\$ 95,660	\$ 9,236
286	28	193	21	33	1,857	149
115,755	-	-	-	-	-	-
-	-	-	27,500	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,250	-	-
<u>116,041</u>	<u>28</u>	<u>193</u>	<u>27,521</u>	<u>2,832</u>	<u>97,517</u>	<u>9,385</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	113,029	-
-	-	-	-	-	-	-
-	-	-	26,168	-	-	-
-	5,759	-	-	-	-	-
-	-	-	-	1,825	-	18,724
115,552	-	-	-	-	-	-
<u>115,552</u>	<u>5,759</u>	<u>-</u>	<u>26,168</u>	<u>1,825</u>	<u>113,029</u>	<u>18,724</u>
489	(5,731)	193	1,353	1,007	(15,512)	(9,339)
74,593	7,246	35,480	8,093	6,585	352,073	35,893
<u>\$ 75,082</u>	<u>\$ 1,515</u>	<u>\$ 35,673</u>	<u>\$ 9,446</u>	<u>\$ 7,592</u>	<u>\$ 336,561</u>	<u>\$ 26,554</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds				
	52 Preservation of Records	54 Law Library Fund	55 Courthouse Security Fund	56 Justice Technology Fund	57 Justice Court Security Fee
Revenues					
Licenses, fees and fines	\$ 10,641	\$ 18,230	\$ 23,314	\$ 14,804	\$ 3,344
Interest earned	1,438	270	1,753	402	74
Occupancy tax	-	-	-	-	-
Federal and state grants	-	-	-	-	-
Commissary revenue	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>12,079</u>	<u>18,500</u>	<u>25,067</u>	<u>15,206</u>	<u>3,418</u>
Expenditures					
Capital projects	-	-	-	-	-
Commissary	-	-	-	-	-
County Attorney	-	-	-	-	-
County Clerk	-	-	-	-	-
Courthouse security	-	-	48,283	-	139
Debt Service - principal	-	-	-	-	-
District Attorney	-	-	-	-	-
Forfeiture expenditures	-	-	-	-	-
General operations	5,101	11,790	-	10,270	-
Hotel/motel tax	-	-	-	-	-
Vending expenditures	-	-	-	-	-
Total expenditures	<u>5,101</u>	<u>11,790</u>	<u>48,283</u>	<u>10,270</u>	<u>139</u>
Net change in fund balances	6,978	6,710	(23,216)	4,936	3,279
Fund balances, beginning of year	77,413	44,952	195,862	72,624	12,153
Fund balances, end of year	<u>\$ 84,391</u>	<u>\$ 51,662</u>	<u>\$ 172,646</u>	<u>\$ 77,560</u>	<u>\$ 15,432</u>

58 Employee Fund	Debt Service Fund	Capital Projects				Total Other Governmental Funds
	62 Texas Capital Fund	70 Texas Capital Fund	72 Dempsey Facility	74 Capital Improvement Fund	76 Sewer Grant Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,141
17	-	-	2,193	2,490	-	11,223
-	-	-	-	-	-	115,755
-	-	-	-	-	34,547	62,047
-	-	-	-	-	-	26,924
4,860	28,000	-	27,360	-	-	61,470
<u>4,877</u>	<u>28,000</u>	<u>-</u>	<u>29,553</u>	<u>2,490</u>	<u>34,547</u>	<u>459,560</u>
-	-	-	3,360	23,733	34,547	61,640
-	-	-	-	-	-	25,512
-	-	-	-	-	-	5,165
-	-	-	-	-	-	113,029
-	-	-	-	-	-	48,422
-	28,000	-	-	-	-	28,000
-	-	-	-	-	-	26,168
-	-	-	-	-	-	5,759
-	-	-	-	-	-	47,960
-	-	-	-	-	-	115,552
3,737	-	-	-	-	-	3,737
<u>3,737</u>	<u>28,000</u>	<u>-</u>	<u>3,360</u>	<u>23,733</u>	<u>34,547</u>	<u>480,944</u>
1,140	-	-	26,193	(21,243)	-	(21,384)
912	-	100	252,925	286,295	-	1,504,024
<u>\$ 2,052</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 279,118</u>	<u>\$ 265,052</u>	<u>\$ -</u>	<u>\$ 1,482,640</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	40 District Attorney Seized Funds	79 Sheriff's Department Civil Process	80 Tax Collection	81 Auto Registration	82 Justice of the Peace Precinct #2
Assets					
Cash	\$ 89,966	\$ 2,096	\$ 175,649	\$ 488,442	\$ 1,730
Investments	-	-	-	-	-
Accounts receivable	-	-	-	53	-
Due from other funds	-	-	-	-	-
Total assets	\$ 89,966	\$ 2,096	\$ 175,649	\$ 488,495	\$ 1,730
Liabilities					
Due to other funds	\$ -	\$ 2,096	\$ 13,701	\$ 42,167	\$ 1,034
Due to others	89,966	-	161,948	446,328	696
Total liabilities	\$ 89,966	\$ 2,096	\$ 175,649	\$ 488,495	\$ 1,730

83	84	85	87	93	94	95
Justice of the Peace Precinct #3	Justice of the Peace Precinct #4	Justice of the Peace Precinct #5	County Treasurer (Special)	County Clerk	County Attorney	District Clerk
\$ 6,134	\$ 5,805	\$ 17,341	\$ 96,463	\$ 184,059	\$ 4,763	\$ 480,059
-	-	-	-	-	-	66,816
513	350	2,371	11,252	-	-	-
-	-	-	14,606	-	-	-
<u>\$ 6,647</u>	<u>\$ 6,155</u>	<u>\$ 19,712</u>	<u>\$ 122,321</u>	<u>\$ 184,059</u>	<u>\$ 4,763</u>	<u>\$ 546,875</u>
\$ 4,256	\$ 4,302	\$ 13,857	\$ 662	\$ 9,597	\$ 401	\$ 48
2,391	1,853	5,855	121,659	174,462	4,362	546,827
<u>\$ 6,647</u>	<u>\$ 6,155</u>	<u>\$ 19,712</u>	<u>\$ 122,321</u>	<u>\$ 184,059</u>	<u>\$ 4,763</u>	<u>\$ 546,875</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	96	97	98	110	
	District Attorney	Public Works	Inmate Trust	Deferred Compensation	Totals
Assets					
Cash	\$ 6,505	\$ 1,440	\$ 779	\$ -	\$ 1,561,231
Investments	-	-	-	393,249	460,065
Accounts receivable	-	-	-	-	14,539
Due from other funds	-	-	-	-	14,606
Total assets	<u>\$ 6,505</u>	<u>\$ 1,440</u>	<u>\$ 779</u>	<u>\$ 393,249</u>	<u>\$ 2,050,441</u>
Liabilities					
Due to other funds	\$ -	\$ 1,380	\$ 556	\$ -	\$ 94,057
Due to others	6,505	60	223	393,249	1,956,384
Total liabilities	<u>\$ 6,505</u>	<u>\$ 1,440</u>	<u>\$ 779</u>	<u>\$ 393,249</u>	<u>\$ 2,050,441</u>

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - COMMISSARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Revenues	
Commissary revenue	\$ 18,711
Phone card revenue	7,609
Over-the-counter revenue	596
Other income	8
Total revenues	<u>26,924</u>
Expenditures	
Commissary:	
Operations and management	1,600
Phone card expense	6,688
Commissary supplies	4,193
Over-the-counter supplies	675
Indigent supplies	4,215
Inmate education	2,198
Cable TV	503
Miscellaneous expense	3,174
Capital expense	2,266
Total expenditures	<u>25,512</u>
Excess of revenues over expenditures	1,412
Fund balance, beginning of year	<u>33,603</u>
Fund balance, end of year	<u>\$ 35,015</u>

INTERNAL CONTROL AND COMPLIANCE



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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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*

To The Honorable County Judge and County Commissioners
Palo Pinto 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 Palo Pinto County, Texas (County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
January 14, 2014



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To The Honorable County Judge and County Commissioners
Palo Pinto County, Texas

Report on Compliance for Each Major Federal Program

We have audited Palo Pinto County, Texas' (County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2013. The County's major federal program is 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 the 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 the 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 major federal program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the County's internal control over compliance.

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. 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.

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

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.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
January 14, 2014

PALO PINTO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

A. Summary of Auditor's Results

Unmodified opinions were issued on the financial statements, except for the Governmental Activities' and General Fund's financial statements, which were qualified opinions since the judicial receivables are not reported.

The audit disclosed no significant deficiencies or material weaknesses relating to the audit of the financial statements in the 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*.

The audit disclosed no noncompliance that is material to the financial statements.

The audit disclosed no significant deficiencies or material weaknesses relating to the audit of the major federal award program in the Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

An unqualified opinion was issued on compliance for major programs.

The audit disclosed no audit findings that are required to be reported in this schedule under OMB Circular A-133.

Major program is as follows:

97.046 Fire Management Assistance Grant

The threshold used to distinguish between Type A and Type B programs was \$300,000.

The County was classified as a low-risk auditee in the context of OMB Circular A-133.

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted *Government Auditing Standards*

None

C. Findings and Questioned Costs for Federal Awards

None

PALO PINTO COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2013

There were no findings or questioned costs for the year ended September 30, 2013; consequently, a corrective action plan is not required.

PALO PINTO COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

There were no prior year findings or questioned costs.

PALO PINTO COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures and Indirect Costs</u>
<u>U.S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
Community Development Block Grant/ Texas Capital Fund - Loan Program (outstanding loan balance)	711022	14.228	\$ 518,000
Community Development Block Grant Sewer Grant	712270	14.228	<u>34,547</u>
Total U.S. Department of Agriculture			<u>552,547</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Bureau of Justice Assistance: State Criminal Alien Assistance Program	2012-AP-BX-0173	16.606	<u>3,127</u>
Total U.S. Department of Justice			<u>3,127</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety:			
Fire Management Assistance Grant	FM 2814 TX	97.046	5,003
Fire Management Assistance Grant	FM 2814 TX	97.046	805,375
Fire Management Assistance Grant	FM 2814 TX	97.046	<u>126,189</u>
Total CFDA # 97.046			<u>936,567</u>
Total U.S. Department of Homeland Security			<u>936,567</u>
Total Expenditures of Federal Awards			<u>\$ 1,492,241</u>

PALO PINTO COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Note 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Palo Pinto County, Texas (County). The County's reporting entity is defined in Note 1 to the County's financial statements. All financial assistance received directly from federal agencies, as well as federal financial awards passed through other government agencies, is included on this schedule.

Note 2 - BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Most federal grant funds were accounted for in the Capital Projects Fund, a component of the Governmental Fund types. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable.

Federal grant funds are ordinarily considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Note 3 - CONTINGENCIES

The County participates in various federal programs, on both a direct and state pass-through basis. In connection with these programs, the County is required to comply with specific terms and agreements as well as applicable federal laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives.

Since such programs are subject to audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the County expects the resulting liability to be immaterial.