

STATE OF TEXAS
PARMER COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

(This page intentionally left blank)

INTRODUCTORY SECTION

(This page intentionally left blank)

STATE OF TEXAS
 Parmer County
 Table of Contents
 December 31, 2013

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-11
Management's Discussion and Analysis		12-17
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	A-1	20
Statement of Activities	A-2	21
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	22
Reconciliation of the Balance Sheet to the Statement of Net Position		23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	B-2	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		25
Statement of Revenues, Expenditures and Changes in Fund Balance–Budget (Non-GAAP Budgetary Basis) and Actual – General Fund		
General Fund	C-1	27
Road & Bridge Combined Special Revenue Funds	C-2	28-29
Statement of Fiduciary Assets and Liabilities – Agency Funds	D-1	30-31
NOTES TO THE FINANCIAL STATEMENTS		33-51
SUPPLEMENTARY INFORMATION		
<u>Statement</u>		
COMBINING AND INDIVIDUAL FUND STATEMENTS:		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	55
SUPPORTING SCHEDULES		
<u>Schedule</u>		
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
Jury Fund Special Revenue Fund	I	58
R.O.W. Special Revenue Fund	II	59
Permanent Improvement Special Revenue Fund	III	60
Parmer County Forfeiture Special Revenue Fund	IV	61
State Fees Special Revenue Fund	V	62
Debt Service Fund	VI	63
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	VII	64-65

(This page intentionally left blank)

STATE OF TEXAS
 Parmer County
 Official Roster
 December 31, 2013

<u>Name</u>	<u>Elected Officials</u>	<u>Title</u>
Kirk Frye		Precinct 1 - Commissioner
James Clayton		Precinct 2 – Commissioner
Kenny White		Precinct 3 – Commissioner
Lloyd Bradshaw		Precinct 4 – Commissioner
Trey Ellis		County Judge
Altha Herington		County Treasurer
Colleen Stover		County Clerk
Bobbie Pierson		Tax Assessor/Collector
Randy Geries		Sheriff
Pam Haseloff		JP Farwell
Sandra Clayton		JP Bovina
Jo Beth Gibson		JP Friona
Jeff Actkinson		County Attorney
Sandra Warren		District Clerk
	<u>Appointed Official</u>	
Larry Johnston		County Internal Auditor

(This page intentionally left blank)

FINANCIAL SECTION



Pratas, Smith & Moore, LLC

A member of Accounting & Consulting Group, LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
Members of the Commissioners' Court
Parmer County
Farwell, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Parmer County, Texas (the County), as of and for the year ended December 31, 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. 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Parmer County, Texas, as of December 31, 2013, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Road and Bridge Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

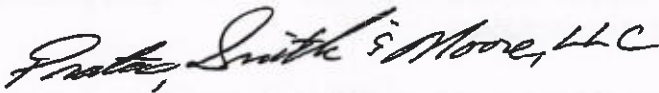
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 Parmer County, Texas's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, and the supporting schedules I through VII are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the supporting schedules I through VII 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Pratas, Smith & Moore, LLC
A member of Accounting & Consulting Group, LLP
Lubbock, Texas
June 6, 2013

STATE OF TEXAS
Parmer County
Management's Discussion and Analysis
December 31, 2013

As management of Parmer County (the County), we offer readers of Parmer County financial statements this narrative overview and analysis of the financial activities of Parmer County for the calendar year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements of Parmer County and additional information provided.

Financial Highlights

- The assets of Parmer County exceeded its liabilities at the close of the most recent calendar year by \$9,178,492 (net position). Of this amount, \$3,604,079 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors. The County's net position that is restricted for debt service and special revenue funds is \$2,637,959. The County's net investment in capital assets is \$2,936,454.
- Change in net position for the year end was an increase of \$190,108. The increase is primarily due to a increase in charges for services and an decrease in expenses.
- At the end of the current calendar year, unassigned fund balance for the general fund was \$2,101,102 or 72 percent of total general fund expenditures.
- The County's total debt outstanding at December 31, 2013 is \$2,275,604.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Parmer County's basic financial statements. Parmer County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 readers with a broad overview of Parmer County's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent calendar year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future calendar periods (e.g., uncollected taxes).

Both of the government-wide financial statements display functions of Parmer County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Parmer County include general government, judicial and legal, financial administration, law enforcement, building maintenance, public service, conservation, and road and bridge.

The government-wide financial statements can be found at Exhibits A-1 and A-2 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. Parmer 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 Parmer County can be divided into two categories: governmental funds and fiduciary funds.

STATE OF TEXAS
Parmer County
Management's Discussion and Analysis
December 31, 2013

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 statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the calendar 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 government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Parmer County has three governmental fund types which are the general fund, special revenue funds, and the debt service fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, and the debt service fund, which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Parmer County adopts an annual appropriated budget for its general fund, road and bridge fund, and various other special revenue funds. A budgetary comparison statement has been provided for the general fund, the road and bridge fund, the debt service fund, and the nonmajor special revenue funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found at Exhibits B-1 and B-2 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 Parmer County's own programs.

The basic fiduciary fund financial statement can be found at Exhibit D-1 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 51 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 54 through 65 of this report.

STATE OF TEXAS
 Parmer County
 Management's Discussion and Analysis
 December 31, 2013

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 Parmer County, assets exceeded liabilities by \$9,178,492 at the close of the most recent calendar year. The County had revenues that exceeded expenditures during the year in the amount of \$190,108 which increased net position in the current year.

Parmer County's net position reflects its investment in capital assets (e.g., land, buildings, other improvements, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. This net position category of \$2,936,454 reflects that Parmer County has more net cost value than debt related to its capital assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Parmer County's Net Position
 December 31, 2013**

	Governmental Activities	
	2013	2012
Current and other assets	\$ 6,354,871	\$ 6,623,834
Capital assets	5,212,058	5,330,359
Total assets	\$ 11,566,929	\$ 11,954,193
Current liabilities	\$ 392,052	\$ 633,657
Noncurrent liabilities	1,996,385	2,262,834
Total liabilities	\$ 2,388,437	\$ 2,896,491
Net position:		
Net investment in capital assets	\$ 2,936,454	\$ 2,917,904
Restricted for:		
Debt service	307,760	187,784
Records management	113,893	104,940
Other purposes - special revenue	2,216,306	1,250,013
Unrestricted	3,604,079	4,597,061
Total net position	\$ 9,178,492	\$ 9,057,702

STATE OF TEXAS
Parmer County
Management's Discussion and Analysis
December 31, 2013

Changes in Net Position

The County's total revenues of \$4,942,826 and expenses of \$4,752,718 resulted in a change in net position of \$190,108. Comparative information for changes in net position is shown below.

Parmer County's Change in Net Position
December 31, 2013

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,104,125	\$ 917,368
Operating grants and contributions	104,207	88,931
General revenues:		
Property and other taxes	3,260,986	3,265,129
Fines and forfeitures	144,591	152,787
Interest income	42,082	49,487
Miscellaneous income	121,960	117,073
Gain (Loss) on disposal of assets	164,875	9,562
Total revenues	4,942,826	4,600,337
Expenses:		
General government	1,005,341	1,004,234
Judicial	500,867	489,321
Legal	261,535	250,937
Public safety	1,342,378	1,318,713
Health and welfare	103,356	97,752
Road and bridge	1,501,213	1,436,730
Interest on long-term debt	38,028	119,119
Total expenditures	4,752,718	4,716,806
Increase (decrease) in net position	190,108	(116,469)
Net position - beginning	9,057,702	9,069,231
Net position - restatement (Note 14)	(69,318)	104,940
Net position - as restated	8,988,384	9,174,171
Net position - ending	\$ 9,178,492	\$ 9,057,702