

Judge's

PARMER COUNTY, TEXAS

FINANCIAL
STATEMENTS

AND

INDEPENDENT AUDITOR'S
REPORT

YEAR ENDED

DECEMBER 31, 2010

PARMER COUNTY, TEXAS

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Kirkland, Kirkland & Company, P.C.

Jack A. Kirkland, CPA

Certified Public Accountants

Michele Kirkland, CPA

P.O. Box 920 Farwell, Texas 79325
Phone 806-481-3321 Fax 806-481-3669
E-Mail: kkcpa@suddenlinkmail.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners' Court
Parmer County, 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, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Parmer County, Texas's management. Our responsibility is to express an 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 26 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise of Parmer County, Texas's financial statements as a whole. The combining and other fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information (MD&A, budgetary schedules, and other supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kirkland, Kirkland & Company, PC

Kirkland, Kirkland & Co. P.C.

Farwell, Texas
July 8, 2011

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

As management of Parmer County, we offer readers of Parmer County's financial statements this narrative overview and analysis of the financial activities of the Parmer County for the calendar year ending December 31, 2010.

Financial Highlights

Government-Wide Financial Statements

- The assets of Parmer County exceeded its liabilities at the close of the most recent calendar year by \$9,023,886.29 (*net assets*). Of this amount, \$5,911,938.50 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. \$2,769,563.31 of the County's equity is invested in capital assets, net of related debt.
- The County's total debt outstanding at December 31, 2010 is \$2,847,821.42.
- The net assets (*equity*) of the County increased by \$279,142.30 during 2010.

Fund Financial Statements

- As of the close of the current year, Parmer County's governmental funds reported combined ending fund balances of \$3,267,304.24. This fund balance reflects a decrease of \$335,921.70 for the current year. Approximately 90% of this total amount, \$2,924,919.76, is *available for spending* at the government's discretion.
- At the end of the current year, reserved fund balances were \$342,384.48.

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 comprise 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 *statement of net assets* presents information on all of Parmer County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods (e.g., uncollected taxes).

The government-wide financial statements reflect 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, legal, financial administration, law enforcement, building maintenance, public service, conservation, and road and bridge.

The government-wide financial statements can be found on pages 8-9 of this report.

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

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.

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 on 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, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Parmer County maintains two governmental fund types which are the general fund and special revenue 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, the road and bridge fund, the debt service fund, which are considered to be major funds. Data from the other non-major governmental funds are combined into the aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 10-13 of 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 and the debt service fund to demonstrate compliance with these budgets on pages 26-30.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as Agency Funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statement can be found on page 14 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 15-25 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and agency funds are presented immediately following the required supplementary information. Combining statements and other can be found on pages 31-34 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Parmer County, assets exceeded liabilities by \$9,023,886.29 at the close of the most recent calendar year. Comparative information for net assets is shown below in summarized form.

\$2,769,563.31 of Parmer County's net assets (31 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is outstanding. Parmer County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Parmer 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 Assets

	Governmental Activities	
	2010	2009
Current and Other Assets	\$ 6,714,226.16	\$ 6,893,650.36
Capital Assets	5,540,042.44	4,891,118.66
Total Assets	12,254,268.60	11,784,769.02
Long-term Liabilities Outstanding	2,579,283.59	2,525,129.86
Other Liabilities	651,098.72	514,895.17
Total Liabilities	3,230,382.31	3,040,025.03
Invested in capital assets, net of related debt	2,769,563.31	2,194,060.94
Restricted	342,384.48	323,752.03
Unrestricted	5,911,938.50	6,226,931.02
Total Net Assets	\$ 9,023,886.29	\$ 8,744,743.99

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

The government's net assets increased by \$279,142.30 during the current calendar year. Comparative information for changes in net assets is shown below.

Parmer County's Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program Revenues:		
Charges for Services	\$ 852,632.45	\$ 895,211.22
Operating Grants and Contributions	262,368.92	212,879.91
General Revenues:		
Property and Other Taxes	2,940,812.25	3,967,859.60
Fines and Forfeitures	254,868.00	284,696.73
Interest Income	36,227.69	16,825.43
Gain (Loss) on disposal of assets	34,012.15	-
Miscellaneous Income	45,487.08	72,881.65
Total Revenues	<u>4,426,408.54</u>	<u>5,450,354.54</u>
Expenses:		
General Government	851,268.99	1,022,563.17
Judicial	481,612.99	461,637.28
Financial Administration	228,815.86	231,984.12
Law Enforcement	1,309,179.48	1,083,826.56
Building Maintenance	52,350.48	55,794.30
Public Service	22,322.26	20,450.26
Conservation	84,048.53	80,040.03
Road and Bridge	996,024.95	1,017,762.51
Interest on Long-term Debt	121,642.70	130,206.81
Total Expenditures	<u>4,147,266.24</u>	<u>4,104,265.04</u>
Increase in net assets	279,142.30	1,346,089.50
Net Assets - Beginning	8,744,743.99	8,574,750.44
Prior Period Adjustment	-	(1,176,095.95)
Net Assets - Ending	<u>\$ 9,023,886.29</u>	<u>\$ 8,744,743.99</u>

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

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

Governmental funds. The focus of Parmer County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Parmer County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

As of the end of the current calendar year, Parmer County's governmental funds reported combined ending fund balances of \$3,267,304.24. Approximately 90 percent of this total amount (\$2,924,919.76) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* for special revenue purposes to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the County. The unreserved fund balance represents 59% of the total general fund expenditures or approximately 7 months of operating equity.

Fund Budgetary Highlights

The final budget for the General fund reflected a deficit of \$227,020.27 which decreased the fund balance. Budget amendments to expenditures were made during the year within the general fund departments. The actual expenditures were \$207,453.00 less than the final budgeted amounts, and actual revenues were \$64,721.42 less than the final budgeted amounts. This resulted in an favorable budget variance of \$147,731.58.

In the Road and Bridge fund, the final budget reflected a deficit of \$86,392.46 which decreased the fund balance. The actual expenditures were \$94,391.19 less than the final budgeted amounts and actual revenues were \$13,288.11 less than the final budgeted amounts. This resulted in a favorable budget variance of \$81,103.08.

In the Debt Service fund, the final budget reflected a deficit of \$2,993.36 which decreased the fund balance. The actual expenditures were the same as the final budgeted amounts. The actual revenues were \$11,283.24 less than the final budgeted amounts. This resulted in an unfavorable budget variance of \$11,283.24.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Parmer County's investment in capital assets for its governmental activities as of December 31, 2010, amounts to \$5,540,042.44 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The County's infrastructure assets have not been capitalized at December 31, 2010. Comparative information for capital assets (net of accumulated depreciation) is shown below.

**Parmer County's Capital Assets
(net of accumulated depreciation)**

	Governmental Activities	
	2010	2009
Land	\$ 43,472.00	\$ 43,472.00
Buildings and Improvements	3,091,584.15	3,136,010.66
Machinery and Equipment	2,404,986.29	1,711,636.00
Total	\$ 5,540,042.44	\$ 4,891,118.66

Additional information on Parmer County's capital assets can be found in Note 2 on page 20 of this report.

Debt Administration

- **Certificates of Obligation.** At the end of the current fiscal year, the County had outstanding certificates of obligation of \$2,445,000.00.
- **Notes Payable.** The County's note payables at December 31, 2010 were \$402,821.42.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The property tax rate was set at .3973 for maintenance and operations and at .0976 for debt service, for a total tax rate of .4949.
- The unemployment rate for Parmer County was 4.7 percent for calendar year 2010. This compares favorably to the state's average unemployment rate of 8.2 percent and the national average rate of 9.6 percent.
- The agriculture economy in the region is stable.
- No new major projects are planned for the County in the coming year.

All of these factors were considered in preparing Parmer County's budget for the 2010 calendar year.

Requests for Information

This financial report is designed to provide a general overview of Parmer County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, Parmer County Courthouse, P.O. Box 454, Farwell, Texas 79325.

BASIC FINANCIAL STATEMENTS

PARMER COUNTY, TEXAS
Statement of Net Assets
December 31, 2010

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,962,492.46
Receivables (net of allowance for uncollectibles)	
Property taxes	2,612,597.68
Fines and forfeitures	139,136.02
Capital assets (net of accumulated depreciation)	
Land	43,472.00
Buildings and improvements	4,086,487.37
Improvements other than buildings	229,518.95
Machinery and equipment	4,007,104.38
Accumulated depreciation	(2,826,540.26)
Other Current Assets	-
	12,254,268.60
Total assets	
LIABILITIES	
Accounts payable	143,058.48
Accrued interest payable	56,891.24
Due to others	182,611.17
Due to other governments	-
Noncurrent liabilities:	
Due within one year	268,537.83
Due in more than one year	2,579,283.59
	3,230,382.31
Total liabilities	
NET ASSETS	
Invested in capital assets, net of related debt	2,769,563.31
Restricted for debt service	118,914.62
Restricted General	106,494.70
Restricted - Other Nonmajor Governmental Funds	116,975.16
Unrestricted	5,911,938.50
	9,023,886.29
Total net assets	\$ 9,023,886.29

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