

**Accounting & Consulting Group, LLP**

Certified Public Accountants



**STATE OF TEXAS**  
**PARMER COUNTY**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**INTRODUCTORY SECTION**

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**Parmer County**  
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**December 31, 2011**

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STATE OF TEXAS  
Parmer County  
Official Roster  
December 31, 2011

<u>Name</u>	<u>Elected Officials</u>	<u>Title</u>
Kirk Frye		Precinct 1 - Commissioner
James Clayton		Precinct 2 - Commissioner
Ronald Byrd		Precinct 3 - Commissioner
Lloyd Bradshaw		Precinct 4 - Commissioner
Trey Ellis		County Judge
Altha Herington		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



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**FINANCIAL SECTION**

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**Pratas, Smith & Moore, LLC**

A member of Accounting & Consulting Group, LLP  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S 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, the budgetary comparison for the General Fund and the aggregate remaining fund information of Parmer County, Texas (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no opinion on the County's internal control. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinion.

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, as of December 31, 2011, and the respective changes in financial position thereof, 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 on pages 13 through 19 and 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 position in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements as a whole. The accompanying financial information listed as Supporting Schedules I through VII in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and each of the nonmajor governmental fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements and nonmajor governmental funds financial statements, taken 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 express no opinion on it.



Pratas, Smith & Moore, LLC  
A member of Accounting & Consulting Group, LLP  
Lubbock, Texas  
June 28, 2012

**STATE OF TEXAS**  
Parmer County  
Management's Discussion and Analysis  
December 31, 2011

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, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements of Parmer County and additional information

**Financial Highlights**

- The assets of Parmer County exceeded its liabilities at the close of the most recent calendar year by \$9,069,231 (net assets). Of this amount, \$5,831,234 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors. The County's equity that is restricted for debt service and special revenue funds is \$294,231. The County's equity invested in capital assets, net of related debt is \$2,943,766.
- Change in net assets for the year end was an increase of \$45,345. 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, unreserved, undesignated fund balance for the general fund was \$2,214,724 or 82 percent of total general fund expenditures.
- The County's total debt outstanding at December 31, 2011 is \$2,736,667

**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 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 calendar 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 calendar periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Parmer County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs. 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.

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Parmer County  
Management's Discussion and Analysis  
December 31, 2011

**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 two governmental fund types which are the general fund and special revenue funds. 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, 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, 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.

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 statements 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 32 thru 48 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 51 and 53 of this report.

**STATE OF TEXAS**  
**Parmer County**  
**Management's Discussion and Analysis**  
**December 31, 2011**

**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 Parmer County, assets exceeded liabilities by \$9,069,231 at the close of the most recent calendar year. The County also had revenues that exceeded expenditures during the year in the amount of \$45,345 which increased net assets in the current year.

Parmer County's net assets 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 asset category of 2,943,766 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 Assets**  
**December 31, 2011**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,511,562	\$ 6,714,226
Capital assets	5,680,433	5,540,042
Total assets	<u>\$ 12,191,995</u>	<u>\$ 12,254,268</u>
Current Liabilities	\$ 697,824	\$ 651,099
Noncurrent liabilities	2,424,940	2,579,284
Total liabilities	<u>3,122,764</u>	<u>3,230,383</u>
Net assets:		
Invested in capital assets, net of related debt	2,943,766	2,769,563
Restricted for:		
Debt service	75,006	118,913
Records management	102,250	106,495
Other purposes - special revenue	116,975	116,975
Unrestricted	<u>5,831,234</u>	<u>5,911,939</u>
Total net assets	<u>\$ 9,069,231</u>	<u>\$ 9,023,885</u>



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**Management's Discussion and Analysis**  
**December 31, 2011**

**Changes in Net Assets**

The County's total revenues of \$4,755,128 and program expenses of \$4,709,783 resulted in a change in net assets of \$45,345. Comparative information for changes in net assets is shown below.

**Parmer County's Change in Net Assets**  
**December 31, 2011**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,022,394	\$ 852,632
Operating grants and contributions	87,797	262,369
General revenues:		
Property and other taxes	3,097,851	2,940,812
Fines and forfeitures	168,304	254,868
Interest income	39,081	36,228
Miscellaneous income	68,134	45,487
Gain (Loss) on disposal of assets	271,567	34,012
Total revenues	<u>4,755,128</u>	<u>4,426,408</u>
Expenses:		
General government	980,380	925,941
Judicial	471,995	481,613
Legal	241,200	228,816
Public safety	1,282,036	1,309,179
Health and welfare	92,894	84,049
Road and bridge	1,516,649	996,025
Interest on long-term debt	124,629	121,643
Total expenditures	<u>4,709,783</u>	<u>4,147,266</u>
Increase in net assets	45,345	279,142
Net assets - beginning	<u>9,023,886</u>	<u>8,744,744</u>
Net assets - ending	<u>\$ 9,069,231</u>	<u>\$ 9,023,886</u>